Registered number: 00159809

ATLAS COPCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

ATLAS COPCO LIMITED

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COMPANY INFORMATION

Directors	A Bongaerts D Chambers (appointed 1 July 2022) J McAllister A Pavlov (resigned 28 November 2022) K Prince (resigned 10 June 2022) A Rubinstein (appointed 28 November 2022)
Company secretary	A Bongaerts
Registered number	00159809
Registered office	Swallowdale Lane Hemel Hempstead Hertfordshire HP2 7EA United Kingdom
Independent auditors	Ernst & Young LLP Statutory Auditor Citygate St James' Boulevard Newcastle upon Tyne NE1 4JD
Bankers	Skandinaviska Enskilda Banken 1 Carter Lane London EC4V 5AN United Kingdom
Solicitors	Reynolds Porter Chamberlain Tower Bridge House St. Katherine's Way London E1W 1AA United Kingdom

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The directors present their Strategic Report for the year ended 31 December 2022.

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

- Business review
- Financial key performance indicators
- Corporate social responsibility
- Disabled employees

Overview and objectives

Atlas Copco Limited 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' for all of its stakeholders. This principle also drives the Group's strategy which is to create positive value for customers, shareholders and employees in an increasingly resource-constrained world.

Operations in the UK are based in Hemel Hempstead, Hertfordshire. The Company comprises three business areas: Compressor Technique, Industrial Technique and Power Technique. Our portfolio consists of diesel and electric compressors, generators, lighting towers, pumps, industrial tools and assembly systems - all supported by a nationwide sales, distribution, service and maintenance network.

Business model

Sales, service and equipment rental
Customer focus is a guiding principle for Atlas Copco Limited. We aim to have close relationships with our customers and to help them increase their productivity in a sustainable way. Sales and service is primarily direct, but complemented by alternative sales channels, e.g. through distributors, to maximise presence in the market.

Investments in fixed assets and working capital
Most investments are related to machining equipment for rental activities and to production facilities primarily for assembly operations.

Acquisitions
Acquisitions are primarily done in, or very close to, the already existing core businesses. All divisions are required to map and evaluate businesses that are adjacent and can offer tangible synergies with the existing businesses. All acquired businesses are expected to make a positive contribution to economic value added.

Risk management
Centralised Group functions provide us with support in establishing financial policies and guidelines to manage risks. Information as to how we identify and manage risks is set out in the Atlas Copco Annual Report 2022 (Group Accounts). Follow https://www.atlascopcogroup.com/en/investor-relations/financial-reports-presentations for the annual report.

Business review

With regards to the Compressor Technique Business Area, 2022 was a remarkable year, and the business area achieved organic growth of 18% in orders received in the United Kingdom.

The positive evolution came from a diverse approach to several industrial segments and green energy applications. For example, there was a strong focus on green hydrogen applications and carbon reduction through our nitrogen and oxygen on-site generators. In addition, there was a substantial contribution through our variable speed drive compressors to help small and medium-sized companies to decarbonize their industrial process.

Overall, supply chain issues continued in 2022 which means revenue was impacted as some deliveries of products pushed to 2023.

The service division continued to grow with a primary focus on dedicated products and solutions to support our customers in reducing energy consumption. There was a positive development in operational efficiency and increased competence development of our employees.

Regarding acquisitions, we continued to develop our local strategy to increase market share and our service offer in highly dense industrial areas in the country. Therefore, we welcomed a newly acquired company Glaston Compressor Services Limited (former dealer from the competition) in the north of England in the second half of 2022. The entity has started a positive transition in the integration process into Atlas Copco Limited.

In general, Atlas Copco Compressor Technique in the UK expects the level of customer activity to remain at the current level.

Industrial Technique orders increased by 30% in the year boosted by improvements in the motor vehicle industry and continued strong development in the aerospace, off highway, electronics and energy market segments. Product growth was driven by SMART Factory joining and vision solutions for tightening, drilling, dispensing self-pierce riveting, software and services. In the main customer demand was driven by the need to improve sustainability by reducing waste, improving productivity and reducing energy consumption. Supply chain restrictions were challenging during the full year but were notably more significant in the automotive industry during the first half impacting service demand. The market, however, slowly recovered as the year unfolded with overall investments and services ending higher. There was still some minor impact from Covid on overall business confidence into the first quarter. Despite issues in our supply chain, revenues and profitability were on a good level overall. Vehicle production volumes and demand from most manufacturing segments are expected to continue to improve in 2023.

Power Techniques growth for orders received was 6% for 2022 over 2021. This was on the back of a very strong previous year. Both years have been impacted by long leadtimes and our customers ordering in advance to get continuity of supply. This takes a strong order book in to 2023. Growth came primarily from the power sector, with increased demand for both generators and energy storage products. Supply chain issues have impacted the revenues for 2022 as orders have been pushed in to 2023 lead times are still significantly longer than normal. The main issue and impact are the availability of engines however the situation has stabilized and we are seeing improvements now in certain product lines. We still expect this to be an issue throughout 2023. The outlook is for higher revenues in 2023 as the order book is reduced with Orders continuing at a similar level to 2022.

Financial key performance indicators

The Company's key financial performance measures are turnover, gross profit margin and orders received over comparative periods. Further details are included in the Business Review section above. The performance of the Company is included in the Annual Report of Atlas Copco AB.

Principal risks and uncertainties

The Company is exposed to financial risk through its financial assets and liabilities, the most important elements being currency risk and credit risk.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company can rely on support from its parent company. This is disclosed further in the going concern note to the financial statements.

The Company is exposed to currency risk through its sales and purchasing activities, most significantly in relation to the Euro and Swedish Krona. The Company seeks to mitigate this risk by careful monitoring the level of currency exposure on a regular basis. Significant one-off orders may also be hedged to limit exposure.

The Company's credit risk relates primarily to trade receivables. The Company has a broad customer base with credit ratings and credit limits in accordance with the Credit Policy. Exposure on a customer-by-customer basis is made on a regular basis and when new orders are placed.

Global supply chain shortages are causing long lead times and delays in delivery of some products. All manufacturers are suffering from this situation, so we are not unique however, we do not expect a quick resolution to the problems, so it is likely to impact revenues in 2023. On a positive note, this will drive change to alternative technology in many cases which could compensate. Strong orders on hand will also ensure that the result is not impacted as much as it may have been.

