

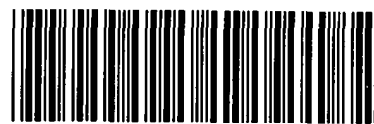
Registration number: 02532156

Air Products (BR) Limited

Annual Report and Financial Statements

for the Year Ended 30 September 2019

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Air Products (BR) Limited

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Air Products (BR) Limited

Strategic Report for the Year Ended 30 September 2019

This strategic report has been prepared in accordance with The Companies Act 2006.

Principal activity

The principal activity of the company continues to be the sale of industrial gases.

Fair review of the business

The trading results for the year and the company's financial position at the end of the year are as shown in the attached financial statements.

The profit for the financial year was £14,358,000 (2018: £152,262,000) and the operating profit was £14,136,000 (2018: £14,000,000).

Key performance indicators

The directors monitor the financial performance of the business based on specific key performance indicators (KPI's). Earnings before interest, taxation, depreciation and amortisation (EBITDA) adjusted for foreign exchange fluctuations is used as a measure of overall profitability. EBITDA increased from £20,665,000 in 2018 to £21,564,000 in 2019. Operating profit as a percentage of sales increased during the year from 15.6 % in 2018 to 16.3 % in 2019. Return on capital employed decreased in 2019 to 7.09% compared to 9.79% in 2018. The business performed satisfactorily and in line with expectations. Dividends received from related parties were £88,000 in 2019 (2018: £139,892,000). The directors do not expect any major changes in the business structure or overall performance in the coming financial year.

Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the company. To manage this risk, the company strives to provide value-added products to its customers and maintain strong relationships with both customers and suppliers. The company's business is affected by fluctuations in the price of key raw materials, although purchasing policies, contracts and practices seek to mitigate, where practical, such risks.

The United Kingdom's (UK) exit from the European Union ("Brexit") brings risks and uncertainties related to the process and its potential impact on the wider UK economy. The company anticipates no significant impact on operations as a result of Brexit as customers and production for its core Industrial Gas business is based in the UK. Where necessary, measures have been implemented to minimise any potential impacts of Brexit on the company's production and supply chain.

The COVID-19 global pandemic significantly impacted the UK economy beginning in March 2020 when the government implemented various measures to control the spread of the virus. The director's assessment of the current and future impact of Covid-19 on business operations can be found in the directors' report on page 3.

Financial risk management

The company aims to manage financial risks to avoid potential negative impacts on the results of business operations. The company participates in a group cash pooling arrangement to minimise cashflow and liquidity-based risks. In addition, financial risks related to interest rate and foreign exchange fluctuations are actively managed through the use of derivative financial instruments such as forward contracts.

Future developments

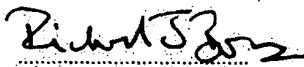
The company is well positioned to continue its focus on growing its core UK Industrial Gases business. Management remains focused on safety and delivering value added products and services for customers in the future.

Air Products (BR) Limited
Strategic Report for the Year Ended 30 September 2019 (continued)

Environmental matters

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. Initiatives aimed at minimising the company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

Approved by the Board on 6th July 2020 and signed on its behalf by:



R. Boocock
Director

Air Products (BR) Limited

Directors' Report for the Year Ended 30 September 2019

The directors present their annual report and the audited financial statements for the year ended 30 September 2019.

Proposed dividend

The directors proposed no dividend during the year 2019 or to date of this report (2018: £nil).

Directors of the company

The directors who held office during the year were as follows:

R. Boocock

C. Stinner

G. Weigard (resigned 31 January 2020)

The following director was appointed after the year end:

S. Lowe (appointed 22 October 2019)

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report on page 1.

In making a judgement regarding going concern, the directors have considered the impact of the Coronavirus outbreak on business operations. The world health organisation declared Covid-19 a Public Health Emergency of International Concern on the 30th January 2020 and a global pandemic on the 11th March 2020. Measures taken by the UK government to limit the spread of the virus have resulted in a significant contraction of the UK economy. Overall impact on revenues has been limited due to contract-based fixed revenues in customer segments where operations have been less affected by Covid-19 and government policies.

