Edwards Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

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

Registered in England and Wales: 06124750

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Annual Report for the Financial year ended 31 December 2019

Contents	Pages

Company information

Directors	Alex Bongaerts Geert Follens Gareth Harte
Company secretary	Caroline Peace
Company registration number	06124750
Registered office	Innovation Drive Burgess Hill West Sussex RH15 9TW United Kingdom
Independent Auditor	Deloitte LLP Statutory Auditor 1 New Street Square London EC4A 3HQ 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 2019

The directors present their strategic report for Edwards Limited ("Edwards" and "the Company") for the year ended 31 December 2019.

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. Its 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		
	2019 £'000	2018 £'000	% change
Revenue	**678,396**	**701,951**	(3.4%)
Gross profit	271,409	280,947	(3.4%)
Gross profit percentage	*40.0%*	*40.0%*	
Operating profit	162,949	192,182	(15.2%)
Net profit	266,701	338,874	(21.3%)

There has been a general downturn in the Semiconductor market which onset in Q4 2018. This has led to some impact in reduced orders and revenues during 2019. However, many large customers continued to invest in technology rather than capacity, while the Chinese market remained strong. As a result, cost of sales was aligned where possible, leading to the Company maintaining its gross profit margin in 2019.

During 2020 the Company offered to settle an ongoing legal claim with former employees. This led to an additional provision being made in 2019 impacting operating profit. See Note 23 for full disclosure. Operating profit remained strong despite this, as the company remained agile in respect of costs despite the slight the market downturn. Operating profit margin of 24.0% (2018: 27.4%) shows decline, however there is also heavy influence from foreign exchange gains and losses, with a loss of £5.5m in 2019 compared to a gain of £8.1m in 2018. With foreign exchange impact and additional provision removed the operating profit margin would be 27.4% (2018: 26.2%). This demonstrates the resilience and agility of the business to deal with cyclical downturns.

Working capital balance have increased through 2019. This is largely in relation to the market in which the Company operates and the contractual terms of sales. There were also some increases to inventories around timing of shipments and Brexit planning.

The decrease to net profit was largely driven by the reduction in dividends received from subsidiaries.

Future developments

The Directors are confident that the overall Atlas Copco Group strategy will continue to yield profitable growth. 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.

Strategic Report for the Financial year ended 31 December 2019 (continued)

The Directors have strongly considered the impacts of the COVID-19 pandemic on the Company. In their assessment they have considered the current performance, underlying market conditions and other outside factors such as government restraints and the welfare of the global population. In the short and long term the Directors believe the pandemic will not have a severe detrimental impact to the underlying business, as the trading of the Company remains strong with significant demand for products. The Directors are confident the Company will meet its obligations as and when they fall due, and that the ability to do so will not be impacted. Market outlooks remain positive and the Directors are confident that the Company will align with these trends and continue to deliver profitable operations. Further to this, the Directors have also considered the operations of its subsidiary companies. As all the companies operate within the same overall Vacuum market, it is considered that the subsidiary outlooks will be wholly similar to that of the Company. Therefore, it is not expected that any asset values in relation to these investments are impacted. The Company has a cash pooling and loan facility with the internal bank of Atlas Copco, and overall support from the group. Therefore, the Going Concern of Edwards 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 on COVID-19 is robust and that they will continue as a going concern. As noted in the going concern statement, the Directors continue to adopt the going concern basis in preparation of these financial statements

Principal risks and uncertainties

The Company's principal risks include the worldwide economic situation, market growth and cyclicality, 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.

As per the comments included above within future prospects, the COVID-19 pandemic is widely considered a risk to the Company. These risks include threats to supply chain and customer demand. There is also a risk around the people impact and the ability keep operations at capacity. To mitigate this risk the Company has set up a working committee to continually monitor developments and form appropriate strategies. To date there has been no significant drop in demand and operations have largely continued with some minor disruption at the height of the pandemic in Asia in February. This has resulted in the Company's performance remaining strong into 2020 and there being no threat that the Company could not meet its obligations. The Company have considered a number of scenarios and is confident that suitable strategy exists for these scenarios. The current expectation and outlook of the market is strong, however contingency plans are in place should the situation deteriorate further. It is believed these plans are more than adequate to protect the obligations as and when they fall due.

Financial risk management

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

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

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

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

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

S.172 (1) statement

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

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

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

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

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

The Directors of the Company aim to meet formally and hold 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 2019, a number of decisions were made by the Board. These include;

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 £325m. 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, as well as the expectations of our sole shareholder.

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.

This report was approved by the board of directors on 1 October 2020 and signed on its behalf by:

Gareth Harte
Director
01 October 2020

Directors' report for the Financial year ended 31 December 2019

The directors present their annual report and audited financial statements of the Company for the year ended 31 December 2019.

Directors

The directors of the Company during the year and up to the date of signing the financial statements were:
Alex Bongaerts
Geert Follens
Gareth Harte

Dividends

Interim dividends for 2019 of £300m and £25m were paid on 15 April 2019 and 16 December 2019 respectively (2018: £350m).

The directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: £nil).

