

ITW Limited

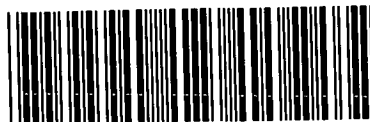
Annual Report and Financial Statements

For the year ended

31 December 2021

Company Number 00559693

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ITW Limited

Company Information

Directors	Giles Hudson Stephen Rowell
Company secretaries	Giles Hudson Ryan Dale
Registered number	00559693
Registered office	Nexus House Station Road Egham Surrey TW20 9LB United Kingdom
Independent auditor	Deloitte LLP Statutory Auditor Abbots House Abbey Street Reading RG1 3BD United Kingdom

ITW Limited

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ITW Limited

Strategic Report For the Year Ended 31 December 2021

The directors present their strategic report for ITW Limited (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.

Business review and principal activities

The company designs and manufactures an array of highly engineered fasteners and components, equipment and consumable systems and a variety of speciality products and equipment for customers around the world. The company's operations are decentralised and focused on their customers. By actively practising teamwork with customers and suppliers, the men and women of ITW are creating competitively superior products, solutions and work environments.

The commentary below is by reference to the numbers shown in the Statement of comprehensive income on page 16. Despite the continuing impact of Covid-19 during 2021, results have improved significantly, which demonstrates the resilience of the ITW business model.

The company's turnover based on continuing operations increased in the year by £91,197,000 or 13.1% due to an increase in goods sold, sale of services and royalty income.

Operating profit in the year increased by £52,587,000 from £99,143,000 to £151,730,000. This was mainly due to the increase in sales income. There was also an improvement in the gross margin. The increase in net finance income of £99,729,000 was substantially due to intercompany dividends being £100,338,000 higher. Profit before taxation increased in the year by £152,316,000 to £240,945,000.

The company expects the general level of activity to be maintained in the forthcoming year.

The net assets of the company have decreased this year by £94,515,000 as a result of dividends being paid of £354,107,000 which is significantly higher than the 2020 dividend of £43,829,000. This increased dividend was though substantially funded by the profit made in the year. The company has also benefited from a net actuarial gain in the defined pension scheme of £38,531,000.

The company also recognised grants of £1,516,000 (2020 - £5,852,000) from the Government Coronavirus Job Retention Scheme within other income.

Key performance indicators

The performance of the company is controlled by the management of the individual trading divisions using key performance indicators to measure turnover, operating profit percentage and overheads and being proactive in taking any necessary action. In this way the maximum operating profit is achieved. The analysis of the aggregated KPIs has been discussed in the 'Business review and principal activities' paragraph above.

Non financial KPIs are integral tools used to achieve the successful management of the company. Employee Safety is one example of an essential KPI implemented across our businesses to demonstrate our commitment to be a great employer. We strive every day to foster a proactive safety culture which is based on a philosophy that every accident is preventable with a goal of zero accidents. The number of accidents continues to decline year on year. Although a number of other KPI's are common across the company, they are appropriately tailored to meet the operational needs of our diverse range of businesses, with such targets set at an individual business unit level rather than companywide performance. Our businesses review Key Customer Facing Metrics to monitor delivery performance, for instance measuring if orders are on time and fully completed or to document the proportion of first-time fixes for service repairs. Other quality statistical data measures and records the number of customer rejects and warranty failures by product group. Similarly for suppliers we also monitor delivery performance to ensure that orders are on time and fully completed.

Future developments

No significant change in the business of the company has taken place during the year or is expected in the immediately foreseeable future.

ITW Limited

Strategic Report (continued) For the Year Ended 31 December 2021

Principal risks and uncertainties

The company operates in highly competitive markets which is a continuing risk to the company and could result in losing sales to key competitors. Also 63.4% (2020: 65.9%) of the company's turnover is conducted overseas and therefore the company is exposed to the movement of overseas currencies to the pound exchange rate.

However, by selling worldwide, the company is able to mitigate any risks associated with a downturn in the UK economy. By diversifying across seven separate sectors the reduced activity and profitability in one part of the business can be offset by positive results in other sectors.

The company's risk with intangible assets is that it may not be able to derive sufficient cash from royalties levied. Consequently, a provision is made where appropriate. In order to mitigate this risk the company continues to invest in research and development right across its product portfolio.

