Micromass UK Limited
Annual report and financial statements
for the year ended 31 December 2021
Registered no. 3162904

Micromass UK Limited

Contents

Micromass UK Limited

Directors and advisors

Directors

S G Curbishley
I S King (Resigned 21 May 2021)
J M Pratt (appointed 21 May 2021)
A A Schoon
S M Smith

Company secretary

S J Robinson

Registered office

Waters Wilmslow
Stamford Avenue
Altrincham Road
Wilmslow
Cheshire
SK9 4AX

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Hardman Square
Manchester
M3 3EB

Bankers

Barclays Bank Plc
51 Mosley Street
Manchester
M60 2AU

Registered number

3162904

Strategic report for the year ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Review of business and future developments

The results of the business are set out on page 13 of the financial statements. The directors consider the results for the year and the year end financial position to be satisfactory.

As the global Covid-19 pandemic hit the United Kingdom in early 2020, the company implemented plans to ensure that core activities were able to continue throughout the 'lock down' period and beyond, whilst following all government legislation and guidelines, and prioritising the health, safely and wellbeing of the company's employees and customers at all times.

Following the initial impact of Covid-19 in 2020 and recovery to pre pandemic level sales in the second half of the year, recovery continued into 2021. Virtual events and online support continued in 2021, combined with a phased return to face to face interactions as restrictions were lifted. Many staff continued to work remotely, visiting site when there was a business need to do so in order to minimise the risk of increasing Covid-19 infection levels. Working practices are being reviewed regularly at a local and group level and staff are kept informed by regular communications.

A number of macro-economic pressures, including Covid-19 lock downs, particularly in South East Asia, and resource and staff shortages as businesses around the world work to recover from the effects of the pandemic have resulted in some supply chain challenges however the purchasing department has ensured the continuity of delivery of essential materials to ensure that customer orders can continue to be met. Global and national inflationary pressures are also affecting the company and costs are being closely monitored.

Overall, for the full year turnover including royalty and services income increased by 6.8% but gross margin fell by 4.8% largley due to an increase in intercompany costs and negative foreign currency exchange movements. Distribution costs were £1.7m higher, due to increases in salary and freight costs, administrative expenses were £4.1m lower, largely due to the prior year impairment charge relating to some of the company's intangible assets.

Following the settlement of litigation between the company and Bruker Daltonik GmbH an upfront license payment was received during the year; further unconditional minimum royalties will become due to the company on a quarterly basis over sixteen quarters commencing Q2 2022. The upfront fee and the full amount of the royalties are included in other operating income in the Statement of comprehensive income.

The directors continue to proactively seek opportunities to further develop the company's portfolio of products, and to develop innovative application based technologies to open up new markets for both new and existing products. The company maintains a strong in-house research and development team which continues to expand, and also engages in collaborative work with universities, research organisations and individuals who are world leaders in their specific areas within the broader field of mass spectrometry and related technologies.

Principal risks and uncertainties

The company's principal risk relates to demand for its portfolio of products which may be affected by economic conditions in its various geographic markets, and the recoverable value of its equity investments.

Financial risk management

The company's operations expose it to some financial risks that include the effects of movement in exchange rates, liquidity risk and interest rate risk. These risks are managed centrally by the treasury group at Waters Corporation, the ultimate parent company.

Exchange rate risk

The key foreign exchange risk relates to inter-company sales and then settlement of these balances. The risk is managed centrally by the ultimate parent company using a variety of derivative and non-derivative financial instruments to reduce the group's net exposure to currency fluctuations.

Liquidity risk and interest rate risk

The company operates a group pooling arrangement with other companies in the Waters group to ensure that sufficient funds are available for operations and planned expenditure. The company's cash balances are monitored on a weekly basis both locally and by the group treasury function within the parent company. The company has no third party long term debt and surplus cash is held in various deposit accounts with the company's bank with a maximum maturity of 95 days, and as such is not subject to significant interest rate risk.

Key performance indicators (KPIs)

The directors use KPIs as necessary for an understanding of the development, performance and position of the business. These include gross margin and profit analysis ratios which can all be derived from these financial statements.

Results and dividends

No Interim dividends were paid during the year (2020 – £29,216,000). The directors are not recommending the payment of a final dividend (2020 – £Nil). The profit for the financial year of £5,126,000 (2020 – £2,873,000) will be transferred to reserves.

Research and development

The company is committed to research and development activities in order to secure its position in the mass spectrometer market place. During the year, the company spent £38,347,000 (2020 – £34,270,000) improving product quality and developing new products.

Employee involvement

The company maintains a policy of providing employees with information on matters of concern aimed at achieving a common awareness of the financial and economic factors affecting the performance of the company. Regular team briefings provide a forum for communication so that views can be taken into account in making decisions, which are likely to affect the interests of employees. Company wide communications meetings also take place during the year, which include updates on the group's performance and the company's contribution to it. Strategic priorities for both the group and the company are also discussed. The company participates in the group's Employee Share Purchase Plan which gives employees the opportunity to benefit from the growth and prosperity of the company by contributing a percentage of their salary directly into the Plan.

Employment of disabled persons

The company ensures that there is full and fair consideration of any disabled applicant for employment. The company endeavours to retain any existing employee who may become disabled, providing specialised training where appropriate. If modified or additional facilities are needed for a disabled employee, all reasonable steps are taken to provide them.

