

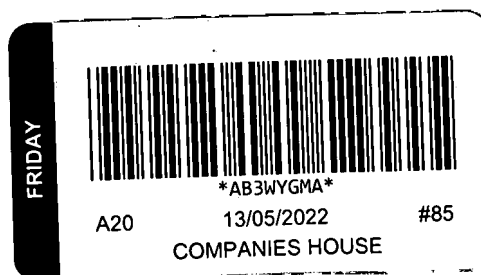
ITW UK

Annual Report and Financial Statements

For the year ended

31 December 2021

Company Number 03626885



ITW UK

Company Information

Directors

Giles Hudson
Benoit Amiot
Stephen Rowell

Company secretaries

Ryan Dale
S & J Registrars Limited (resigned 30 June 2021)

Registered number

03626885

Registered office

5 Aldermanbury Square
13th Floor
London
England
EC2V 7HR

Independent auditor

Deloitte LLP
Statutory Auditor
Abbots House
Abbey Street
Reading
RG1 3DB
United Kingdom

ITW UK

Contents

	Page
Strategic Report	1 - 2
Directors' Report	3 - 4
Directors' Responsibilities Statement	5
Independent Auditor's Report	6 - 9
Statement of Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Cash Flow Statement	13
Notes to the Financial Statements	14 - 24

ITW UK

Strategic Report For the year ended 31 December 2021

The directors present their strategic report for ITW UK (the 'company') for the year ended 31 December 2021. 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 £35,884,000 (2020: £64,949,000).

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.

The company received interest on inter-company loans of £39,246,000 (2020: £39,246,000).

No dividends were received in the year ending 31 December 2021 (2020: £30,637,000).

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. No impairments were made during the year.

Although the Covid-19 pandemic caused disruption to economic activity across the world the situation is now much improved. The directors therefore do not consider it will have a detrimental impact on the recoverability of the company's intercompany loan notes as there is sufficient liquidity in the group to make repayment if deemed 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.

Strategic Report (continued) For the year ended 31 December 2021

Section 172(1) statement


The company is an intermediary parent of a large group and therefore requires a section 172(1) statement. The company's governance and processes are operated to ensure that all relevant matters are considered by the Board in its principal decision-making, as a means of contributing to the delivery of the company's long-term success.

In the performance of its duty to promote the success of the company and fairness in decision making the Board has agreed to a number of matters. This includes listening to and considering the views of its single shareholder and ultimate controlling party as well as the company's other stakeholders to build trust and ensure it fully understands the potential impacts of any decisions on the environments and the communities in which it operates. As the company is a holding company, it is important to distribute cash in excess of its current working capital needs for more efficient utilisation in other parts of the group.

Stakeholders engagement

The company aims to build enduring relationships with its stakeholders which may include governments, regulators, partners and communities in the countries where it operates. The company works with its stakeholders in a honest respectful and responsible way. As the company is a holding company its main stakeholders are other group companies. Consequently it ensures that its decisions and policies are closely aligned to that of the group.

Approved for issue by the Board of Directors

A handwritten signature in black ink, consisting of a stylized 'G' followed by a horizontal line extending to the right.

Giles Hudson
Director

5 May 2022

ITW UK

Directors' Report For the year ended 31 December 2021

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 2021.

Principal activities

The principal activity of the company is that of a non-trading holding company. Details of future developments have been discussed on page 1 in the strategic report.

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 11. The company has access to a group banking facility, it consequently has sufficient cash resources to meet any reasonably foreseeable obligation. 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 adopt the going concern basis in preparing the financial statements.

As a result of the global Covid-19 pandemic the directors have also considered that this has no impact on the going concern assumption on the basis that:

- As of 31 December 2021, Illinois Tool Works Inc. had \$1.5 billion of cash and equivalents on hand, no outstanding borrowings under its \$2.5 billion revolving credit facility, and only \$210 million of commercial paper outstanding; and
- The company settles all creditors when due, has no expenditure other than corporation tax, is non-trading and has no employees.

Dividends

A dividend of £38,900,000 (2020: £30,637,000) was paid during the year.

Since the year end, a dividend of £80,000,000 has been paid.