In considering the impact Covid-19 has had on the performance of the company, the directors examined results during April and May when government measures were most stringent. This was considered worst case scenario due to complete closure of certain UK industries. Additional forecasting allowances were made for negative impacts on customer receivables and capital expenditure. As a result of this analysis, the directors believe that the companies diversified customer base and product portfolio mean that the impact of Covid-19 on company performance has been limited. They also expect the company to generate positive cash flows on its own account for the foreseeable future. For this reason, the company chose not to avail of the UK governments Coronavirus Job Retention Scheme.

Whilst the directors acknowledge that the full impact of Covid-19 is difficult to ascertain at this stage, they do not believe that the long term wider economic impacts will have a significant effect on future operations. As a result, they continue to adopt the going concern basis in the preparation of these financial statements.

Subsequent Events

Subsequent to year end, the COVID-19 global pandemic significantly impacted the UK economy beginning in March 2020. It is a non-adjusting post balance sheet event and no adjustments have been made to these financial statements in relation to this. The directors have considered the impacts of COVID-19 on the financial position of the company and believe the impact to date has been limited. They also acknowledge that the full impact of Covid-19 is difficult to ascertain at this stage. The company is expected to continue as a going concern for the 12 months following the signing of these financial statements as disclosed in the directors' report.

Financial risk management and future developments

Financial management and future developments are included in the strategic report and form part of this report by cross reference.

Air Products (BR) Limited
Directors' Report for the Year Ended 30 September 2019 (continued)

Political donations

The company made no political donations or incurred any political expenditure during the year (2018: nil).

Disclosure of information to the auditor's

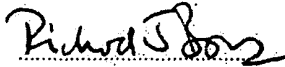
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, during the year KPMG LLP resigned as auditors and were replaced by Deloitte LLP.

Deloitte LLP have expressed their willingness to continue in office as auditor and will be proposed for reappointment at the next Annual General Meeting.

Approved by the Board on 6th July 2020 and signed on its behalf by:



R. Boocock
Director

Air Products (BR) Limited

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards 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 inappropriate to presume that the company will 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Air Products (BR) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Air Products (BR) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (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.

Going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent Auditor's Report to the Members of Air Products (BR) Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

Independent Auditor's Report to the Members of Air Products (BR) Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.



Andrew Hornby FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor

Reading
United Kingdom

Date: 7 July 2020

Air Products (BR) Limited
Profit and Loss Account for the Year Ended 30 September 2019

	Note	2019 £000	2018 £000
Turnover	2	86,841	89,975
Cost of sales		<u>(71,705)</u>	<u>(75,532)</u>
Gross profit		15,136	14,443
Administrative expenses		<u>(1,000)</u>	<u>(443)</u>
Operating profit	3	14,136	14,000
Income from other fixed asset investments	6	88	139,892
Other interest receivable and similar income		3,138	10,847
Interest payable and similar expenses	8	<u>(775)</u>	<u>(8,591)</u>
Profit before tax		16,587	156,148
Taxation	9	<u>(2,229)</u>	<u>(3,886)</u>
Profit for the financial year		<u>14,358</u>	<u>152,262</u>


All results derive from continuing operations.

There are no recognised gains or losses in the current or prior year other than those charged to the profit and loss account, accordingly, no separate statement of other comprehensive income has been presented.