The company's risk with stock is that it may not be able to be sold at its original cost, consequently a provision is made for obsolete, slow moving or defective items where appropriate. Due to the improved trading conditions in 2021 the provision has reduced by £229,000 compared to the prior year.

Following the UK's departure from the European Union, the directors do not consider Brexit will have a material impact on its operations for the financial year 2022. However, the company is closely monitoring the situation and will take appropriate action if deemed necessary.

Section 172(1) Statement

In accordance with Section 172 of the Companies Act 2006 the directors have acted in a way they consider to be in good faith and would be most likely to promote the success of the company for the benefit of the members as a whole. In so doing they have considered (amongst other matters) factors (a) to (f) as noted below:

- a. The likely consequences of any decision in the long term,
- b. The interests of the company's employees,
- c. The need to foster the company's business relationships with suppliers, customers, and others,
- d. The impact of the company's operations on the community and the environment,
- e. The desirability of the company maintaining a reputation for high standards of business conduct; and
- f. The need to act fairly between members of the company.

As ITW Limited is a wholly owned subsidiary of Illinois Tool Works Inc., an American Fortune 250 listed company, decisions and policies are set at the group level.

Each of the factors is considered in more detail below, with examples of how the directors have applied or reflected the policies or decisions at the company level.

a. The likely consequences of any decision in the long term

The two key components that underpin the long-term decision making of the company are the ITW Business Model and highly disciplined capital allocation.

ITW Business Model

The ITW Business Model is a powerful and proprietary set of strategic, operational and cultural practices that have been subject to continual development and evolution inside the company for over 30 years. The Model is comprised of three elements:

ITW Limited

Strategic Report (continued) For the Year Ended 31 December 2021

Section 172(1) Statement (continued)

ITW Business Model (continued)

- *80/20 Front to Back Process*

Through the application of ITW's 80/20 Front-to-Back process, our divisions deliver best-in-class customer facing execution, high quality organic growth, and superior profitability and return on capital performance. This unique set of proprietary tools and methodologies enables our divisions to structure and operate their businesses to maximise the performance, execution and value-add they provide to their largest and most profitable customers, and minimise the costs, complexity and distractions associated with serving small customers.

- *Customer-Back innovation approach*

At ITW, we innovate from the customer back, not from the research and development centre out. Our divisions partner with their key customers to create unique solutions that solve difficult technical challenges and improve business performance.

- *Decentralised Entrepreneurial culture*

Our people are clear what is expected from them with respect to our business model, our strategy, and our core values. Within this framework, we empower our business teams to make decisions and customise their approach in order to maximise the relevance and impact of the ITW Business Model for their specific customers and end-markets.

Highly disciplined capital allocation

Core to our strategy is our highly focused and disciplined approach to capital allocation. We invest only where we can leverage the ITW Business Model to create compelling competitive advantage and deliver sustained differentiated performance. We will not deploy capital in areas of opportunity that reside outside of our core capabilities. Internal investments to grow and support our highly profitable core businesses remain our top capital allocation policy. As a result, every internal investment that fits our strategy and meets our return criteria is fully funded.

The second Group priority is an attractive dividend which is considered a very important component of the total shareholder return equation given the strong and consistent cash flow generating attributes of our business model.

In terms of ITW Limited, as set out in note 12, it owns the rights to exploit £1.43 billion of intellectual property in relation to numerous countries around the world. This includes, but is not limited to all inventions, improvements, designs, patents, manufacturing process efficiency, trademarks, brand names, authored works, and trade secrets. It is therefore critical to the success of the business that the value is maintained and indeed enhanced by taking a highly focused and disciplined approach to capital allocation. To this end, one of the directors sits on the committee which determines which projects and strategies are invested in to ensure the company only enters into appropriate capital investments that meet our criteria.

ITW Limited through its own strong cash generative trading performance and that of its subsidiaries was able to fund dividend distributions of £354 million (2020 - £43.8 million) during the year. Despite Covid-19 impacting the business, cash of £101 million was able to be built up by the end of the year, demonstrating the financial resilience of the company.

b. The interests of the company's employees

ITW's goal to be one of the world's best performing, highest quality and most respected industrial companies is enabled by the hard work and enthusiasm of all our colleagues. As such, we remain committed to our people and maintaining ITW as a great employer through our commitment to employee safety, workplace culture, remuneration and benefits, diversity and inclusion and talent management. The top strategic priority for managing during the pandemic has been to protect the health and support the well-being of employees. Many of our employees across the division have reached out trying to find a way to help and support.