Micromass UK Limited

Strategic report for the year ended 31 December 2021 (continued)

Section 172(1) statement

The directors are fully aware of their duty under section 172(1) of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the company. The directors consider that, during the year to 31 December 2021, they acted fairly, having regard to the interests of all the company's stakeholders including the shareholder and the company's employees.

The long term

The directors are well aware of the changing landscape, in terms of the evolving nature of the group's customer requirements and the dynamic macro-economic environment in which the company operates. They work closely with the group's management team to develop strategies to position the company to react in an agile and effective manner to changes as they occur.

Employees

The directors recognise that the company's employees are its greatest asset and that they are fundamental to achieving company growth and strategic ambitions. The welfare and development of employees is of highest importance and the company is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate discrimination or harassment of any kind. The success of the business depends on recruiting and retaining talent and creating and maintaining a diverse workforce is a key part of this. The company continually reviews its people policies and looks for opportunities to further support employees in all aspects of their working lives with initiatives such as flexible working practices and an employee assistance programme giving access to support services covering a wide range of issues including mental health and legal matters.

Business relationships

The directors continually seek to promote and develop strong and mutually beneficial relationships with the company's suppliers and engages with suppliers regularly through meetings and key supplier audits to ensure alignment of strategy and values. The company maintains strong relationships with technical collaborators, industry and academic bodies and the broader Waters group customer base.

Community and the environment

Enhancing human health and well-being is at the core of what the company's products and services achieve and we share a common mission with the group's customers to improve people's lives around the world. The company's products contribute to the discovery of new pharmaceuticals, assuring the safety of the world's food and water supplies, and ensuring the integrity of chemical substances in manufacturing and this drives the company to measure, manage and commit to reducing its own environmental footprint.

The company strives to be a good corporate citizen, engaging with the local community through sponsorship of local events and interaction with local schools including Science, Technology, Engineering and Maths ("STEM") outreach activities.

Micromass UK Limited

Strategic report for the year ended 31 December 2021 (continued)

Section 172(1) statement (continued)

Business conduct

The directors are committed to upholding the highest standards of business conduct.

The Waters group's Global Code of Business Conduct and Ethics applies to all members of staff and awareness of the Code is tested routinely by the group's Internal Audit department. All staff are required to certify compliance with the Code on an annual basis and periodic mandatory training on the requirements of the Code is provided. The Code covers many areas including but not limited to:

- Discrimination and harassment
- Proper use of company assets
- Protecting company and customer information
- Bribery and corruption
- International trade compliance
- Competition and fair dealing.

Members of the company

The company is a wholly owned subsidiary of the Waters Corporation group of companies, and as such has only one corporate shareholder, its immediate parent company, Micromass Limited.

On behalf of the Board

DocuSigned by:

Stephen Smith

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S M Smith
Director
12 September 2022

Micromass UK Limited

Directors' report for the year ended 31 December 2021

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

Principal activities

The principal activity of the company is the design, manufacture and sale of mass spectrometers.

Future developments

A summary of future developments is included within the Strategic report on page 2.

Principal risks and uncertainties

A summary of the company's principal risks is included within the Strategic report on pages 2 and 3.

Financial risk management

A summary of the company's management of financial risks is included within the Strategic report on page 3.

Results and dividends

A summary of the results and dividends for the year is included within the Strategic report on page 3.

Research and development

A summary of research and development spending is included within the Strategic report on page 3.

Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the company can continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of signing of these financial statements. The directors have considered the company's business activities and the principal risks and uncertainties in the context of the current operating environment. This includes the impacts of the global COVID-19 pandemic on the company and an assessment of their effects on the company's forecast liquidity.

The company has net current assets of £66,123,000 (2020 – £63,122,000) and net assets of £110,313,000 (2020 – £106,675,000), and has made a profit in the current year of £5,126,000 (2020: £2,873,000).

As a consequence of COVID-19 and in light of these inherent uncertainties, the directors have considered the potential impact of COVID-19 on the business (and its ability to continue as a going concern) under various scenarios, including performing various sensitivities over future cash flow forecasts.

These scenarios imply sufficient levels of liquidity headroom during the 12-month period under assessment therefore the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

Employee engagement

The directors recognise that our employees are fundamental to achieving our strategic ambitions. Employees are regularly updated on matters affecting the business via a wide range of mediums. For further details refer to the Section 172 statement on page 4.

Employee involvement

A summary of the company's policy on employee involvement is included within the Strategic report on page 3.

Employment of disabled persons

A summary of the company's policy on employment of disabled persons is included within the Strategic report on page 3.

Statement of engagement with suppliers, customers and others in a business relationship with the company

Delivering our strategy requires strong mutually beneficial relationships with suppliers and customers. For further details refer to the Section 172 statement on page 4.

Environmental reporting

The Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2018 requires the company to disclose annual UK energy consumption and Greenhouse Gas (GHG) emissions from SECR regulated sources. Energy and GHG emissions have been independently calculated by Envantage Ltd for the reporting period 1st January 2021 to 31st December 2021.

Reported energy and GHG emissions data is compliant with SECR requirements and has been calculated in accordance with the GHG Protocol and SECR guidelines. Energy and GHG emissions are reported from buildings and transport where operational control is held – this includes electricity, natural gas, and business travel in company-owned vehicles and grey fleet.

The table below details the regulated SECR energy and GHG emission sources from the current and previous reporting periods.

