

Edwards Limited

Annual Report and Financial Statements

For the year ended 31 December 2023

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 2023

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Edwards Limited

Registered in England and Wales: 06124750

Company information

Directors

Alex Bongaerts
Geert Follens
Kurt Vandingenen

Company secretary

Caroline Peace

Company registration number

06124750

Registered office

Innovation Drive
Burgess Hill
West Sussex
RH15 9TW
United Kingdom

Independent Auditor

Ernst & Young
Citygate
St James's Boulevard
Newcastle upon Tyne
NE1 4JD
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 2023

The directors present their strategic report for Edwards Limited (“Edwards” and “the Company”) for the year ended 31 December 2023.

The company has chosen in accordance with Section 414C(ii) of the Companies Act 2006 to set out in the company strategic report the following which the directors believe to be of strategic importance:

- Business review and key performance indicators
- Future developments

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		
	2023 £'000	2022 £'000	% change
Revenue	961,133	1,029,698	-6.7%
Gross profit	470,380	459,182	2.4%
Gross profit percentage	48.9%	44.6%	
Operating profit	307,984	262,751	17.2%
Operating profit percentage	32.0%	25.5%	
Net profit	626,728	329,869	90.0%

It was a challenging yet ultimately successful year for the Company. Both revenue and orders received experienced declines, largely attributable to weakened demand for vacuum equipment from the semiconductor industry and a notable reduction in order volumes. The semiconductor market saw an overall decline in 2023, leading to reduced sales and orders due to market uncertainty. Major customers scaled back planned investments in fixed assets for semiconductor manufacturing, including vacuum pumps. The Semiconductor Industry Association (SIA) anticipates a turnaround and robust growth in the second half of 2024.

Despite these challenges, the company managed to increase its operating profit by effectively managing administrative and distribution costs. The Directors continue to closely monitor the current economic situation and developments in the conflict in Ukraine, though we believe the impact on the company is not significant. The directors also monitor the conflict in Middle East, which also does not have a significant impact on the company.

The decline in revenues was primarily driven by lower sales of finished goods and service contracts, reflecting weaker demand and the sharp decline in the semiconductor market. Additionally, there was an impact from royalty revenue received from subsidiaries, totaling £249.6m in 2023 (compared to £225.3m in 2022). Despite lower revenues, the company improved its gross profit margin by increasing the prices of its own products and enhanced its operating margin by reducing administrative expenses.

Strategic Report for the financial year ended 31 December 2023 (continued)**Business review and key performance indicators (continued)**

In December 2023, Edwards Limited sold two subsidiaries, Atlas Copco Services s.r.o. and Edwards s.r.o., both incorporated in the Czech Republic, to Atlas Copco Sickla Holding AB, a Group entity. The main purpose of this restructuring was to simplify the group's legal structure. The total consideration amounted to €276m (£240m), generating a gain of £230m for the company.

Edwards Limited also eliminated Edwards High Vacuum International Limited from its balance sheet, following a reduction in share capital from £65,000,000 to £1 and the payment of a notional dividend, resulting from the hive-up of its fully owned subsidiary last year. This action realized a gain of £19m.

Corporate and social responsibility

Edwards Limited strives to be a responsible corporate citizen in all its activities by finding synergies between economic growth, environmental stewardship and socially responsible operations. The Company and its employees currently support 'Water for All', which is a charity founded by Atlas Copco employees. The Charity's mission is to provide people in need with long term access to clean drinking water.

The Group's vision is to create positive value for customers, shareholders and employees in an increasingly resource constricted world. The Group views sustainability as an opportunity to drive product innovation, reduce costs, mitigate risks and create business opportunities for long term strategic growth.

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 do not anticipate any significant changes to the Company's activities in the foreseeable future.

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. The directors also monitor the conflict in Middle East, which also does not have a significant impact on the company. The Directors considered the potential impact of the current economic environment, such as inflation or rising interest rates, on the business in the short and long term. The Company closely monitors its cash-pool facility to maintain a positive cash position. With respect to inflation, the Company closely monitors its costs to eliminate unnecessary or inefficient spending.

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.

Foreign currency risk

Based on prior years, the Directors have decided to discontinue the use of derivatives. In doing so, they are aligned with the Group's strategy (see note 2.12). The Group's policy states that exposure shall be reduced by matching in and outflows of the same currencies. Business area and divisional management are responsible for maintaining readiness to adjust their operations (price and cost) to compensate for adverse currency movements.

Strategic Report for the financial year ended 31 December 2023 (continued)**Financial risk management (continued)****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.

S.172 (1) statement

The Board of Directors confirm that during the year under review, it has acted to promote the long-term success of the Company for the benefit of shareholders, whilst having due regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006, being:

- (a) The likely consequences of any decision in the long term
- (b) The interests of the Company's employees
- (c) The need to foster the Company's business relationships with suppliers, customers and others
- (d) The impact of the Company's operations on the community and the environment
- (e) The desirability of the Company maintaining a reputation for high standards of business conduct
- (f) The need to act fairly between members of the Company

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.

Strategic Report for the financial year ended 31 December 2023 (continued)**S.172 (1) statement (continued)**

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 2023, 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 £201,000,000. 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 Injections: During the course of the year, the Board took the decision to make capital injection of £53.1m to Edwards Korea Limited. This capital injection followed the principles and guidelines set down by the ultimate parent company, Atlas Copco AB and the Board assessed the impact the arrangements and associated transactions would have prior to concluding that the capital injections should be made.

Non-Financial and Sustainability Information Statement

At Atlas Copco Group, we are committed to being part of the solution for a better tomorrow. By taking accountability for our impact and by acting in an ethical way in all our business relationships, we strive to bring value to both our customers and society as a whole. Edwards Limited is part of the Vacuum Technique Business Area of the Atlas Copco Group and, as stated previously is the intermediate holding company for most of the worldwide Edwards subsidiaries.

Governance

The Board of Directors of the Company's ultimate parent company, Atlas Copco AB is responsible for Atlas Copco Group's overall climate-related risks, opportunities, sustainability focus areas and related targets. These are then cascaded down within the organisation. The Board of Directors have approved the science-based targets that were adopted by the Group in 2021 and against which the climate related work is measured since 2022. Climate-related issues concern several functions and areas of expertise in the organization. At an operational level, risks and opportunities are managed by the divisions and governed by Group Management and the Board.