The increasing occurrence of flooding as a result of climate change has seen a greater demand for some of our products, particularly the de-watering pump sets. It also means that new technologies are being developed and investigated to replace diesel engines or significantly reduce the level of pollutants they produce.

Atlas Copco Limited business units and functions review their risks and report key changes as part of the Monthly Business Performance Reviews and Quarterly Sustainability Reporting. Major emerging risks and issues are escalated immediately. The Group is constantly working on new technologies and processes to minimize environmental impact and control new and current activities.

A full investigation has been undertaken into the current situation in Ukraine and the conclusion is that there is no significant impact to the business. Atlas Copco Limited is constantly monitoring the situation. The Company understands that due to the situation in Ukraine there will be higher manufacturing costs globally. Management performed detailed analysis of the situation and proposed price increase to mitigate this risk.

The current economic climate with high uncertainty regarding increased interest rates and inflation causes a challenge for all companies who operate in the current environment. The impact of increased costs is currently limited and the company is continuously monitoring the situation with detailed cost analysis.

Corporate social responsibility

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

The Group's vision is to become and remain 'First in Mind-First in Choice' for all of its stakeholders. This principle also drives the Group's strategy in order to create positive value for customers, shareholders and employees in an increasingly resource constrained world. The Group views sustainability as an opportunity to drive product innovation, reduce costs, mitigate risks and create business opportunities for long-term strategic growth.

Our statement on Section 172 (1)

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.

We hold Board meeting once a year and we discuss all matters pertaining to the short-, medium- and long-term success of the company. Wide engagement is carried out throughout the Company to look at how the strategic decisions can be affected prior to any decision being made. We review health and safety, financial and operational performance, and legal and regulatory compliance at our Board meetings.

We set out below, some of the detail around the strategic decisions taken in the financial year and how we considered and engaged with the key stakeholders in respect of the same:

- To acquire Glaston Compressor Services Limited, a dealer from the competition. This acquisition would give Atlas Copco Limited the opportunity to grow our market share and increase our service presence in the north of England. This step will have the impact of securing jobs opportunities for the local community, ensuring a high level of service to local customers and increase brand awareness in this important region.

- To introduce a new green strategy to support achieving the Atlas Copco Group since-based targets - Scopes 1,2 and 3. Regarding scopes 1 and 2, the company will move to new premises in 2023 where we focus on the activity based working concept, sustainability to support net zero targets, technology to connect physically & digitally, flexible & collaborative working environments, and indoor & outdoor designs embracing nature & light. This will contribute to the well-being of our employees, capture the essence and benefits of homeworking, and create a positive impact on the local business environment.

- To review the company car policy to encourage our employees and also other main stakeholders, such as distributors to opt for hybrid and electric vehicles. This way will contribute to reducing CO2 emissions from our operations in the coming years and have a positive impact on the environment.

- When it comes to scope 3, we focus on the use of the products. Here, we help our customers reduce energy consumption in their production processes. This will help them reduce operational cost, support them on the journey to carbon neutral as agreed in the Paris agreement.

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

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

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

The Directors of the Company aim to meet formally at board meetings twice per year. At these meetings general performance and the affairs of the Company are reviewed, and key decisions approved or ratified. Specifically, during the financial year 2022, a number of decisions were made by the Board. These included:

Declaration of dividend: Each year, the Board assesses 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 £5,000,000. In making this decision the Board considered a range of factors, including the long-term viability of the Company, its expected cash flow and financing requirements.

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

Environmental disclosure

Atlas Copco Limited, is focused on sustainability and for a long time has offered the most energy-efficient products and solutions, it's with this continued focus that the organisation has continued to strive to reduce its carbon footprint.

Within the organisations there have been many initiatives during 2022 to reduce the energy consumption and CO2 emissions from its operations these include but are not limited to; purchasing renewable electricity and biogas for our facilities, installing LED lighting as old non-LED units fail, these are supported by increasing the use of PIR technology to prevent unnecessary use.

The Company fleet has also been fully reviewed with a focus on reducing the number of vehicles in the fleet, but also to increase the overall percentage of electric and hybrid vehicles, therefore reducing diesel and petrol vehicles and their more damaging emissions to the environment.

The report includes the electricity, gas, heating oil consumption for the organisation as well as fuel for business use (onsite and company fleet vehicles), all data has been converted into the MWh and CO2e values, which have had the business intensity ratio factor applied: (MWh / £ million cost of sales).

Measure	**2022**	**2021**
Energy consumption used to calculate emissions: kWh	5,382,000	*5,199,546*
Emissions from combustion of gas tCO2e (Scope 1)	203	*197*
Emissions from combustion of fuel for transport purposes (Scope 1) - i.e. fuel purchase for company/pool cars. tCO2e	880	*827*
Emissions from purchased electricity (Scope 2, location-based)	22	*25*
Total gross CO2e (tonnes) based on above	1,105	*1,076*
Intensity ratio: tCO2e gross figure based from mandatory fields above / Cost of Sales (COS)	114M	*110M*

Looking to the future, targets will include reducing the CO2e from gas consumption by increasing the coverage of Biogas supplies within the organisation. Investigating sustainable heating technology including heat pumps and low carbon solutions. Reducing the impact from business use fuel by monitoring the developments and rapidly evolving technology within the car industry, enabling us to continue moving away from hydrocarbon-based fuels to more sustainable options such as electric powered vehicles.

This report was approved by the board and signed on its behalf.

.... May 19, 2023

D Chambers
Director

Date:

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Results and dividends

The profit for the year, after taxation, amounted to £9,908k *(2021 - £8,555k)* which as been driven by favourable product mix and positive impact on gross profit.

Dividends of £5,000k were paid during the year *(2021: £nil)*.

Actuarial gains for the year was £17,905 (2021: loss £3,974).

Going concern

In accordance with their responsibilities, the directors of the company have considered the appropriateness of the going concern basis for a period to 30 September 2024, which has been used in the preparation of these financial statements.