		2021	2020	% change
Energy (kWh)				
	Natural gas	3,623,291	2,247,660	61.2%
	Transport	4,086	4,717	-13.4%
	Electricity	10,460,512	10,607,510	-1.4%
	Total energy	**14,087,889**	**12,859,887**	**9.5%**
Emissions ($tCO2e$)				
Scope 1	Natural gas	663.6	446.4	48.7%
Scope 1	Transport	1.0	1.2	-16.70%
Scope 2	Electricity (market-based) in tCO_2	–	–	–
	Electricity (location based)	2,221	2,473	-10.2%
	Total SECR emissions	**664.6**	**447.6**	**48.5%**
Emission intensity ratio				
	Annual turnover (£m)	168.5	157.7	6.8%
	Emissions intensity (tCO2e / £m turnover)	**3.95**	**2.85**	**38.6%**

The company is committed to reducing its environmental impact and contribution to climate change through continuous improvement procedures. All electricity consumed at site is procured from zero-carbon, REGO-certified sources. Lighting upgrades have also been implemented across all areas of the site, with over 1,000 fluorescent fittings being replaced by high-efficiency LED equivalents.

Environmental reporting (continued)

Methodology

Electricity and natural gas disclosures have been calculated using metered kWh consumption taken from supplier fiscal invoices where available. GHG emissions associated with Scope 2 purchased electricity have been reported using both market-based (MBM) and location-based (LBM) methodologies. As 100% of electricity is REGO-certified, market-based emissions are reported as zero. Location-based emissions have been included for comparison only.

Transport disclosures have been calculated using business mileage expense claim records, converted from financial value to mileage using a fixed p/mile rate. Vehicle information such as engine size and type was not held against each mileage claim, therefore a vehicle of average size and fuel type was assumed. All activity data has been converted into energy and equivalent GHG emissions using factors published by BEIS in 2021.

Directors

The directors who held office during the year and up to the date of signing of the financial statements are as listed on page 1.

Directors' indemnity insurance is provided by Waters Corporation, the ultimate parent company. Insurance was in place throughout 2021 and up to the date of approval of these financial statements.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

Micromass UK Limited

Directors' report for the year ended 31 December 2021 (continued)

Disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to stay in office. The directors are satisfied with the independence, objectivity and effectiveness of the auditors, and accordingly, confirm their appointment.

On behalf of the Board

DocuSigned by:
Stephen Smith
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S M Smith
Director
12 September 2022

Independent auditors' report to the directors of Micromass UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Micromass UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: Balance sheet as at 31 December 2021; Statement of comprehensive income, Statement of changes in equity for the year then ended; the Accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Testing journal entries meetings specific risk criteria where not already covered through other substantive procedures performed, testing accounting estimates for indication of management bias and evaluating the business rationale of any significant transactions outside the normal course of business;
- Designing auditing procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Reviewing legal expense listings to identify indications of potential non-compliance with laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's directors as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Daniel Wilbourn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
13 September 2022

Micromass UK Limited

Statement of comprehensive income for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	1	**168,473**	157,737
Cost of sales		**(139,217)**	(122,835)
Gross profit		**29,256**	34,902
Distribution costs		**(10,311)**	(8,573)
Administrative expenses		**(19,542)**	(23,687)
Other operating income	4	**7,185**	518
Operating profit	5	**6,588**	3,160
Interest receivable and similar income	6	**7**	39
Interest payable and similar expenses	7	**–**	(18)
Profit before taxation		**6,595**	3,181
Tax on profit	8	**(1,469)**	(308)
Profit for the financial year		**5,126**	2,873
Other comprehensive income		**–**	–
Total comprehensive income for the year		**5,126**	2,873

Micromass UK Limited

Balance sheet as at 31 December 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	9	**11,902**	14,426
Tangible assets	10	**24,624**	26,510
Investments	11	**9,060**	9,060
		45,586	49,996
Current assets			
Stocks	12	**28,210**	25,104
Debtors	13	**57,880**	51,258
Cash at bank and in hand		**9,435**	10,390
		95,525	86,752
Creditors – amounts falling due within one year	14	**(29,402)**	(23,630)
Net current assets		**66,123**	63,122
Total assets less current liabilities		**111,709**	113,118
Provisions for liabilities	15	**(1,396)**	(6,443)
Net assets		**110,313**	106,675
Capital and reserves			
Called up share capital	16	**28,321**	28,321
Retained earnings		**81,992**	78,354
Total shareholders' funds		**110,313**	106,675

The notes on pages 23 to 35 are an integral part of these financial statements.

The financial statements on pages 13 to 35 were approved by the board of directors on 12 September 2022 and were signed on its behalf by:

DocuSigned by:

Andrew Schoon

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A A Schoon
Director
Micromass UK Limited
Company registration number 3162904

Micromass UK Limited

Statement of changes in equity for the year ended 31 December 2021

	Called up share capital	Retained earnings	Total shareholders' funds
	£000	£000	£000
Balance as at 1 January 2020	28,321	105,923	134,244
Profit for the financial year	–	2,873	2,873
Total comprehensive income for the year	–	2,873	2,873
Dividends paid for the year	–	(29,216)	(29,216)
Share based payments	–	(1,226)	(1,226)
Total transactions with owners, recognised directly in equity	–	(30,442)	(30,442)
Balance as at 31 December 2020 and 1 January 2021	28,321	78,354	106,675
Profit for the financial year	–	**5,126**	**5,126**
Total comprehensive income for the year	–	**5,126**	**5,126**
Dividends paid for the year	–	–	–
Share based payments	–	**(1,488)**	**(1,488)**
Total transactions with owners, recognised directly in equity	–	**(1,488)**	**(1,488)**
Balance as at 31 December 2021	**28,321**	**81,992**	**110,313**

Micromass UK Limited

Accounting policies for the year ended 31 December 2021

General Information

Micromass UK Limited is a private company limited by shares and it is incorporated and domiciled in England. The address of its registered office is Waters Wilmslow, Stamford Avenue, Altrincham Road, Wilmslow, Cheshire, SK9 4AX. The registered number of the company is 3162904.

