

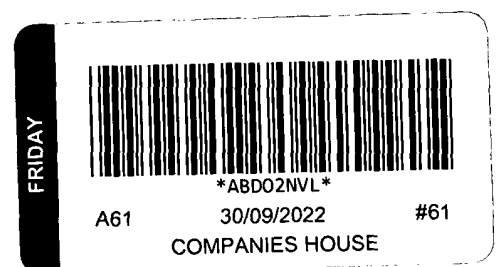
Edwards Limited

Annual Report and Financial Statements

For the year ended 31 December 2021

Registered office:
Innovation Drive, Burgess Hill
West Sussex, RH15 9TW

Registered in England and Wales: 06124750



Annual Report for the Financial year ended 31 December 2021

Contents	Pages
Company information	3
Strategic report and S.172 (1) statement	4 - 6
Directors' report	7 - 9
Directors' responsibilities statement	10
Independent auditor's report to the members of Edwards Limited	11 - 13
Income statement	14
Statement of comprehensive income	15
Balance sheet	16
Statement of changes in equity	17
Notes to the financial statements	18 - 46

Edwards Limited

Registered in England and Wales: 06124750

Company information

Directors

Alex Bongaerts
Geert Follens
Kurt Vandingenen (appointed 8 July 2022)

Company secretary

Caroline Peace

Company registration number

06124750

Registered office

Innovation Drive
Burgess Hill
West Sussex
RH15 9TW
United Kingdom

Independent Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF
United Kingdom

Bankers

SEB
One Carter Lane
London
EC4V 5AN

Solicitors

DLA Piper UK LLP
3 Noble Street
London EC2V 7EE

Strategic Report for the Financial year ended 31 December 2021

The directors present their strategic report for Edwards Limited (“Edwards” and “the Company”) for the year ended 31 December 2021.

Overview and objectives

Edwards is a part of the Atlas Copco Group, which is a world-leading provider of sustainable productivity solutions. The Group serves customers in more than 180 countries with products and service focused on productivity, energy efficiency, safety and ergonomics. The vision is to become and remain First in Mind-First in Choice® with its employees, customers and other stakeholders. This principle also drives the Group’s strategy, which is to achieve sustainable profitable growth.

Principal activities

The Company acts as an intermediate parent company for most of the worldwide Edwards subsidiaries. All subsidiaries, if trading, are engaged in the manufacture and supply of vacuum products, abatement solutions and related services.

Business review and key performance indicators

Edwards has considered financial measures in defining key performance indicators. The table below lists the key performance indicators for the Company:

	Year ended 31 December		% change
	2021 £'000	2020 £'000	
Revenue	829,044	865,979	(-4.3%)
Gross profit	358,539	449,662	(-20.3%)
Gross profit percentage	43.2%	51.9%	
Operating profit	251,396	362,414	(-30.6%)
Operating profit percentage	30.3%	41.9%	
Net profit	306,985	445,366	(-31.1%)

Despite the COVID-19 Pandemic impacting the global economy over the previous two years, Edwards Limited continued to perform well. The Chinese market in particular, saw continued growth with a strong demand for Vacuum and abatement products. With much of the globe moving to a more flexible work from home environment due to the pandemic, there was an increased demand for consumer products which are manufactured using Semiconductor technology.

Revenue and other KPI’s in both years are impacted by Royalty revenue received from subsidiaries, in particular, a profit transfer arrangement with the Korean tax authority relating to profits in Edwards Korea which is wholly owned by Edwards Limited. In 2020 the amount was backdated and related to previous six years (2015 - 2020) for an amount of £203.8m. In 2021 there is only one year of transfer relating to the current year in amount of £102.4m. This has a significant impact on the comparatives. With these amounts removed, the revenue of 2021 is £730.6m compared to 2020 £662.2m, representing movement of £68.4m (increase of 10.3%). This increase has been driven by the reasons outlined above. The other comparatives are also impacted as follows, Gross Profit 2021 £260.1m (2020: £245.9m) an 5.8% increase, Gross Profit percentage 2021 35.6% (2020: 37.1%), Operating Profit 2021 £152.9m (2020: 158.6m) a 3.6% reduction, Operating profit percentage 2021 20.9% (2020: 24.0%) and net profit 2021 £208.5m (2020: 241.6m), a 14% decrease. The decrease in both gross and operating margins is largely driven by increased costs in relation to growing the business in line with orders to ensure capacity and demand can be met.

Operating results are also impacted by foreign exchange gains and losses, in 2021 there is a gain of £1.8m, in 2020 there is a gain of £3.8m representing a £2.0m swing year on year.

Working capital balance have increased through 2021. This is largely in relation to the market in which the Company operates and the contractual terms of sales. Timing of shipments has also impacted inventory.

Strategic Report for the Financial year ended 31 December 2021 (continued)**Future developments**

The Directors are confident that the overall Atlas Copco Group strategy will continue to yield profitable growth for both the group and the Company. The Company will continue its focus to increase market coverage and introduce highly innovative products and services which offer better value and improved energy efficiency.

The Directors have strongly considered the impacts of the COVID-19 pandemic over the previous two years on the Company. Since the onset of COVID, the underlying business has grown, with strong order intake and increased revenues yielding profitable results. This demonstrates COVID is not expected to have a negative impact on the Company.

The Directors are closely monitoring developments of the conflict in Ukraine. So far, the conflict has not had a significant impact on the Company. The Directors do not anticipate the conflict has any serious or lasting influence on the Company.

Principal risks and uncertainties

The Company's principal risks include the worldwide economic situation, market growth and cyclicity, new product introduction, customer relationships, production and supply chain, taxation and financial counterparty credit risk. The Company participates in the Atlas Copco Group risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring and reviewing risks; taking appropriate actions and by adopting suitable policies to mitigate risks.

The conflict in Ukraine is being closely monitored by the Company. To date, there has been no significant impacts. The future risk lies in the potential uncertainty of supplies of certain components that are currently sourced from the region. To mitigate this risk the Company and the wider group are seeking alternative sources for these components.

Financial risk management**Cash flow risk**

Surplus cash is lent to the group's in-house treasury companies via cash-pooled bank accounts. Such deposits are repayable on demand.

The Company is at risk from interest rate movements on loans with fellow group undertakings. There is a foreign exchange risk on trading and derivatives are used to mitigate this risk (see note 2.12).

Credit risk

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Exposure to credit risk is monitored on an on-going basis. There is no significant concentration of current debtors.

Liquidity Risk

The Company forecasts its short and longer term cash needs. The Company invests its surplus funds with or requests funding from the Group's in-house treasury companies via the cash-pooled bank accounts.

Environmental, Health and Safety Regulations

The Company is subject to a variety of laws, rules and regulations regarding the protection of the environment, health and safety, energy efficiency and product safety. The Company has a global 3rd party certification from Lloyds Register Quality Assurance (LRQA) to ISO9001, ISO14001 and OHSAS 18001 for its management systems for quality, environment and safety.

Strategic Report for the Financial year ended 31 December 2021 (continued)**S.172 (1) statement**

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In discharging our section 172 duties, we consider the interests and views of all our key stakeholders. In reaching our decisions we consider our purpose, vision, values and the Group's strategic priorities as outlined in the Annual Report of Atlas Copco AB (<https://www.atlascopcogroup.com/en/investor-relations/financial-reports-presentations/financial-publications>). We have a process in place for decision-making and we aim to make sure that our decisions are consistent across the board. In taking the aforementioned into account, we note that the decisions we ultimately make will not necessarily result in a positive outcome for all of our stakeholders.

As is normal for large companies, we delegate authority for day-to-day management to the management team and then engage them in setting, approving and overseeing execution of the business strategy and related policies. We review health and safety, financial and operational performance and legal and regulatory compliance at our Board meetings.

Employees: We engage with our employees throughout the year on a number of topics. Employees are encouraged to participate in the group-wide employee insight survey which takes place every other year. We hold regular business area webinars, town hall meetings and operate an "open door" policy.

Customers: Our customers are each assigned a key account manager who will liaise with them throughout the life of each contract. Customers are encouraged to provide feedback. We also send out a survey each month to some of our customers in order to evaluate their satisfaction of our customers and address any of their concerns.

Suppliers: We have an open and transparent engagement style with our suppliers in line with our business code of practice. We engage on a number of matters including quality, Health & Safety, environmental issues and ethics.