The directors have considered the future performance of the Company and the impact of the supply chain crisis, and the growing cost of products and operations as a result of inflationary pressures. The directors have considered the impacts and applied a strong focus on price management to make sure we safeguard profitability. Atlas Copco Limited has several divisions which have been impacted differently depending on the industry they serve. A careful analysis of each division has been made especially the key revenue/profit generators. The analysis, including allowance for reasonably possible changes in trading performance indicate that the Company will be able to operate for a period to 30 September 2024. At the year-end the company has an intercompany cash balance of £25,830k (2021: £23,201k) and was in a net current asset position of £20,155k (2021: £25,853k).

The going concern of Atlas Copco UK Limited is linked to that of the overall group. The Directors made enquiries of the group to ascertain the group position on going concern. Following these enquiries, the Directors are satisfied the group's strategy is robust and that they will continue as a going concern. The directors have considered the company's current and prospects and its availability of intercompany financing.

In turn, the company has received assurances, in the form of a letter of support, that Airpower NV will continue to provide sufficient cash resources as required to enable the company to meet its liabilities as they fall due for the period of 18 months from the date of authorization of these financial statements.

The Company therefore continues to adopt the going concern basis in preparing its financial statements which has been applied consistently throughout the year.

Directors

The directors who served during the year were:

A Bongaerts
D Chambers (appointed 1 July 2022)
J McAllister
A Pavlov (resigned 28 November 2022)
K Prince (resigned 10 June 2022)
A Rubinstein (appointed 28 November 2022)

Qualifying third party indemnity provisions

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Principal risks and uncertainties

Please refer to the Strategic Report whereby information about principal risks have been disclosed.

Future developments

The focus for the Company going forward remains unchanged in creating customer value through innovation while staying agile and keeping a close eye on efficiency.

The directors remain optimistic about the future and are confident that the overall Atlas Copco Limited strategy will yield profitable growth. The Company's future developments are aligned with the Group's vision. The directors do not anticipate any significant changes to the Company's activity in the foreseeable future.

Engagement with employees

Employee engagement is critical to the company's success and there are several ways in which strong engagement is fostered within the organization. Yearly employee surveys are conducted with follow up plans based on the results. There are also frequent news bulletins and activities around employee well being and support.

Disabled employees

Applications for employment by disabled persons are always fully considered in line with other applications and the most suitable person will always be successful in securing employment. In the event of employees becoming disabled every effort is made to ensure that their employment with the Company continues and that suitable adjustments are made if appropriate and applicable. It is the policy of the Group and the Company that the training, career development and promotion of disabled employees will always be identical to that of other employees.

Post balance sheet events

There are no post balance sheet events requiring disclosure in respect to the year ended 31 December 2022.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

This report was approved by the board on May 19, 2023 and signed on its behalf.

....
D Chambers
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ATLAS COPCO LIMITED

Opinion

We have audited the financial statements of Atlas Copco Limited for the year ended 31 December 2022 which comprise the Statement of comprehensive income, Balance Sheet, Statement of changes in equity and the related notes 1 to 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 30 September 2024.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations. In addition, the Company complies with laws and regulations relating to its operations, health and safety, environmental and data protection.
- We understood how the Company is complying with those frameworks by making inquiries of management and those responsible for legal and compliance procedures. We corroborated our inquiries through the review of board minutes as well as consideration of the results of our audit procedures over the Company's financial statements.
- We assessed the susceptibility of the company financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was a susceptibility to fraud. We also considered the Company's performance targets and their propensity to influence efforts made my management to manage revenues and earnings. Where the risk is considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such law and regulations. Our procedures involved incorporating data analytics into our journal entry testing, with a focus on manual non-standard journals and journals indicating large or unusual transactions based on the understanding of the business; inquiries of those responsible for legal and compliance of the company and management; and into our testing of revenue recognition. In addition, we completed procedures to conclude on the compliance of disclosures in the annual report and financial statements with all applicable requirements.

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

Use of our report

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

Ernst and Young LLP

Stephanie Beaumont (Senior Statutory Auditor)

for and on behalf of

Ernst & Young LLP
Statutory Auditor
Newcastle upon Tyne
Date: 19 May 2023

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000	*2021* *£000*
Turnover	4	146,871	*141,956*
Cost of sales		(114,387)	*(110,834)*
Gross profit		**32,484**	*31,122*
Distribution costs		(2,197)	*(1,832)*
Dividend income		-	*2,250*
Impairment of shares		-	*(2,250)*
Administrative expenses		(18,582)	*(18,078)*
Operating profit	5	**11,705**	*11,212*
Net interest (income)/expense from defined contribution scheme		(54)	*34*
Interest receivable and similar income	9	55	*-*
Interest payable and similar expenses	10	(154)	*(94)*
Profit before tax		**11,552**	*11,152*
Tax on profit	11	(1,644)	*(2,597)*
Profit for the financial year		**9,908**	*8,555*
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on pension scheme		17,905	*(5,209)*
Movement on deferred tax attributable to actuarial gain		(4,540)	*1,235*
		13,365	*(3,974)*
Total comprehensive income for the year		**23,273**	*4,581*

The notes on pages 19 to 53 form part of these financial statements.

The results of the company are all derived from continuing operations.

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note		2022 £000		2021 £000
Fixed assets					
Intangible assets	13		342		3
Goodwill	14		2,503		2,503
Tangible assets	15		8,729		11,183
Investments	16		15,243		2,932
Deferred taxation	22		-		457
			26,817		17,078
Current assets					
Stocks	17	12,976		7,075	
Debtors: amounts falling due within one year	18	70,558		59,631	
		83,534		66,706	
Creditors: amounts falling due within one year	19	(62,649)		(40,056)	
Lease liabilities	21	(729)		(797)	
Net current assets			20,156		25,853
Total assets less current liabilities			46,973		42,931
Creditors: amounts falling due after more than one year	20		(917)		(1,420)
Deferred tax	22		(3,854)		-
Provisions	23		(591)		(590)
			41,611		40,921
Net assets excluding pension liability/asset			41,611		40,921
Pension asset/(liability)	26		15,196		(2,856)
Net assets			56,807		38,065
Capital and reserves					
Called up share capital	24		14,708		14,708
Other reserves			177		-
Profit and loss account			41,922		23,357
			56,807		38,065