Air Products (BR) Limited
(Registration number: 02532156)
Balance Sheet as at 30 September 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Tangible assets	10	41,038	41,789
Investments	11	<u>189,728</u>	<u>189,999</u>
		<u>230,766</u>	<u>231,788</u>
Current assets			
Stocks	12	1,973	2,002
Debtors (including £35,838,000 (2018: £42,532,000) due after more than one year)	13	64,537	73,883
Cash at bank and in hand		<u>159,128</u>	<u>89,807</u>
		225,638	165,692
Creditors: Amounts falling due within one year	14	<u>(215,729)</u>	<u>(171,196)</u>
Net current assets/(liabilities)		<u>9,909</u>	<u>(5,504)</u>
Total assets less current liabilities		240,675	226,284
Creditors: Amounts falling due after more than one year	14	(1,599)	(1,533)
Provisions for liabilities	16	<u>(1,491)</u>	<u>(1,524)</u>
Net assets		<u>237,585</u>	<u>223,227</u>
Capital and reserves			
Called up share capital	18	181,683	181,683
Share premium account		45,497	45,497
Profit and loss account		<u>10,405</u>	<u>(3,953)</u>
Total equity		<u>237,585</u>	<u>223,227</u>

Approved and authorised by the Board on 6 July 2020 and signed on its behalf by:


R. Boussett
 Director

Hersham Place Technology Park
 Molesey Road
 Walton-on-Thames
 Surrey
 KT12 4RZ

Air Products (BR) Limited
Statement of Changes in Equity for the Year Ended 30 September 2019

	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 October 2017	181,683	45,497	(156,215)	70,965
Profit for the year	-	-	152,262	152,262
Total comprehensive income	-	-	152,262	152,262
At 30 September 2018	<u>181,683</u>	<u>45,497</u>	<u>(3,953)</u>	<u>223,227</u>
	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 October 2018	181,683	45,497	(3,953)	223,227
Profit for the year	-	-	14,358	14,358
Total comprehensive income	-	-	14,358	14,358
At 30 September 2019	<u>181,683</u>	<u>45,497</u>	<u>10,405</u>	<u>237,585</u>

The notes on pages 12 to 25 form an integral part of these financial statements.

Air Products (BR) Limited

1 Accounting policies

Air Products (BR) Ltd (the "Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The principal activities of the company are set out in the Strategic Report on page 2.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Key estimates and judgements

In the application of the company's accounting policies, which are described in note 2, 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. No critical accounting judgements or sources of estimation uncertainty have been identified.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention. The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Air Products and Chemicals, Inc. The address of the parent's registered office is Air Products and Chemicals, Inc, 7201 Hamilton Boulevard, Allentown, Pennsylvania 18195 - 1501.

These financial statements were prepared in accordance with Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The functional and presentation currency of these financial statements is sterling as this is the currency of the primary economic environment in which the entity operates. All amounts in the financial statements have been rounded to the nearest £1,000.

Exemptions for qualifying entities FRS 102

Air Products (BR) Limited is a qualifying entity under FRS 102 on the basis of being included in the consolidated financial statements of Air Products and Chemicals, Inc, which are available to the public from the company's registered office.

The company has, therefore, taken the below exemptions available under FRS 102:

Air Products (BR) Limited

1 Accounting policies (continued)

- The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its parent company, Air Products & Chemicals Inc, includes the company's cash flows in its own consolidated financial statements.
- The company has taken advantage of the exemption, under FRS 102 para 33.7 from disclosing total compensation of key management personnel.
- The company has taken advantage of the exemption for qualifying entities from certain financial instrument disclosures, on the basis that the equivalent disclosures are included in the consolidated financial statements of ultimate parent company.
- The company has taken advantage of the exemption, under FRS 33.1 (a), from disclosing related party transactions as they are all with other companies that are wholly owned by Air Products & Chemicals Inc.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report on page 1.

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

In making a judgement regarding going concern, the directors have considered the impact of the Coronavirus outbreak. The world health organisation declared Covid-19 a Public Health Emergency of International Concern on the 30th January 2020 and a global pandemic on the 11th March 2020. Subsequent measures taken by the UK government to limit the spread of the virus have resulted in a significant contraction of the UK economy. In considering the impact these measures have had on the performance of the company, the directors examined results during April and May when government measures were most stringent. As a result, they believe that the companies diversified customer base and product portfolio mean that the impact of Covid-19 on company performance has been limited. For this reason, the company chose not to avail of the governments Coronavirus Job Retention Scheme.

