

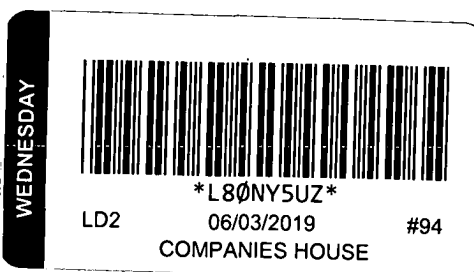
ITW UK

Annual Report and Financial Statements

For the year ended

31 December 2018

Company Number 03626885



ITW UK

Company Information

Directors	Giles Hudson MaryAnn Spiegel Benoit Amiot Stephen Rowell
Company secretaries	Ryan Dale S&J Registrars Limited
Registered number	03626885
Registered office	5 Aldermanbury Square 13th Floor London England EC2V 7HR
Independent auditor	Deloitte LLP Statutory Auditor Reading United Kingdom

ITW UK

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ITW UK

Strategic Report For the year ended 31 December 2018

The directors present their strategic report for ITW UK for the year ended 31 December 2018. The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Results

The profit after tax for the year amounted to £682,247,000 (2017: £nil).

Business review and principal activities

The principal activity of the company is that of a non-trading holding company. Its subsidiaries are listed in note 8.

The results of the business reflect its status as a holding company.

Dividends of £962,143,000 were received in the year ending 31 December 2018 (2017: £nil).

At the date of this report, the directors are not aware of any likely changes in the company's activities in the coming year.


Principal risks and uncertainties

The main risk that the company's activities expose it to is the impairment of investments. The company annually reviews its investments for any indicators of impairment and makes provision as necessary.

Key performance indicators (KPIs)

The directors do not measure the performance of the company through KPIs as the company is non-trading and holds investments.

Approved for issue by the Board of Directors



Giles Hudson
Director

5 March 2019

ITW UK

Directors' Report For the year ended 31 December 2018

The directors present their annual report on the affairs of the company, together with the audited financial statements and independent auditor's report, for the year ended 31 December 2018.

Principal activities

The principal activity of the company is that of a non-trading holding company.

The directors do not recommend the payment of a final dividend (2017: £Nil).

Financial risk management policies

The company's principal assets are amounts owed by group undertakings and investments. Consequently the company has no external credit, price or liquidity risks.

Going concern

The company has substantial net assets and net current assets, as set out in the balance sheet on page 9. The company has access to a group banking facility, it consequently has sufficient cash resources to meet any reasonably foreseeable obligation. This facility is due for renewal for a further 12 months in July 2019 and the directors have no reason to believe that this will not be forthcoming. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing of the financial statements, despite the current uncertain economic outlook. Thus, the directors continue to adopt the going concern basis in preparing the financial statements.

Dividends

A dividend of £nil (2017: £35,000,000) was paid during the year. The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year and to the date of signing were:

Giles Hudson
MaryAnn Spiegel
Benoit Amiot
Stephen Rowell

Auditor

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

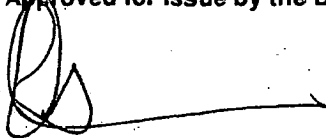
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Directors' Report (continued) For the year ended 31 December 2018

The directors propose to reappoint Deloitte LLP as the auditor for the ensuing year.

Deloitte LLP have expressed their willingness to continue in office as the auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved for issue by the Board of Directors

A handwritten signature in black ink, appearing to be 'Giles Hudson', with a long horizontal line extending to the right.

Giles Hudson
Director

5 March 2019

ITW UK

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements the directors are required to:

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

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

ITW UK

Independent Auditor's report to ITW UK

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of ITW UK ('the company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 14.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

ITW UK

Independent Auditor's report to ITW UK (continued)

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

ITW UK

Independent Auditor's report to ITW UK (continued)

Report on other legal and regulatory requirements.

Opinion on other matter prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

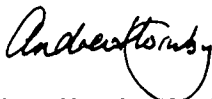
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



Andrew Hornby (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading
United Kingdom

Date: 05/03/19

ITW UK

Statement of Comprehensive Income For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Impairment of investment in subsidiary		(311,352)	-
Operating loss	3	(311,352)	-
Interest receivable	5	4,516	-
Dividend received		962,143	-
Profit before taxation		655,307	-
Tax on profit	6	26,940	-
Profit for the financial year		682,247	-

The notes on pages 12 to 22 form part of these financial statements.