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

.... May 19, 2023

D Chambers
Director

The notes on pages 19 to 53 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2021	**14,708**	**-**	**18,776**	**33,484**
Comprehensive income for the year				
Profit for the year	-	-	8,555	8,555
Taxation in respect of items of other comprehensive income	-	-	1,235	1,235
Actuarial loss on pension scheme	-	-	(5,209)	(5,209)
Total comprehensive income for the year	**-**	**-**	**4,581**	**4,581**
At 1 January 2022	**14,708**	**-**	**23,357**	**38,065**
Comprehensive income for the year				
Profit for the year	-	-	9,908	9,908
Taxation in respect of items of other comprehensive income	-	-	(4,540)	(4,540)
Actuarial gain on pension scheme	-	-	17,905	17,905
Recognition of share-based payment reserve	-	90	-	90
Total comprehensive income for the year	**-**	**90**	**23,273**	**23,363**
Dividends	-	-	(5,000)	(5,000)
Share based payment - current year adjustment	-	87	-	87
Deferred tax related to share-based payment scheme	-	-	292	292
At 31 December 2022	**14,708**	**177**	**41,922**	**56,807**

Other reserve relates to share based payment reserves.

1. General information

Atlas Copco Limited is a company incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is Swallowdale Lane, Hemel Hempstead, Hertfordshire, HP2 7EA. Atlas Copco Limited is a part of the Atlas Copco Group, which is a world-leading provider of sustainable productivity solutions. Operations in the UK are based in Hemel Hempstead, Hertfordshire. The Company comprises three business areas: Compressor Technique, Industrial Technique and Power Technique. Our portfolio consists of diesel and electric compressors, generators, lighting towers, pumps, industrial tools and assembly systems - all supported by a nationwide sales, distribution, service and maintenance network. Atlas Copco Limited is a private company limited by shares.

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

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the Group financial statements of Atlas Copco AB in accordance with the section 401 exemption. The Group financial statements of Atlas Copco AB are available to the public and can be obtained as set out in note 27.

2. Accounting policies

2.1 Basis of preparation of financial statements

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The figures in the financial statements have been presented to the nearest thousand.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

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.

The following principal accounting policies have been applied:

2. Accounting policies (continued)

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

This information is included in the consolidated financial statements of Atlas Copco AB as at 31 December 2022 and these financial statements can be obtained from the Patent and Registration Office, Bolagsavdelningen, Storgatan 13, S85181, Sundsvall, Sweden.

2.3 Impact of new international reporting standards, amendments and interpretations

No new standards, new interpretations or amendments to standards or interpretations have been published which are expected to have a significant impact on the Company's financial statements, and none have been early adopted.

2. Accounting policies (continued)

2.4 Going concern

In accordance with their responsibilities, the directors of the company have considered the appropriateness of the going concern basis for a period to 30 September 2024, which has been used in the preparation of these financial statements.

The directors have considered the future performance of the Company and the impact of the supply chain crisis, and the growing cost of products and operations as a result of inflationary pressures. The directors have considered the impacts and applied a strong focus on price management to make sure we safeguard profitability. Atlas Copco Limited has several divisions which have been impacted differently depending on the industry they serve. A careful analysis of each division has been made especially the key revenue/profit generators. The analysis, including allowance for reasonably possible changes in trading performance indicate that the Company will be able to operate for a period to 30 September 2024. At the year-end the company has an intercompany cash balance of £25,830k (2021: £23,201k) and was in a net current asset position of £20,155k (2021: £25,853k).

The going concern of Atlas Copco UK Limited is linked to that of the overall group. The Directors made enquiries of the group to ascertain the group position on going concern. Following these enquiries, the Directors are satisfied the group's strategy is robust and that they will continue as a going concern. The directors have considered the company's current and prospects and its availability of intercompany financing.

In turn, the company has received assurances, in the form of a letter of support, that Airpower NV will continue to provide sufficient cash resources as required to enable the company to meet its liabilities as they fall due for the period of 18 months from the date of authorization of these financial statements.

The Company therefore continues to adopt the going concern basis in preparing its financial statements which has been applied consistently throughout the year.

2. Accounting policies (continued)

2.5 IFRS 15 Revenue from contracts with customers

IFRS 15 requires the Company to determine revenues recognised at a point in time from those recognised over time. All revenues are deemed to be recognised at a point in time with the exception of revenues generated from service contracts which are deemed to be recognised over time.

Servicing fees are recognised by reference to the proportion of the total planned cost of providing the service for the product sold, taking into account historical trends in the number of services actually provided on past goods sold.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

a) Sale of goods
As per IFRS 15 Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

b) Rendering of services
The Company provides installation, commissioning and other services with certain equipment. These services are either sold separately in contracts with customers or bundled together with the sale of the equipment to the customer. We determine whether goods or services meet performance obligations in accordance with IFRS 15. IFRS 15 also requires allocation of the transaction price to the identified performance obligations.

c) Rental of Equipment
Revenue from a contract to provide rental equipment and related services is recognised in the period in which the rental is provided in accordance with the number of days the machine is rented out when all of the following conditions are satisfied:

- The amount of revenue can be measured reliably
- It is probable that the Company will receive the consideration due under the contract
- The number of days of rent at the end of the reporting period can be measured reliably; and
- The costs incurred for the rent of equipment and its related services can be measured reliably

2.6 Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in pounds sterling, which is the Company's functional and presentational currency.

2. Accounting policies (continued)

2.7 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in 'Creditors' on the Balance Sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

2. Accounting policies (continued)

2.7 Leases (continued)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Intangible Assets', 'Tangible Fixed Assets' and 'Investment Property' lines, as applicable, in the Balance Sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.17.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

2.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Operating profit

All borrowing costs are recognised in the Profit and Loss Account in the year in which they are incurred.

2. Accounting policies (continued)

2.11 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the IFRS 13 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

a) the increase in net pension benefit liability arising from employee service during the period; and

b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

2. Accounting policies (continued)

2.12 Share based payments

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

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

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Accounting policies (continued)

2.14 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

2.15 Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Intangible assets acquired such as software and development costs are capitalised at cost. They are valued at cost less accumulated amortisation. They are written off on a straight line basis over a period of 10 years. Amortisation of intangible assets is presented in the Profit and Loss Account within administrative expenses.