Following Atlas Copco Group's decentralized organizational structure, implementation is handled mainly by the divisions, which are separate operational units, and responsible for delivering results in line with the Group's strategies and targets. The divisional presidents and general managers are responsible for ensuring that targets are set as a part of their three-year plans, and that progress is followed-up and reported to the Group on a quarterly basis. Geert Follens, President of the Vacuum Technique Business Area, is a director of the Company and is a member of the Group Management team and, in conjunction with this team, has the responsibility for business and climate strategy development for the Vacuum Technique Business Area which the Company is part of, including KPIs, targets and monitoring progress, led by the CEO of Atlas Copco AB.

Strategic Report for the financial year ended 31 December 2023 (continued)**Non-Financial and Sustainability Information Statement (continued)**

Last year, the Vacuum Technique Business Area established a Sustainability Board to oversee the strategy and implementation of Vacuum Technique's sustainability programme, including and review of the Climate Related Risks and Opportunities for the Company. The Sustainability Board includes all members of the Vacuum Technique Management Team, together with representatives from the Vacuum Technique sustainability team. Geert Follens and Kurt Vandingenen, directors of the Company, both sit on this Sustainability Board.

Strategy

The UK based operations follow the Group's strategy. We operate based on the scenario of a transition towards a low-carbon society and we are well positioned to take advantage of the opportunities such a scenario brings. Our commitment to science-based targets for 2030, as well as many of our products and solutions, also aim to support this transition.

Various climate related insights have informed our strategy to date. Atlas Copco Group assesses climate-related risks and opportunities that have an actual and potential impact on our business and strategy. In 2021, the Group have conducted a materiality analysis to gain the perspectives of external and internal stakeholders and to identify risks and opportunities. Issues relating to climate change, such as circular business models, life cycle approach to product development and carbon impact have been prioritised higher than previously. Group conducted a double materiality assessment in 2023. The outcome and the identified material sustainability topics will form the basis of the Group's sustainability report in 2024. All assessments are done on Group level but applicable for the Company as part of Atlas Copco Group.

More than 90% of the CO2 emissions from the Group's value chain are generated when the customers use our products. This is where we have our biggest impact and we therefore focus on developing highly energy-efficient products and solutions with a low carbon footprint over their entire lifecycle. Further gains are possible through the guidance we provide on how to use our products and through our service offer. However, as the majority of our products run on electricity, the impact during the use-phase, and thus their value-chain footprint, is affected by the availability of renewable energy, which varies between countries and regions. Many of our technologies and solutions are also used in industries and applications that are at the centre of the transformation to a low-carbon society.

Risk Management

Climate-related risks, such as physical risks for operational entities or transition risks like market risks connected to products, and the related financial implications, are assessed at the divisional level and, when deemed relevant, included in the annual Enterprise Risk Management (ERM) process. An aggregated analysis of the identified risks is presented annually to Group Management. The ERM framework is regularly adapted to better identify and manage the Group's strategic risks. Risk insights are provided to divisions, which is the highest operational level in the Group, e.g. through risk self-assessments performed by the regional Holding functions, as well as workshops by Group functions. Specific deep dives are also performed as the risk landscape changes. A few workshops have for instance been conducted in respect of climate change, human rights and compliance risks.

ESG related risks, including climate risk, have been further incorporated into the framework as well as the overall risk assessment process. All material sustainability topics identified have also been fully integrated in the risk assessment process.

The following key risks and opportunities relating to climate and the environment have been identified as medium and long-term ongoing risks:

Strategic Report for the financial year ended 31 December 2023 (continued)

Non-Financial and Sustainability Information Statement (continued)

Context	Mitigating Activities	Opportunities
<p>Physical changes in climate and natural resources, changes in regulations, taxes and resource prices.</p> <p>Natural disasters as a consequence of climate change can disrupt own operations or impact the supply chain.</p> <p>Increased fuel/energy taxes increase operational costs.</p> <p>Regulations and requirements related to carbon-dioxide emissions from products and industrial processes are gradually increasing.</p> <p>Climate-related and environmental events can affect all of the Atlas Copco Group’s operations and negatively affect operations either directly or by disrupting the supply chain.</p> <p>Market shifts toward a low-carbon economy may impact the viability of certain sectors.</p>	<ul style="list-style-type: none"> - The loss prevention process prevents potential property losses and business interruptions. - We continually develop products with improved energy efficiency, reduced emissions and lower environmental footprint. - The Group has several KPIs that address resource and energy usage in order to reduce carbon-dioxide emissions. - Strict processes for handling hazardous waste and chemicals are implemented. 	<ul style="list-style-type: none"> - Working proactively with environmental risks can provide significant opportunities to drive innovation - Climate change impacts and predictions can induce changes in consumers’ habits and behaviour. - As a result of climate events, customers can become more risk averse and demand products with a lower impact on the environment. - New businesses and business models that are being serviced by the Group arise.

During 2023, climate-related risks and opportunities that have an actual and potential impact on our business and strategy have been identified and analysed from a Group perspective based on two climate scenarios, “rapid transition” and “business as usual”. Group functions and internal subject matter experts, including regional Holding functions, were consulted in the process. The analysis covered the following time horizons: short term (0-3 years), medium term (until 2030), and long term (2030-2050). These horizons are aligned with the Atlas Copco Group roadmap and commitment to science-based targets for 2030 and Paris agreement to reach net zero by 2050. The two different scenarios analysed result in a variety of risks and opportunities throughout our value chain. Identified risks and opportunities are quantified in terms of potential financial impact throughout the organization on a divisional level as well as, if considered relevant, from a business area and Group perspective. The conclusions serve as insight for further risk identification, quantification and management within the divisions.

In the rapid transition scenario, the identified risks are primarily market related and regulatory. As a provider of leading products and differentiated technology, and through investments in research and development to develop new solutions that improve our customers’ performance and energy efficiency, Atlas Copco Group is well positioned to be resilient to such risks. The fundamental objective is to design, and efficiently produce, new or improved products that provide tangible benefits for customers in terms of productivity, energy efficiency, and/or lower life-cycle cost.

Strategic Report for the financial year ended 31 December 2023 (continued)**Non-Financial and Sustainability Information Statement (continued)**

Market shifts toward a low-carbon economy may impact the viability of certain sectors and products. Customers may be affected by sharpening of climate and energy policy including increased prices and taxes increasing operational costs and increased regulations and requirements related to carbon-dioxide emissions from products and industrial processes. The Company's continuous work to increase the energy efficiency of our products helps mitigate these risks and proves the Company's resilience to such risks. This shift also represents an opportunity to continue developing more energy-efficient products and may give rise to new businesses and business models. For instance, an increased investment in renewable energy, and the surge in production of electrical vehicles, present opportunities since the Company provides products and services to these industries.