Directors

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

Giles Hudson
Benoit Amiot
Stephen Rowell

Janet Love (resigned 28 February 2022)

Post balance sheet events

The directors have assessed and concluded that there aren't deemed to be any subsequent events that need to be disclosed.

Energy and carbon report

The company is not providing any disclosures as it is able to obtain an exemption due to not preparing a group directors' report and because it consumes less than 40,000KWh of energy. In addition the company is non-trading, does not have any employees and has no premises.

ITW UK

Directors' Report (continued) **For the year ended 31 December 2021**

Disclosure of information to auditor

Each of the persons who are directors at the time when the directors' report is approved, the following applies:

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

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

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, consisting of a stylized 'G' followed by a horizontal line extending to the right.

Giles Hudson
Director

5 May 2022

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 period. 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 the Members of 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 2021 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;
- the cash flow statement; 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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

ITW UK

Independent Auditor's Report to the Members of ITW UK (continued)

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

ITW UK

Independent Auditor's Report to the Members of ITW UK (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Bribery Act and GDPR.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

ITW UK

Independent Auditor's Report to the Members of ITW UK (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



Andrew Hornby (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Abbots House
Abbey Street
Reading
RG1 3DB
United Kingdom

Date: 5 May 2022

ITW UK

Statement of Comprehensive Income For the year ended 31 December 2021

	Note	2021 £000	2020 £000
Income from shares in group undertakings		-	30,637
Interest receivable and similar income	5	39,246	39,246
Profit before taxation	3	39,246	69,883
Tax on profit	6	(3,362)	(4,934)
Profit and total comprehensive income for the financial year		35,884	64,949

The notes on pages 14 to 24 form part of these financial statements.

ITW UK
Registered number: 03626885

Balance Sheet
As at 31 December 2021

	Note	2021 £000	Restated 2020 £000
Fixed assets			
Investments	8	618,757	618,757
		<u>618,757</u>	<u>618,757</u>
Current assets			
Debtors due after more than one year	9	980,246	983,200
Debtors due within one year	9	38,800	43,066
		<u>1,019,046</u>	<u>1,026,266</u>
Creditors: Amounts falling due within one year	10	(3,253)	(7,457)
Net current assets		<u>1,015,793</u>	<u>1,018,809</u>
Total assets less current liabilities		<u>1,634,550</u>	<u>1,637,566</u>
Net assets		<u><u>1,634,550</u></u>	<u><u>1,637,566</u></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	1,125,185	1,128,201
Shareholder's funds		<u><u>1,634,550</u></u>	<u><u>1,637,566</u></u>

The notes on pages 14 to 24 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 May 2022.

Signed on behalf of the Board



Giles Hudson
Director

ITW UK

Statement of Changes in Equity For the year ended 31 December 2021

	Called-up share capital	Share premium account	Capital contribution reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2021	41,400	392,965	75,000	1,128,201	1,637,566
Comprehensive income for the year					
Profit for the year	-	-	-	35,884	35,884
Total comprehensive income for the year	-	-	-	35,884	35,884
Contributions by and distributions to owners					
Dividends paid (see note 7)	-	-	-	(38,900)	(38,900)
Total transactions with owners	-	-	-	(38,900)	(38,900)
At 31 December 2021	41,400	392,965	75,000	1,125,185	1,634,550

Statement of Changes in Equity For the year ended 31 December 2020

	Called-up share capital	Share premium account	Capital contribution reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2020	41,400	392,965	75,000	1,093,889	1,603,254
Comprehensive income for the year					
Profit for the year	-	-	-	64,949	64,949
Total comprehensive income for the year	-	-	-	64,949	64,949
Contributions by and distributions to owners					
Dividends paid (see note 7)	-	-	-	(30,637)	(30,637)
Total transactions with owners	-	-	-	(30,637)	(30,637)
At 31 December 2020	41,400	392,965	75,000	1,128,201	1,637,566

The notes on pages 14 to 24 form part of these financial statements.