2.16 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2. Accounting policies (continued)

2.16 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Buildings	-	5% to 10%
Plant and machinery	-	13% to 50%
Fixtures and fittings	-	14% to 33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.17 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.18 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.19 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2. Accounting policies (continued)

2.20 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.22 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Company always recognises lifetime Expected Credit Loss (ECL) for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

2. Accounting policies (continued)

2.22 Financial instruments (continued)

Financial liabilities

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2.23 Financial liabilities

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and are initially measured at fair value. The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are issued principally for the purpose of repurchasing in the near term, or form part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking, or are derivatives, including separately embedded derivatives unless they are financial guarantee contracts or are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities at amortised cost

Financial liabilities which are not held for trading or are not financial liabilities designated upon initial recognition as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that

2. Accounting policies (continued)

2.23 Financial liabilities (continued)

exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as an exchange or modification, this is treated as a derecognition of the original liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

2.24 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

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

For service contracts the Company recognises revenue and costs based on an assessment of the percentage of completion. The foundations of the estimate are the figures produced at the start of the contract. The estimation includes the costs to date, projected future known costs and also the judgement of the people directly involved in contracts.

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.

Critical judgements in applying the Company's accounting policies

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.

Management do not consider that there are any critical judgements.

3. Judgements in applying accounting policies (continued)

Key sources of estimation uncertainty

Defined benefit pension obligations
For the defined benefit pension scheme, pension valuations have been performed using specialist advice from independent qualified actuaries. In performing this valuation, significant actuarial assumptions and judgements have been made to determine the defined benefit obligation, in particular with regards to discount rate, inflation and mortality.

At 31 December 2022 the Company's defined benefit obligation was £158,606k *(2021: £257,926k)*.

Appropriate sensitivities have been performed and disclosed in note 26.

4. Turnover

An analysis of turnover by class of business is as follows:

	2022 £000	*2021 £000*
Assembly/sale and servicing of compressed air equipment	**69,462**	*72,379*
Hire/rental of portable air compressors and ancillary equipment	**19,818**	*17,360*
Sale and servicing of portable air compressors, light towers and pumps	**29,195**	*26,768*
Marketing and selling of industrial power tools etc	**28,396**	*25,449*
	146,871	*141,956*

Analysis of turnover by country of destination:

	2022 £000	*2021 £000*
United Kingdom	**143,551**	*134,621*
Rest of the world	**3,320**	*7,335*
	146,871	*141,956*

The amount of revenue recognised at a point in time in 2022 was £129,958k *(2021: £126,193k)* and revenue recognised over time was £16,913k *(2021: £15,763k)*.

Assets and Liabilities related to contracts with customers

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

	2022	2021
Contract Assets	**£'000**	*£'000*
Accrued Income service contracts	**2,668**	*2,678*

The contract assets primarily relate to our rights to a consideration for installation services delivered but not invoiced at the reporting date. As such, the balance of this account vary and depend on the number of ongoing installation services at the end of reporting year. Contract assets are transferred to the receivables when the receivables become unconditional.

	2022	2021
Contract Liabilities	**£'000**	*£'000*
Amounts falling due within one year:		
Deferred Revenue/Income	**8,440**	*7,683*
Advanced Payments	**6,765**	*2,329*
Total contract liabilities	**15,205**	*10,012*
Revenue not recognised in the reporting period that was included in the contract liability at the beginning of the period	**1,270**	*1,072*

The contract liabilities primary relate to remaining performance obligation for which consideration has been received such as down payments received for systems to be delivered, as well as deferred revenue from system shipments, based on the allocation of the consideration to the related performance obligations in the contract. This deferred revenue mainly consists of extended and enhanced warranties, installation and services provided as part of a volume purchase agreement.

The majority of our customer contracts contain both asset and liability positions. At the end of each reporting period, these positions are netted on a contract basis and presented as either an asset or a liability in the Balance Sheet. Consequently, a contract balance can change between periods from a net contract asset balance to a net contract liability balance in the balance sheet.

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

Revenue is recognised based on percentage completion method. The percentage of completion method falls in line with IFRS 15, which indicates that revenue from performance obligations recognized over a period of time should be based on the percentage of completion. The method recognizes revenues and expenses in proportion to the completeness of the contracted project. It is commonly measured through the cost-to-cost method assuming it can be reasonably estimated.

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

Expected period for revenue recognition	**2022**	*2021*
Due within one year	**18,234**	*16,462*
More than one year	**27,176**	*25,557*
Total contract liabilities	**45,410**	*42,019*

The table above presents the aggregate amount of revenues expected to be realised in the future from partially or fully unsatisfied performance obligations as we perform under contracts at delivery or recognised over time. The amounts disclosed above represent value of firm orders only. Such orders may be subject to future modifications that might impact the amount and/or timing of revenue recognition. The amounts disclosed above do not include constrained variable consideration, unexercised options or letters of intent.

5. Operating profit

The operating profit is stated after charging:

	2022 **£000**	*2021* *£000*
Depreciation of tangible fixed assets	**2,951**	*3,030*
Depreciation of right of use assets	**902**	*543*
Amortisation of intangible assets	**3**	*3*
Exchange differences	**-**	*(18)*
Defined contribution pension cost	**2,024**	*1,939*
Government grants (furlough scheme)	**-**	*(24)*

6. Auditors' remuneration

	2022 **£000**	*2021* *£000*
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**139**	*130*

There are no non-audit fees in the year *(2021: Nil)*.

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2022 £000	*2021 £000*
Staff salaries and PHI	**18,758**	*17,604*
Social security costs	**2,206**	*1,990*
Other pension costs	**2,024**	*1,939*
	22,988	*21,533*

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No.	*2021 No.*
Management and administration	**90**	*90*
Production and sales	**280**	*294*
	370	*384*

8. Directors' remuneration

	2022 £000	*2021 £000*
Directors' emoluments	**548**	*1,120*
Company contributions to defined contribution pension schemes	**54**	*47*
	602	*1,167*

The highest paid director received remuneration of £232k *(2021: £485k)*. The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £35k *(2021: £28k)*.

No retirement benefits are accruing to any director under the pension scheme.