The principal activity of the company is the design, manufacture and sale of mass spectrometers.

Statement of compliance

The individual financial statements of Micromass UK Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

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

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in 'Critical accounting judgements and key sources of estimation uncertainty'.

(b) Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the company can continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of signing of these financial statements. The directors have considered the company's business activities and the principal risks and uncertainties in the context of the current operating environment. This includes the impacts of the global COVID-19 pandemic on the company and an assessment of their effects on the company's forecast liquidity.

The company has net current assets of £66,123,000 (2020 – £63,122,000) and net assets of £110,313,000 (2020 – £106,675,000), and has made a profit in the current year of £5,126,000 (2020: £2,873,000).

As a consequence of COVID-19 and in light of these inherent uncertainties, the directors have considered the potential impact of COVID-19 on the business (and its ability to continue as a going concern) under various scenarios, including performing various sensitivities over future cash flow forecasts.

These scenarios imply sufficient levels of liquidity headroom during the 12-month period under assessment therefore the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

(c) Group financial statements

The company is a wholly owned subsidiary of Micromass Limited and of its ultimate parent, Waters Corporation. It is included in the consolidated financial statements of Waters Corporation which are publicly available. The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Waters Corporation. The address of the ultimate parent's registered office is 34 Maple Street, Milford, MA 01757, USA.

Micromass UK Limited

Accounting policies for the year ended 31 December 2021 (continued)

Summary of significant accounting policies (continued)

(d) Exemption for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions have been complied with, including notification of and no objection to the use of exemptions by the company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The company is a qualifying entity as its results are consolidated into the financial statements of Waters Corporation which are publicly available.

As a qualifying entity, the company has taken advantage of the following exemptions:

(i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;

(ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;

(iii) from disclosing share based payments arrangements, required by paragraphs 26.18(b), 26.19 to 26.21 and 26.23 of FRS 102, concerning its own equity instruments;

(iv) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and

(v) From the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102

(e) Foreign currencies

Functional and presentation currency

The company's functional and presentation currency is the pound sterling.

Transactions and balances

Transactions in foreign currencies are recorded at standard exchange rates and retranslated at actual exchange rates on a monthly basis.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(f) Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year. Revenue from instrument, spares and accessories sales is recognised when the risks and rewards are transferred to the customer which is on despatch of goods. Revenue from group technical support services is recognised when the service has been performed.

(g) Interest income & expense

Interest income and expense is recognised as it becomes due for receipt / payment.

(h) Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements, defined contribution pension plans, discretionary bonus payments and share based payments.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plans

The company operates a defined contribution pension scheme providing benefits based on employee and employer contributions made to the schemes. The assets of the schemes are held separately from those of the company in an independently administered fund. Contributions to the schemes are charged to the statement of comprehensive income as they fall due for payment.

Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

Share based payments

The company participates in a number of equity-settled, share-based compensation plans operated by its parent company, Waters Corporation. The fair value of the employee services received in exchange for the grant of the options or shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or shares granted at the date of the grant, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options or shares that are expected to vest. At each balance sheet date, the company revises its estimates of the number of options or shares that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to reserves.

Fair value of options is measured using the Black Scholes model.

Fair value of performance stock units is measured using the Monte Carlo model.

On the date of transition to FRS 102 (1 January 2014), the company took advantage of the exemption under paragraph 35.10(b) of FRS 102 in respect of share based payment transactions and elected not to apply Section 26 Share based payments to equity instruments granted before the date of transition to FRS 102. The previous framework has been applied to instruments granted prior to the date of transition.

(i) Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

Current tax

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

Tax credits in respect of the R&D Expenditure Credit Scheme (RDEC) are recognised within cost of sales as the associated research and development costs to which they relate are classified as cost of sales in the financial statements.

Deferred taxation

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

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

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

(j) Research and development expenditure

Expenditure on research and development is expensed to the statement of comprehensive income in the year in which it is incurred.

Accounting policies for the year ended 31 December 2021 (continued)

Summary of significant accounting policies (continued)

(k) Intangibles and goodwill

Goodwill arising on acquisition (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised and shown as an intangible asset on the balance sheet. This asset is then depreciated over its expected useful life to the business, which has been estimated at 20 years.

Where the company acquires a technology license, the cost of the license is capitalised and shown as an intangible asset on the balance sheet. Capitalised license costs are amortised over the period the company is expected to benefit from the technology.

Intangible assets acquired as part of business combinations are stated at their fair value at acquisition, and are amortised over their remaining useful lives.

The remaining useful life for intangible assets are as follows:

Intangible assets	Remaining life
Goodwill	0 – 13 years
Licence agreements and other intangible assets	0 – 3 years

(l) Tangible assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, by equal instalments over the expected useful economic lives of the assets concerned, as follows:

Short leasehold land and buildings	Not more than 30 years
Plant and machinery	10 years
Fixtures, fittings, demonstration and other equipment	3 – 10 years

Instruments which are held for demonstration purposes are capitalised within tangible fixed assets and depreciated at the rate of 25% per annum. On any subsequent sale they are transferred into cost of sales at their net book value.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income.