Going concern

The directors are confident, after having made appropriate enquiries that the Company has adequate resources to continue in operation for the foreseeable future. In March 2020 COVID-19 was announced to be a pandemic. This resulted in several measures being taken globally by governments to protect the wellbeing of the population. The Directors have considered the impacts of the pandemic on the business both in the short, and long term. Various contingency measures have been carefully considered. At the time of signing these financial statements there are various safeguarding measures in place to ensure the welfare of all the staff, customers, vendors and anyone having involvement with the company or any of its subsidiaries. To date the business performance remains strong, with both distribution channels and supply chains remaining operational, with demand high. Having considered all these factors and updating business outlooks to include expected impact as far as possible, it is not currently expected the pandemic will have a significant or lasting detrimental impact on the Company. The Directors also considered and assessed the going concern position of the overall Group as part of its assessment which did not alter the Company's assessment. Therefore, the directors continue to adopt the going concern basis in preparing the financial statements.

Directors' indemnities

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

Employee policies

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

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

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

Directors' report for the Financial year ended 31 December 2019 (continued)

Research and development

The Company is committed to innovation and product development. The Company's research and development teams utilise deep technology expertise and innovative application solutions to contribute to the growth of the business. During the year, the Company spent £24m on research and development (2018: £27.2m).

Political donations

No political donations were made in the year (2018: £nil).

Post balance sheet events

The Directors have considered the impact of COVID-19 on the Company, this is detailed in Note 30. It is concluded that there is no adjusting event in relation to COVID-19. In July 2020 the Company made an offer of settlement in an ongoing litigation case by former employees. This was considered an adjusting event and therefore a provision has been recognised in respect of this in the balance sheet as at 31 December 2019. This is outlined in Note 23. The Company paid dividends of £131,000,000 and £65,000,000 on 5 April 2020 and 23 September 2020 respectively. No other significant events occurred after the year end which would have a material impact on financial statements as of 31 December 2019.

Auditor

As the Company is not required to hold Annual General Meetings, in accordance with the Companies Act 2006 and the Articles of Association of the Company, Deloitte LLP will be deemed to be reappointed every year.

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

On 29 November 2018, the entire shareholding in the Company was transferred from Atlas Copco Airpower N.V. to Atlas Copco UK Holdings Limited. From this date Atlas Copco UK Holdings Limited became the direct parent of the Company and holds 100 % of the shares. This transfer had no impact on the financial results of the Company.

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:

Gareth Harte

Director
1 October 2020

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, 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 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 FRS 101 "Reduced Disclosure Framework". 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 accounting 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information include on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Edwards Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Edwards Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 33.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (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.

Conclusions relating to 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.

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.

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

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.

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.

Jonathan Gooding

Jonathan Gooding FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP, Statutory Auditor
London, United Kingdom

1 October 2020

Edwards Limited

Registered in England and Wales: 06124750

Income statement
For the Financial year ended 31 December 2019

	Note	Year ended 31 December 2019 £'000	2018 (restated*) £'000
Revenue	3	678,396	701,951
Cost of sales		(406,987)	(421,004)
Gross profit		**271,409**	**280,947**
Distribution costs		(30,228)	(32,018)
Administrative costs		(78,232)	(56,747)
Analysed as:			
Administrative expenses before amortisation		(70,383)	(48,564)
Amortisation	12	(7,849)	(8,183)
Operating profit	4	**162,949**	**192,182**
Impairment of investment in subsidiaries	13	(2,313)	-
Impairment of intangible assets	12	(48)	(196)
Other gains - net	8	11	17
Finance income	9	130,693	178,844
Finance costs	9	(1,709)	(4,099)
Profit before taxation		**289,583**	**366,748**
Taxation	10	(22,882)	(27,874)
Profit for the financial year attributable to the owners of the Company		**266,701**	**338,874**

All activities are from continuing operations.

*2018 restatement outlined in Note 33.

Statement of comprehensive income
For the Financial year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	£'000	£'000
Profit for the year	266,701	338,874
Items that will not be reclassified to profit or loss:		
Actuarial loss on retirement benefit obligations	(120)	(221)
Tax on actuarial gain/(loss) on retirement benefit obligations	23	(497)
	(97)	(718)
Other comprehensive expense for the year, net of tax	(97)	(718)
Total comprehensive income for the year attributable to the owners of the Company	266,604	338,156

Edwards Limited

Registered in England and Wales: 06124750

Balance sheet
As at 31 December 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Intangible assets	12	37,836	38,792
Investment in subsidiaries	13	314,029	314,029
Property, plant and equipment	14	14,589	16,082
Right-of-use assets	15	398	-
Trade and other receivables	17	9,346	8,320
		376,198	**377,223**
Current assets			
Inventories	16	12,760	3,314
Trade and other receivables	17	104,977	99,788
Amounts due from other group companies	17	22,825	17,767
Derivative financial instruments	21	3,648	-
Cash and cash equivalents	18	105,151	52,804
		249,361	**173,673**
Total assets		**625,559**	**550,896**
Current liabilities			
Borrowings	20	(115,557)	(29,226)
Lease liability	15	(137)	-
Derivative financial instruments	21	-	(729)
Trade and other payables	19	(38,664)	(34,853)
Corporation tax payable	19	(1,288)	(4,567)
Provisions	23	(7,208)	(4,315)
Retirement benefit obligations	23	(490)	(483)
Amounts due to other group companies		(46,551)	(15,948)
		(209,895)	**(90,121)**
Net current assets		**39,466**	**83,552**
Total assets less current liabilities		**415,664**	**460,775**
Non-current liabilities			
Lease liabilities	15	(263)	-
Trade and other payables	19	(5,171)	(4,724)
Provisions	23	(2,255)	(1,855)
Retirement benefit obligations	23	(21,295)	(6,573)
Deferred tax liabilities	25	(56)	(2,603)
		(29,040)	**(15,755)**
Net assets		**386,624**	**445,020**
Equity			
Share capital	26	1	1
Reserves		386,623	445,019
Equity attributable to the owners of the Company		**386,624**	**445,020**

The notes on pages 16 - 46 form part of the financial statements.