9. Interest receivable

	2022 £000	2021 £000
Interest receivable from group companies	55	-
	55	-

10. Interest payable and similar expenses

	2022 £000	2021 £000
Loans from group undertakings	130	66
Other interest payable	24	28
	154	94

11. Taxation

	2022 £000	2021 £000
Corporation tax		
Current tax on profits for the year from total operations	2,251	2,121
Adjustments in respect of previous periods	(670)	(255)
Total current tax	1,581	1,866
Deferred tax		
Origination and reversal of timing differences	(18)	309
Adjustments in respect of previous periods	70	277
Changes in tax rates	(2)	135
Deferred tax on losses previously unrecognised	13	10
Total deferred tax	63	731
Taxation on profit on ordinary activities from total operations	1,644	2,597

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2021 - higher than)* the standard rate of corporation tax in the UK of 19% *(2021 - 19%)*. The differences are explained below:

	2022 £000	*2021 £000*
Profit on ordinary activities before tax	11,552	*11,152*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%*(2021 - 19%)*	2,195	*2,119*
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	39	*311*
Deferred tax on losses previously unrecognised	13	*10*
Adjustments to tax charge in respect of prior periods	(601)	*21*
Change in tax rate	(2)	*136*
Total tax charge for the year	1,644	*2,597*

Factors that may affect future tax charges

The standard rate of tax applied to reported profit on ordinary activities is 19% (2021: 19%). Following the substantive enactment of the Finance Act 2021 the applicable tax rate is due to increase from 19% to 25% from 1 April 2023. As a result Deferred tax has been calculated at 25% (2021: 25%).

12. Dividends

	2022 £000	*2021 £000*
Amounts recognised as distributions to equity holders in the period: dividend for the year ended 31 December 2022	5,000	-
	5,000	-

13. Intangible assets

	Assets under construction £000	Computer software £000	Total £000
Cost			
At 1 January 2022	-	21	21
Additions	342	-	342
At 31 December 2022	342	21	363
Amortisation			
At 1 January 2022	-	18	18
Charge for the year	-	3	3
At 31 December 2022	-	21	21
Net book value			
At 31 December 2022	342	-	342
At 31 December 2021	-	*3*	*3*

14. Goodwill

	2022 £000
Cost	
At 1 January 2022	17,072
At 31 December 2022	**17,072**
Impairment	
At 1 January 2022	14,569
At 31 December 2022	**14,569**
Net book value	
At 31 December 2022	**2,503**
At 31 December 2021	*2,503*
	2,503

15. Tangible fixed assets

	Buildings £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost				
At 1 January 2022	1,894	20,492	887	23,273
Additions	62	1,314	20	1,396
Transfers intra group	-	298	-	298
Disposals	(76)	(1,243)	(110)	(1,429)
At 31 December 2022	1,880	20,861	797	23,538
Depreciation				
At 1 January 2022	832	10,453	805	12,090
Charge for the year on owned assets	26	2,894	31	2,951
Charge for the year on right-of-use assets	209	693	-	902
Transfers intra group	-	82	-	82
Disposals	(76)	(1,030)	(110)	(1,216)
At 31 December 2022	991	13,092	726	14,809
Net book value				
At 31 December 2022	889	7,769	71	8,729
At 31 December 2021	*1,062*	*10,039*	*82*	*11,183*

The net book value of owned and leased assets included as "Tangible fixed assets" in the Balance Sheet is as follows:

	2022 £000	*2021 £000*
Tangible fixed assets owned	7,045	*8,905*
Right-of-use tangible fixed assets	1,684	*2,278*
	8,729	*11,183*

15. Tangible fixed assets (continued)

Information about right-of-use assets is summarised below:

Net book value

	2022 £000	*2021 £000*
Buildings	**654**	*832*
Plant and machinery	**1,030**	*1,446*
	1,684	*2,278*

Depreciation charge for the year ended

	2022 £000	*2021 £000*
Buildings	**209**	*172*
Plant and machinery	**693**	*371*
	902	*543*

Additions to right-of-use assets

	2022 £000	*2021 £000*
Additions to right-of-use assets	**314**	*827*

16. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2022	**2,932**
Additions	**12,311**
At 31 December 2022	**15,243**

On 26 July 2022 Atlas Copco acquired Glaston Compressor Services Limited (Glaston), a British compressed air distributor and service provider.

Glaston is a privately owned company and was founded in 1979. The Company has 26 employees and is based in Skelmersdale, Lancashire, UK. Customers range from small to larger size companies within the manufacturing industry.

The other investments are dormant and are carried at nil book values.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Compressor Engineering Limited	Swallowdale Lane, Hemel Hempstead, Hertfordshire, HP2 7EA	Ordinary	100%
Compressor Engineering Norwest Limited	Swallowdale Lane, Hemel Hempstead, Hertfordshire, HP2 7EA	Ordinary	100%
Cooper Freer Limited	Swallowdale Lane, Hemel Hempstead, Hertfordshire, HP2 7EA	Ordinary	100%
Glaston Compressor Services Limited	Swallowdale Lane, Hemel, Hempstead, Hertfordshire, England, HP2 7EA	Ordinary	100%

17. Stocks

	2022 £000	*2021* *£000*
Work in progress (goods to be sold)	**6,012**	*2,192*
Finished goods and goods for resale	**6,964**	*4,883*
	12,976	*7,075*

There is no material difference between the Balance Sheet value of stocks and their replacement value and no securities have been given against stocks.

18. Debtors

	2022 £000	*2021* *£000*
Trade debtors	**36,465**	*28,080*
Amounts owed by group undertakings	**26,041**	*24,884*
Other debtors	**649**	*457*
Prepayments and accrued income	**7,403**	*6,210*
	70,558	*59,631*

Amounts owed by group undertakings relate to general trading and include cash held by the intercompany bank as part of the cash pooling arrangement. £25,830k *(2021 - £23,201k)*.

Bank and commercial guarantees amount to £1,192k as at 31 December 2022 *(2021: £1,778k)*.