(m) Leases

Operating leased assets

Leases that do not transfer all the risk and rewards of ownership are classified as operating leases. Operating lease rentals are charged to the statement of comprehensive income on a straight line basis over the period of the lease term.

(n) Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. Where appropriate these cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

Micromass UK Limited

Accounting policies for the year ended 31 December 2021 (continued)

Summary of significant accounting policies (continued)

(n) Impairment of non-financial assets (continued)

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss would be recognised in the statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

(o) Investments

Investments in subsidiary companies are held at cost (or deemed cost) less accumulated impairment losses.

(p) Stocks

Stocks are stated at the lower of cost and estimated selling price less cost to complete and sell. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads. Where necessary, provision is made for obsolete, slow moving and defective stocks. Cost is determined on the first-in, first-out (FIFO) method.

(q) Cash and cash equivalents

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

(r) Provisions and contingencies

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are discounted where the impact is material to the financial statements.

Contingencies

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

(s) Financial instruments

The company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances are recognised at transaction price.

Financial assets are derecognised when (i) the contractual rights to the cash flows from the asset expire or are settled, or (ii) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (iii) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Summary of significant accounting policies (continued)

(s) Financial instruments (continued)

Financial Liabilities

Basic financial liabilities, including trade and other creditors and loans from fellow group companies are recognised at transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised at transaction price.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The company does not hold or issue derivative financial instruments.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(t) Related party transactions

The company has taken advantage of the exemption as provided by paragraph 33.1A of FRS 102, from disclosing transactions with group companies as it is a wholly owned subsidiary and its results are included in the consolidated financial statements of another group company which are publicly available. There were no other related party transactions.

(u) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Critical judgements in applying the company's accounting policies

Management note that there are no critical accounting judgements.

Critical accounting estimates and assumptions

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Impairment of goodwill

The company assesses annually whether there is an indication that goodwill has suffered any impairment, in accordance with the accounting policy stated on page 19. If an indicator is identified the recoverable amounts will be determined based on value-in-use calculations or, where it is considered necessary, fair value less costs to dispose. These calculations require the use of estimates, predominantly in respect of future cash flows.

(ii) Useful economic lives of other intangible assets and tangible assets

The annual amortisation and depreciation charges for intangible assets and tangible fixed assets are sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See notes 9 and 10 for the carrying amount of intangible assets and tangible assets and the relevant accounting policy for the useful economic lives for each class of asset.

Accounting policies for the year ended 31 December 2021 (continued)

Summary of significant accounting policies (continued)

(u) *Critical accounting judgements and key sources of estimation uncertainty* (continued)

Critical accounting estimates and assumptions (continued)

(iii) Carrying value of investments

The company assesses annually whether there is an indication that investments may be impaired, in accordance with the accounting policy stated on page 20. If there is an indication of impairment, the recoverable amount will be calculated, based on value-in-use. These calculations require the use of estimates, predominantly in respect of future cash flows.

(iv) Provisions

The company makes provision for the anticipated net costs of warranties and future development payments. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Micromass UK Limited

Notes to the financial statements for the year ended 31 December 2021

1 Turnover

All turnover and profit before taxation arises from the manufacture and sale of mass spectrometry instruments, accessories and spares, and from the provision of technical support services to other group companies.

Turnover by geographical market

	2021 £000	2020 £000
United Kingdom	**2,591**	1,920
European Union	**73,171**	72,148
Rest of the world	**92,711**	83,669
	168,473	157,737

2 Directors' emoluments

The emoluments paid to the directors of Micromass UK Limited for their services to the company were:

	2021 £000	2020 £000
Aggregate emoluments and benefits	**711**	687
Share based payments	**466**	668
Company pension contributions to money purchase scheme	**57**	32
	1,234	1,387

Retirement benefits are accruing to 3 directors (2020 – 3).

Highest paid director	2021 £000	2020 £000
Aggregate remuneration and benefits	**337**	288
Share based payments	**380**	584
Company pension contributions to money purchase scheme	**27**	9
	744	881

During the year 1 (2020 – 1) of the directors exercised options on shares in the ultimate parent company, Waters Corporation.

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

3 Employee information

The monthly average number of persons (including directors) employed by the company during the year was:

	2021 Number	2020 Number
Production and engineering	**532**	519
Sales and marketing	**101**	96
Administration and finance	**58**	50
	691	665

Staff costs	2021 £000	2020 £000
Wages and salaries	**40,441**	35,431
Social security costs	**4,716**	3,886
Other pension costs (note 20)	**2,847**	2,636
Share based payments (note 21)	**2,326**	1,530
	50,330	43,483

4 Other operating income

	2021 £000	2020 £000
Coronavirus Job Retention Scheme grant	–	518
License fee and minimum royalty income (see note below)	**7,185**	–
	7,185	518

In March 2021 the company, together with Waters Technologies Corporation, an affiliated company, entered into a patent license agreement with Bruker Corporation and Bruker Daltonik GmbH ("Bruker") to compromise and settle disputed claims associated with certain of the company's mass spectrometry products.