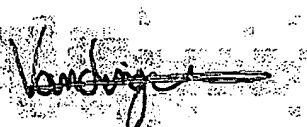
The Directors of the Company aim to meet formally at board meetings twice per year. At these meetings general performance and the affairs of the Company are reviewed, and key decisions approved or ratified. Specifically, during the financial year 2021, a number of decisions were made by the Board. These included;

Declaration of dividend: Each year, the Board makes an assessment of the strength of the Group's balance sheet and future prospects. As a result, the Board approved a dividend payment to the sole shareholder, Atlas Copco UK Holdings Limited of £220,000,000. In making this decision the Board considered a range of factors, including the long-term viability of the Company, its expected cash flow and financing requirements.

Payment practices: Following the introduction of the requirement for large companies to broadly report on a half yearly basis on their payment practices, policies and performance, the Board has introduced processes and KPIs to monitor payment practices and improve on the number of invoices paid on time. The Board is keen to build strong relationships with our suppliers and prompt payment is important to us.

Capital Injection to Edwards Korea Limited: In October 2021 the board took the decision to make a capital injection to Edwards Korea Limited. This was in connection with an incentive for foreign investment from the South Korean tax authorities. The board assessed the impact the arrangement and associated transactions would have on the Company before concluding the Capital Injection should be made.

This report was approved by the board of directors on 30 September 2022 signed on its behalf by:



Kurt Vandingenen
Director

Directors' report for the Financial year ended 31 December 2021

The directors present their annual report and audited financial statements of the Company for the year ended 31 December 2021.

Directors

The directors of the Company during the year and up to the date of signing the financial statements were:

Alex Bongaerts
Geert Follens
Kurt Vandingenen (appointed 8 July 2022)
Gareth Harte (resigned 8 July 2022)

Dividends

Dividend for 2021 of £220,000,000 was paid on 16 April 2021 (2020: £366,382,991).

The directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: £nil).

Going concern

The directors are confident, after having made appropriate enquiries that the Company has adequate resources to continue in operation for the period at least up to 30 September 2023. The Company was not significantly impacted from COVID-19, with strong orders and market growth leading to improved operating results throughout the period. The Directors have considered both the operating, and cash flow forecasts for the period noted above. These have been prepared using both internal and external data including order pipeline, market knowledge and external market outlooks. These forecasts show continued strong results for the period, being driven by market growth, especially in the Semiconductor chip sector which is seeing unprecedented growth. This will lead to strong demand for Vacuum products. The Directors have reverse stress tested these forecasts for several scenarios. They have concluded there is more than adequate liquidity headroom available even in extreme downward scenarios. The Directors have also considered the impacts of the conflict in Ukraine on the future of the Company. So far, the conflict has not had a significant impact on the operations or results of the Company. The Directors will continue to closely monitor the situation and its impact. However, it is not anticipated that the conflict will result in any significant influence on the business. The Company has a cash pooling facility with the Group, with immediately available funds, over which, the Company has control, should they be needed. It is not expected the Company will rely on this funding during the period, with current and outlook cash flows indicating a positive cash position. Further to this, the Directors have also considered the operations of its subsidiary companies. As all the companies operate within the same overall Vacuum market, it is considered that the subsidiary outlooks will be wholly similar to that of the Company. Therefore, it is not expected that any asset values in relation to these investments are impacted. The Directors continue to adopt the going concern basis in preparation of these financial statements.

Directors' indemnities

The directors have the benefit of the indemnity provisions contained in the Company's Articles of Association, subject to the conditions set out in s234 of the Companies Act 2006. These provisions were in force throughout the last financial year and remain in force as at the date of approval of the Directors' report.

Employee policies

The Company recognises the importance of its employees and has policies and procedures in place covering, among other things, recruitment, training, personal and professional development, talent development and succession planning.

Two-way communication is encouraged and appropriate formal and informal channels that, where necessary, comply with local statutory requirements are in place to share relevant information.

The diversity of employees is valued, and the Company strives to maintain a workplace free from discrimination for whatever reason. Disability is not considered a barrier to employment and, as far as local conditions allow, employees are selected on the basis of their ability to perform the job.

Directors' report for the Financial year ended 31 December 2021

Employee policies (continued)

The Company operates a Code of Conduct, a set of ethical and legal standards, which apply to all employees and contractors. The Company's whistleblowing policy encourages staff to raise any concerns and sets out the various means by which they may do so without fear of reprisals.

Details of how the Company engages with its employees and taken account of their interests are set out in the Company's s.172(1) statement on page (6) of the Strategic Report. Details of how the Company has engaged with suppliers and customers are also set out in the Company's s.172(1) statement.

Streamlined energy and Carbon reporting

Measure	2021	2020
Energy consumption used to calculate emissions: kWh	3,842,810	3,664,357
Emissions from combustion of gas tCO2e (Scope 1)	194.66	200.68
Emissions from combustion of fuel for transport purposes (Scope 1) - i.e. fuel purchase for company/pool cars. tCO2e	8.33	13.49
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3) i.e. expenses for private car mileage	89.33	17.47
Emissions from purchased electricity (Scope 2, location-based)	-	-
Total gross CO2e (tonnes) based on above	292.32	231.64
Intensity ratio: tCO2e gross figure based from mandatory fields above/ per £M Cost of Sales	0.62	0.56

The company take environmental sustainability very seriously, and in the period covered by the report, the company has contributed to Group (Atlas Copco) environmental goals of reducing CO2 emissions from energy in operations and transport of goods by 50% by 2030 (2018 baseline), continuously decreasing waste (kg) and water consumption (m3) per cost of sales and increasing the percentage of significant direct suppliers than have an approved environmental management system. Our progress towards these Group goals is independently assured by Ernst & Young. We conduct a variety of environmental initiatives and awareness campaigns which are supported by designated safety, health and environmental professionals at every site. The company is also included in Carbon Disclosure Project report for Atlas Copco whose score was B for both Climate Change and for Water Security in 2021.

All our major facilities are third party certified by LRQA to ISO 14001 (international standard for effective environmental management systems) and we continue to purchase 100% renewable electricity at all sites within this scope. These are backed by Renewable Energy Guarantees of Origin (REGOs).

In 2021, the company joined the science-based target initiative for climate action, as part of the Atlas Copco group, committing to reduce absolute scope 1 and 2 GHG emissions 46% by 2030 from a 2019 base year. And to reduce absolute scope 3 GHG emissions 28% over the same timeframe.

At the site level, a yearly Safety, Health, Environment and Quality Week is facilitated to increase awareness of and engagement in related topics. Entries to the annual Environment Award are also encouraged, with the winning site's achievement being communicated and celebrated accordingly. Employee-led environmental committees are committed to identifying areas for environmental improvement. This supports the guiding principles of the ESOS assessment, which was last conducted in 2019 and is due to take place again in 2024, and recommendations from these are considered and implemented where appropriate. Sites take local action to improve their environmental footprint, for example by purchasing electric vehicles, installing charging points which are available for use by employees, assessing the sustainability of packaging materials used by the company and sent by suppliers, offering a cycle to work scheme benefit and providing a shuttle-bus from train stations to site to encourage the use of public transport.

More information can be found in the 2021 Atlas Copco Annual Report. <https://www.atlascopcogroup.com/en/investor-relations/annual-report-promotional-page>

Directors' report for the Financial year ended 31 December 2021 (continued)**Research and development**

The Company is committed to innovation and product development. The Company's research and development teams utilise deep technology expertise and innovative application solutions to contribute to the growth of the business. During the year, the Company spent £27.4m on research and development (2020: £25.8m).

Political donations

No political donations were made in the year (2020: £nil).

Post balance sheet events

On 20 January 2022 the Company acquired the share capital of HHV Pumps Pvt Ltd. The Company designs and manufactures vacuum pumps and systems for applications used in a wide range of industries. It is based in Bengaluru, India. The acquisition value was £10.9m.

On 24 February 2022 Russia invaded Ukraine. As at the date of signing these financial statements this has not impacted the Company.

On 4 March 2022 the Company paid a Capital Injection to Edwards Korea Limited of £26.1m, equal to 42bn KRW.

On 13 April 2022 the Company paid an interim dividend of £47m to the sole shareholder, Atlas Copco UK Holdings Limited.

On 1 July 2022, Edwards Limited acquired the trade and assets its wholly owned subsidiary, Edwards High Vacuum International Limited. This has resulted in £63.3m of net assets being recorded within Edwards Limited which equates to the consideration set out in the Asset Purchase Agreement.