19. Creditors: Amounts falling due within one year

	2022 £000	*2021* *£000*
Payments received on account	**6,765**	*2,329*
Trade creditors	**2,238**	*1,285*
Amounts owed to group undertakings	**34,641**	*18,541*
Corporation tax	**756**	*900*
Other taxation and social security	**3,392**	*2,305*
Accruals and deferred income	**14,857**	*14,696*
	62,649	*40,056*

Amounts owed to group undertakings relate to general trading and includes cash owed to inter-company bank as part of the cash pooling arrangement.

20. Creditors: Amounts falling due after more than one year

	2022 £000	*2021* *£000*
Lease liabilities	**917**	*1,420*
	917	*1,420*

21. Leases

Company as a lessee

Financial impact of initial application of IFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the Balance Sheet is 1.6% *(2021: 3.5%)*.

Lease liabilities are due as follows:

	2022 £000	*2021 £000*
Current	729	*797*
Non-current	917	*1,420*
	1,646	*2,217*

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2022 £000	*2021 £000*
Depreciation of right of use assets	901	*543*
Interest expense on lease liabilities	24	*26*

Disclosure required by IFRS 16

	2022 £'000	*2021 £'000*
Less than 12 months	729	*797*
Between 1 and 5 years	917	*1,337*
Greater than 5 years	-	*83*
	1,646	*2,217*

22. Deferred taxation

	2022 £000
At beginning of year	457
Charged to profit or loss	(63)
Charged to other comprehensive income	(4,540)
Charged to equity	292
At end of year	**(3,854)**

The deferred taxation balance is made up as follows:

	2022 £000	*2021 £000*
Accelerated capital allowances	(361)	*(352)*
Tax losses carried forward	79	*95*
Pension - deferred tax	(3,280)	*714*
LTI - deferred tax	(292)	*-*
	(3,854)	*457*

There are no unrecognised tax losses in the year *(2021: £Nil)*.

23. Provisions

	Onerous contracts £000	Warranties £000	Other provisions £000	Total £000
At 1 January 2022	52	302	236	590
Charged to profit or loss	110	-	-	110
Released in year	-	(55)	(54)	(109)
At 31 December 2022	162	247	182	591

Provisions are expected to be utilised as follows:

Onerous contracts between 1-5 years

Other provisions
Other provisions relates to dilapidation provisions and utilisation will be dependent on leaving the premises, there are no current plans to do so.

Warranties
The provision relates to estimated future warranty claims on products sold during the last financial year. This is calculated based on actual warranty costs incurred in 18 months.

Onerous contracts
The onerous contract provision relates to the service contracts in the Compressor Technique division, where by aggregate costs required to fulfil the contacts are higher than the economic benefit to be obtained. Provision will be released over the lives of the contracts.

24. Share capital

	2022 £000	*2021* *£000*
Allotted, called up and fully paid		
14,707,661 *(2021 - 14,707,661)* Ordinary shares of £1 each	**14,708**	*14,708*

25. Contingent liabilities

The overdrafts of the UK based subsidiaries are secured by cross guarantees between the parent company and its fellow subsidiaries. The net outstanding overdraft at the year end was £Nil *(2021: £Nil)*.

26. Pension commitments

The company operates one defined contribution pension scheme, a Company Sponsored Group Personal Pension Plan. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £2,024,000 (2021: £1,939,000). There were no outstanding contributions at 31 December 2022 (2021: nil).

The Company is also the primary member of a group wide defined benefit pension scheme providing benefits based on final pensionable pay. This final salary scheme was closed to future accrual on 31 July 2010. All members were moved to the group's defined contribution scheme.

The latest actuarial valuation was carried out in April 2020 and was updated for FRS 101 purposes to 31 December 2022 by a qualified independent actuary. Liabilities and service cost are computed using the Projected Unit Credit actuarial cost method. The objective under this method is to expense each participant's benefits under the scheme as they would accrue, taking into account future compensation increases and the scheme's benefit allocation formula, thus the total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service. The scheme is closed to future accrual.

Reconciliation of present value of plan liabilities:

	2022 £000	*2021* *£000*
Reconciliation of present value of plan liabilities		
At the beginning of the year	**(257,926)**	*(254,873)*
Interest cost	**(4,061)**	*(3,494)*
Benefit payment from plan assets	**10,311**	*12,261*
Effect of changes in demographic assumptions	**4,070**	*(2,176)*
Effect of changes in financial assumptions	**98,917**	*(8,699)*
Effect of experience adjustments	**(9,138)**	*(244)*
Effect of administration cost and taxes	**(779)**	*(701)*
At the end of the year	**(158,606)**	*(257,926)*

26. Pension commitments (continued)

Reconciliation of present value of plan assets:

	2022 £000	2021 £000
At the beginning of the year	255,070	256,913
Interest income	4,007	3,528
Return on plan assets	(75,944)	5,910
Employer contributions	980	980
Benefit payments from plan assets	(10,311)	(12,261)
At the end of the year	173,802	255,070

Composition of plan assets:

	2022 £000	2021 £000
Cash and cash equivalents	12,661	24,753
Equity instruments	31,108	25,554
Debt instruments	22,927	23,858
Derivatives	(157)	40
Investment funds	45,830	56,046
Assets held by insurance company	47,993	69,357
Other	13,440	55,462
Total plan assets	173,802	255,070

	2022 £000	2021 £000
Fair value of plan assets	173,802	255,070
Present value of plan liabilities	(158,606)	(257,926)
Net pension scheme liability	15,196	(2,856)

26. Pension commitments (continued)

The amounts recognised in profit or loss are as follows:

	2022 £000	2021 £000
Administrative expenses	779	701
Interest expense on DBO	4,061	3,494
Interest income on plan assets	(4,007)	(3,528)
Total	833	667

Reconciliation of fair value of net pension scheme asset/(liability):

	2022 £000	2021 £000
Opening fair value of scheme (liabilities)/ assets	(2,856)	2,040
Actuarial gains and (losses)	17,905	(5,209)
Service cost	(833)	(667)
Contributions by employer	980	980
	15,196	(2,856)

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income was a gain of £17,905k *(2021 - loss of £5,209k)*. Actuarial valuations were carried out by the Scheme's Pensions advisor Lane Clark and Peacock LLP.