Whilst the directors acknowledge that the full impact of Covid-19 is difficult to ascertain at this stage, they do not believe that the long term wider economic impacts will have a significant effect on future operations. As a result, they continue to adopt the going concern basis in preparation of these financial statements.

Fixed assets investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less any provision for impairment.

Fixed assets and depreciation

Fixed assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Depreciation is provided on a straight-line basis to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Asset class
Freehold building
Plant and machinery

Depreciation rate
between 10 to 30 years
between 4 to 40 years

Assets under construction are not depreciated and reported at cost.

Air Products (BR) Limited

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Foreign currency transactions and balances

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, and the gains or losses on translation are included in the profit and loss account. If the transaction is hedged forward, the gains or losses arising on completion of this contract are recognised on the date of completion in the profit and loss account.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Provisions

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Air Products (BR) Limited

1 Accounting policies (continued)

Financial instruments

Classification

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Basic financial instruments

Debtors / creditors

Other debtors are recognised initially at transaction price less attributable transaction costs. Other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in subsidiaries, jointly controlled entities and associates

These are separate financial statements of the company. Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment, with net revaluation gains recognised in OCI and net revaluation losses in profit or loss.

Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Air Products (BR) Limited

1 Accounting policies (continued)

Stocks

Stock is stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Revenue recognition

Turnover represents the amounts (excluding value added tax, credit notes and returns) derived from the provision of goods and services to customers. Sales of industrial gases are recorded at the time of shipment.

Air Products (BR) Limited

1 Accounting policies (continued)

Contract revenue recognition

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less that transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable, within one year, on contracts are included in stocks and represent turnover recognised in excess of payments on account.

Amounts recoverable, over a year, on contracts are included in trade debtors and represent project revenue in excess of billing.

Interest costs incurred during the construction period on long-term contracts are included in work-in-progress.

2. Analysis of turnover

The turnover is attributable to the principal activity of the company which is sale of industrial gas.

	2019 £ 000	2018 £ 000
UK	<u>86,841</u>	<u>89,975</u>

3 Operating profit

Arrived at after charging:

	2019 £ 000	2018 £ 000
Depreciation expense	4,630	4,150
Foreign exchange losses	434	260
Operating lease expense - plant and machinery	135	172
Operating lease expense - other	<u>974</u>	<u>1,045</u>

The Auditor's remuneration in respect of the audit of these financial statements was £7,000 (2018: £21,000)

4 Directors' remuneration

For the services rendered by the directors of the company an amount of £nil (2018: £5,700) has been paid by another company in the Air Products Chemicals Inc group.

Air Products (BR) Limited

5 Staff costs

The company has no employees and staff costs as it relies on Air Products PLC a related company for the provision of operational, administrative and management services.

6 Dividend income from subsidiaries

	2019 £ 000	2018 £ 000
Dividend income from subsidiaries	<u>88</u>	<u>139,892</u>

7 Other interest receivable and similar income

	2019 £ 000	2018 £000
Interest receivables from group undertakings	40	7,574
Interest from finance lease	2,005	2,265
Bank interest	1,048	1,008
Third party interest	41	-
Gain on financial instruments	<u>4</u>	<u>-</u>
	<u>3,138</u>	<u>10,847</u>

8 Interest payable and similar expenses

	2019 £ 000	2018 £000
Interest payable to group undertakings	775	8,412
Third party interest	<u>-</u>	<u>179</u>
	<u>775</u>	<u>8,591</u>

9 Taxation

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

Tax charged in the income statement

Air Products (BR) Limited

9 Taxation (continued)

	2019 £ 000	2018 £000
UK Corporation tax		
Current tax on income for the period	973	1,013
Adjustment in respect of prior periods	(1,041)	(734)
Foreign tax	778	64
Total current income tax	710	343
Deferred taxation		
Origination / reversal of timing differences	1,457	1,362
Adjustment in respect of prior periods	62	2,181
Tax expense in the income statement	2,229	3,886

Tax rate changes

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 15 September 2016. In March 2020 it was announced that the Corporation Tax rate of 19% will be maintained for financial year beginning 1 April 2020. The main Corporation Tax rate will also be set at 19% for the financial year beginning 1 April 2021. The change was not substantially enacted at year end, therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%.