These events have had no impact on the Financial statements as at 31 December 2021

Auditor

On 30 October 2020, the Company appointed Ernst & Young LLP as auditors via written shareholders resolution. This appointment was in accordance with the provisions of s.485(4) of the Companies Act 2006.

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

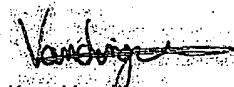
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.
- This confirmation is given in accordance with the provisions of section 418 of the Companies Act 2006

Other information

Atlas Copco UK Holdings Limited is a direct subsidiary of Atlas Copco Airpower N.V. and Atlas Copco Airpower N.V. is a direct subsidiary of Atlas Copco AB (Sweden), the ultimate holding company.

The following are included in the Strategic Report on pages 4 to 6 and are included in the Directors Report through reference: Future developments and financial risk management.

Approved by the Board and signed on its behalf by:



Kurt Vandingenen
Director
30 September 2022

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently.
- make judgments and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Independent auditor's report to the members of Edwards Limited**Report on the audit of the financial statements****Opinion**

We have audited the financial statements of Edwards Limited for the year ended 31 December 2021 which comprise the Income Statement, Statement of Comprehensive income, Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period until 30 September 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of Edwards Limited (continued)**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations. In addition, the Company complies with laws and regulations relating to its operations, health and safety, environmental and data protection.
- We understood how the Company is complying with those frameworks by making inquiries of management and those responsible for legal and compliance procedures. We corroborated our inquiries through the review of board minutes as well as consideration of the results of our audit procedures over the Company's financial statements.
- We assessed the susceptibility of the company financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was a susceptibility to fraud. We also considered the Company's performance targets and their propensity to influence efforts made by management to manage revenues and earnings. Where the risk is considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud and error.

Independent auditor's report to the members of Edwards Limited (continued)

- Based on this understanding we designed our audit procedures to identify non-compliance with such law and regulations. Our procedures involved incorporating data analytics into our journal entry testing, with a focus on manual non-standard journals and journals indicating large or unusual transactions based on the understanding of the business; inquiries of those responsible for legal and compliance of the company and management; and into our testing of revenue recognition. In addition, we completed procedures to conclude on the compliance of disclosures in the annual report and financial statements with all applicable requirements.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Stephney Dallmann (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date: *30 September 2022*

Income statement
For the Financial year ended 31 December 2021

	Note	Year ended 31 December	
		2021 £'000	2020 £'000
Revenue	3	829,044	865,979
Cost of sales		(470,505)	(416,317)
Gross profit		358,539	449,662
Distribution costs		(44,604)	(35,665)
Administrative costs		(62,539)	(51,583)
Analysed as:			
Administrative expenses before amortisation		(54,199)	(44,253)
Amortisation	12	(8,340)	(7,330)
Operating profit	4	251,396	362,414
Impairment of intangible assets	12	(1,927)	0
Other gains - net	8	(13)	0
Income from subsidiaries		100,994	135,351
Finance income	9	199	117
Finance costs	9	(981)	(1,598)
Profit before taxation		349,668	496,284
Taxation	10	(42,683)	(50,918)
Profit for the financial year attributable to the owners of the Company		306,985	445,366

All activities are from continuing operations.

**Statement of comprehensive income
For the Financial year ended 31 December 2021**

	Year ended 31 December	
	2021	2020
	£'000	£'000
Profit for the year	306,985	445,366
Items that will not be reclassified to profit or loss:		
Remeasurement gain/(loss) on retirement benefit obligations	96	(1,049)
Tax on remeasurement gain on retirement benefit obligations	444	332
	540	(717)
Other comprehensive income/(expense) for the year, net of tax	540	(717)
Total comprehensive income for the year attributable to the owners of the Company	307,525	444,649

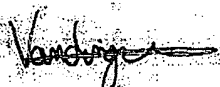
Balance sheet
As at 31 December 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Intangible assets	12	38,005	39,610
Investment in subsidiaries	13	414,350	403,205
Property, plant and equipment	14	12,993	14,480
Right-of-use assets	15	307	309
Trade and other receivables	17	8,379	9,882
		474,034	467,486
Current assets			
Inventories	16	14,996	13,514
Trade and other receivables	17	210,246	169,382
Derivative financial instruments	20	-	8,027
		225,242	190,923
Total assets		699,276	658,409
Current liabilities			
Borrowings	19	-	(67,107)
Lease liability	15	(151)	(142)
Derivative financial instruments	20, 21	(4,485)	-
Trade and other payables	18	(102,570)	(88,514)
Provisions	22	(6,472)	(6,963)
Retirement benefit obligations	22	(1,930)	(447)
		(115,608)	(163,173)
Net current assets		109,634	27,750
Total assets less current liabilities		583,668	495,236
Non-current liabilities			
Lease liabilities	15	(159)	(170)
Trade and other payables	18	(6,151)	(4,028)
Provisions	22	(2,762)	(2,762)
Retirement benefit obligations	22	(18,446)	(21,378)
Deferred tax liabilities	24	(3,736)	(2,009)
		(31,254)	(30,347)
Net assets		552,414	464,889
Equity			
Share capital	25	1	1
Reserves		552,413	464,888
Equity attributable to the owners of the Company		552,414	464,889

The notes on pages 18 - 46 form part of the financial statements.

The financial statements of Edwards Limited (registered number 06124750) were approved by the board of directors and approved for issue 30 September 2022.

They were signed on its behalf by:



Kurt Vandingenen
Director

**Statement of changes in equity
For the Financial year ended 31 December 2021**

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020	1	386,623	386,624
Actuarial loss on retirement benefit obligations	-	(1,049)	(1,049)
Tax on actuarial loss on retirement benefit obligations	-	332	332
Profit for the year	-	445,366	445,366
Total comprehensive income	-	444,648	444,648
Dividends paid (note 11)	-	(366,383)	(366,383)
Balance at 31 December 2020	1	464,888	464,889
Actuarial loss on retirement benefit obligations	-	96	96
Tax on actuarial gain on retirement benefit obligations (note 10)	-	444	444
Profit for the year	-	306,985	306,985
Total comprehensive income	-	307,525	307,525
Dividends paid (note 11)	-	(220,000)	(220,000)
Balance at 31 December 2021	1	552,413	552,414

Notes to the financial statements for the Financial year ended 31 December 2021**1. General information**

The Company is a private company, limited by shares and registered in England and Wales under the Companies Act. The address of its registered office is given on the Company Information page.

Edwards is a part of the Atlas Copco Group, which is a world-leading provider of sustainable productivity solutions. The Group serves customers in more than 180 countries with products and service focused on productivity, energy efficiency, safety and ergonomics. The vision is to become and remain First in Mind-First in Choice® with its employees, customers and other stakeholders. This principle also drives the Group's strategy, which is to achieve sustainable profitable growth.

The Company acts as an intermediate parent company for most of the worldwide Edwards subsidiaries. All subsidiaries, if trading, are engaged in the manufacture and supply of vacuum products, abatement solutions and related services.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates. Amounts have been rounded to one thousand (£'000)

2. Summary of significant accounting policies

The principal accounting policies are outlined below. They have all been applied consistently throughout the year and the preceding year, unless otherwise stated. The reporting period is the year to 31 December 2021. The comparative period is the year to 31 December 2020.

2.1. Basis of preparation

The financial statements have been prepared in accordance with Financial reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101;

- *IFRS 7, 'Financial instruments: Disclosures'.*
- *Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).*
- *Paragraph 38 of IAS 1, 'Presentation of financial statements' - comparative information requirements in respect of: paragraph 79(a)(iv) of IAS 1; paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).*
- *The following paragraphs of IAS 1, 'Presentation of financial statements': 10(d) (statement of cash flows); 16 (statement of compliance with all IFRS); 38A (requirement for minimum of two primary statements, including cash flow statements); 38B-D (additional comparative information); 111 (statement of cash flows information); and 134-136 (capital management disclosures).*
- *IAS 7, 'Statement of cash flows'*
- *Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).*
- *Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).*
- *The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.*
- *The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payments.*

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group financial statements of Atlas Copco AB. The group financial statements of Atlas Copco AB are available to the public and can be obtained as set out in note 28.