The financial statements of Edwards Limited (registered number 06124750) were approved by the board of directors and authorised for issue 1 October 2020.

They were signed on its behalf by:

Gareth Harte
Director
01 October 2020

Edwards Limited

Registered in England and Wales: 06124750

Statement of changes in equity
For the Financial year ended 31 December 2019

	Share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018	**1**	**(2,754)**	**459,617**	**456,864**
Actuarial loss on retirement benefit obligations	-	-	(221)	(221)
Tax on actuarial loss on retirement benefit obligations	-	-	(497)	(497)
Profit for the year	-	-	338,874	338,874
Total comprehensive income	-	-	338,156	338,156
Dividends paid (note 11)	-	-	(350,000)	(350,000)
Balance at 31 December 2018	**1**	**(2,754)**	**447,773**	**445,020**
Actuarial loss on retirement benefit obligations	-	-	(120)	(120)
Tax on actuarial gain on retirement benefit obligations (note 10)	-	-	23	23
Profit for the year	-	-	266,701	266,701
Total comprehensive income	-	-	266,604	266,604
Dividends paid (note 11)	-	-	(325,000)	(325,000)
Balance at 31 December 2019	**1**	**(2,754)**	**389,377**	**386,624**

Notes to the financial statements for the Financial year ended 31 December 2019

1. General information

The Company is a private company, limited by shares and registered in England and Wales under the Companies Act. The address of its registered office is given on the Company Information page. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

2. Summary of significant accounting policies

The principal accounting policies are summarised 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 2019. The comparative period is the year to 31 December 2018.

2.1. Basis of accounting

The accounting standard used is FRS 101 'Reduced Disclosure Framework' and as the standard permits the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, and related party transactions.

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 29.

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 financial statements have been prepared using the going concern basis of accounting (see Directors' Report). The Directors have reviewed the underlying results and future forecasts in detail to ensure adopting the Going Concern basis is reasonable. Market conditions and trends are taken into consideration along with any other leading indicators. The Company is in a strong net asset position. Furthermore, the COVID-19 pandemic is being taken seriously by the Company. Its impact has been considered on both the short and long term outlook of the operations and profits of the Company. This has been outlined in detail in both the Strategic Report, and Directors Report. Given the company's position and facilities within the Atlas Copco Group, the Directors also considered and assessed the going concern considerations of the group. After careful consideration, COVID-19 does not alter the Going Concern basis adopted.

Adoption of new and revised standards

The company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019;

IFRS 16 Leases
IFRIC 23 Uncertainty over income tax treatments

The impacts of the adoption are disclosed in note 32.
The updated accounting note pertaining to IFRS 16 leases is included within note 2.18.

Notes to the financial statements for the Financial year ended 31 December 2019 (continued)

2. Summary of significant accounting policies (continued)

New standards and interpretations not yet adopted

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the company has decided not to adopt early. The most significant of these is are as follows, which are all effective for the period beginning 1 January 2020:

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Material).
IFRS 3 Business Combinations (Amendment - Definition of Business).
Revised Conceptual Framework for Financial Reporting.

Edwards Limited is currently assessing the impact of these new accounting standards and amendments.

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'.

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. Summary of significant accounting policies (continued)

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.

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 5 years.

Notes to the financial statements for the Financial year ended 31 December 2019 (continued)

2. Summary of significant accounting policies (continued)

2.7 Software

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

2.8 Other intangible assets

Other Intangible assets includes trademarks, patents and development cost. 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%

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

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.

2.11 Financial assets

Classification

From 1 January 2018, 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. Summary of significant accounting policies (continued)

2.12 Derivative financial instruments and hedging activities

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

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

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

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

The Company has derivatives of the following nature:

Currency forward contracts

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

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

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

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.

2. Summary of significant accounting policies (continued)

2.12 Derivative financial instruments and hedging activities (continued)

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.

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

Cash and cash equivalents includes cash in hand, deposits held at call with banks, short-term highly liquid investments with original maturities of three months or less and any offsetable bank overdrafts.

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.

Notes to the financial statements for the Financial year ended 31 December 2019 (continued)

2. Summary of significant accounting policies (continued)

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

In the current year, the company, has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

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.

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see Note 32. The following policies apply subsequent to the date of initial application, 1 January 2019.

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

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

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for: lease payments made at or before commencement of the lease; initial direct costs

incurred; and the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

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

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

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.

2. Summary of significant accounting policies (continued)

2.22 Equity

Share Capital

Ordinary shares are classified as equity.

Hedging reserve

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

Retained earnings

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

2.23 Investments

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

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

2.24 Critical accounting judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Impairment of investments in subsidiaries

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

Provision in relation to legal settlement

As per Note 23, the Company has provided an amount in relation to settlement of a legal claim. In determining this provision, a number of estimates and assumptions were used in order to calculate the expected future payments. These included suitable discount rates and other actuarial estimations. These judgments and estimations were largely derived from actuarial experts and have been carefully considered by management, and at the balance sheet date, have been deemed as appropriate.