Climate and energy policy will gradually be sharpened and favour companies that deliver energy-efficient products and comply with sustainable practices. Among the risks are increased energy prices and taxes, and regulations related to CO₂ or other greenhouse-gas emissions. As the Group invests in research and development, aiming to bring new innovative products and solutions to the market, more strict regulations will likely offer opportunities for the Group. The scenario built on a rapid transition towards a low-carbon society is considered to be well aligned with the trends and opportunities that Atlas Copco Group sees in terms of low carbon technologies. The risks and opportunities identified within this scenario are considered to be relevant from both a short-, medium- and long-term perspective where the longest timeframe considered is up until 2050. In conclusion, the Company is resilient to transitional risks.

The business as usual scenario involves primarily physical risks, both for our own operations but also throughout the value chain. A changing climate implies greater acute physical risks due to more frequent and/or more severe weather systems, such as hurricanes and floods, that could impact suppliers, operations and transport in our industry. Greater chronic physical risks from changing climate conditions, such as droughts and rising sea levels, could also have an impact on the value chain such as disruptions in production or logistics. Both acute and chronic natural hazards may pose a risk to plants and equipment, resulting in losses. These risks are included in the Atlas Copco Group and the Company's risk universe and discussed during onsite risk assessments and are pointed out during new project reviews proving the Company's resilience to such risks. Physical risks are assessed at site level and safety measures are taken if needed, as part of the loss prevention program. The Company's global network of suppliers provides resilience against local or regional disruptions. The logistics systems that the Company relies on for transportation of goods are thought to be resilient to physical risks as alternatives exist.

The Company's loss prevention program supports the decision-making process for highly exposed sites, and the prioritization of major investments. For instance, based on a conducted analysis, recommendations have been made to mitigate risks of flooding and lightning. None of these currently require significant investments. Risks concerning one or a limited number of sites are not necessarily material for the Company as a whole. As climate change is expected to exacerbate natural hazards, the focus on understanding both current and future vulnerabilities of the sites, and the investments needed to reduce them, will increase during the next years. In conclusion, the Company is resilient to such risks.

Metrics and targets

Climate and related sustainability issues such as carbon impact and a lifecycle approach to product development is gaining increased attention so the Group sustainability targets were revised starting in 2022. These include science-based targets to reduce greenhouse gas emissions, throughout the value-chain, in line with the Paris Agreement and validated by the Science Based Targets initiative.

All targets and metrics are set at Group level, there are no targets set at the company level in UK.

Strategic Report for the financial year ended 31 December 2023 (continued)

Non-Financial and Sustainability Information Statement (continued)

Atlas Copco Group has set the following climate and environmental targets, applicable also for the Company as part of the Group:

Key performance indicators	Target	2023	2022	2021
Reduction in CO2e emissions (tonnes) from scopes 1 and 2, compared to the baseline 2019	-46% by 2030	-38%	-35%	-21%
Reduction in CO2e emissions (tonnes) from scope 3, compared to the baseline 2019	-28% by 2030	+28%	+19%	+3%
Significant direct suppliers with an approved Environmental Management System	Continuous increase	31%	31%	31%
Water consumption (m ³)/in relation to cost of sales	Continuous decrease	7.5	8.4	-
Reused, recycled or recovered waste from internal operations	100% by 2030	91%	92%	-

Further details are available in Atlas Copco AB annual report and on the Atlas Copco Group website.

The directors do not consider that it is necessary for an understanding of the company’s business and the manner in which it is carried on to include the other elements of section 414CB of the Companies Act 2006 in this report as the climate-related risks and opportunities of Atlas Copco Group AB, and its arrangements for managing them are discussed further on pages 36 to 44 of the group’s annual report and are also described on the Atlas Copco Group website

This report was approved by the board of directors on 5 April 2024 signed on its behalf by:



Kurt Vandingenen

Director

Directors' report for the financial year ended 31 December 2023

The directors present their annual report and audited financial statements of the Company for the year ended 31 December 2023.

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

Results and Dividends

Profit for the year amounted to £627m (2022: £330m). First interim dividend for 2023 of £170,000,000 was paid on 17 April 2023, second interim dividend for 2023 of £31,000,000 was paid on 15 June 2023 (2022: £147,000,000).

Going concern

The directors are confident, after having made appropriate enquiries that the Company has adequate resources to continue in operation for a period to 30 September 2025. The Directors have considered any potential impacts of the current economic environment on the business both in the short, and long term. Despite experiencing a decline in external revenue, the company managed to enhance its operating profit. The Company's success in achieving this was primarily attributed to our effective management of administrative and distribution expenses. Although the Company saw a decline in orders year-on-year, it has a strong order book with orders on hand. A turnaround in the semiconductor market is expected in the coming year, which should significantly increase demand and new orders. The Company continues to manage its liquidity needs through a group bank pooling facility managed by the ultimate parent company, Atlas Copco AB. The Company has no external debt and with the bank pooling facility it ensures sufficient resources are immediately available if need be. At the year-end the Company has an intercompany cash balance of £542,947k (2022: £161,910k) and was in a net current asset position of £644,447k (2022: £219,264k). The going concern of Edwards Limited is linked to that of the overall Group. The Directors made enquiries of the Group to ascertain the Group position on going concern. Following these enquiries, the Directors are satisfied the Group's strategy is robust and that they will continue as a going concern. In turn, the Company has received assurances, in the form of a letter of support, that Airpower NV will continue to provide sufficient cash resources as required to enable the Company to meet its liabilities as they fall due for the period to 30 September 2025. The directors have considered the Company's current and future prospects and its availability of intercompany financing and are satisfied that the Company can continue to pay its liabilities as they fall due for a period to 30 September 2025. The Company's therefore continues to adopt the going concern basis in preparing its financial statements which has been applied consistently throughout the year.

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 2023 (continued)

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	2023	2022
Energy consumption used to calculate emissions: kWh	6,581,941	4,959,641
Emissions from combustion of gas tCO ₂ e (Scope 1)	375	311
Emissions from combustion of fuel for transport purposes (Scope 1) - i.e. fuel purchase for company/pool cars. tCO ₂ e	59	6
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	821	73
Emissions from purchased electricity (Scope 2, location-based)	-	-
Total gross CO ₂ e (tonnes) based on above	1,254.84	390.25
Intensity ratio: tCO ₂ e gross figure based from mandatory fields above/ per £M Cost of Sales	2.5	0.68

The Company takes environmental sustainability very seriously, and in 2021, the Company joined the science-based target initiative for climate action, as part of the Atlas Copco Group, committing to reduce its absolute scope 1 and 2 greenhouse gas (GHG) emissions 46% by 2030 from a 2019 base year. And to reduce absolute scope 3 GHG emissions by 28% over the same timeframe.