Notes to the financial statements for the Financial year ended 31 December 2021**2. Summary of significant accounting policies (continued)****2.1. Basis of preparation (continued)**

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Going Concern

The directors are confident, after having made appropriate enquiries that the Company has adequate resources to continue in operation for the period at least up to 30 September 2023. The Company was not significantly impacted from COVID-19, with strong orders and market growth leading to improved operating results throughout the period. The Directors have considered both the operating, and cash flow forecasts for the period noted above. These have been prepared using both internal and external data including order pipeline, market knowledge and external market outlooks. These forecasts show continued strong results for the period, being driven by market growth, especially in the Semiconductor chip sector which is seeing unprecedented growth. This will lead to strong demand for Vacuum products. The Directors have reverse stress tested these forecasts for several scenarios. They have concluded there is more than adequate liquidity headroom available even in extreme downward scenarios. The Directors have also considered the impacts of the conflict in Ukraine on the future of the Company. So far, the conflict has not had a significant impact on the operations or results of the Company. The Directors will continue to closely monitor the situation and its impact. However, it is not anticipated that the conflict will result in any significant influence on the business. The Company has a cash pooling facility with the Group, with immediately available funds, over which, the Company has control, should they be needed. It is not expected the Company will rely on this funding during the period, with current and outlook cash flows indicating a positive cash position. Further to this, the Directors have also considered the operations of its subsidiary companies. As all the companies operate within the same overall Vacuum market, it is considered that the subsidiary outlooks will be wholly similar to that of the Company. Therefore, it is not expected that any asset values in relation to these investments are impacted. The Directors continue to adopt the going concern basis in preparation of these financial statements.

Adoption of new and revised standards

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that have a material impact on the company's financial statements.

2.2 Foreign currency transactions

The functional currency of the Company is deemed to be sterling as the primary indicators of functional currency, expenses, cash inflows and outflows are principally in sterling. The presentation currency of the Company is sterling.

Foreign currency transactions are translated into the functional currency of the Company using the exchange rate prevailing at the date of the transactions. Gains and losses resulting from foreign currency loans are recorded in the Income Statement as 'Finance Income' or 'Finance Costs'. All other gains and losses resulting from the settlement of foreign currency transactions are recorded in the Income Statement as 'Other gains - net'.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the financial year end. Exchange differences are recorded in the Income Statement as 'Other gains - net'.

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)**2. Summary of significant accounting policies (continued)****2.3 Fair value of derivatives and other financial instruments**

The values of financial instruments are determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2.4 Revenue recognition

Revenue is based on the fair value of the sale of goods and services. It excludes sales value added tax and similar sales-based taxes.

Revenue for goods and services is recognised when the significant risks and rewards of ownership are transferred to the customer. This is determined to be when delivery has occurred, title of the goods has passed to the purchaser and where the price is fixed or determinable and reflects the commercial substance of the transaction. If the equipment is shipped subject to installation and the installation constitutes a significant part of the contract, revenue is not recognised until the installation has been completed.

We also provide a range of services to our customers, including maintenance service contracts and specialist engineering services. These services are provided on a time and material basis or as a fixed price contract. Revenue from time and material contracts is recognised under the time incurred method. Revenue from fixed price contracts is also recognised under the percentage-of-completion method unless the services are provided by means of an indeterminate number of acts over a specified period of time, in which case revenue is recognised on a straight-line basis.

In certain contracts, the transaction price for the sale of equipment includes an after-sales service element. This service relates to maintenance work that may be required to be carried out on the equipment for a period of time after sale.

The maintenance service is considered to be a distinct service as it is both regularly supplied by the Company to other customers on a stand-alone basis and is available for customers from other providers in the market. A portion of the transaction price is therefore allocated to the maintenance services based on the stand-alone selling price of those services. Discounts are not considered as they are only given in rare circumstances and are never material.

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)**2. Summary of significant accounting policies (continued)****2.4 Revenue recognition (continued)**

Revenue relating to the maintenance services is recognised over time. The transaction price allocated to these services is recognised as a contract liability at the time of the initial sales transaction and is released on a straight-line basis over the period of service (i.e. three years when the services are purchased together with the underlying equipment).

Royalty income is based on revenue recognised by other Edwards group companies for the sale of products for which the company owns the Intellectual Property and Manufacturing Know How.

2.5 Interest income and interest expense

Interest income and interest expense is recognised on a time apportionment basis using the effective interest method.

2.6 Development costs

Expenditure on developing new products and processes is written off when incurred unless it meets the criteria for capitalisation. Development costs are capitalized where they can be measured reliably and when it is probable that the expenditure will generate future economic benefits.

Capitalised development costs are stated at cost less accumulated amortisation and impairment losses and written off on a straight-line basis over the period in which economic benefits are expected to be consumed, which is typically between 2 and 5 years.

2.7 Software

Computer software and licences are valued at cost less accumulated amortisation. They are capitalised as intangible assets and written off on a straight-line basis over their useful lives, generally over a period of between 4 and 10 years.

2.8 Other intangible assets

Other Intangible assets includes trademarks and patents. These are capitalised at cost.

The Edwards trademark is considered to have an indefinite useful economic life and is, therefore, not subject to an annual amortisation charge, but is subject to an annual impairment test. Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each balance sheet date.

Other intangible assets are valued at cost less accumulated amortisation. They are written off on the straight-line basis over their appropriate useful economic lives, generally over a period of between 13 and 15 years.

Amortisation of intangible assets is presented in the income statement within administrative expenses.

2.9 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

No depreciation is charged on freehold land or construction in progress. Depreciation is charged on all other items of property, plant and equipment on the straight-line basis to write them down to their residual values over their useful lives. Straight-line depreciation rates vary according to the class of asset, but are typically:

Buildings	2% - 4%
Plant, machinery and vehicles	3% - 25%

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)**2. Summary of significant accounting policies (continued)****2.9 Property, plant and equipment (continued)**

Assets considered construction in progress are held undepreciated on the balance sheet while they are completed. Once construction is completed assets are transferred to the appropriate class and depreciated from date asset is put into use.

Where finance leases have been entered into, the capital element of the obligations to the lessor is shown as part of borrowings and the rights in the corresponding assets are treated in the same way as owned property, plant and equipment.

Assets held under finance leases are stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. They are depreciated over a period which is the lower of their useful economic life or the term of the lease.

Any impairment in the value of property, plant and equipment, calculated by comparing the carrying value against the higher of fair value less costs of disposal or value in use, is dealt with in the income statement in the period in which it arises.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains - net' in the income statement.

Residual value and useful lives are reviewed at least at each financial period end.

2.10 Impairment

Assets that are subject to depreciation or amortisation and financial assets are reviewed for impairment whenever an indicator of impairment exists and there are indications that the carrying value of the asset may not be recoverable. If the asset does not generate cash flows that are largely independent of those from other assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. The recoverable amount of an asset or cash generating unit is the higher of the fair value less costs to sell and its value in use. Value in use is determined using the present value of cash flow forecasts.

The impairment test involves initially comparing the value in use of the cash generating unit with its carrying amount. If the carrying amount of the cash generating unit exceeds the value in use, an impairment test is performed to determine whether the fair value of the asset less costs to sell is higher than the carrying amount. Any impairment loss relating to the asset is recognised in the income statement in operating profit. The Weighted Average Cost of Capital (WACC) would be used for the discount rate in the impairment reviews.

To calculate the value in use of the cash generating units, pre-tax future cash inflows and outflows are derived from budgets and business forecasts approved by management. Pre-tax interest rates are used to discount the future cash flows.

Intangible assets that are not subject to amortisation are tested for impairment at least annually and when an indication of impairment is evident.

Where the carrying value exceeds the recoverable amount, an impairment loss to write the asset down to its recoverable amount is recognised in the income statement.

Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each balance sheet date.

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)**2. Summary of significant accounting policies (continued)****2.11 Financial assets***Classification*

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

2.12 Derivative financial instruments and hedging activities

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts.

It is the policy of the Company to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts of the exposure generated.

Derivatives are initially accounted for and measured at fair value on the date the derivative contract is entered into and subsequently measured at fair value. The gain or loss on re-measurement is taken to income statement except where the derivative is a designated cash flow hedging instrument. The accounting treatment of derivatives classified as hedges depends on their designation, which occurs on the date that the derivative contract is created. The Company designates derivatives as:

- A hedge of the fair value of a recognised asset or liability (fair value hedge); and
- A hedge of the cash flow of a highly probable forecast transaction or commitment (cash flow hedge).