ITW UK
Registered number: 03626885

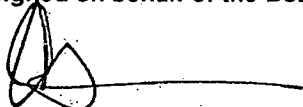
Balance Sheet
As at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Investments	8	618,757	930,109
Deferred tax asset	12	22,740	-
		<u>641,497</u>	<u>930,109</u>
Current assets			
Deferred tax asset	12	4,200	-
Debtors	9	962,144	-
		<u>966,344</u>	<u>-</u>
Creditors: amounts falling due within one year	10	(36,376)	(40,891)
Net current assets/(liabilities)		<u>929,968</u>	<u>(40,891)</u>
Total assets less current liabilities		<u>1,571,465</u>	<u>889,218</u>
Net assets		<u>1,571,465</u>	<u>889,218</u>
Capital and reserves			
Called-up share capital	13	41,400	41,400
Share premium account	13	392,965	392,965
Capital contribution reserve	13	75,000	75,000
Profit and loss account	13	1,062,100	379,853
		<u>1,571,465</u>	<u>889,218</u>

The notes on pages 12 to 22 form part of these financial statements.

The financial statements of ITW UK, registered number 03626885, were approved by the Board of Directors and authorised for issue on 5 March 2019.

Signed on behalf of the Board



Giles Hudson
Director

ITW UK

Statement of Changes in Equity For the year ended 31 December 2018

	Called-up share capital £000	Share premium account £000	Capital contribution reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2018	41,400	392,965	75,000	379,853	889,218
Comprehensive income for the year					
Profit for the year	-	-	-	682,247	682,247
Total comprehensive income for the year	-	-	-	682,247	682,247
At 31 December 2018	41,400	392,965	75,000	1,062,100	1,571,465

Statement of Changes in Equity For the year ended 31 December 2017

	Called-up share capital £000	Share premium account £000	Capital contribution reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2017	41,400	392,965	75,000	414,853	924,218
Comprehensive income for the year					
Result for the year	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	-
Dividends paid (see note 6)	-	-	-	(35,000)	(35,000)
At 31 December 2017	41,400	392,965	75,000	379,853	889,218

The notes on pages 12 to 22 form part of these financial statements.

ITW UK

Statement of Cash Flows For the year ended 31 December 2018

	2018 £000	2017 £000
Cash flows from operating activities		
Profit for the financial year	682,247	-
Adjustments for:		
Dividend income	(962,143)	-
Deferred tax	(26,940)	-
Impairment of investment in subsidiary	311,352	-
(Increase)/decrease in debtors	(962,144)	9
(Decrease)/increase in creditors	(4,515)	34,991
Interest receivable	(4,516)	-
Net cash (used in)/generated from operating activities	(966,659)	35,000
Cash flows from investing activities		
Dividends received	962,143	-
Interest received	4,516	-
Net cash generated from investing activities	966,659	-
Cash flows from financing activities		
Dividends paid	-	(35,000)
Net cash used in financing activities	-	(35,000)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at the end of year	-	-

The notes on pages 12 to 22 form part of these financial statements.

ITW UK

Notes to the Financial Statements For the year ended 31 December 2018

1. Statement of accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and the preceding year.

1.1 General information and basis of accounting

ITW UK is a private unlimited company incorporated registered and domiciled in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page. The nature of the company's operations and its principal activities are set out in the director's report on page 2.

The financial statements are prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland".

The functional currency of ITW UK is considered to be pound sterling because that is the currency of the primary economic environment in which the company operates. Foreign operations are included in accordance with the policies set out below.

1.2 Group financial statements

The company is exempt from the requirement to prepare consolidated financial statements per s401 of the Companies Act as the company is included within the consolidated financial statements of Illinois Tool Works Inc. which are available as indicated in note 14.

1.3 Qualifying entity disclosure exemptions

In preparing the financial statements of the company, advantage has been taken of the disclosure exemption for qualifying entities. ITW UK is a qualifying entity as it is a member of a group whose parent prepares publicly available consolidated financial statements which includes the results of the company (further details in note 14). Therefore ITW UK has claimed the available exemption not to disclose key management personnel total compensation or disclose related party transactions.