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

Notes to the financial statements for the Financial year ended 31 December 2019 (continued)

3. Revenue

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

	Year ended 31 December 2019 £'000	2018 £'000
Continuing operations		
Third Party Revenue	391,635	431,571
At a point in time	*386,464*	*426,961*
Over time	*5,171*	*4,610*
Intra Edwards Revenue	161,139	140,899
Royalty income	125,622	129,481
Total revenue	**678,396**	**701,951**

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

Revenue:	2019 £'000	2018 £'000
Geographical market UK	24,668	29,359
Geographical market Europe without UK	35,992	50,898
Geographical market Asia	416,072	424,635
At a point in time	*410,901*	*420,025*
Over time	*5,171*	*4,610*
Geographical market Other	76,041	67,578
Total turnover	**552,774**	**572,470**

Company's revenue influenced by adopting the IFRS 15 standard are only in categories "Third Party Revenue" and "Geographical market Asia."

Notes to the financial statements for the Financial year ended 31 December 2019 (continued)

3. Revenue (continued)

Assets and liabilities related to contracts with customers

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

Contract Liabilities

	31 Dec 2019 £'000	31 Dec 2018 £'000
Amounts falling due within one year:		
Maintenance services	12,033	9,449
Amounts falling due after more than one year:		
Maintenance services	5,171	4,724
Total contract liabilities	**17,204**	**14,173**
Revenue not recognised in the reporting period that was included in the contract liability at the beginning of the period	4,724	4,610

Total contract liabilities	**17,204**	**14,173**
Expected period for revenue recognition:		
Next reporting period	12,033	9,449
2020 financial year	5,029	4,264
2021 financial year	142	460

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.

Notes to the financial statements for the Financial year ended 31 December 2019 (continued)

4. Profit for the year

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

	Year ended 31 December 2019 £'000	2018 £'000
Changes in inventories of finished goods and work in progress	(9,446)	(109)
Operating lease payments	-	213
Depreciation (note 14)	1,534	1,372
Amortisation of intangible assets included in admin costs (note 12)	7,849	8,183
Research and Development costs	24,024	27,209
Net foreign exchange (losses)/gains on operating activities	(5,477)	8,064

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

5. Auditor's remuneration

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

	Year ended 31 December 2019 £'000	2018 £'000
Fees payable to the auditor for the audit of the annual financial statements the Company	132	126
Total fees to auditor	**132**	**126**

Notes to the financial statements for the Financial year ended 31 December 2019 (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	
	2019	2018
	£	£
Salaries and benefits	332,305	324,704
Bonuses payable for the year	37,594	41,234
Total	**369,899**	**365,938**

The total remuneration for the highest paid director for the year to 31 December 2019 was £301,550 (2018: £299,569) including an annual bonus of £37,594 (2018: £41,234). As at 31 December 2019, retirement benefits are accruing under money purchase schemes for one director. Contributions to the money purchase schemes for the highest paid director were £nil (2018: £nil). 3 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:

	2019 Average	2018 Average
Manufacturing and service	72	71
Selling and distribution	128	128
Research and Development	149	188
Administration	105	104
Total	**454**	**491**

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

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

	Staff costs at EHVI Limited £'000	Staff costs at Edwards Limited £'000	2019 Total £'000	Staff costs at EHVI Limited £'000	Staff costs at Edwards Limited £'000	2018 Total £'000
Wages and salaries	15,280	29,231	44,511	11,825	30,378	42,203
Social security costs	1,852	5,173	7,025	1,439	4,702	6,141
Other pension costs	996	2,178	3,174	714	2,173	2,887
Total	**18,128**	**36,582**	54,710	**13,978**	37,253	51,231

Notes to the financial statements for the Financial year ended 31 December 2019 (continued)

8. Other gains - net

	Year ended 31 December	
	2019	2018
	£'000	£'000
Gain on disposal of property, plant and equipment	11	17
Total	**11**	**17**

9. Finance income and finance costs

Finance Income

	2019	2018
	£'000	£'000
Interest income on loans to other group companies	474	325
Change in fair value of derivative assets	729	-
Income from shares in group undertakings	129,490	178,519
Total	**130,693**	**178,844**

Finance Costs

	2019	2018
	£'000	£'000
Interest on loans from other group companies	(1,496)	(983)
Guarantee fees and financing costs	(13)	(34)
Interest - unwind of discount	(194)	(176)
Interest on lease liabilities	(6)	-
Change in fair value of derivative liabilities	-	(2,906)
Total	**(1,709)**	**(4,099)**

Notes to the financial statements for the Financial year ended 31 December 2019 (continued)

10. Tax

The tax charge comprises:

	Year ended 31 December	
	2019	2018
	£'000	£'000
Current tax expense		
UK Corporation Tax	14,359	16,337
With-holding tax on overseas interest and dividends	12,921	14,575
Adjustments in respect of prior years - corporation tax	(1,874)	(3,032)
	25,406	**27,880**
Deferred tax charge		
Origination and reversal of temporary differences	(3,093)	350
Effect of rate change on opening deferred tax	-	(322)
Adjustments in respect of prior years - deferred tax	569	(34)
	(2,524)	**(6)**
Total tax in income statement	**22,882**	**27,874**

The tax assessed for the year differs from (2018: differs from) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below.