The Company has derivatives of the following nature:

Currency forward contracts

At inception of the hedge relationship, the company documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)

2. Summary of significant accounting policies (continued)

2.12 Derivative financial instruments and hedging activities (continued)

When forward contracts are used to hedge forecast transactions, the group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

The fair value of the derivatives are accounted for as follows dependent on the effectiveness of the hedge and the source of the hedge:

	Effective	Ineffective - net
Forecast cash flow on cash flow hedge	Hedging reserve - net	Other gains/(losses) - net, in the income statement
Recycling of hedging reserve	Other gains/(losses) - net, in the income statement	Other gains/(losses) - net, in the income statement

In some circumstances the Company does not apply hedge accounting to the forward contract. In these cases fair value gains and losses are all accounted for in the income statement.

2.13 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost where appropriate includes a proportion of overhead expenses. Cost is arrived at principally using a weighted average method. Net realisable value (NRV) is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Where the NRV is lower than the cost, a provision is made for the difference. At a minimum, quarterly reviews of stock are conducted to ensure appropriate level of obsolescence reserve is recorded.

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)**2.14 Trade receivables**

Trade receivables are recognised initially at fair value. Subsequently balances due within 12 months are measured at amortised cost using the effective interest rate method. Except for short-term receivables when the recognition of interest would be immaterial.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

2.15 Cash and cash equivalents

The Company is a party to the existing cash pooling arrangements within the Group, where the excess cash is deposited with another entity of the Group, which has a treasury function. The intercompany receivables are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.16 Trade payables

Trade payables are recognised at fair value. Balances due within 12 months are measured at amortised cost using the effective interest rate method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.18 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

Leases of low value assets; and

Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes: amounts expected to be payable under any residual value guarantee; the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option; any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for: lease payments made at or before commencement of the lease; initial direct costs incurred; and the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Currently the company only has leases with fixed payments, there are no leases with variable payments. These leases relate to motor vehicles and one property lease.

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)**2. Summary of significant accounting policies (continued)****2.19 Taxation**

Tax on the profit or loss for the period comprises current and deferred taxes.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full using the liability method, on temporary differences arising between the tax value of assets and liabilities and their carrying amounts in the financial statements. Such differences may result in an obligation to pay more tax or a right to pay less tax in future periods.

A deferred tax asset is only recognised where it is probable that future taxable profits will be available against which the temporary differences or taxable losses giving rise to the asset can be utilised.

Deferred tax is measured using tax rates that have been enacted, or substantially enacted, by the balance sheet date and are expected to apply when the asset is realised or the liability is settled.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right to offset when they relate to taxes levied by the same tax authority and they are expected to be settled on a net basis.

2.20 Employee benefits

The Company operates a number of retirement benefit schemes. The schemes are funded through payments to an insurance company.

A defined contribution scheme is a plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits. The cost of providing benefits under these schemes is charged to operating profit as incurred.

Edwards also holds post-retirement benefit provisions with respect to constructive obligations in the Company's capacity as employer of employees transferred from the BOC Group PLC, in respect of the employees' entitlement to enhanced early retirement benefits under the BOC Pension Scheme rules.

2.21 Provisions

Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Provisions for redundancy costs arising from restructuring are made where the plans are sufficiently detailed and where appropriate communication to those affected has been undertaken at the balance sheet date.

Provisions for warranties are based on contractual arrangements with customers and experience of product performance.

Provisions for the costs of decommissioning items of property, plant and equipment are made when an obligation exists. The amount of the provision is added to the cost of the relevant asset and written off as part of the total cost.

Provisions are discounted to their present value where the impact of the time value of money is material.

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)**2. Summary of significant accounting policies (continued)****2.22 Equity****Share Capital**

Ordinary shares are classified as equity.

Hedging reserve

The hedging reserve includes the forward element of forward contracts in the hedging reserve on contracts where hedge accounting has been used.

Retained earnings

Retained earnings includes amounts transferred from profits and loss along with gains or losses from actuarial movements on the defined benefit obligation.

2.23 Investments

Investments in subsidiaries are stated at cost less impairment losses. Investments in subsidiaries are subject to an impairment review at least annually when there has been an indication of potential impairment.

Further details of investments are described in note 13 to these financial statements.

2.24 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of investments in subsidiaries

Determining whether the company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values.

Provision in relation to legal settlement

As per Note 22, the Company has provided an amount in relation to settlement of a legal claim. In determining this provision, a number of estimates and assumptions were used in order to calculate the expected future payments. These included suitable discount rates and other actuarial estimations. These judgments and estimations were largely derived from actuarial experts and have been carefully considered by management, and at the balance sheet date, have been deemed as appropriate.

The Company does not have any judgments which are also not estimates.

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)

3. Revenue

An analysis of the Company's revenue is as follows:

	Year ended 31 December	
	2021	2020
	£'000	£'000
Continuing operations		
Third Party Revenue	500,304	437,143
<i>At a point in time</i>	494,153	433,115
<i>Over time</i>	6,151	4,028
Intra Edwards Revenue	133,600	133,415
Royalty income	195,140	295,421
Total revenue	829,044	865,979

An analysis of the Company's turnover by geographical market for third party and intra Edwards is set out below (excluding Royalty income):

Revenue:	2021	2020
	£'000	£'000
Geographical market UK	25,639	25,083
Geographical market Europe without UK	31,181	42,678
Geographical market Asia	540,185	461,427
<i>At a point in time</i>	534,034	457,399
<i>Over time</i>	6,151	4,028
Geographical market Other	36,899	41,370
Total turnover	633,904	570,558

Third party Revenue by type:	2021	2020
	£'000	£'000
Equipment	471,148	411,004
Service	29,156	26,139
Total turnover	500,304	437,143

Intra Edwards Revenue refers to Intercompany revenues from entities with the Atlas Copco Group.

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)

3. Revenue (continued)

Assets and liabilities related to contracts with customers

The group has recognised the following assets and liabilities related to contracts with customers:

Contract Liabilities

	31 Dec 2021 £'000	31 Dec 2020 £'000
Amounts falling due within one year:		
Maintenance services	15,050	12,148
Amounts falling due after more than one year:		
Maintenance services	6,151	4,028
Total contract liabilities	21,201	16,176
Revenue not recognised in the reporting period that was included in the contract liability at the beginning of the period	4,028	5,171
<hr/>		
Total contract liabilities	21,201	16,176
Expected period for revenue recognition:		
Next reporting period	15,050	12,148
2022 financial year	5,987	3,816
2023 financial year	164	212

Total contract liabilities have increased with continuing sales especially into the China market. Many of the contracts in this market include the maintenance element within the transaction price.

There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

Revenue relating to maintenance services is recognised over time although the customer pays up-front in full for these services. A contract liability is recognised for revenue relating to the maintenance services at the time of the initial sales transaction and is released over the service period.

Revenue not recognised in the reporting period that was included in the contract liability at the beginning of the period refers to amounts of contract liabilities that were recognised as a liability in the opening balance and have subsequently not been recognised as revenue in the period, therefore those amounts are a contract liability at both the beginning and end of the period.

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)

4. Profit for the year

Profit for the year is stated after charging/(crediting):

	Year ended 31 December	
	2021	2020
	£'000	£'000
Changes in inventories of finished goods and work in progress	(1,482)	(754)
Depreciation (note 14)	1,756	1,682
Amortisation of intangible assets included in admin costs (note 12)	8,340	7,330
Research and Development costs	27,442	25,802
Net foreign exchange losses/(gains) on operating activities	(1,807)	(3,833)

Research and development costs include employee costs which are directly attributable to research and development.

5. Auditor's remuneration

Operating expenses for continuing activities include fees payable to the Company's auditor:

	Year ended 31 December	
	2021	2020
	£'000	£'000
Fees payable to the auditor for the audit of the annual financial statements the Company	143	143
Total fees to auditor	143	143

No non-audit services have been performed (2020: £nil)

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)

6. Directors' remunerations and transactions

The aggregate remuneration paid or due to be paid to directors of the Company during the year was as follows:

	Year ended 31 December	
	2021	2020
	£	£
Salaries and benefits	360,468	350,705
Bonuses payable for the year	50,206	49,077
Total	410,674	399,782

The total remuneration for the highest paid director for the year to 31 December 2021 was £328,496 (2020: £321,258) including an annual bonus of £50,206 (2020: £49,077). As at 31 December 2021, retirement benefits are accruing under money purchase schemes for one director. Contributions to the money purchase schemes for the highest paid director were £nil (2020: £nil). 1 director exercised options over shares in the ultimate parent company, Atlas Copco AB.