	2019 £ 000	2018 £000
Profit before tax	16,587	156,148
Current tax at 19% (19% FY18)	3,152	29,668
Expenses not deductible/ Income not taxable for tax purposes	(16)	(25,997)
Adjustment in respect of prior periods	(980)	1,447
Group Relief	(823)	(1,400)
Foreign tax	778	64
Other (NB rate difference between P&L and BS)	118	104
Total tax charge	2,229	3,886

Deferred tax

Deferred tax assets and liabilities

2019	Asset £ 000
Timing differences on fixed assets	4,003
Fixed asset impairment	2,488
Derivative financial instruments	(244)
Onerous contract	253
	6,500

Air Products (BR) Limited

9 Taxation (continued)

2018	Asset £ 000
Timing differences on fixed assets	2,230
Fixed asset impairment	5,842
Derivative financial instruments	(284)
Onerous contract	233
	<u>8,021</u>

10 Tangible assets

	Freehold property £ 000	Plant and Machinery £ 000	Assets under construction £ 000	Total £ 000
Cost or valuation				
At 1 October 2018	2,975	167,777	4,998	175,750
Additions	4	153	4,322	4,479
Disposals	(18)	(381)	(409)	(808)
Transfers	25	1,652	(1,825)	(148)
	<u>2,986</u>	<u>169,201</u>	<u>7,086</u>	<u>179,273</u>
At 30 September 2019				
Depreciation				
At 1 October 2018	2,025	131,934	-	133,959
Charge for the year	98	4,532	-	4,630
Eliminated on disposal	(18)	(336)	-	(354)
	<u>2,105</u>	<u>136,130</u>	<u>-</u>	<u>138,235</u>
At 30 September 2019				
Carrying amount				
At 30 September 2019	<u>881</u>	<u>33,071</u>	<u>7,086</u>	<u>41,038</u>
At 30 September 2018	<u>950</u>	<u>35,841</u>	<u>4,998</u>	<u>41,789</u>

11 Investments

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Air Products (BR) Limited

11 Investments (continued)

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2019	2018
Subsidiary undertakings				
Air Products Ireland Limited	Unit 950, Western Industrial Estate Killeen Road Dublin 12 Ireland	Ordinary shares	100%	100%
Cryoservice Limited	Wardon Business Park Prescott Drive Worcester Worcestershire WR4 9RH Great Britain	Ordinary shares	85.14%	85.14%

Shares in group undertakings	2019
	£000
<i>Cost</i>	
Investments at the beginning of the year	189,999
Additions	-
Investments disposal	(271)
At 30 September 2019	<u>189,728</u>
Carrying amount	
At 30 September 2019	<u><u>189,728</u></u>

12 Stocks

	2019	2018
	£ 000	£ 000
Raw materials and consumables	1,616	1,493
Finished goods and goods for resale	<u>357</u>	<u>509</u>
	<u><u>1,973</u></u>	<u><u>2,002</u></u>

Air Products (BR) Limited

13 Debtors

	Note	2019 £ 000	2018 £000
Trade debtors		6,260	6,583
Amounts owed by related parties		15,283	16,225
Other debtors (including £499,000 (2018 : £577,000) due after more than one year)		900	856
Prepayments		1,644	3,328
Finance lease receivables (including £28,848,000 (2018 : £33,911,000) due after more than one year)	15	33,910	38,834
Deferred tax asset (including £6,474,000 (2018 : £8,044,000) due after more than one year)	9	6,500	8,021
Derivative Financial Instruments (including £17,000 (2018 : £nil) due after more than one year)		40	36
		<u>64,537</u>	<u>73,883</u>

Related party transactions are at interest rates equivalent to market rate.