Pursuant to the agreement the company will receive a total of $10,000,000 in guaranteed minimum payments. An upfront fee of $4,000,000 less recoverable withholding taxes was received in April 2021, and $6,000,000 in future minimum royalties will be due in equal quarterly instalments of $375,000 per quarter for sixteen quarters commencing Q2 2022.

The full amount receivable has been recognised as income in the current year as under the terms of the agreement, the company's entitlement to receive the future amounts is unconditional.

Micromass UK Limited

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

5 Operating profit

	2021 £000	2020 £000
Operating profit is stated after charging / (crediting):		
Depreciation on owned tangible fixed assets	**5,795**	6,075
Services provided by the company's auditors:		
– fees payable for the audit	**120**	135
– fees payable for taxation compliance services	**39**	36
– fees payable for taxation advisory services	**64**	131
Amortisation of goodwill	**434**	694
Impairment of goodwill	**–**	3,532
Amortisation of licenses and other intangible assets	**2,090**	2,406
Impairment of licenses and other intangible assets	**–**	5,867
Inventory recognised as an expense	**86,035**	71,370
Impairment of inventory	**903**	2,298
Operating lease payments	**2,286**	2,348
Loss on disposal of tangible fixed assets	**181**	43
Exchange loss / (gain)	**133**	(897)
Research and development expenditure	**38,347**	34,270

Included within cost of sales is an amount of £1,747,000 (2020 – £1,500,000) in respect of research and development expenditure credit.

6 *Interest receivable and similar income*

	2021 £000	2020 £000
Bank interest	**–**	34
Interest receivable from group undertakings	**7**	5
	7	39

7 Interest payable and similar expenses

	2021 £000	2020 £000
Interest payable to group undertakings	**–**	18

Interest payable to group undertakings relates to the company's participation in the group's UK cash pooling arrangements.

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

8 Tax on profit

(a) Analysis of charge for the year

	2021 £000	2020 £000
Current tax:		
United Kingdom corporation tax on the profit for the financial year	**1,171**	688
Adjustments in respect of prior years	**173**	229
Total current tax	**1,344**	917
Deferred tax:		
Origination and reversal of timing differences	**(17)**	(588)
Changes & differences in tax rates	**149**	–
Adjustments in respect of prior years	**(7)**	(21)
Total deferred tax	**125**	(609)
Tax charge for the year	**1,469**	308

(b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than (2020 – lower than) the standard rate of corporation tax in the UK. The differences are explained below:

	2021 £000	2020 £000
Profit before taxation	**6,595**	3,181
Tax on profit at the standard rate of corporation tax – 19% (2020 – 19%)	**1,253**	604
Expenses not deductible for tax purposes	**182**	(270)
Share based payment charges	**(283)**	(234)
Changes & differences in tax rates	**151**	–
Adjustments in respect of prior years	**166**	208
Total tax charge for the year	**1,469**	308

(c) Factors which may affect future tax charges

A change reducing the UK corporation tax rate to 17% from 1 April 2020 was included in the Finance Act 2016 which received Royal Assent on 15 September 2016. In the Budget 2020 the government announced that for years commencing 1 April 2020 and 2021 the rate would remain at 19%. This change was included in the Finance Act 2020 which received Royal Assent on 22 July 2020.

The Finance Act 2021 which received Royal Assent on 10 June 2021 maintained the UK corporation tax rate at 19% for the financial year commencing 1 April 2022 and increased the rate to 25% with effect from 1 April 2023.

These changes have been applied to the calculation of the company's deferred tax liability, and will increase the company's future current tax charge accordingly.

Micromass UK Limited

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

9 Intangible assets

	License agreements & other intangibles £000	Goodwill £000	Total £000
Cost			
At 1 January and 31 December 2021	**24,235**	**20,828**	**45,063**
Accumulated amortisation			
At 1 January 2021	16,186	14,451	30,637
Charge for the year	2,090	434	2,524
At 31 December 2021	**18,276**	**14,885**	**33,161**
Net book values			
At 31 December 2021	**5,959**	**5,943**	**11,902**
At 31 December 2020	8,049	6,377	14,426

The amortisation of intangible assets is included within administrative expenses in the statement of comprehensive income.

The directors believe that the carrying value of the intangible assets is supported by their underlying current and future value in use.

Micromass UK Limited

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

10 Tangible assets

	Short leasehold land and buildings £000	Plant and machinery £000	Fixtures, fittings & other equipment £000	Demon-stration machinery £000	Assets in course of construction £000	Total £000
Cost						
At 1 January 2021	23,078	8,513	13,083	20,283	–	64,957
Additions	81	669	559	2,873	272	4,454
Disposals	(120)	(185)	(309)	(3,918)	–	(4,532)
Transfers	24	39	126	(21)	(168)	–
At 31 December 2021	**23,063**	**9,036**	**13,459**	**19,217**	**104**	**64,879**
Accumulated depreciation						
At 1 January 2021	8,923	5,379	8,320	15,825	–	38,447
Charge for the year	1,339	793	1,667	1,996	–	5,795
Disposals	(63)	(154)	(289)	(3,481)	–	(3,987)
At 31 December 2021	**10,199**	**6,018**	**9,698**	**14,340**	**–**	**40,255**
Net book values						
At 31 December 2021	**12,864**	**3,018**	**3,761**	**4,877**	**104**	**24,624**
At 31 December 2020	14,155	3,134	4,763	4,458	–	26,510

The brought forward cost of land and buildings above is reduced by an amount £700,000 being a grant received from the Department for Business, Innovation & Skills in respect of environmentally friendly and energy efficient technology used in the design of the company's headquarters building. The grant amount is being released over the same period of time as the assets it relates to and the credit for this is included within the depreciation charge for the year.