Over the period covered by the report, the Company has contributed to the Group (Atlas Copco) environmental goals of reducing GHG emissions (as above), continuously reducing water consumption (m3 per cost of sales) and increasing both waste recovered/recycled/reused (%) and the number of significant direct suppliers with an approved environmental management system (%). Our progress towards these Group goals is independently assured on a limited assurance basis by Ernst & Young. The Company is also included in Atlas Copco Group’s disclosure to CDP, scoring B for Climate and B- for Water in 2023.

All our major facilities are third party certified by LRQA to ISO 14001 (international standard for environmental management systems) and ISO45001 (international standard for safety and health management). We continue to purchase 100% renewable electricity at all sites within this report’s scope. These are backed by Renewable Energy Guarantees of Origin (REGOs).

We conduct a variety of environmental initiatives and awareness campaigns which are supported by designated safety, health, and environmental professionals at every site. At the site level, a yearly environment awareness campaign is run in conjunction with our Never Stop Learning Festival to increase awareness of and engagement in environment related topics. Sites also participated in the Group-wide climate action hackathon to generate ideas to reduce their carbon footprint. 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 Energy Savings Opportunity Scheme (ESOS) assessment, which was last conducted in 2023, and recommendations from these are considered and implemented where appropriate. Sites take local action to improve their environmental footprint, for example by purchasing electric company vehicles, installing charging points for use by employees, assessing the sustainability of our products and their packaging, offering cycle to work and electric vehicle leasing scheme benefits, and providing a shuttlebus from train stations to site to encourage the use of public transport.

Directors' report for the financial year ended 31 December 2023 (continued)**Streamlined energy and Carbon reporting (continued)**

More information can be found in the 2023 Atlas Copco Annual Report.

<https://www.atlascopcogroup.com/en/investor-relations/annual-report-promotional-page>

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 £50.0m on research and development (2022: £36.5m).

Political donations

No political donations were made in the year (2022: Enil).

Post balance sheet events

There were no other post balance sheet events requiring disclosure in respect to the year ended 31 December 2023.

Auditor

Under section 487(2) of the Companies Act 2006, Ernst & Young LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

Disclosure of information to auditor

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

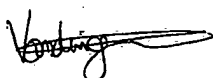
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that 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
5 April 2024

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 judgements 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**Opinion**

We have audited the financial statements of Edwards Limited for the year ended 31 December 2023 which comprise the Income Statement, the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes¹ to 30, including material accounting policy information. 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 2023 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 the period to 30 September 2025.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDWARDS LIMITED (continued)**Other information (continued)**

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.

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 15, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDWARDS LIMITED (continued)**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, we obtained an understanding of whether 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's 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 selected based on risk criteria and were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws 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 the 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.

DocuSigned by:

Ernst and Young LLP

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Stephanie Beaumont (Senior statutory auditor)

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

Newcastle

Date: 05 April 2024

Income statement
For the financial year ended 31 December 2023

	Note	Year ended 31 December	
		2023 £'000	2022 £'000
Revenue	3	961,133	1,029,698
Cost of sales		(490,753)	(570,516)
Gross profit		470,380	459,182
Distribution costs		(47,309)	(60,192)
Administrative costs		(115,087)	(136,239)
Analysed as:			
Administrative expenses before amortisation		(104,930)	(128,097)
Amortisation	12	(10,157)	(8,142)
Operating profit	4	307,984	262,751
Impairment of investment in subsidiaries	13	-	(3,214)
Impairment of intangible assets	12	(240)	(1,113)
Other gains - net	8	248,678	70
Income from subsidiaries	13	125,099	103,271
Finance income	9	7,381	4,529
Finance costs	9	(2,580)	(652)
Profit before taxation		686,322	365,642
Taxation	10	(59,594)	(35,773)
Profit for the financial year attributable to the owners of the Company		626,728	329,869

All activities are from continuing operations. The notes on pages 23 to 52 form part of the financial statements.

**Statement of comprehensive income
For the financial year ended 31 December 2023**

	Year ended 31 December	
	2023 £'000	2022 £'000
Profit for the year	626,728	329,869
Items that will not be reclassified to profit or loss:		
Remeasurement (loss)/gain on retirement benefit obligations	(311)	3,484
Tax on remeasurement loss/(gain) on retirement benefit obligations	78	(871)
	(233)	2,613
Other comprehensive (expense)/income for the year, net of tax	(233)	2,613
Total comprehensive income for the year attributable to the owners of the Company	626,495	332,482

The notes on pages 23 to 52 form part of the financial statements.

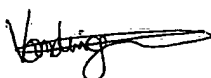
Balance sheet
As at 31 December 2023

	Note	2023 £'000	2022 £'000
Non-current assets			
Intangible assets	12	59,262	55,184
Investment in subsidiaries	13	448,619	452,042
Property, plant and equipment	14	39,881	34,960
Right-of-use assets	15	4,041	3,907
Trade and other receivables	17	4,631	8,013
		556,434	554,106
Current assets			
Inventories	16	85,847	95,257
Trade and other receivables	17	784,079	353,081
		869,926	448,338
Total assets		1,426,360	1,002,444
Current liabilities			
Lease liabilities	15	(794)	(509)
Derivative financial instruments	19, 20	-	(6,517)
Trade and other payables	18	(215,365)	(215,726)
Provisions	21	(7,951)	(5,537)
Retirement benefit obligations	21	(1,369)	(785)
		(225,479)	(229,074)
Net current assets		644,447	219,264
Total assets less current liabilities		1,200,881	773,370
Non-current liabilities			
Lease liabilities	15	(3,180)	(3,268)
Trade and other payables	18	(6,946)	(7,579)
Provisions	21	(4,105)	(3,002)
Retirement benefit obligations	21	(14,880)	(15,189)
Deferred tax liabilities	23	(3,851)	(3,458)
		(32,962)	(32,496)
Net assets		1,167,919	740,874
Equity			
Share capital	24	1	1
Retained Earnings		1,165,317	739,341
Share based payment reserve		2,601	1,532
Equity attributable to the owners of the Company		1,167,919	740,874

The notes on pages 23 to 52 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 5 April 2024.