7. Employee numbers and costs

The average monthly number of employees for Edwards Limited during the year was:

	2021	2020
	Average	Average
Manufacturing and service	96	67
Selling and distribution	95	100
Research and Development	165	151
Administration	134	99
Total	490	417

Some employees who have contracts of service with, and are paid by, the Company work for its subsidiary, Edwards High Vacuum International Limited (EHVI).

All costs paid by the Company on behalf of its subsidiary, EHVI, are recharged to it. The following analysis includes the costs paid on behalf of EHVI.

	Staff costs at EHVI Limited £'000	Staff costs at Edwards Limited £'000	2021 Total £'000	Staff costs at EHVI Limited £'000	Staff costs at Edwards Limited £'000	2020 Total £'000
Wages and salaries	19,197	37,520	56,717	17,389	32,532	49,921
Social security costs	2,391	6,042	8,433	2,116	4,536	6,652
Other pension costs	1,262	2,542	3,804	1,139	2,405	3,544
Total	22,850	46,104	68,954	20,644	39,473	60,117

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)

8. Other gains/(losses) - net

	Year ended 31 December	
	2021	2020
	£'000	£'000
Loss on disposal of property, plant and equipment	(13)	-
Total	(13)	-

9. Finance income and finance costs

Finance Income

	2021		2020	
	£'000		£'000	
Interest income on loans to other group companies	-	-	-	39
Foreign exchange gain on cash and cash equivalents	199	-	-	78
Total	199	-	-	117

Finance Costs

	2021		2020	
	£'000		£'000	
Interest on loans from other group companies	(649)	-	(1,434)	-
Guarantee fees and financing costs	(25)	-	(30)	-
Interest - unwind of discount	(303)	-	(129)	-
Interest on lease liabilities	(4)	-	(5)	-
Total	(981)	-	(1,598)	-

10. Tax

The tax charge comprises:

	Year ended 31 December	
	2021	2020
	£'000	£'000
Current tax expense		
UK Corporation Tax	21,593	16,195
With-holding tax on overseas interest and dividends	15,958	24,749
Adjustments in respect of prior years - corporation tax	2,961	7,691
	40,512	48,635
Deferred tax charge		
Origination and reversal of temporary differences	709	414
Effect of rate change on opening deferred tax	1,102	454
Adjustments in respect of prior years - deferred tax	360	1,415
	2,171	2,283
Total tax in income statement	42,683	50,918

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)

10. Tax (continued)

Reconciliation of effective tax rate

The tax on the Company's result before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the result of the Company, as follows:

	Year ended 31 December	
	2021	2020
	£'000	£'000
Profit before taxation	349,668	496,284
Tax using UK corporation tax rate of 19% (2020: 19%)	66,437	94,294
Rate difference on current year deferred tax	170	-
Income not taxable	(31,989)	(41,133)
Adjustments in respect of prior years - corporation and deferred tax	4,422	18,207
With-holding tax on overseas income	15,958	16,101
Current year foreign tax relief	(12,315)	(36,551)
Total tax charge	42,683	50,918

The Finance Act 2021 (enacted on 10 June 2021) increased the main rate of UK corporation tax from 19% to 25%, effective from 1 April 2023. Deferred taxes on the balance sheet have been measured at 25% (2020 - 19%) which represents the future corporation tax rate that was enacted at the balance sheet date. On 23 September 2022, the Chancellor announced the increase in the corporate tax rate to 25% would be reversed with the rate remaining at 19%.

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognised in other comprehensive income:

	Year ended 31 December	
	2021	2020
	£'000	£'000
Items that will not be reclassified subsequently to profit or loss: Tax on remeasurement gain on retirement benefit obligations	444	332
Total income tax recognised in other comprehensive Income	444	332

11. Dividends

Amounts recognised as distributions to equity holders in the year: dividend for year ended 31 December 2021 £220,000,000 (equivalent to £220,000 per share, 2020: £366,382 per share).

The payment of this dividend will not have any tax consequences for the Company.

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)

12. Intangible assets

	Patents and trademarks £'000	Software £'000	Development costs £'000	Other intangibles £'000	Total £'000
Cost:					
At 1 January 2020	33,957	51,160	83,889	120	169,126
Additions during the year	1,540	3,347	4,219	-	9,106
Disposals	-	(1,747)	-	-	(1,747)
Write off	-	(2)	-	-	(2)
Transfer from tangible fixed assets	-	-	-	-	-
Inter group transfers within Edwards Companies	-	-	-	-	-
At 31 December 2020	35,497	52,758	88,108	120	176,483
Additions during the year	1,921	3,888	2,752	-	8,561
Disposals	-	(694)	-	-	(694)
Write off	-	-	-	-	-
Transfer from tangible fixed assets	-	-	-	-	-
Inter group transfers within Edwards Companies	-	-	-	-	-
	-	(377)	-	114	(263)
At 31 December 2021	37,418	55,575	90,860	234	184,087
Accumulated amortisation:					
At 1 January 2020	(31,279)	(36,805)	(63,206)	-	(131,290)
Provided during the year	(1,164)	(2,939)	(3,227)	-	(7,330)
Disposals	-	1,747	-	-	1,747
Impairment charge	-	-	-	-	-
At 31 December 2020	(32,443)	(37,997)	(66,433)	-	(136,873)
Provided during the year	(1,294)	(3,179)	(3,860)	(7)	(8,340)
Disposals	-	694	-	-	694
Impairment charge	-	(226)	(1,701)	-	(1,927)
Transfer between categories	-	-	-	-	-
Inter group transfers within Edwards Companies	-	377	-	(13)	364
At 31 December 2021	(33,737)	(40,331)	(71,994)	(20)	(140,082)
Carrying amount:					
At 31 December 2021	3,681	15,244	18,866	214	38,005
At 31 December 2020	3,054	14,761	21,675	120	39,610

Edwards' trademark has been in existence since 1919 and management assume it will continue for the indefinite future, it is synonymous with the Vacuum industry. It is therefore considered to have an indefinite useful economic life and its carrying value is tested at least annually for impairment. The carrying value of the Edwards Trademark is £18,400 (2020: £18,400).

An impairment charge occurred due to a re-evaluation of R&D milestones in accordance with the Atlas Copco Group capitalisation policy.

Development costs have been capitalised in accordance with IAS 38 Intangible Assets and are therefore not treated, for dividend purposes, as a realised loss.

There are no restrictions on title or contractual commitments in relation to any of the intangible assets.

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)**13. Investment in subsidiaries**

Subsidiary undertakings:

At 1 January 2020 - at cost and net book value	314,029
Additions during the year	89,176
Impairment charge	-
At 31 December 2020 - at cost and net book value	403,205
Additions during the year	11,145
Impairment charge	-
At 31 December 2021 - at cost and net book value	414,350

Investments in subsidiary undertakings are recorded at cost, which is the fair value of the consideration paid.

On 25 November 2021 Edwards Limited made a capital injection of £11,145,303 to Edwards Korea Limited. This was accounted for as an addition to the investment value.

On 9 December 2020 Edwards Limited made a capital injection of £89,176,490 to Edwards Korea Limited. This was accounted for as an addition to the investment value.

A full list of subsidiary undertakings is given in note 27. All holdings are of equity shares. In all cases the proportion of voting power held equals the proportion of ownership interest.

The directors believe that the book value of investments is supported by their underlying net assets or net realisable value.