ITW Limited

Strategic Report (continued) For the Year Ended 31 December 2021

Section 172(1) Statement (continued)

b. The interests of the company's employees (continued)

ITW Limited continues to manage and support the defined benefit pension scheme as detailed in note 24. Although closed to new members it is still open to existing members and continues to operate with a scheme surplus.

ITW Limited also has employee elected Representatives on a European Works Council which provides a channel of information between management and employees on a wide range of issues including health & safety, company direction and significant projects. Furthermore, one of the directors attend and present at the annual meeting gaining the opportunity to hear direct views from employees. The EWC newsletter is available to all employees and is posted on our company intranet site as well as being emailed on request.

We have been working to build a more diverse and inclusive culture at ITW for many years. Rooted in our core values, we are committed to treating all colleagues with dignity, fairness and respect affording everyone the opportunity to reach their full potential for growth and advancement. Thanks to our collective commitment and the strong leadership all UK employees have access to a number of Employee Resource Groups which strive to create a diverse and inclusive workplace, a safe environment to share common interests/concerns and provide resources to employees.

Examples of Employee Resource Groups available include:

- *ITW Women's Network* – helping ITW fulfil its Diversity and Inclusion goals by attracting, developing, and retaining female talent.
- *ITW African American Network* – focused on the specific needs of people of African ancestry across all geographies in order to maximize their contributions to ITW by building a community of leaders through informative workshops, networking activities, and development opportunities.
- *Pride at ITW* – focused on empowering LGBTQ+ colleagues and allies through building a sense of belonging and engagement while promoting shared respect and understanding of LGBTQ+ issues.
- *Young Professionals Network* – focused on empowering early-in-career professionals across ITW by building a community for the next generation of ITW leadership through social platforms, networking activities, and development opportunities; and
- *Latino Hispanic Network* – newly created in 2021 to represent our community of Latino and Hispanic colleagues and allies. The network aims to reinforce ITW's commitment to diversity and inclusion while also attracting and retaining top talent by supporting recruitment efforts, offering career development experiences, networking, and fellowship among ITW colleagues.

Our "Do More" Agenda initiated in 2021 continues to bring attention to the issues of racism and equality, which not only reaffirms our commitment to diversity, inclusion and respect for all our ITW colleagues, but also express our ongoing commitment to promote and support more inclusive economic growth and opportunity in underserved communities through ITW's commercial activities and influence.

c. The need to foster the company's business relationships with suppliers, customers and others

This is a key element in our business to maximise organic growth.

We value all of our suppliers and our Supplier Code of Conduct and Supplier Expectations serve as the foundation for ensuring our suppliers operate according to our high ethical standards.

As a global company, our customers look to us for solutions that for example are more eco-efficient and which help them achieve their own responsible development goals. We thrive in this environment of partnering with our customers to deliver innovative solutions to their challenges. Consistent with ITW's commitment to diversity and inclusion, our goal is to accelerate efforts to provide diverse suppliers the opportunity to participate in the economic activity that exists in doing business with ITW. Diverse suppliers include racially or ethnically diverse, women owned, veteran owned and LGBTQ owned companies.

ITW Limited

Strategic Report (continued) For the Year Ended 31 December 2021

Section 172(1) Statement (continued)

d. The impact of the company's operations on the community and the environment

Consistent with ITW's commitment to continuous improvement in reducing our impact on the environment, a company wide greenhouse gas emissions intensity reduction target has been established. The two primary areas of focus are to reduce energy consumption by improving operational efficiency in our manufacturing and ITW owned facilities and to expand the purchase of energy from renewable sources.

During 2021 ITW Limited carried out an energy saving audit under the Energy Saving Energy scheme (ESOS). This led to a number of energy saving initiatives being identified and actioned by business divisions. Further details on our initiatives are provided in the Streamlined Energy and Carbon report on page 8.

e. The desirability of the company maintaining a reputation for high standards of business conduct

Supported by unwavering management commitment and engaged Board oversight, we operate our business with a demonstrated commitment to the highest level of ethical conduct everywhere in the company and every day.