They were signed on its behalf by:



Kurt Vandingenen
Director

Statement of changes in equity
For the financial year ended 31 December 2023

	Share capital	Share based payment reserve	Retained earnings	Total Equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2022	1	-	552,413	552,414
Actuarial gain on retirement benefit obligations	-	-	3,484	3,484
Tax on actuarial gain on retirement benefit obligations (note 10)	-	-	(871)	(871)
Profit for the year	-	574	329,869	330,443
Total comprehensive income	-	574	332,482	333,056
Share Based payment expense	-	958	(958)	-
Deferred tax relating to share based payment	-	-	2,404	2,404
Dividends paid (note 11)	-	-	(147,000)	(147,000)
Balance at 31 December 2022	1	1,532	739,341	740,874
Actuarial loss on retirement benefit obligations	-	-	(311)	(311)
Tax on actuarial loss on retirement benefit obligations (note 10)	-	-	78	78
Profit for the year	-	-	626,728	626,728
Total comprehensive income	-	-	626,495	626,495
Share Based payment expense	-	1,069	-	1,069
Deferred tax relating to share based payment	-	-	481	481
Dividends paid (note 11)	-	-	(201,000)	(201,000)
Balance at 31 December 2023	1	2,601	1,165,317	1,167,919

The notes on pages 23 to 52 form part of the financial statements.

Notes to the financial statements for the financial year ended 31 December 2023**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 Innovation Drive, Burgess Hill, West Sussex, RH159TW, UK.

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 2023. The comparative period is the year to 31 December 2022.

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 27.

Notes to the financial statements for the financial year ended 31 December 2023**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 a period to 30 September 2025. The Directors have considered any potential impacts of the current economic environment on the business both in the short, and long term. Despite experiencing a decline in external revenue, the company managed to enhance its operating profit. The Company's success in achieving this was primarily attributed to our effective management of administrative and distribution expenses. Although the Company saw a decline in orders year-on-year, it has a strong order book with orders on hand. A turnaround in the semiconductor market is expected in the coming year, which should significantly increase demand and new orders. The Company continues to manage its liquidity needs through a group bank pooling facility managed by the ultimate parent company, Atlas Copco AB. The Company has no external debt and with the bank pooling facility it ensures sufficient resources are immediately available if need be. At the year-end the Company has an intercompany cash balance of £542,947k (2022: £161,910k) and was in a net current asset position of £644,447k (2022: £219,264k). The going concern of Edwards Limited is linked to that of the overall Group. The Directors made enquiries of the Group to ascertain the Group position on going concern. Following these enquiries, the Directors are satisfied the Group's strategy is robust and that they will continue as a going concern. In turn, the Company has received assurances, in the form of a letter of support, that Airpower NV will continue to provide sufficient cash resources as required to enable the Company to meet its liabilities as they fall due for the period to 30 September 2025. The directors have considered the Company's current and future prospects and its availability of intercompany financing and are satisfied that the Company can continue to pay its liabilities as they fall due for a period to 30 September 2025. The Company's therefore continues to adopt the going concern basis in preparing its financial statements which has been applied consistently throughout the year.

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 2023 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 2023 (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 2023 (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 capitalised 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 8 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 2 and 4 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 2023 (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.

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 2023 (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 lows 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 2023 (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 2023 (continued)**2. Summary of significant accounting policies (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 six property lease.

Notes to the financial statements for the financial year ended 31 December 2023 (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 2023 (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 Share-based payments

Employees in the company is part of Atlas Copco's group wide share-based incentive program, consisting of share options, which have been offered to these employees based on position and performance. The share options are settled in Atlas Copco shares, which means that the program is defined as an equity settled program. The fair value of the options, measured at grant date using Black-Scholes, is recognised as an expense over the vesting period with a corresponding increase in equity. A separate equity reserve within equity called share-based payment reserve has been introduced. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

Social security charges are paid in cash and are accounted for in consistence with the principles for cash-settled share-based payments, which means that social security is recognised as an expense and a liability over the vesting period based on the current fair value of the share options.

2.25 Government grants

Government grants are recognised in the Income Statement, either on a systematic basis when the Company recognises the related costs that the grants are intended to compensate for, or immediately if the costs have already been incurred. Government grants related to assets are deducted from the cost of the asset and amortised over the useful life of the asset. Government grants are recognised when there is reasonable assurance that the Company will comply with the relevant conditions and the grant will be received.

Research and development tax relief in the form of the Research and Development Expenditure Credit ("RDEC") is recognised in the income statement as a reduction in administrative expenses during the period in which the qualifying expenditure giving rise to the RDEC claim is incurred. The RDEC related to capitalised development costs is deducted from the cost of the asset and amortised over the useful life of the asset. The company recognises the RDEC when it is reasonably assured that the conditions attached to it will be met and the credit will be received. These credits are measured at fair value.

2.26 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.

Notes to the financial statements for the financial year ended 31 December 2023 (continued)**2. Summary of significant accounting policies (continued)****2.26 Critical accounting judgements and key sources of estimation uncertainty (continued)*****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 21, 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 judgements 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 judgements which are also not estimates.

Notes to the financial statements for the financial year ended 31 December 2023 (continued)

3. Revenue

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

	Year ended 31 December	
	2023	2022
	£'000	£'000
Continuing operations		
Third Party Revenue	493,387	593,843
<i>At a point in time</i>	468,117	570,913
<i>Over time</i>	25,270	22,930
Intra Edwards Revenue	218,156	210,581
Royalty income	249,590	225,274
Total revenue	961,133	1,029,698

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

	2023	2022
	£'000	£'000
Revenue:		
Geographical market UK	32,068	33,890
Geographical market Europe without UK	53,249	53,777
Geographical market Asia	564,350	667,425
<i>At a point in time</i>	539,080	644,495
<i>Over time</i>	25,270	22,930
Geographical market Other	61,876	49,332
Total turnover	711,543	804,424

	2023	2022
	£'000	£'000
Third party Revenue by type:		
Equipment	461,446	559,632
Service	31,941	34,211
Total turnover	493,387	593,843

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 2023 (continued)

3. Revenue (continued)

Assets and liabilities related to contracts with customers

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

Contract Liabilities

	31 Dec 2023 £'000	31 Dec 2022 £'000
Amounts falling due within one year:		
Maintenance services	20,433	18,482
Amounts falling due after more than one year:		
Maintenance services	6,946	7,579
Total contract liabilities	27,379	26,061
Revenue not recognised in the reporting period that was included in the contract liability at the beginning of the period	7,579	6,151
<hr/>		
Total contract liabilities	27,379	26,061
Expected period for revenue recognition:		
Next reporting period	20,433	18,482
Year 2	6,877	6,862
Year 3	69	717