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)

14. Property, plant and equipment

	Land and buildings £'000	Plant, machinery and vehicles £'000	Construction in progress £'000	Total £'000
Cost:				
At 1 January 2020	15,872	11,169	481	27,522
Additions	-	-	1,573	1,573
Inter group transfers out	-	-	-	-
Disposals	-	(2,194)	-	(2,194)
Transfers between categories	-	-	-	-
At 31 December 2020	15,872	8,975	2,054	26,901
Additions	-	185	620	805
Inter group transfers out	-	(210)	-	(210)
Disposals	-	(467)	-	(467)
Transfers between categories	-	1,986	(1,986)	-
At 31 December 2021	15,872	10,469	688	27,029
Accumulated depreciation:				
At 1 January 2020	(4,110)	(8,823)	-	(12,933)
Provided during the year	(748)	(934)	-	(1,682)
Provided on inter asset transfers (in)/out	-	-	-	-
Disposals	-	2,194	-	2,194
At 31 December 2020	(4,858)	(7,563)	-	(12,421)
Provided during the year	(750)	(1,004)	-	(1,754)
Provided on inter asset transfers (in)/out	-	66	-	66
Disposals	-	467	-	467
Impairment	(56)	(338)	-	(394)
At 31 December 2021	(5,664)	(8,372)	-	(14,036)
Carrying amount:				
At 31 December 2021	10,208	2,097	688	12,993
At 31 December 2020	11,014	1,412	2,054	14,480

Land and buildings are freehold property.

There are no restrictions on title or contractual commitments in relation to any of the fixed assets.

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)

15. Leases

Nature of leasing activities

The Company leases one property. The Company also leases several vehicles. All of these leases comprise only fixed payments over the lease term.

The Company does not act as a lessor.

The table below shows the number of leases in each category.

	Number of leases	Fixed payments %
At 1 31 December 2020		
Property leases	1	100%
Vehicle leases	21	100%
At 1 31 December 2021		
Property leases	1	100%
Vehicle leases	28	100%

The company sometimes negotiates break clauses in its property leases. On a case-by-case basis, the company will consider whether the absence of a break clause would expose the company to excessive risk. Typically, factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the company.

At 31 December 2021 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because on both dates it was considered reasonably certain that the company would not exercise its right to exercise any right to break the lease. Total lease payments of £104,000 are potentially avoidable were the company to exercise break clauses at the earliest opportunity.

Right-of-use assets

	Land and buildings £'000	Plant, machinery and vehicles £'000	Total £'000
At 1 January 2020	221	177	398
Additions	-	30	30
Depreciation	(47)	(72)	(119)
At 31 December 2020	174	135	309
Additions	-	117	117
Depreciation	(49)	(109)	(158)
Modification	-	20	20
Disposal	-	19	19
At 31 December 2021	125	182	307

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)

15. Leases (continued)

Lease Liabilities

	Land and buildings £'000	Plant, machinery and vehicles £'000	Total £'000
At 1 January 2020	213	187	400
Additions	-	40	40
Interest Expense	3	1	4
Lease Payments	(52)	(90)	(142)
Lease modification	10	-	10
At 31 December 2020	174	138	312
Additions	-	117	117
Interest Expense	3	1	4
Lease Payments	(52)	(110)	(162)
Lease modification	-	20	20
Disposal	-	19	19
At 31 December 2021	125	185	310

	2021 £'000	2020 £'000
Leases Liabilities expiring:		
Within one year	151	142
Within 2 - 5 years	159	170
	310	312

16. Inventories

	2021 £'000	2020 £'000
Finished goods	14,996	13,514

No conditions or security exist on any inventory items. The provision for inventories is £41,000 (2020: £117,000).

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)

17. Trade and other receivables

	2021	2020
	£'000	£'000
Trade receivables	114,567	106,896
Less: expected credit loss provision	(503)	(415)
Trade receivables - net	114,064	106,481
Prepayments	11,339	9,093
Accrued income	734	1,763
Supplier down payments	221	15
Corporate Tax receivable	-	3,849
Other receivables	2,008	2,989
Trade and other receivables (current)	128,366	124,190
Amounts due from other group undertakings	81,880	45,192
Total receivables (current)	210,246	169,382
Prepayments (non-current)	3,994	2,400
Other receivables (non-current)	4,385	7,482
Total receivables (non-current)	8,379	9,882
Total receivables	218,625	179,264

Due to the short-term nature of current receivables, their carrying amount is considered to be the same as fair value.

Amounts due from other group undertakings are trading balances for goods sold or services performed in the ordinary course of business. These are due from either companies owned by Edwards Limited, or entities in the wider business owned by Atlas Copco. They are all trading balances with no additional right or commitment. They are payable on demand, or standard payment terms, with no interest on an unsecured basis.

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)

18. Trade and other payables

	2021	2020
	£'000	£'000
Amounts falling due within 1 year		
Trade payables	3,121	2,213
Deposits and advance payments by customers	10,128	2,582
Payroll and other taxes, including social security	9,782	7,188
Accruals	25,593	13,220
Other payables	216	332
Contract liabilities	15,050	12,148
Corporate tax payable	333	-
Total trade and other payables	64,223	37,683
Amounts due to other group undertakings	38,347	50,831
Total trade and other payables (current)	102,570	88,514
	2021	2020
	£'000	£'000
Amounts falling due after more than 1 year		
Contract liabilities	6,151	4,028
Total trade and other payables	6,151	4,028

Amounts due to other group undertakings are trading balances for goods received or services received in the ordinary course of business. These are due to either companies owned by Edwards Limited, or entities in the wider business owned by Atlas Copco. They are all trading balances with no additional right or commitment. They are payable on demand, or standard payment terms, with no interest on an unsecured basis

19. Borrowings

	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
	£'000	£'000	£'000	£'000
Loans from group undertakings	-	-	67,107	-
Bank overdraft	-	-	-	-
Total borrowings	-	-	67,107	-

The carrying amounts of the Company's borrowings are denominated in pounds sterling. The Company has access to a bank overdraft as part of a cash pooling agreement made between the bank and the Atlas Copco group companies.

The loan is an unsecured loan with drawdown facility from a group undertaking, Atlas Copco Finance DAC. It has the same ultimate parent as the Company. There are no unusual commitments as part of the arrangement.

The balance at 31 December 2020 includes accrued interest of £106,992. The interest rate is 1.207% per annum.

During April 2021 the loan of £67,107,000 was fully repaid.

Notes to the financial statements for the Financial year ended 31 December 2021 (continued)

20. Derivative financial instruments

	2021 £'000	2020 £'000
Derivatives that are designated and effective as hedging instruments carried at fair value		
Forward foreign currency contracts	-	-
Financial assets/(liabilities) carried at fair value through profit or loss (FVTPL)		
Held for trading derivatives that are not designated in hedge accounting relationships:		
Foreign currency contracts	(4,485)	8,027
The Company has entered into master netting agreements with Atlas Copco Finance DAC.		
The Company has:		
	2021 £'000	2020 £'000
Counterparty: Atlas Copco Finance DAC		
Derivative assets	(4,485)	8,027

21. Financial instruments

Forward foreign currency contracts

The following table details the forward foreign currency contracts outstanding as at the year-end:

Outstanding contracts	Average contractual exchange rate		Notional value		Fair value	
	2021	2020	2021	2020	2021	2020
	[rate]	[rate]	£'000	£'000	£'000	£'000
Sell USD	1.37	1.30	269,151	186,734	(4,485)	8,027
			Notional Value		Fair Value	
Outstanding contracts maturity:			2021		2021	
			£'000		£'000	
Less than 3 months			105,390		(2,173)	
3 to 12 months			163,761		(2,312)	

The fair values of derivative instruments are calculated using quoted prices. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Notes to the financial statements for the year ended 31 December 2021 (continued)

22. Provisions

	Warranty	Restructuring	Retirement Benefit obligation	Legal	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2020	5,962	869	21,785	2,632	31,248
Current provisions	3,707	869	490	2,632	7,698
Non-current provisions	2,255	-	21,295	-	23,550
Provided in the year	9,299	52	485	-	9,836
Utilised in the year	(8,097)	(60)	(445)	(822)	(9,424)
Released in the period	-	(110)	-	-	(110)
At 31 December 2020	7,164	751	21,825	1,810	31,550
Current provisions	4,402	751	447	1,810	7,410
Non-current provisions	2,762	-	21,378	-	24,140
Provided in the year	8,443	-	-	600	9,043
Utilised in the year	(8,345)	(433)	(356)	(756)	(9,890)
Released in the period	-	-	(1,093)	-	(1,093)
At 31 December 2021	7,262	318	20,376	1,654	29,610
Current provisions	4,500	318	1,930	1,654	8,402
Non-current provisions	2,762	-	18,446	-	21,208

Warranty provisions at 31 December 2021 were primarily in respect of equipment sold during 2020 and 2021. The provision is based on historical warranty data of similar products. Warranty provisions generally cover a period of no more than two years.

Restructuring and reorganisation provisions are primarily the cost of previously announced restructuring plans to facilitate decentralisation.