11 Investments

	£000
Cost and net book value at 1 January 2021 and 31 December 2021	**9,060**

Subsidiary companies

Company name and registered address	Country of registration	Percentage of ordinary shares held %	Principal activity
Midland Precision Equipment Co Limited [1] 304 Haslucks Green Road Solihull, West Midlands B90 2LY	England	100	Precision engineering
MPE Orbur Group Limited 304 Haslucks Green Road Solihull, West Midlands B90 2LY	England	100	Holding company
Waters Research Center Kft Záhony utca 7, Budapest H1031	Hungary	100	Research and development

[1] Shares held by MPE Orbur Group Limited

The directors believe that the carrying value of the investments is supported by their underlying value in use.

12 Stocks

	2021 £000	2020 £000
Raw materials and consumables	**11,861**	9,609
Work in progress	**4,151**	3,696
Finished goods and goods for resale	**12,198**	11,799
	28,210	25,104

The amount of stocks recognised as an expense during the year was £85,455,000 (2020 – £71,370,000). There is no material difference between the carrying values of stocks, which are stated after provisions for impairment of £4,036,000 (2020 – £3,922,000), and their replacement cost.

Micromass UK Limited

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

13 Debtors

	2021 **£000**	2020 £000
Amounts falling due within one year:		
Trade debtors	**218**	242
Amounts owed by group undertakings	**43,413**	40,484
UK corporation tax	**6,937**	7,497
Other debtors	**1,412**	1,549
Prepayments and accrued income	**2,333**	1,211
	54,313	50,983
Amounts falling due in more than one year		
Amounts owed by group undertakings	**234**	275
Prepayments and accrued income	**3,333**	–
Total debtors	**57,880**	51,258

The amount shown as falling due in more than one year and owed by group undertakings represents an unsecured loan facility in favour of Waters Research Center Kft which attracts interest at 3 month BUBOR plus 0.4%. The initial term of the facility was 5 years but an agreement to extend the term of the loan for a further 5 years was executed during 2020 and repayment is now due in July 2024

Included in amounts owed by group undertakings falling due within one year is an amount due in respect of the company's participation in the group's Euro cash pooling arrangement. Interest is payable / receivable on cash pool balances at a rate of Euribor 1M plus 70 bps / Euribor 1M minus 50 bps respectively.

Other than the above, all amounts owed by group undertakings and falling due within one year are unsecured, interest free and repayable on demand.

14 Creditors – amounts falling due within one year

	2021 **£000**	2020 £000
Trade creditors	**7,467**	6,405
Amounts owed to group undertakings	**14,001**	12,227
Taxation and social security	**150**	147
Other creditors	**209**	160
Accruals and deferred income	**7,575**	4,691
	29,402	23,630

All amounts owed to group undertakings are interest free, unsecured, and repayable on demand.

Micromass UK Limited

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

15 Provisions for liabilities

	Warranty & related provisions £000	Provision for future development payments £000	Deferred taxation £000	Total £000
At 1 January 2021	818	5,124	501	6,443
Statement of comprehensive income	69	330	125	524
Utilised in the year	(117)	(5,454)	–	(5,571)
At 31 December 2021	**770**	**–**	**626**	**1,396**

Warranty and related provisions are in respect of obligations to meet the costs of warranties given on the instruments and spares sold by the company. Warranty provisions are generally expected to be utilised or released after a period of one year from the date the provision was created.

Provision for future development payments related to provision in respect of the final development milestone amount payable to LECO Corporation pursuant to the licensing agreement executed in December 2014, payment was made in June 2021 so no provision remains.

Analysis of deferred tax balance

	Accelerated capital allowances £000
At 1 January 2021	501
Statement of comprehensive income	125
At 31 December 2021	**626**

The net deferred tax liability expected to reverse in 2022 is £91,000 (2021 expected accrual – £46,000).

Micromass UK Limited

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

16 Called up share capital

Allotted, issued and fully paid	**2021 £000**	2020 £000
28,321,473 (2020 – 28,321,473) Ordinary shares of £1 each	**28,321**	28,321

There is a single class of ordinary shares. There are no restrictions on the distributions of dividends and repayment of capital.

Dividends paid for the year	**2021 £000**	2020 £000
Interim dividends paid 25 March 2020 at 35.31 pence per ordinary share, and 5 November 2020 at 67.85 pence per ordinary share	–	29,216

17 Financial commitments

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2021 £000	2020 £000
Amounts falling due:		
In less than one year	**2,241**	2,217
After more than one year and in less than five years	**8,776**	8,678
After more than five years	**25,838**	28,005
	36,855	38,900

18 Capital commitments

Capital commitments at the end of the financial year for which no provision has been made:

	2021 £000	2020 £000
Contracted for but not provided for in the financial statements	**853**	419

19 Contingent liabilities

Guarantees

The company has issued on its behalf, during the normal course of trading, bank guarantees in respect of advance payments, performance bonds and warranties. The value of outstanding bank guarantees at 31 December 2021 was £892,000 (2020 – £2,020,000).

20 Pension commitments

The company has established and operates a money purchase pension scheme with defined contribution levels covering the majority of its employees, including directors. Contributions to this scheme are independently administered by an insurance company.