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	
	2019	2018
	£'000	£'000
Profit before taxation	289,583	366,748
Tax using UK corporation tax rate of 19% (2018: 19%)	55,021	69,682
Rate difference on current year deferred tax	(28)	(41)
Income not taxable	(34,769)	(44,592)
Adjustments in respect of prior years - corporation and deferred tax	(1,301)	(3,066)
With-holding tax on overseas income	12,921	14,575
Effect of rate change on opening deferred tax	-	(322)
Current year foreign tax relief	(8,962)	(8,362)
Total tax charge	**22,822**	**27,874**

The main rate of UK corporation tax reduced to 19% from 1 April 2017 and hence the tax rate in our calculation for both years is 19%. It was announced at the 2020 budget that the corporation tax rate for 2020 and 2021 would remain at 19%.

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

	Year ended 31 December	
	2019	2018
	£'000	£'000
Items that will not be reclassified subsequently to profit or loss: Tax on actuarial gain/(loss) on retirement benefit obligations	23	(497)
Total income tax recognised in other comprehensive Income	**23**	**(497)**

Notes to the financial statements for the Financial year ended 31 December 2019 (continued)

11. Dividends

Amounts recognised as distributions to equity holders in the year: Interim dividend for year ended 31 December 2019 £325m (equivalent to £325,000 per share, 2018: £350,000 per share).

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

12. Intangible assets

	Patents and trademarks £'000	Software £'000	Development costs £'000	Other intangibles £'000	Total £'000
Cost:					
At 1 January 2018	31,272	49,685	73,232	120	154,309
Additions during the year	1,408	1,234	6,018	-	8,660
Disposals	-	(59)	-	-	(59)
Write off	-	(479)	-	-	(479)
At 31 December 2018	32,680	50,381	79,250	120	162,431
Additions during the year	1,277	2,429	6,589	-	10,295
Disposals	-	(246)	-	-	(246)
Write off	-	(44)	(329)	-	(373)
Transfer from tangible fixed assets	-	(1,360)	2,278	-	918
Inter group transfers within Edwards companies	-	-	(3,899)	-	(3,899)
At 31 December 2019	33,957	51,160	83,889	120	169,126
Accumulated amortisation:					
At 1 January 2018	(29,349)	(31,102)	(54,868)	-	(115,319)
Provided during the year	(907)	(3,004)	(4,272)	-	(8,183)
Disposals	-	59	-	-	59
Impairment charge	-	-	(196)	-	(196)
At 31 December 2018	(30,256)	(34,047)	(59,336)	-	(123,639)
Provided during the year	(1,023)	(2,956)	(3,870)	-	(7,849)
Disposals	-	246	-	-	246
Impairment charge	-	(48)	-	-	(48)
At 31 December 2019	(31,279)	(36,805)	(63,206)	-	(131,290)
Carrying amount:					
At 31 December 2019	2,678	14,355	20,683	120	37,836
At 31 December 2018	2,424	16,334	19,914	120	38,792

Edwards' trademark has been in existence since 1919 and management assume it will continue for the indefinite future. It is therefore considered to have an indefinite useful economic life and its carrying value is tested at least annually for impairment.

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 2019 (continued)

13. Investment in subsidiaries

Subsidiary undertakings:

At 1 January 2018 - at cost and net book value	**314,092**
Impairment charge	(63)
At 31 December 2018 - at cost and net book value	**314,029**
Additions during the year	2,313
Impairment charge	(2,313)
At 31 December 2019 - at cost and net book value	**314,029**

Investments in subsidiary undertakings are recorded at cost, which is the fair value of the consideration paid. During the prior year the carrying value of the investment in Edwards Vacuo Ltda. was reduced to zero.

On 21 June 2019 Edwards Limited made a capital injection of £2,313,000 to Edwards Vacuo Ltda. This was accounted for as an additon to the investment value. This value was subsequently impaired due to the financial postion of Ewdards Vacuo Ltda. Therefore the net invesments value is offset with the same value within the impairment. The net invesment valure held in Edwards Vacuo Ltda remains as nil after these events.

On 28 November 2018, the subsidiary in Hong Kong was formerly closed. A final distribution was received and the company formerly entrered liquidation. This will process will complete on 21 April 2019. This was considered a disposal for the purposes of Invesments. At the time of disposal the carrying value of the invesment was £63,000.

A full list of subsidiary undertakings is given in note 28. 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.

14. Property, plant and equipment

	Land and buildings £'000	Plant, machinery and vehicles £'000	Construction in progress £'000	Total £'000
Cost:				
At 1 January 2018	**14,007**	**11,231**	**1,486**	**26,724**
Additions	-	-	2,871	2,871
Inter group transfers out	-	(117)	-	(117)
Disposals	-	(1,028)	-	(1,028)
Transfers between categories	15	1,459	(1,474)	-
At 31 December 2018	**14,022**	**11,545**	**2,883**	**28,450**
Additions	-	-	1,136	1,136
Inter group transfers out	-	(514)	-	(514)
Disposals	-	(632)	-	(632)
Transfers to intangible assets	1,850	770	(3,538)	(918)
At 31 December 2019	15,872	11,169	481	27,522
Accumulated depreciation:				
At 1 January 2018	**(2,836)**	**(9,305)**	-	**(12,141)**
Provided during the year	(562)	(810)	-	(1,372)
Provided on inter asset transfers (in)/out	-	117	-	117
Disposals	-	1,028	-	1,028
At 31 December 2018	**(3,398)**	**(8,970)**	-	**(12,368)**
Provided during the year	(712)	(822)	-	(1,534)
Provided on inter asset transfers (in)/out	-	337	-	337
Disposals	-	632	-	632
At 31 December 2019	**(4,110)**	**(8,823)**	-	**(12,993)**
Carrying amount:				
At 31 December 2019	**11,762**	**2,346**	**481**	**14,589**
At 31 December 2018	**10,624**	**2,575**	**2,883**	**16,082**