The Company has constructive obligations in its capacity as employer of transferring employees from The BOC Group plc in respect of the employees' entitlement to enhanced early retirement benefits under the BOC Pension Scheme rules. These do not qualify for full disclosure under IAS 19.

The liability resulting from the enhanced pension payable by the Company in respect of individuals who have been made redundant or planned to be made redundant as at 31 December 2021 is £20.4m (2020: £21.8m). An individual once made redundant may decide to draw their pension immediately if over fifty-five or at a future date. This amount was increased following a legal claim made by former employees during 2019.

The legal amount relates to a legal claim by former employees in relation to retirement benefits. The company made an offer to settle the claim in July 2020 and the legal provision has been made in accordance with the expected legal costs relating to settle the claim.

23. Pensions and other retirement benefits

The Company operates a number of retirement benefit schemes. The schemes are funded through payments to an insurance company. A defined contribution scheme is a plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits.

The total cost charged to income of £3,804,000 (2020: £3,544,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2021, contributions of £9k (2020: £nil) due in respect of the current reporting period had not been paid over to the schemes and are included in other payables.

Notes to the financial statements for the year ended 31 December 2021 (continued)

24. Deferred tax assets and (liabilities)

	Property, plant and equipment	Other temporary differences	Total
	£'000	£'000	£'000
At 31 December 2019	236	(292)	(56)
Amount falling due within 1 year	-	-	-
Amount falling due after more than 1 year	236	(292)	(56)
Recognised in the income statement during the year	(203)	(2,082)	(2,285)
Recognised in statement of comprehensive income during the year	-	332	332
At 31 December 2020	33	(2,042)	(2,009)
Amount falling due within 1 year	-	-	-
Amount falling due after more than 1 year	33	(2,042)	(2,009)
Recognised in the income statement during the year	(111)	(2,060)	(2,171)
Recognised in statement of comprehensive income during the year	-	444	444
At 31 December 2021	(78)	(3,658)	(3,736)
Amount falling due within 1 year	-	-	-
Amount falling due after more than 1 year	(78)	(3,658)	(3,736)

Where it is possible that the temporary difference will not reverse in the foreseeable future (for example, where the Company is in the position to control the timing of distribution and no such distributions are planned) no deferred tax has been provided. It is not considered practicable to calculate the amounts involved.

The amount of unrecognised deferred tax asset is £nil (2020: £nil).

In the current year the full deferred tax liability has been reported as non-current. It is not practicable to determine the timing of recognition and therefore reasonable to report on this basis.

25. Share capital

	2021 £'000	2020 £'000
i) Authorised:		
1,000 Ordinary shares of £1 each	1	1
ii) Issued and fully paid:		
1,000 Ordinary shares of £1 each	1	1

The Company has one class of ordinary shares which carry no right to fixed income.

Notes to the financial statements for the year ended 31 December 2021 (continued)

26. Contingent liabilities and legal proceedings

26.1. Contingent liabilities

	2021	2020
	£'000	£'000
Guarantees	510	3,652

Guarantees are bank guarantees issued to the company's customers.

26.2. Legal proceedings

As at 31 December 2021 there are no active legal proceedings.

During the previous year, the Company agreed to settle a legal case brought by several ex-employees in relation to additional annual payments. A provision exists in relation to the settlement as detailed in Note 22.

27. Subsidiary companies

The subsidiary undertakings of the Company as at 31 December 2021 are set out below. All companies are incorporated and registered in the country in which they operate as listed below:

Country of incorporation	Company name	Registered office
Brazil	Edwards Vacuo Ltda	Avenida Tamboré 937 Bairro Tamboré 06460-000 Sao Paulo
Peoples Republic of China	Edwards Technologies Trading (Shanghai) Company Ltd	23 North Fu Te Road, Wai Gao Qiao Free Trade Zone, Pu Dong, Shanghai, 200131
	Edwards Technologies Vacuum Engineering (Shanghai) Company Ltd	29 North Fu Te Road, Wai Gao Qiao Free Trade Zone, Pu Dong, Shanghai,
	Edwards Technologies Vacuum Engineering (Qingdao) Company Ltd	No.800, Huadong Road High-tech Development Zone Qingdao 266110
	Edwards Technologies Vacuum Engineering (Xian) Company Ltd	No.1150 Baoba Road Free Trade Zone High-tech Zone Xi'an Shanxi Province 710117
Czech Republic	Edwards, s.r.o.	Jana Sigmunda 300 Lutin 783 49 Olomouc
	Atlas Copco Services s.r.o.	Holandska 1006/10 Styrice Brno 639 00
France	Edwards SAS	23 rue du Gros Murger 95220 Herblay
	Hibon International SA	23 rue du Gros Murger 95220 Herblay
	Hibon SAS	23 rue du Gros Murger 95220 Herblay
Germany	Edwards GmbH	Philipp-Hauck-Strabe 2 85622 Feldkirchen
India	Edwards India Private Ltd	T-97/2, General Block M.I.D.C., Bhosari Pune 411 026 Maharashtra

Ireland	Edwards Vacuum Technology Ireland Ltd	Behan House 10 Mount Street Lower Dublin 2 D02 HT71
Israel	Edwards Israel Vacuum Ltd	5 Habarzel Blvd Gat 2000 Industrial Zone Qiryat Gat
Italy	Edwards s.r.l	Via Galileo Galilei 40 20092 Cinisello Balsamo, Milan
Japan	Edwards Japan Ltd	1078-1 Yoshihashi Yachiyo-shi Chiba Pref. 276-8523
South Korea	Edwards Korea Ltd	96, 3 Gongdan1 ro Seobuk-gu, Cheonan-si Chungcheongnam-do
Malaysia	Vacuum Technique Malaysia Sdn. Bhd.	Unit 30-01, Level 30 Tower A, Vertical Business Suite Avenue 3 Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur W.P. Kuala Lumpur
Singapore	Edwards Technologies Singapore PTE Ltd	10 Collyer Quay #10-01 Ocean Financial Centre Singapore 049315
Taiwan	Edwards Technologies Ltd	1, Renyi St. Jhunan Township Miaoli County 350
United Kingdom	Edwards High Vacuum International Ltd	Innovation Drive Burgess Hill West Sussex RH15 9TW

All subsidiaries are effectively wholly owned by Edwards Limited and voting power is controlled by Edwards Limited. Atlas Copco Sickla Holding AB has a 0.01% minority share in Edwards Vacuo Ltda.

28. Ultimate parent company and controlling party

The Company's immediate holding parent company is Atlas Copco UK Holdings Limited, (Swallowdale Lane, Hemel Hempstead, Hertfordshire, HP2 7EA, UK). The Company's ultimate parent and controlling company as at 31 December 2021 is Atlas Copco AB which is both the largest and smallest group of undertakings to consolidate financial statements, in which this Company is included. The Company is incorporated in Sweden and its registered address is SE-105.23 Stockholm, Sweden.

The financial statements of Atlas Copco AB, and Atlas Copco UK Holdings Limited may be obtained from Innovation Drive, Burgess Hill, West Sussex, RH15 9TW.

29. Post balance sheet events

On 20 January 2022 the Company acquired the share capital of HHV Pumps Pvt Ltd. The Company designs and manufactures vacuum pumps and systems for applications used in a wide range of industries. It is based in Bengaluru, India. The acquisition value was £10.9m.

On 24 February 2022 Russia invaded Ukraine. As at the date of signing these financial statements this has not impacted the Company.

On 4 March 2022 the Company paid a Capital Injection to Edwards Korea Limited of £26.1m, equal to 42bn KRW.

Edwards Limited

Registered in England and Wales: 06124750

On 13 April 2022 the Company paid an interim dividend of £47m to the sole shareholder, Atlas Copco UK Holdings Limited.

On 1 July 2022, Edwards Limited acquired the trade and assets its wholly owned subsidiary, Edwards High Vacuum International Limited. This has resulted in £63.3m of net assets being recorded within Edwards Limited which equates to the consideration set out in the Asset Purchase Agreement.

These events have had no impact on the Financial statements as at 31 December 2021.

30. Related party transactions

The Company has taken advantage, as a 100% owned subsidiary, of the exemption under Financial Reporting Standard FRS 101, from disclosure of transactions and balances with group companies. Accordingly, transactions with Atlas Copco and its subsidiary undertakings are not disclosed separately.