The Company expects to contribute £980k to its Defined Benefit Pension Scheme in 2023.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2022 %	2021 %
Discount rate	4.80	1.60
Inflation measured by RPI	3.20	3.50
Inflation measured by CPI	2.50	2.80
Pension increases (RPI capped at 5% pa)	3.10	3.29
Deferred pension revaluation	2.50	2.80

26. Pension commitments (continued)

The mortality table that is used:

- Base table: 102% of the S3PA table.
- Long-term improvement rates: CMI 2019 core projections from 2013 based on member's dates of birth with a long-term annual rate of improvement of 1.25% pa.

The long-term improvement projections have been updated to CMI 2019 core projections to reflect the latest available tables. This is consistent with the approach taken at 31 December 2021.

The assumption for life expectancy post-retirement is important and there is considerable uncertainty, particularly when considering the projection of future changes in mortality rates. The projections of life expectancy make no explicit allowance for specific individual risks, such as the possible impact of climate change or a major medical breakthrough. The projections reflect the aggregate impact of the many possible factors driving changes in future mortality rates.

Investment risks

Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The scheme invests in pooled funds and is therefore directly exposed to credit risk in relation to the solvency of the investment manager and the custodian of those funds.

This risk is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the investment managers, the regulatory environment in which the investment managers operate and diversification of the scheme's investments amongst a number of pooled arrangements. The Trustees, with the help of their advisors, carry out diligence checks on the appointment of any new investment manager or fund, and monitor for changes to the operating environment of the existing investments.

The scheme is also directly exposed to credit risk in relation to the currency swap with SEB.

The scheme is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds that invest in bonds and other assets of a contractual nature.

The managers of these pooled funds manage credit risk by having a diversified exposure to bond issuers or highly rated issuers (e.g. the UK government), conducting thorough research on the probability of default of those issuers, having only limited exposure to bonds rated below investment grade and arranging security against borrower default where appropriate (particularly within private credit). The magnitude of credit risk within certain funds will vary over time, as the managers change the underlying investments in line with their views on markets, asset classes and specific securities.

Currency risk

This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates. As the scheme's liabilities are denominated in Sterling, any non Sterling currency exposure within the assets presents currency risk.

The scheme is also exposed to direct currency risk in relation to its euro denominated cash account managed by SEB and indirect currency risk within the pooled fund investments.

The Trustees consider overseas currency exposure in the context of the overall investment strategy, and believe the risk that exists diversifies the strategy and is appropriate. Furthermore, where the scheme invests in pooled funds that include overseas currency exposure, the responsibility of managing this exposure is delegated to the investment managers.

26. Pension commitments (continued)

Interest rate risk

This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

The scheme's fixed and index linked gilt portfolios are subject to interest rate risk. However, this interest rate exposure hedges part of the corresponding risks associated with the scheme's liabilities. The net effect will be to reduce the volatility of the funding level, and therefore the Trustees believe that it is appropriate to have exposure to interest rate risk in this manner.

The private credit fund is primarily exposed to "floating rate" investments. As such, the value of income received on these investments increases as short term interest rates rise. Given the shorter term nature of these investments, there is limited exposure to changes in longer term interest rates.

Other price risk

This is the risk that the fair value or future cash flows of an asset will fluctuate due to changes in market prices (other than those arising from the risks above), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

This risk will vary depending on the particular market asset class the scheme invest in and the Investment Sub Committee ("ISC") monitor this risk on a regular basis, looking at the performance of the Scheme as a whole as well as each individual portfolio. The Trustees believe that the Scheme's assets are adequately diversified between different asset classes and within each asset class to manage this risk.

The Scheme's investment in private credit involves assets of a fixed term and contractual nature, and so is expected to be less exposed to other market factors.

The exposure to other indirect price risk within the Scheme's investments will vary over time depending on how the managers change the underlying asset allocation to reflect their market views.

27. Controlling party

The Company's ultimate parent and ultimate controlling party is Atlas Copco AB, which prepares consolidated group financial statements. This company is incorporated in Sweden and its registered address is SE-105 23 Stockholm., Sweden. Copies of its financial statements are available from the Patent and Registration Office, Bolagsavdelningen, Storgatan 13, S85181, Sundsvall, Sweden. This is the largest and smallest company which prepares group financial statements.

The immediate parent company and controlling party is Atlas Copco UK Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. The Company's registered address is Swallowdale Lane, Hemel Hempstead, Hertfordshire, HP2 7EA. Atlas Copco UK Holdings Limited does not prepare group financial statements. Copies of the Company's financial statements can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is Atlas Copco AB, a company incorporated in Sweden. Copies of the Group financial statements of Atlas Copco AB are available from the Patent and Registration Office, Bolagsavdelningen, Storgatan 13, S85181, Sundsvall, Sweden.

28. Share based payments

The outstanding option programs that concern employees of the company has been granted between 2018–2022 by Atlas Copco. The decision to grant options is made in April each year by Atlas Copco and the options were issued in March the following year (issue date and grant date according to IFRS 2). The number of options issued for each program year depended on the value creation in the Group, measured as Economic Value Added (EVA, defined as the sum of adjusted operating profit and interest income less tax expenses and cost of capital) of Atlas Copco, for the respective program year.

For the 2022 option program, the number of options varies on a linear basis within a pre-set EVA interval. The size of the plan and the limits of the interval have been established by the Board of Atlas Copco and have been approved by the Annual General Meeting of Atlas Copco and are compatible with the long-term business plan of the Group.

In connection to the issue, the exercise price is calculated as 110% of the average trading price for series A shares during a ten-day period following the date of the publishing of the fourth quarter report. The options were issued without compensation paid by the employee and the options remain the property of the employee only to the extent that they are exercisable at the time employment is terminated. The 2018–2022 programs have a vesting period of three years and have contractual term of seven years. The options in the 2018–2022 programs are not transferable and become exercisable at 100% three years after grant and up and until year seven. At exercise a common share in Atlas Copco is received.

The options expire at different date depending on which program. The remaining contractual life of the options are until April, seven years after the program year. Options have been exercised during the period and the average share price for Atlas Copco for 2022 was 117.90 SEK. The established exercise prices for the outstanding options varies between 58.70 SEK and 186.06 SEK.

29. Post balance sheet events

There are no post balance sheet events requiring disclosure in respect to the year ended 31 December 2022.