The pension cost charge represents contributions payable by the company to the scheme and amounts to £2,847,000 (2020 – £2,636,000). Outstanding contributions payable to the scheme at the end of the year amounted to £Nil (2020 – £Nil).

Micromass UK Limited

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

21 Share based payments

Under various schemes operated by the ultimate parent company Waters Corporation, share options, Performance Stock Units (PSUs) and Restricted Stock Units (RSUs) are granted on a discretionary basis to directors and selected employees. These grants of options, PSUs and RSUs are accounted for under section 26 of FRS 102 – Share Based Payments.

Options and RSUs are conditional on the employee completing a specified period of service and generally vest in equal proportions over a five year period. The exercise price for stock options may not be less than the fair market value of the underlying stock at the date of grant and options generally will expire no later than 10 years after the date on which they are granted. The Waters Corporation group has no legal or constructive obligation to repurchase or settle the options and RSUs in cash.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model, the relevant data used to determine this value is as follows:

Grant date	Grant Price £	FMV of stock on grant date £	Risk free interest rate	Expected life in years	Expected volatility	Expected Dividends	Fair value per option £
09/12/2015	87.33	87.33	1.93%	6.0	25%	–	24.97
17/02/2017	109.31	109.31	2.24%	6.0	23%	–	31.70
23/02/2018	163.38	163.38	2.77%	6.0	23%	–	48.01
26/02/2019	179.78	179.78	2.52%	5.0	23%	–	46.66
25/02/2020	148.85	148.85	1.21%	6.0	28%	–	44.36
24/02/2021	206.78	206.78	0.82%	6.0	33%	–	68.70

The expected volatility is based on historic volatility over the last 3 years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero coupon government bonds of a term consistent with the assumed option life.

PSUs were awarded for the first time during year ended 31 December 2017. PSUs have vesting conditions based on Waters Corporation revenue growth rate and total shareholder return ("TSR") relative to the TSR of the components of the S&P Health Care Index. TSR is the change in value of a stock price over time, including the reinvestment of dividends. The vesting schedule ranges from 0% to 200% of the target shares awarded.

In determining the fair value of the performance stock units, the company makes a variety of assumptions and estimates, including volatility measures, expected yields and expected terms. The weighted average fair value of each performance stock unit grant was estimated on the date of grant using the Monte Carlo simulation model, the relevant data used to determine this value is as follows:

Grant date	FMV of stock on grant date £	Risk free interest rate	Expected life in years	Expected volatility	Average volatility of peer companies	Correlation coefficient	Fair value per PSU £
17/02/2017	109.31	1.44%	2.87	23%	26%	38.46%	149.55
23/02/2018	163.38	2.01%	2.85	23%	26%	37.36%	201.02
26/02/2019	179.78	2.43%	2.84	23%	26%	34.20%	280.90
25/02/2020	148.85	1.30%	2.85	25%	26%	36.59%	140.17
24/02/2021	206.78	0.11%	2.85	20%	17%	22.91%	234.08

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

21 Share based payments (continued)

A summary of the movements in the number of share options outstanding and their related weighted average exercise price, and the numbers of PSUs and RSUs outstanding and their related weighted average fair value is given below

Share options	2021 Number	Weighted average exercise price £	2020 Number	Weighted average exercise price £
Outstanding at 1 January	**26,254**	**147.19**	48,859	137.17
Granted	**3,226**	**206.78**	4,949	148.85
Forfeited	**(3,643)**	**160.90**	(16,862)	133.59
Exercised	**(8,577)**	**128.40**	(10,692)	105.45
Outstanding at 31 December	**17,260**	**166.89**	26,254	147.19

The number of share options exercisable at 31 December 2021 was 3,250 (2020 – 10,949)

Performance stock units	2021 Number	Weighted average fair value £	2020 Number	Weighted average fair value £
Outstanding at 1 January	**2,750**	**181.64**	4,773	171.85
Granted	**1,071**	**234.09**	2,015	142.37
Forfeited	**(479)**	**189.50**	(1,419)	225.36
Vested	**(168)**	**204.67**	(2,619)	148.36
Outstanding at 31 December	**3,174**	**199.22**	2,750	181.64

Restricted stock units	2021 Number	Weighted average fair value £	2020 Number	Weighted average fair value £
Outstanding at 1 January	**34,322**	**146.52**	33,919	139.89
Granted	**10,486**	**209.29**	12,498	148.85
Forfeited	**(747)**	**168.37**	(516)	129.09
Vested	**(11,462)**	**207.00**	(11,579)	156.41
Outstanding at 31 December	**32,599**	**171.23**	34,322	146.52

The total charge for the year relating to employee share based payment plans was £2,326,000 (2020 – £1,530,000) all of which related to equity settled share based payment transactions.

The amount of the inter-company charge from Waters Corporation in respect of share based payments awarded to Micromass employees and included above, was £3,814,000 (2020 – £2,756,000); the difference between this amount and the charge calculated in accordance with FRS 102 is shown as a movement in distributable reserves.

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

22 Parent company

The immediate parent company is Micromass Limited, a company incorporated and domiciled in England.

The ultimate holding company and controlling party of Micromass UK Limited is Waters Corporation, a company incorporated in the United States of America. Copies of the consolidated financial statements prepared by Waters Corporation which include the results of Micromass UK Limited can be obtained from the registered office, 34 Maple Street, Milford, MA 01757, USA. Waters Corporation is both the smallest and largest entity to consolidate the company's financial statements.