ITW UK

Cash Flow Statement For the year ended 31 December 2021

	2021 £000	2020 £000
Cash flows from operating activities		
Profit for the financial year	35,884	64,949
Adjustments for:		
Dividends income	-	(30,637)
Decrease/(increase) in debtors	7,220	(38,516)
(Decrease)/increase in creditors	(4,204)	4,204
Interest receivable	(39,246)	(39,246)
Net cash used in operating activities	(346)	(39,246)
Cash flows from investing activities		
Dividends received	-	30,637
Interest received	39,246	39,246
Net cash generated from investing activities	39,246	69,883
Cash flows from financing activities		
Dividends paid	(38,900)	(30,637)
Net cash used in financing activities	(38,900)	(30,637)
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 14 to 24 form part of these financial statements.

ITW UK

Notes to the Financial Statements For the year ended 31 December 2021

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 directors' report on page 3.

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. The company 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, the company 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 11. The company has access to a group banking facility, it consequently has sufficient cash resources to meet any reasonably foreseeable obligation. 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 adopt the going concern basis in preparing the financial statements.

As a result of the global Covid-19 pandemic the directors have also considered that this has no impact on the going concern assumption on the basis that:

- As of 31 December 2021, Illinois Tool Works Inc. had \$1.5 billion of cash and equivalents on hand, no outstanding borrowings under its \$2.5 billion revolving credit facility, and only \$210 million of commercial paper outstanding; and
- The company settles all creditors when due, has no expenditure other than corporation tax, is non-trading and has no employees.

**Notes to the Financial Statements
For the year ended 31 December 2021**

1. Statement of accounting policies (continued)

1.5 Dividend income

Dividend income is recognised when the right to receive payment is established.

1.6 Interest income

Interest receivable is accounted for on an accruals basis.

1.7 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.

1.8 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.

1.9 Investments

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

1.10 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.

Notes to the Financial Statements For the year ended 31 December 2021

1. Statement of accounting policies (continued)

1.11 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 year or prior years.

(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.

ITW UK

Notes to the Financial Statements For the year ended 31 December 2021

1. Statement of accounting policies (continued)

1.12 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.

1.13 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.

2. Judgments in applying accounting policies 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

ITW UK

Notes to the Financial Statements For the year ended 31 December 2021

2. Judgments in applying accounting policies and key sources of estimation uncertainty (continued)

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 estimate:

- 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 investments and group undertaking as well as any significant changes to the technological, market, economic or legal environments in which the investments and group undertaking operate. At the end of the year the carrying amount was £618,757,000.

The directors do not consider there to be any critical accounting judgements.

3. Profit before taxation

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 (2020: £4,000).

4. Staff costs and directors' emoluments

There were no employees of the company during either year.

Four directors (2020: four) are also directors of ITW Limited, a fellow group company. ITW Limited paid the directors £409,222 (2020: £432,981) of emoluments and the directors accrued benefits under a defined benefit scheme. The directors do not receive any emoluments in respect of services to this company. The emoluments of the highest paid director were £211,995 (2020: £229,426) and the accrued pension entitlement under the company's defined benefit schemes of the highest paid director at 31 December 2021 was £69,067 (2020: £66,267).

5. Interest receivable and similar income

	2021 £000	2020 £000
Interest received on loans to group undertakings	39,246	39,246

ITW UK

Notes to the Financial Statements For the year ended 31 December 2021

6. Tax on profit

	2021 £000	2020 £000
Current tax on profit		
UK Corporation tax	7,457	7,457
Adjustments in respect of prior years	-	136
Total tax	7,457	7,593
Deferred tax		
Change in corporation tax rates	(4,095)	(2,659)
Total deferred tax	(4,095)	(2,659)
Tax charge on profit	3,362	4,934

The standard rate of tax applied to reported profit is 19% (2020: 19%).

Factors affecting future tax charges

Changes substantively enacted as part of the Finance Act 2016 on 15 September 2016, legislated for a reduction of UK corporation tax to 17% effective from 1 April 2020. On 17 March 2020, it was announced that this change was to be reversed and the rate remains at 19% from 1 April 2020. In March 2021, it was announced that the main rate of corporation tax would increase to 25% with effect from 1 April 2023. This increase was substantively enacted on 24 May 2021.