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 2023 (continued)

4. Operating profit

Operating profit stated after charging/(crediting):

	Year ended 31 December	
	2023	2022
	£'000	£'000
Changes in inventories of raw materials, finished goods and work in progress	(9,410)	80,261
Depreciation on PPE	3,825	2,437
Depreciation on right-of-use assets	712	423
Amortisation of intangible assets included in admin costs (note 12)	10,157	8,142
Impairment of investment in subsidiaries	-	3,214
Impairment of intangible assets	240	1,113
Impairment of property, plant and equipment	71	-
Research and Development costs	49,995	36,507
Net foreign exchange losses/(gains) on operating activities	3,434	53,363

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

5. Auditor's remuneration

	Year ended 31 December	
	2023	2022
	£'000	£'000
Fees payable to the auditor for the audit of the annual financial statements the Company	214	206
Total fees to auditor	214	206

No non-audit services have been performed in the year (2022: £nil).

Notes to the financial statements for the financial year ended 31 December 2023 (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	
	2023	2022
	£	£
Salaries and benefits	461,721	422,119
Bonuses payable for the year	31,328	34,574
Total	493,049	456,693

The total remuneration for the highest paid director for the year to 31 December 2023 was £422,530 (2022: £215,714) including an annual bonus of £31,328 (2022: £34,574). As at 31 December 2022, retirement benefits are accruing under money purchase schemes for one director. Contributions to the money purchase schemes for the highest paid director were £nil (2022: £nil). The directors 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:

	2023 Average	2022 Average
Manufacturing and service	602	305
Selling and distribution	109	100
Research and Development	439	287
Administration	205	183
Total	1,355	875

All costs paid by the Company. Comparison year includes the costs paid on behalf of its past subsidiary Edwards High Vacuum International Limited (EHVIL) recharged to it until 30 June 2022. This change is resulting from the hive-up of its fully owned subsidiary last year.

	2023 Total £'000	Staff costs at EHVIL £'000	Staff costs at Edwards Limited £'000	2022 Total £'000
Wages and salaries	76,962	10,276	51,943	62,219
Social security costs	10,511	1,255	7,547	8,802
Other pension costs	5,108	664	3,564	4,228
Total	92,581	12,195	63,054	75,249

Notes to the financial statements for the financial year ended 31 December 2023 (continued)

8. Other gains/(losses) - net

	Year ended 31 December	
	2023	2022
	£'000	£'000
Gain/(loss) on disposal of property, plant and equipment	-	70
Gain/(loss) on sale of shares in subsidiaries	229,652	-
Gain/(loss) on hive-up	19,026	-
Total	248,678	70

9. Finance income and finance costs

Finance Income

	2023		2022	
	£'000		£'000	
Interest income on loans to other Group companies	7,312		1,551	
Foreign exchange gain on cash and cash equivalents	69		2,978	
Total	7,381		4,529	

Finance Costs

	2023		2022	
	£'000		£'000	
Interest on loans from other Group companies	(1,643)		(257)	
Guarantee fees and financing costs	(77)		(26)	
Interest - unwind of discount	(748)		(316)	
Interest on lease liabilities	(112)		(53)	
Total	(2,580)		(652)	

10. Tax

The tax charge comprises:

	Year ended 31 December	
	2023	2022
	£'000	£'000
Current tax expense		
UK Corporation Tax	36,594	19,722
With-holding tax on overseas interest and dividends	22,505	18,216
Adjustments in respect of prior years - corporation tax	(457)	(2,817)
	58,642	35,121
Deferred tax charge		
Origination and reversal of temporary differences	333	1,101
Adjustments in respect of prior years - deferred tax	619	(449)
	952	652
Total tax in income statement	59,594	35,773

Notes to the financial statements for the Financial year ended 31 December 2023 (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	
	2023	2022
	£'000	£'000
Profit before taxation	686,322	365,642
Tax using UK corporation tax rate of 23.5% (2022: 19%)	161,286	69,472
Rate difference on current year deferred tax	24	37
Income not taxable	(53,484)	(35,291)
Substantial shareholdings exemption gain	(53,968)	-
Adjustments in respect of prior years - corporation and deferred tax	162	(3,266)
With-holding tax on overseas income	22,505	18,216
Share Options	(21)	947
Current year foreign tax relief	(16,910)	(14,342)
Total tax charge	59,594	35,773

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% (2022 - 25%) which represents the future corporation tax rate that was enacted at the balance sheet date.

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	
	2023	2022
	£'000	£'000
Items that will not be reclassified subsequently to profit or loss: Tax on remeasurement gain on retirement benefit obligations	78	(871)
Total income tax recognised in other comprehensive income	78	(871)

11. Dividends

Amounts recognised as distributions to equity holders in the year: dividend for year ended 31 December 2023 £201,000,000 (2022: £147,000,000) (equivalent to £201,000 per share, 2022: £147,000 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 2023 (continued)

12. Intangible assets

	Patents and trademarks £'000	Software £'000	Development costs £'000	Other intangibles £'000	Total £'000
Cost:					
At 1 January 2022	37,418	55,575	90,860	234	184,087
Correction of Opening balance	904	9	(907)	-	6
Purchase of net assets EHVIL	-	787	19,850	-	20,637
Additions during the year	2,019	3,240	4,503	-	9,762
Disposals	-	(13)	-	-	(13)
At 31 December 2022	40,341	59,598	114,306	234	214,479
Additions during the year	2,623	5,556	6,296	-	14,475
Disposals	(41)	(279)	(483)	-	(803)
At 31 December 2023	42,923	64,875	120,119	234	228,151
Accumulated amortisation:					
At 1 January 2022	(33,737)	(40,331)	(71,994)	(20)	(146,082)
Purchase of net assets EHVIL	-	(500)	(3,471)	-	(3,971)
Provided during the year	(1,497)	(3,050)	(3,587)	(8)	(8,142)
Disposals	-	13	-	-	13
Impairment charge	-	-	(1,113)	-	(1,113)
At 31 December 2022	(35,234)	(43,868)	(80,165)	(28)	(159,295)
Provided during the year	(1,488)	(2,761)	(5,900)	(8)	(10,157)
Disposals	41	279	483	-	803
Impairment charge	-	-	(240)	-	(240)
At 31 December 2023	(36,681)	(46,350)	(85,822)	(36)	(168,889)
Carrying amount:					
At 31 December 2023	6,242	18,525	34,297	198	59,262
At 31 December 2022	5,107	15,730	34,141	206	55,184

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 £53,180 (2022: £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 2023 (continued)

13. Investment in subsidiaries

Subsidiary undertakings:

At 1 January 2022 - at cost and net book value	403,205
Additions during the year	40,906
Impairment charge	(3,214)
At 31 December 2022 - at cost and net book value	452,042
Additions during the year	53,134
Disposals during the year	(56,557)
At 31 December 2023 - at cost and net book value	448,619

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

On 17 February 2023 Edwards Limited made a capital injection of £53,134k to Edwards Korea Limited, equal to 136bn KRW. This was accounted for as an addition to the investment value.