This commitment is reinforced by strong policies and practices related to fair, ethical and honest business dealings, robust governance and compliance with applicable laws, while demonstrating respect for human rights at ITW and throughout our supply chain.

One example is that director led rigorous procedures have been put in place across all divisions to minimise the risk of a Corporate Criminal Offence being committed.

f. The need to act fairly between members of the company

As ITW Limited is ultimately wholly owned by Illinois Tool Works Inc. the directors do not have to manage potential conflicts between stakeholders and therefore the requirement is not applicable.


Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the company at 31 December 2021 were equivalent to 19 (2020: 19) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Charitable donations

During the year the company made charitable donations of £27,000 (2020: £9,000) to both local and national charities.

Approved for issue by the Board of Directors



Giles Hudson
Director
Nexus House
Station Road
Egham
Surrey
TW20 9LB
United Kingdom

Date: 16 June 2022

ITW Limited

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 company designs and manufactures an array of highly engineered fasteners and components, equipment and consumable systems and a variety of speciality products and equipment for customers around the world. The company's operations are decentralised and focused on their customers. By actively practising teamwork with customers and suppliers, the men and women of ITW are creating competitively superior products, solutions and work environments.

Results and dividends

The profit for the year after tax transferred to reserves was £220,444,000 (year ended 31 December 2020: profit of £73,718,000). During the year the directors declared a dividend of £354,107,000 (2020: £43,829,000).

Trading divisions

Listed below are the trading divisions of ITW Limited as at the balance sheet date:

Additives UK
Avery Berkel UK
Avery WeighTronix UK
Celeste Industries
Foster Refrigerator (UK)
Hobart Equipment Leasing
Hobart UK Equipment
Hobart UK Manufacturing
Hobart UK Service
Imagedata
Industrial Components Europe
Instron
ITW Construction Products
ITW ShineMark Foils & Thermal Films
Loma Systems UK
Magnaflux UK
Regent Trist Hydraulics
Rocol UK
Sporting ID
Supreme Plastics
Teknek
UK Fasteners
Wachs UK

Corporate Governance

As the company is ultimately wholly owned by a Fortune 250 listed company, the corporate governance standards are set at a group level which ITW Limited comply with. As set out in the S172 (1) statement on pages 2 to 5 of the Strategic Report, the directors always act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of all key parties including employees, suppliers and customers. They also consider the impact of the company's operations on the community and the environment and strive to maintain a reputation for high standards of business conduct at all times.

ITW Limited

Directors' Report (continued) For the Year Ended 31 December 2021

Financial risk management policies

The company's principal financial assets are intangible assets, investments, trade receivables and amounts owed by group undertakings.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented on the balance sheet are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identified loss risk which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. As the company is part of a world wide group it does not mitigate the risk by entering into any currency hedging transactions. The company has no significant concentration of credit risk as it has exposure over a large number of customers. Liquidity risk is managed centrally by the ultimate parent. As the company is profitable with positive cash flows this risk is considered to be minimal.

The company's foreign exchange risk is primarily attributable to its trade receivables and payables.

The amounts owed by group undertakings and investments are inter-group. Consequently, for these balances the company has no external credit, price or liquidity risks.

Environmental and employee matters

The company strives to minimise its impact on the environment by improving energy efficiency and taking other steps to reduce emissions which also has the benefit of saving costs. This has resulted in for example more efficient lighting being installed and efforts made to reduce waste which would otherwise go to landfill. Further details on our energy usage are provided in the Streamlined Energy and Carbon report on page 8.

The company strives to be in the forefront in respect of employee relations and towards the health and safety of its staff. The company keeps its staff apprised of company developments by holding regular staff meetings, publication of staff communications and handbooks and by use of new technology. More details of how the company acts in the best interests of the company's employees are set out in section b of the Section 172(1) Statement on page 3.

Health and safety of staff, guests and the public at large is of paramount importance. The company maintains its facilities to stringent standards usually at a level well above government and industry standards. Systems of preventive and regular maintenance exist at all facilities. The company also ensures that raw materials are sourced from suppliers maintaining similar standards of environmental and health and safety standards.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Research and development

The company continues to invest in research and development in order to develop new products and to maintain the value of the intangible asset that it continues to exploit.