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 2019 (continued)

15. Leases

Nature of leasing activities

The Company leases one property. The Company also leases several vehicles. All of theses 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	Number of leases	Fixed payments %
At 1 31 December 2019			
Property leases	1	1	100%
Vehicle leases	22	22	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 exposes 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 2019 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because on both dates it was considered reasonably certain that the company would not exercise its right to exercise any right to break the lease. Total lease payments of £104,000 are potentially avoidable were the company to exercise break clauses at the earliest opportunity.

Right-of-use assets

	Land and buildings £'000	Plant, machinery and vehicles £'000	Total £'000
At 1 January 2019	270	137	407
Additions	-	119	119
Amortisation	(49)	(79)	(128)
At 31 December 2019	221	177	398

Lease Liabilities

	Land and buildings £'000	Plant, machinery and vehicles £'000	Total £'000
At 1 January 2019	270	137	407
Additions	-	119	119
Interest Expense	4	2	6
Lease Payments	(61)	(71)	(132)
At 31 December 2019	213	187	400

15. Leases (continued)

Leases Liabilities expiring:	2019 £'000
Within one year	137
Due year 2 after balance sheet date	117
Due year 3 after balance sheet date	76
Due year 4 after balance sheet date	58
Due year 5 after balance sheet date	12
	400

The above leads to £137,000 disclosed in current liabilities as being due within 1 year, and £263,000 being disclosed as non-current liabilities being due between 2 and 5 years after the balance sheet date.

16. Inventories

	2019 £'000	2018 £'000
Finished goods	**12,760**	**3,314**

No conditions or security exist on any inventory items.

17. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	90,787	90,029
Less: provision for impairment of trade receivables	(624)	(728)
Trade receivables - net	**90,163**	**89,301**
Prepayments	9,681	5,131
Accrued income	1,021	1,164
Supplier down payments	8	3
Other receivables	4,104	4,189
Trade and other receivables (current)	**104,977**	**99,788**
Amounts due from other group undertakings	22,825	17,767
Total receivables (current)	**127,802**	**117,555**
Prepayments (non-current)	3,257	2,835
Other receivables (non-current)	6,089	5,485
Total receivables (non-current)	**9,346**	**8,320**
Total receivables	**137,148**	**125,875**

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.

18. Cash and cash equivalents

	2019 £'000	2018 £'000
Cash at bank and in hand	**105,151**	**52,804**

There are no restrictions on cash balances.

19. Trade and other payables

Amounts falling due within 1 year	2019 £'000	2018 £'000
Trade payables	1,271	2,134
Deposits and advance payments by customers	3,043	1,835
Payroll and other taxes, including social security	6,911	6,328
Accruals	14,767	13,953
Other payables	632	1,004
Deferred income	8	150
Contract liabilities	12,032	9,449
Corporate tax payable	1,288	4,567
Total trade and other payables	**39,952**	**39,420**

Amounts falling due after more than 1 year	2019 £'000	2018 £'000
Contract liabilities	5,171	4,724
Total trade and other payables	**5,171**	**4,724**

There are no balances due after more than 5 years.

20. Borrowings

	2019 Current £'000	2019 Non-current £'000	2018 Current £'000	2018 Non-current £'000
Loans from group undertakings	115,557	-	10,006	-
Bank overdraft	-	-	19,220	-
Total borrowings	**115,557**	**-**	**29,226**	**-**

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

The loan is an unsecured loan with drawdown facility from a group undertaking, Atlas Copco Finance DAC. It has the same ultimate parent as the Company. There are no unusual commitments as part of the arrangement, The loan was taken out on 13 December 2018. The closing drawdown balance plus accrued interest at 31 December 2019 was £115,557,000. The loan term ends on 17 February 2020. The interest rate is 1.207% per annum.

On 17 February 2020 £85,557,000 was repaid to Atlas Copco Finance DAC. The facility was renewed on the same date on which £30,000,000 was drawn down. This facility expired on 17 April 2020

On 17 April 2020, upon expiration of the above facility, a new facility was entered into with Atlas Copco Finance DAC. The facility had the same terms as the previous one. The drawdown amount on this date was £77,000,000

Notes to the financial statements for the Financial year ended 31 December 2019 (continued)

21. Derivative financial instruments

	2019 £'000	2018 £'000
Derivatives that are designated and effective as hedging instruments carried at fair value		
Forward foreign currency contracts	-	-
Financial assets/(liabilities) carried at fair value through profit or loss (FVTPL)		
Held for trading derivatives that are not designated in hedge accounting relationships:		
Foreign currency contracts	3,648	(729)

The Company has entered into master netting agreements with Atlas Copco Finance DAC.