The investment value of Edwards Vacuo Ltda is for statutory purposes impaired due to its financial position, the impairment occurred in the previous financial period. The net investment value held in Edwards Vacuo Ltd remains as nil after these events.

In December 2023, Edwards Limited sold two subsidiaries, Atlas Copco Services s.r.o. and Edwards s.r.o., both incorporated in the Czech Republic, to Atlas Copco Sickla Holding AB, a Group entity. The total consideration amounted to €276m (£240m), resulting in disposal in the amount of £10,394k.

Edwards Limited also eliminated Edwards High Vacuum International Limited from its balance sheet, following a disposal of investment in amount of £45,975k.

A full list of subsidiary undertakings is given in note 26. 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.

The Company has income from its subsidiaries in the form of dividends. In 2023, the Company received dividends of £125.1m (2022: £103.3m).

Notes to the financial statements for the financial year ended 31 December 2023 (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 2022	15,872	8,975	688	27,029
Correction of Opening balance	(208)	(1,806)	-	(2,014)
Purchase of net assets EHVIL	8,116	18,386	5,644	32,146
Additions	-	-	7,086	7,086
Inter group transfers out	-	(197)	-	(197)
Disposals	-	(831)	-	(831)
Transfers between categories	583	769	(1,352)	-
Prior year adjustment	-	(45)	-	(45)
At 31 December 2022	24,363	26,745	12,066	63,174
Additions	-	-	8,819	8,819
Disposals	-	(539)	-	(539)
Transfers between categories	(9)	5,489	(5,480)	-
At 31 December 2023	24,354	31,695	15,405	71,454
Accumulated depreciation:				
At 1 January 2022	(5,664)	(8,372)	-	(14,036)
Correction of Opening balance	208	2,682	-	2,890
Purchase of net asset of EHVIL	(3,544)	(12,150)	-	(15,694)
Provided during the year	(887)	(1,550)	-	(2,437)
Provided on inter asset transfers (in)/out	-	197	-	197
Disposals	-	821	-	821
Impairment	-	45	-	45
At 31 December 2022	(9,887)	(18,327)	-	(28,214)
Provided during the year	(1,037)	(2,788)	-	(3,825)
Impairment	(71)	-	-	(71)
Disposals	-	537	-	537
At 31 December 2023	(10,995)	(20,578)	-	(31,573)
Carrying amount:				
At 31 December 2023	13,359	11,117	15,405	39,881
At 31 December 2022	14,476	8,418	12,066	34,960

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 2023 (continued)

15. Leases

Nature of leasing activities

The Company leases six properties. 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 2022		
Property leases	4	100%
Vehicle leases	30	100%
At 1 31 December 2023		
Property leases	6	100%
Vehicle leases	29	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 2023 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 £2,509,220 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 2022	125	182	307
Opening balance EHVIL	68	75	143
Additions	3,660	92	3,752
Depreciation	(313)	(110)	(423)
Modification	133	(2)	131
Disposal	-	(3)	(3)
At 31 December 2022	3,673	234	3,907
Additions	416	200	616
Depreciation	(582)	(130)	(712)
Modification	230	-	230
Disposal	-	-	-
At 31 December 2023	3,737	304	4,041

Notes to the financial statements for the financial year ended 31 December 2023 (continued)

15. Leases (continued)

Lease Liabilities

	Land and buildings £'000	Plant, machinery and vehicles £'000	Total £'000
At 1 January 2022	125	185	310
Purchase of assets of EHVIL	72	72	144
Additions	3,670	99	3,769
Interest Expense	52	3	55
Lease Payments	(512)	(126)	(638)
Lease modification	133	(2)	131
Disposal	-	6	6
At 31 December 2022	3,540	237	3,777
Additions	415	200	615
Interest Expense	105	7	112
Lease Payments	(626)	(134)	(760)
Lease modification	230	-	230
Disposal	-	-	-
At 31 December 2023	3,664	310	3,974

	2023 £'000	2022 £'000
Leases Liabilities expiring:		
Within one year	794	509
Within 2 - 10 years	3,180	3,268
	3,974	3,777

16. Inventories

	2023 £'000	2022 £'000
Raw materials	50,310	51,463
Work in progress	7,401	13,001
Semi-finished goods	23,533	18,421
Finished goods	4,603	12,372
Total inventories	85,847	95,257

No conditions or security exist on any inventory items. The provision for inventories is £9,882,846 (2022: £5,447,919).

Notes to the financial statements for the financial year ended 31 December 2023 (continued)

17. Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	102,219	111,499
Less: expected credit loss provision	(1,354)	(1,326)
Trade receivables - net	100,865	110,173
Prepayments	14,056	13,870
Accrued income	1,680	1,031
Supplier down payments	104	2,925
Corporate Tax receivable	-	2,734
Other receivables	9,442	9,335
	126,147	140,068
Amounts due from other group undertakings	657,932	213,013
Total receivables (current)	784,079	353,081
Prepayments (non-current)	4,044	4,500
Other receivables (non-current)	587	3,513
Total receivables (non-current)	4,631	8,013
Total receivables	788,710	361,094

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 2023 (continued)

18. Trade and other payables

	2023	2022
	£'000	£'000
Amounts falling due within 1 year		
Trade payables	22,328	33,691
Deposits and advance payments by customers	6,600	5,596
Payroll and other taxes, including social security	1,097	9,019
Accruals	46,629	45,273
Other payables	17,157	765
Contract liabilities	20,433	18,482
Corporate tax payable	8,550	-
	122,794	112,826
Amounts due to other group undertakings	92,571	102,900
Total trade and other payables (current)	215,365	215,726
	2023	2022
	£'000	£'000
Amounts falling due after more than 1 year		
Contract liabilities	6,946	7,579
Total trade and other payables	6,946	7,579

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. Derivative financial instruments