1.4 Going concern

The company has substantial net assets and net current assets, as set out in the balance sheet on page 9. The company has access to a group banking facility, it consequently has sufficient cash resources to meet any reasonably foreseeable obligation. This facility is due for renewal for a further 12 months in July 2019 and the directors have no reason to believe that this will not be forthcoming. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing of the financial statements, despite the current uncertain economic outlook. Thus, the directors continue to adopt the going concern basis in preparing the financial statements.

1.5 Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income, incorporating the profit and loss account in the year in which they are incurred.

1.6 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.

**Notes to the Financial Statements
For the year ended 31 December 2018**

1. Statement of accounting policies (continued)

1.7 Investments

Investments in subsidiaries are shown at cost, less any provision for impairment.

The floor and cap instrument is initially measured at fair value and subsequently measured at fair value through the Statement of Comprehensive Income, incorporating the profit and loss account. The fair value of the floor and cap instrument is obtained by calculating the net present value of the future amounts receivable and payable, in two scenarios, one where business disposals are accounted for and one without. The fair value is the midpoint of the total net present values arising from these two scenarios.

1.8 Impairment of assets

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

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Notes to the Financial Statements For the year ended 31 December 2018

1. Statement of accounting policies (continued)

1.9 Financial instruments

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

All financial assets and liabilities, are initially measured at transaction price (including transaction costs).

Debt instruments that are classified as payable or receivable within one year and which meet the following conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid.

(a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.

(b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.

(d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

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Notes to the Financial Statements For the year ended 31 December 2018

1. Statement of accounting policies (continued)

1.10 Taxation

Current tax, including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its result as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

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

The tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

1.11 Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

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Notes to the Financial Statements For the year ended 31 December 2018

2. Critical accounting judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

In preparing the financial statements the directors have made the following judgements:

- Determining whether there are indicators of impairment of the company's fixed asset investments. Factors taken into consideration in reaching a decision include the economic viability and expected future financial performance of the investment and group undertaking as well as any significant changes to the technological, market, economic or legal environments in which the investments and group undertakings operate.

3. Profit before taxation

The profit before taxation is stated after charging:

	2018 £000	2017 £000
Impairment of investment in subsidiary	(311,352)	-

Auditor's remuneration was borne by another group company. The fee for audit of the financial statements for the year, if allocated to the company, would be £4,000 (2017: £4,000).

4. Staff costs and directors' emoluments

There were no employees of the company during either year.

Two directors (2017: four) are also directors of ITW Limited, a fellow group company. ITW Limited paid the directors £458,000 (2017: £926,582) of emoluments and the directors accrued benefits under a defined benefit scheme. The directors' emoluments have not been apportioned between each fellow group company for which the director acted. The emoluments of the highest paid director were £247,000 (2017: £340,193) and the accrued pension entitlement under the company's defined benefit schemes of the highest paid director at 31 December 2018 was £57,000 (2017: £33,315).

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Notes to the Financial Statements For the year ended 31 December 2018

5. Interest received

	2018 £000	2017 £000
Loans from group undertakings	4,516	-

6. Tax on profit

	2018 £000	2017 £000
Deferred tax		
Tax losses recognised	(26,940)	-
Total deferred tax	(26,940)	-
Tax on profit	(26,940)	-

The standard rate of tax applied to reported profit is 19% (2017: 19.25%). The applicable tax rate has changed.

Factors affecting future tax charges

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016.

During the year beginning 1 January 2019 the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax for the year by £4.2m. This is due to the utilisation of tax losses.

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to profit before tax is as follows:

	2018 £000	2017 £000
Profit/result before tax	655,307	-
Profit multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	124,508	-
Effects of:		
Income not taxable	(182,807)	-
Expenses not taxable	59,157	-
Timing differences	(27,798)	-
Total tax charge for the year	(26,940)	-

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Notes to the Financial Statements For the year ended 31 December 2018

7. Dividends

	2018 £000	2017 £000
Dividends paid of £nil per share (2017: £0.85) per share	-	35,000

8. Investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2018	1,065,709
Additions	930,109
Disposals	(930,109)
At 31 December 2018	1,065,709
Impairment	
At 1 January 2018	135,600
Charge for the period	311,352
At 31 December 2018	446,952
Net book value	
At 31 December 2018	618,757
At 31 December 2017	930,109

As part of a wider UK restructure in the year the company established another subsidiary, ITW UK II, to which it contributed its investment in Berrington UK in exchange for one share.