The Company has:

	2019 £'000	2018 £'000
Counterparty: Atlas Copco Finance DAC		
Derivative liabilities	(3,648)	(729)

22. Financial instruments

Forward foreign currency contracts

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

Outstanding contracts	Average contractual exchange rate		Notional value		Fair value	
	2019	2018	2019	2018	2019	2018
	[*rate*]	[*rate*]	£'000	£'000	£'000	£'000
Sell USD	1.28	1.28	136,539	88,380	3,648	(729)

Outstanding contracts maturity:	Notional Value 2019 £'000	Fair Value 2019 £'000
Less than 3 months	43,803	846
3 to 12 months	92,736	2,802

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

Notes to the financial statements for the year ended 31 December 2019 (continued)

23. Provisions

	Warranty £'000	Restructuring £'000	Retirement Benefit obligation £'000	Legal £'000	Total £'000
At 1 January 2018	**5,425**	**1,556**	**7,143**	**-**	**14,124**
Current provisions	3,865	1,556	427	-	5,848
Non-current provisions	1,560	-	6,716	-	8,276
Provided in the year	5,212	216	396	-	5,824
Utilised in the year	(5,702)	(297)	(483)	-	(6,482)
Released in the period	-	(240)	-	-	(240)
At 31 December 2018	**4,935**	**1,235**	**7,056**	**-**	**13,226**
Current provisions	3,080	1,235	483	-	4,798
Non-current provisions	1,855	-	6,573	-	8,428
Provided in the year	7,603	53	15,213	2,632	25,501
Utilised in the year	(6,576)	(419)	(484)	-	(7,479)
At 31 December 2019	**5,962**	**869**	**21,785**	**2,632**	**31,250**
Current provisions	3,707	869	490	2,632	7,698
Non-current provisions	2,255	-	21,295	-	23,550

Warranty provisions at 31 December 2019 were primarily in respect of equipment sold in 2019. 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 as at 31 December 2019 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 2019 is £21.8m (2018: £7.1m). 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. In July 2020 the Company made an offer to settle this legal claim which results in the obligation increasing as several people had benefits reinstated. The increase has been reflected in the final amounts.

The legal amount relates to the legal claim mentioned above from 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.

24. Pensions and other retirement benefits

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

The total cost charged to income of £3,174,000 (2018: £2,887,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2019, contributions of £10k (2018: £10k) 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 2019 (continued)

25. Deferred tax assets and (liabilities)

	Property, plant and equipment £'000	Other temporary differences £'000	Total £'000
At 31 December 2017	**862**	**(2,974)**	**(2,112)**
Amount falling due within 1 year	862	(2,974)	(2,112)
Amount falling due after more than 1 year	-	-	-
Recognised in the income statement during the year	(388)	394	6
Recognised in statement of comprehensive income during the year	-	(497)	(497)
At 31 December 2018	**474**	**(3,077)**	**(2,603)**
Amount falling due within 1 year	474	(3,077)	(2,603)
Amount falling due after more than 1 year	-	-	-
Recognised in the income statement during the year	(238)	2,762	2,524
Recognised in statement of comprehensive income during the year	-	23	23
At 31 December 2019	**236**	**(292)**	**(56)**
Amount falling due within 1 year	-	-	-
Amount falling due after more than 1 year	**236**	**(292)**	**(56)**

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 (2018: £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.

26. Share capital

	2019 £'000	2018 £'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.

27. Contingent liabilities and legal proceedings

27.1. Contingent liabilities

	2019	2018
	£'000	£'000
Guarantees	5,167	6,794

Guarantees are mainly performance guarantees issued in the ordinary course of business.

27.2. Legal proceedings

A claim against Edwards Limited for an unspecified amount has been brought by several ex-employees in relation to additional annual payments which the Company ceased paying in 2015. The Company took this decision based on legal precedent. Post the balance sheet date the Company made offer to settle this claim prior to the court hearing. A provision has been recognised at the balance sheet date in relation to this as outlined in Note 23.

Notes to the financial statements for the year ended 31 December 2019 (continued)

28. Subsidiary companies

The subsidiary undertakings of the Company as at 31 December 2019 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
Belgium	SA Edwards Vacuum NV	Porte des Batisseurs 20 B-7730 Estampuis
Brazil	Edwards Vacuo Ltda	Avenida Tamboré 937 Bairro Tamboré 06460-000 Sao Paulo
Peoples Republic of China	Edwards Technologies Trading (Shanghai) Company Ltd	23 North Fu Te Road, Wai Gao Qiao Free Trade Zone, Pu Dong, Shanghai, 200131
	Edwards Technologies Vacuum Engineering (Shanghai) Company Ltd	29 North Fu Te Road, Wai Gao Qiao Free Trade Zone, Pu Dong, Shanghai,
	Edwards Technologies Vacuum Engineering (Qingdao) Company Ltd	No.800, Huadong Road High-tech Development Zone Qingdao 266110
	Edwards Technologies Vacuum Engineering (Xian) Company Ltd	No.1150 Baoba Road Free Trade Zone High-tech Zone Xi'an Shanxi Province 710117
Czech Republic	Edwards, s.r.o.	Jana Sigmunda 300 Lutin 783 49 Olomouc
	Atlas Copco Services s.r.o.	Holandska 1006/10 Styrice Brno 639 00
France	Edwards SAS	23 rue du Gros Murger 95220 Herblay
	Hibon International SA	23 rue du Gros Murger 95220 Herblay
	Hibon SAS	23 rue du Gros Murger 95220 Herblay
Germany	Edwards GmbH	Philipp-Hauck-Strabe 2 85622 Feldkirchen
India	Edwards India Private Ltd	T-97/2, General Block M.I.D.C., Bhosari Pune 411 026 Maharashtra
Ireland	Edwards Vacuum Technology Ireland Ltd	Behan House 10 Mount Street Lower Dublin 2 D02 HT71
Israel	Edwards Israel Vacuum Ltd	5 Habarzel Blvd Gat 2000 Industrial Zone Qiryat Gat
Italy	Edwards S.p.A.	Via Galileo Galilei 40 20092 Cinisello Balsamo, Milan