14 Creditors

	Note	2019 £ 000	2018 £000
Due within one year			
Trade creditors		3,440	4,713
Amounts due to related parties		203,193	156,950
Other payables		720	629
Accruals		3,783	4,367
Derivative financial instruments		224	33
Payments on account		4,369	4,504
		<u>215,729</u>	<u>171,196</u>
Due after one year			
Provisions		1,491	1,524
Derivative financial instruments		233	-
Other long term creditors		1,366	1,533
		<u>3,090</u>	<u>3,057</u>

15 Finance lease receivable

Air Products (BR) Limited

15 Finance lease receivable (continued)

Finance lease are receivable as follows:

	2019 £ 000	2018 £ 000
Finance lease receivable		
Less than one year	5,062	4,924
Between one and five years	20,228	19,810
More than five years	8,620	14,100
	<u>33,910</u>	<u>38,834</u>

Related party transactions are at arm's length at interest rates equivalent to market rate.

16 Provision

	Onerous contracts £ 000	Asset retirement obligation £ 000	Total £ 000
At 1 October 2018	919	605	1,524
Additional provisions	-	116	116
Provisions used	<u>(149)</u>	<u>-</u>	<u>(149)</u>
At 30 September 2019	<u>770</u>	<u>721</u>	<u>1,491</u>

Onerous lease provisions

Following the decision to exit the Energy from Waste business, the company has recognised a provision for contract obligations that have become onerous in nature.

Asset retirement obligation

Following the decision to exist the Energy from Waste business, the company has recognised an asset retirement obligation in relation to the demolition and removal of plant assets.

17 Financial instruments

The carrying amounts of the financial assets and liabilities measured at fair value are:

	2019 £ 000	2018 £ 000
Assets measured at fair value through profit or loss	40	36
Financial liabilities measured at fair value through profit or loss	<u>(457)</u>	<u>(33)</u>
	<u>(417)</u>	<u>3</u>

The fair value of derivative financial instruments is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Air Products (BR) Limited

18 Share capital

Authorized, called up and fully paid shares

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Equity: 181,682,627 ordinary shares of £1 each of £1 each	<u>181,683</u>	<u>181,683</u>	<u>181,683</u>	<u>181,683</u>

19 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £Nil (2018 - £Nil).

Non-cancellable operating leases

	2019 £ 000	2018 £ 000
Non-cancellable lease commitments - less than a year	4,194	784
Non-cancellable lease commitments - 2 to 5 years	2,488	3,135
Non-cancellable lease commitments - more than 5 years	<u>9,666</u>	<u>5,685</u>
	<u>16,348</u>	<u>9,604</u>

20 Subsequent Events

Subsequent to year end, the COVID-19 global pandemic significantly impacted the UK economy beginning in March 2020. It is a non-adjusting post balance sheet event and no adjustments have been made to these financial statements in relation to this. The directors have considered the impacts of COVID-19 on the financial position of the company and believe the impact to date has been limited. They also acknowledge that the full impact of Covid-19 is difficult to ascertain at this stage. The company is expected to continue as a going concern for the 12 months following the signing of these financial statements as disclosed in the directors' report.

Air Products (BR) Limited

21 Parent and ultimate parent undertaking

The company is a wholly owned subsidiary of Air Products Group Limited, a company incorporated in United Kingdom.

The smallest and largest group in which the results of the company are consolidated is that headed by Air Products and Chemicals Inc., the ultimate controlling party and a company incorporated in the State of Delaware, USA. The consolidated financial statements of this group are available to the public and may be obtained from:

Corporate Secretary
Air Products and Chemicals, Inc
7201 Hamilton Boulevard
Allentown
Pennsylvania 18195 - 1501