	2023	2022
	£'000	£'000
Derivatives that are designated and effective as hedging instruments carried at fair value		
Forward foreign currency contracts	-	-
Financial Liabilities carried at fair value through profit or loss (FVPL)		
Held for trading derivatives that are not designated in hedge accounting relationships:		
Foreign currency contracts	-	(6,517)
The Company has entered into master netting agreements with Atlas Copco Finance DAC.		
The Company has:		
	2023	2022
	£'000	£'000
Counterparty: Atlas Copco Finance DAC		
Derivative liability	-	(6,517)

Notes to the financial statements for the financial year ended 31 December 2023 (continued)

20. 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		Notional value		Fair value	
	exchange rate		2023	2022	2023	2022
	2023	2022	£'000	£'000	£'000	£'000
	[rate]	[rate]				
Sell USD	-	1.32	-	72,949	-	(6,517)

	Notional Value	Fair Value
	2023	2023
	£'000	£'000
Outstanding contracts maturity:		
Less than 3 months	-	-
3 to 12 months	-	-

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.

21. Provisions

	Warranty	Restructuring	Legal	Total	Retirement Benefit obligation
	£'000	£'000	£'000	£'000	£'000
At 1 January 2022	7,262	318	1,654	9,234	20,376
Current provisions	4,500	318	1,654	6,472	1,930
Non-current provisions	2,762	-	-	2,762	18,446
Provided in the year	11,304	-	-	11,304	-
Utilised in the year	(10,345)	-	(1,654)	(11,999)	(1,234)
Released in the year	-	-	-	-	(3,168)
At 31 December 2022	8,221	318	-	8,539	15,974
Current provisions	5,219	318	-	5,537	785
Non-current provisions	3,002	-	-	3,002	15,189
Provided in the year	16,804	959	164	17,927	-
Utilised in the year	(14,067)	(200)	(143)	(14,410)	(784)
Released in the year	-	-	-	-	1,059
At 31 December 2023	10,958	1,077	21	12,056	16,249
Current provisions	6,853	1,077	21	7,951	1,369
Non-current provisions	4,105	-	-	4,105	14,880

Notes to the financial statements for the year ended 31 December 2023 (continued)**21. Provisions (continued)**

Warranty provisions at 31 December 2023 were primarily in respect of equipment sold during 2022 and 2023. 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 2023 is £16.2m (2022: £16m). 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.

22. 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 £5,108,000 (2022: £4,228,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2023, contributions of £0k (2022: £3k) 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 2023 (continued)

23. Deferred tax assets and (liabilities)

	Property, plant and equipment £'000	Other temporary differences £'000	Capitalised RDEC £'000	Total £'000
At 1 January 2022	(78)	(3,658)	-	(2,009)
Amount falling due within 1 year	-	-	-	-
Amount falling due after more than 1 year	33	(3,658)	-	(2,009)
Purchase of assets from EHVIL	-	(603)	-	(603)
Recognised in the income statement during the year	(611)	(41)	-	(652)
Recognised in statement of comprehensive income during the year	-	(871)	-	(871)
Recognised in equity	-	2,404	-	2,404
At 31 December 2022	(689)	(2,769)	-	(3,458)
Amount falling due within 1 year	-	-	-	-
Amount falling due after more than 1 year	(689)	(2,769)	-	(3,458)
Recognised in the income statement during the year	(2,638)	833	853	(952)
Recognised in statement of comprehensive income	-	78	-	78
Recognised in Equity	-	481	-	481
At 31 December 2023	(3,327)	(1,377)	853	(3,851)
Amount falling due within 1 year	-	-	-	-
Amount falling due after more than 1 year	(3,327)	(1,377)	853	(3,851)

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 (2022: £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.

24. Share capital

	2023 £'000	2022 £'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 2023 (continued)

25. Contingent liabilities and legal proceedings

25.1. Contingent liabilities

	2023	2022
	£'000	£'000
Guarantees	1,006	995

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

25.2. Legal proceedings

As at 31 December 2023 there are no active legal proceedings.

26. Subsidiary companies

The subsidiary undertakings of the Company as at 31 December 2023 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 Barueri 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
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
India	HHV Pumps Private Ltd	Survey No. 13/2 & 13/3, NH4 Tumkur Road Malonagathihalli Village T Begur, Nelamangala Taluk Bengaluru Rural Karnataka - 562123

Notes to the financial statements for the year ended 31 December 2023 (continued)

26. Subsidiary companies (continued)

Ireland	Edwards Vacuum Technology Ireland Ltd	Building 1 Blanchardstown Industrial Park Snugborough Road Dublin 15 D15 CD3
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	Vacuum Technique 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

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.

27. Ultimate parent company and controlling party

The Company's immediate holding parent company is Atlas Copco UK Holdings Limited, (Technology House, Hemel Hempstead, Hertfordshire, HP2 7DF, UK). The Company's ultimate parent and controlling company as at 31 December 2023 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.

28. Post balance sheet events

There were no other post balance sheet events requiring disclosure in respect to the year ended 31 December 2023.

29. 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.

Notes to the financial statements for the year ended 31 December 2023 (continued)**30. Share based payment**

The outstanding option programs that concern employees of the company has been granted between 2018-2023 by Atlas Copco. The decision to grant options is made in April each year by Atlas Copco and the options were issued in March the following year (issue date and grant date according to IFRS 2). The number of options issued for each program year depended on the value creation in the Group, measured as Economic Value Added (EVA, defined as the sum of adjusted operating profit and interest income less tax expenses and cost of capital) of Atlas Copco, for the respective program year.

For the 2023 option program, the number of options varies on a linear basis within a pre-set EVA interval. The size of the plan and the limits of the interval have been established by the Board of Atlas Copco and have been approved by the Annual General Meeting of Atlas Copco and are compatible with the long-term business plan of the Group.

In connection to the issue, the exercise price is calculated as 110% of the average trading price for series A shares during a ten-day period following the date of the publishing of the fourth quarter report. The options were issued without compensation paid by the employee and the options remain the property of the employee only to the extent that they are exercisable at the time employment is terminated. The 2018-2023 programs have a vesting period of three years and have contractual term of seven years. The options in the 2018-2023 programs are not transferable and become exercisable at 100% three years after grant and up and until year seven. At exercise a common share in Atlas Copco is received.

The options expire at different dates depending on which program the contractual life of the options are until April, seven years after the program year. Options have been exercised during the period and the average share price for Atlas Copco for 2023 was 144.23 SEK. The established exercise prices for the outstanding options vary between 64.77 SEK and 190.90 SEK.