Deferred taxes at the reporting date have been measured and reflected in these financial statements using the substantively enacted tax rate at the year-end of 25%, unless the asset/liability is expected to be realised or settled before the rate increase in which case the current prevailing rate of 19% has been used.

There were no other factors that may affect future tax charges.

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:

	2021 £000	2020 £000
Profit before tax	39,246	69,883
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	7,457	13,278
Effects of:		
Income not taxable	-	(5,821)
Change in corporation tax rates	(4,095)	(2,659)
Adjustments in respect of prior years	-	136
Total tax charge for the year	3,362	4,934

ITW UK

Notes to the Financial Statements For the year ended 31 December 2021

7. Dividends

	2021 £000	2020 £000
Dividends paid of £0.93961 (2020: £0.74002) per share	<u>38,900</u>	<u>30,637</u>

8. Investments

	Investments in subsidiary companies £000
Cost	
At 1 January 2021	<u>1,065,709</u>
At 31 December 2021	<u>1,065,709</u>
Impairment	
At 1 January 2021	<u>446,952</u>
At 31 December 2021	<u>446,952</u>
Net book value	
At 31 December 2021	<u>618,757</u>
At 31 December 2020	<u>618,757</u>

ITW UK

Notes to the Financial Statements For the year ended 31 December 2021

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

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

⁽²⁾registered office is Level 7, 151 Clarence St, Sydney NSW 2000, Australia.

*indirectly held

ITW UK

Notes to the Financial Statements For the year ended 31 December 2021

9. Debtors

	2021 £000	Restated 2020 £000
Due after more than one year		
10% subordinated unsecured convertible loan notes 2095	40,000	40,000
4% loan notes 2025	763,143	763,143
8% unsecured promissory note	59,000	59,000
Non-interest bearing unsecured loan notes	100,000	100,000
Deferred taxation	18,103	21,057
	980,246	983,200
	2021 £000	Restated 2020 £000
Due within one year		
Amounts owed by group undertakings	34,597	38,863
Deferred taxation	4,203	4,203
	38,800	43,066

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

The 10% subordinated unsecured convertible loan notes are repayable at the earlier of the company's option and 30 November 2095, unless the counter party, ITW Limited defaults on certain obligations to the loan note holders whereupon the loan notes are repayable on demand. The loan notes 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 counter party, ITW Limited defaults on certain obligations to the loan note holders whereupon the loan notes are repayable on demand.

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

In the prior year, the amounts owed by group undertakings of £962,143,000 have been reclassified from debtors falling due within one year to debtors falling due after more than one year because the settlement date of these balances fall due after more than a year. Consequently, for the year ended 31 December 2020 comparatives figures in this note have been restated and a reclassification adjustment has been made to increase debtors falling due after more than one year by £962,143,000 from £21,057,000 and decrease debtors falling due within one year by the same amount to £43,066,000. This restatement has no impact on the profit for the year ended 31 December 2020.

ITW UK

Notes to the Financial Statements For the year ended 31 December 2021

10. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Corporation tax payable	3,253	7,457

11. Financial instruments

	2021 £000	2020 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	996,740	1,001,006

Financial assets that are debt instruments measured at amortised cost comprise amounts owed by group undertakings and loan notes as detailed in note 9.

12. Deferred taxation

	2021 £000	2020 £000
At beginning of year	25,260	22,737
Credited to profit or loss - current year	4,095	2,659
Charged to profit or loss - prior year	-	(136)
Utilised in year	(7,049)	-
At end of year	22,306	25,260

The deferred tax asset is made up as follows:

	2021 £000	2020 £000
Tax losses carried forward	22,306	25,260

There are no unrecognised tax losses carried forward.

ITW UK

Notes to the Financial Statements For the year ended 31 December 2021

13. Called-up share capital and reserves

	2021 £000	2020 £000
Called-up, allotted and fully paid		
41,400,004 (2020: 41,400,004) Ordinary shares of £1 each	41,400	41,400

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 smallest and largest company 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 Works Inc., registered office 155 Harlem Avenue, Glenview, Illinois 60025, United States of America.