ITW UK II subsequently sold Berrington UK and used some of the proceeds to fund a dividend payment to ITW UK. As a consequence of receiving this dividend, ITW UK provided an impairment charge of £311,352,263 against the investment it held in ITW UK II.

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Notes to the Financial Statements For the year ended 31 December 2018

8. Investments (continued)

Direct subsidiary undertakings

In the opinion of the directors, the aggregate value of the company's investment consisting of share in or amounts owed by its subsidiary is not less than the aggregate amounts at which they are stated in the balance sheet.

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
ITW UK II ⁽¹⁾	Ordinary	100 %	Holding company

The following were other investments of the company:

Name	Class of shares	Holding	Principal activity
ITW Holdings Australia LP ⁽²⁾	Ordinary	0.00001 %	Holding company
ITW Australia Holdings Pty Limited ⁽²⁾	Ordinary	0.00001 %	Holding company
ITW Australia Pty Ltd ⁽²⁾	Ordinary	0.00001 %	Holding company
Epirez Australia Pty ⁽²⁾	Ordinary	0.00001 %	Holding company

⁽¹⁾registered office is 5 Aldermanbury Square, 13th Floor, London, England, EC2V 7HR

⁽²⁾registered office is Suite 15, 74 Doncaster Road, Balwyn North; Victoria, Australia, 3104

ITW UK

Notes to the Financial Statements For the year ended 31 December 2018

9. Debtors

	2018 £000	2017 £000
Due after more than one year		
10% subordinated unsecured convertible loan notes 2095	40,000	-
4% loan notes 2025	763,144	-
8% unsecured promissory note	59,000	-
Non-interest bearing unsecured loan notes	100,000	-
	<u>962,144</u>	<u>-</u>

The 10% subordinated unsecured convertible loan notes are repayable at the earlier of the company's option and 30 November 2095, unless the company defaults on certain obligations to the loan note holders whereupon the loan notes are repayable on demand. The loan notes are held by ITW Holdings UK and are convertible at the option of the holders into fully paid ordinary shares of the company at £200 per ordinary share.

The 4% loan notes are repayable at the earlier of the company's option and 31 December 2025, unless the company defaults on certain obligations to the loan note holders whereupon the loan notes are repayable on demand. The loan notes are held by NSC Europe Ltd.

The 8% unsecured promissory note is repayable to ITW UK at any time after 30 days notice. However they have confirmed they will not seek to recall this amount in the foreseeable future.

10. Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Amounts owed to group undertakings	<u>36,376</u>	<u>40,891</u>

Amounts owed to group undertakings are unsecured, bear no interest and repayable on demand.

ITW UK

Notes to the Financial Statements For the year ended 31 December 2018

11. Financial instruments

	2018 £000	2017 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>962,144</u>	<u>-</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(36,376)</u>	<u>(40,891)</u>

Financial assets that are debt instruments measured at amortised cost comprise amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise amounts owed to group undertakings.

12. Deferred taxation

	2018 £000
At beginning of year	-
Credited to profit or loss	27,798
Utilised in year	(858)
At end of year	<u>26,940</u>

The deferred tax asset is made up as follows:

	2018 £000	2017 £000
Tax losses carried forward	<u>26,940</u>	<u>-</u>

There are no unrecognised tax losses carried forward.

ITW UK

Notes to the Financial Statements For the year ended 31 December 2018

13. Called-up share capital and reserves

	2018 £000	2017 £000
Called-up, allotted and fully paid		
41,400,004 (2017: 41,400,004) Ordinary shares of £1 each	<u>41,400</u>	<u>41,400</u>

The company had one class of ordinary shares which carries no right to fixed income.

The company's reserves are as follows:

The share premium account contains the premium arising on issue of equity shares.

The capital contribution reserve represents the aggregate additional investment received from the company's parents.

The profit and loss reserve represents cumulative profits, losses and comprehensive income made by the company, as well as distributions and other adjustments.

14. Ultimate parent company

The immediate parent undertaking of the company is ITW Group France (Luxembourg) S.à.r.l., a company incorporated in Luxembourg.

The ultimate parent company and ultimate controlling party is Illinois Tool Works Inc., which is incorporated in the State of Delaware, United States of America.

The only group in which the results of ITW UK are consolidated is that headed by Illinois Tool Works Inc. Copies of these financial statements are available from Illinois Tool Work Inc., registered office 155 Harlem Avenue, Glenview, Illinois 60025, United States of America.