28. Subsidiary companies (continued)

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 Republic of Korea
Malaysia	Edwards Technologies Malaysia Sdn. Bhd.	C-06-02, Sunway Nexis No. 1, Jalan PJU 5/1 Kota Damansara 47810 Petaling Jaya Selangor
Singapore	Edwards Technologies Singapore PTE Ltd	10 Collyer Quay #10-01 Ocean Financial Centre Singapore 049315
Taiwan	Edwards Technologies Ltd	1, Renyi St. Jhunan Township Miaoli County 350
United Kingdom	Edwards High Vacuum International Ltd	Innovation Drive Burgess Hill West Sussex RH15 9TW

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

29. Ultimate parent company and controlling party

With effect from 29 November 2018, the Company's immediate holding parent company is Atlas Copco UK Holdings Limited, (Swallowdale Lane, Hemel Hempstead, Hertfordshire, HP2 7EA, UK). Prior to this date, Atlas Copco Airpower N.V. was the immediate parent company. The Company's ultimate parent and controlling company as at 31 December 2019 is Atlas Copco AB which is both the largest and smallest group of undertakings to consolidate financial statements, in which this Company is included. The Company is incorporated in Sweden and its registered address is SE-105.23 Stockholm, Sweden.

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

30. Post balance sheet events - subsequent events

The start of 2020 saw the COVID-19 pandemic have impacts to the population, markets and economies across the globe. The Company has taken measures it feels confident will mitigate the risk and allow it to act accordingly. The Directors have outlined these measures in both the Directors Report and Strategic Report. After careful consideration and robust reviews of the current performance, and the short and long term outlooks of the business in light of the pandemic, it is not thought it will have a significant detrimental impact on the Company or any of its subsidiaries. Therefore, there is no adjusting event in terms of the Balance Sheet as at 31 December 2019.

On 17 February 2020 85,557,000 was repaid to Atlas Copco Finance DAC in respect of the outstanding loan.

On 05 April 2020, it was agreed the Company would pay an interim dividend of £131,000,000 to the sole shareholder during April. This would be partially financed by a loan from another group undertaking of £77,000,000. Cash and dividend income would be utilised to fund the remainder of the dividend. On 23 September 2020 a further interim dividend of £65,000,000 was paid to the Sole Shareholder from cash reserves.

In July 2020 the Company offered settlement on an ongoing litigation brought by former employees. This has been considered an adjusting event. Therefore, an additional provision have been recognised at 31 December 2019 in respect of this. This is outlined in Note 23.

31. 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.

32. Changes in accounting policies

The Company adopted IFRS 16 and IFRIC 23 with a transition date of 1 January 2019. The Company has chosen not to restate comparatives on adoption of both standards, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 January 2019) and recognised in the opening equity balances. Details of the impact these two standards have had are given below.

Other new and amended standards and Interpretations issued by the IASB did not impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

IFRS 16 Leases

Effective 1 January 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Company does not have any leasing activities acting as a lessor.

Transition Method and Practical Expedients Utilised

The Company adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Company elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

(a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
(b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
(c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
(d) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

The Company elected to measure the opening lease liability as the present value of the remaining lease payments on all leases. The right of use asset was then set at an equal value at the date of initial application. This means the net impact of the statement of financial position is nil (with recognition of a right of use asset equal to the lease liability). This also leads to there being no opening adjustment required to retrained earnings in respect of the application of IFRS 16.

Notes to the financial statements for the year ended 31 December 2019 (continued)

32. Changes in accounting policies (continued)

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases. However, the Company has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

Financial impact of initial application of IFRS 16

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	1 January 2019 £'000
Minimum operating lease commitment at 31 December 2018	191
Effect of discounting	(54)
Present value of the lease payments due in periods covered by extension options that are included in the lease term but not previously included in operating lease commitments	270
Lease liability recognised at 1 January 2019	**407**

The Company elected to set the lease liability at 1 January 2019 as the present value of future lease payments. The option was taken to set the value of the right of use asset as an amount equal to this. Therefore, the company recognised a right-of-use asset at 1 January 2019 of £407,000. At 1 January 2019 there was no impact on retained earnings.

The following table presents the impact of adopting IFRS 16 on the statement of financial position at 1 January 2019.

	31 December as originally presented £'000	IFRS 16 £'000	1 January 2019 £'000
Assets			
Right-of-use-assets	-	407	407
Liabilities			
Lease liabilities	-	407	407

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Company to determine whether uncertain tax treatments should be considered separately, or together as a company, based on which approach provides better predictions of the resolution;
- The Company to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

After a review it was concluded that there are currently no uncertain tax treatments which required adjustment. Therefore, this adoption has had nil impact on the company.

33. Prior period adjustment

It was noted that certain costs that had been disclosed as Administrative expenses in the prior period were in fact related to distribution costs and should have been reported as such. Therefore, an amount of £28,232,000 has been reclassified and restated in 2018 reported figures from administrative expense to distribution costs. Gross Profit, Operating Profit, Net Profit and therefore, Equity are not impacted by the restatement.