The company incurred £99,164,000 (2020: £92,294,000) of research and development expenditure during the year.

ITW Limited

Directors' Report (continued) For the Year Ended 31 December 2021

Streamlined Energy and Carbon Reporting

During the year ITW continued to drive the adoption of energy efficiency measures throughout the organisation. As the business recovered from the impact of Covid-19, the level of activity and hence energy usage inevitably increased from 2020. However, our overall energy usage decreased from the prior year as measured by the intensity ratio as noted in the statistics and methodology section below.

Across ITW businesses, we continuously evaluate opportunities to invest in initiatives to improve our operational efficiency and reduce our environmental impact. Initiatives in 2021 included:

- Installation of new energy efficient internal and external LED and sensors replacing traditional lighting systems, to minimise consumption and target unnecessary usage.
- New compressors and ductwork installed at the cost of £7,000 which has generated a cost saving of £9,000 per annum. The compressors are variable speed which means they only use the amount of energy required to produce the necessary amount of compressed air. Ductwork takes the hot air produced by the compressors out of the building in warmer weather, this keeps the temperature in the factory lower and makes the compressor run more efficiently. We can also adjust to direct the hot air in the winter months therefore saving on heating bills.
- Two old heating boilers and four thermostats have been replaced in a factory, These boilers were in excess of 20 years old so the replacements are significantly more efficient and environmentally friendly. Also, the major heating thermostats were replaced providing improved control accuracy, again leading to energy reduction.
- The concrete roof of an industrial building was completely removed and replaced with metal cladded 120mm PIR insulated composite panels which has reduced the heating energy consumption.
- Air leak survey conducted at a manufacturing site which resulted in remedial action being taken by the maintenance team achieving savings of £13,000 per annum.

We are committed to operating our business in a way that demonstrates our dedication to global environment sustainability and improving our environmental performance on an ongoing basis.

ITW Limited

Directors' Report (continued) For the Year Ended 31 December 2021

Statistics & Methodology

The UK energy use covers distribution, manufacturing and office based activities of our divisions. As the business activities of these divisions are diverse, we have selected the turnover intensity ratio as the best measure of our performance. Turnover excludes royalty income as this is derived from related companies operating overseas.

The total energy use has been calculated as follows. For electricity and gas consumed the data has been derived from supplier invoices. To calculate the energy use from fuels (diesel, gasoline, etc.) we multiply the usage (either volume or mass) by the appropriate energy density factor provided by Defra. We then add all the values together in order to obtain the aggregated total expressed in kWh.

Associated Greenhouse gas emissions have been calculated using the GHG Protocol Corporate Standard, using emissions factor from "Greenhouse gas reporting: conversion factors 2020" published 9 June 2020, updated 17 July 2020, by the Department for Business, Energy & Industrial Strategy.

Energy and carbon reporting

We have reported on all sources of GHG emissions and energy usage as required under *The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008* as amended.

GHG emissions and energy usage data for period 1 January 2021 to 31 December 2021

	UK and offshore	
	2021	2020
Emissions from combustion of gas (Scope 1 – tonnes of CO ₂ e)	3,773	3,287
Emissions from combustion of fuel for transport purposes (Scope 1 – tonnes of CO ₂ e)	1,342	1,356
Emissions from combustion of heating oil (Scope 1 – tonnes of CO ₂ e)	133	107
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2 – tonnes of CO ₂ e)	3,561	3,727
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3 - tonnes of CO ₂ e)	57	4
Total gross CO₂e based on above	8,866	8,481
Energy consumption used to calculate emissions - kwh	43,354,598	39,799,823
Intensity ratio – tonnes of CO ₂ per total £m of sale of goods and services revenue	20	21.3

Directors

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

Giles Hudson
Stephen Rowell

Post balance sheet events

The directors have concluded that there are no post balance sheet events that are required to be disclosed.

ITW Limited

Directors' Report (continued) For the Year Ended 31 December 2021

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report and the principal risks and uncertainties are also set out in the Strategic report. The company has substantial net assets as set out in the balance sheet on page 17. Despite the current uncertain worldwide economic outlook, the company's forecasts for its wide range of businesses, which operate across different geographical locations, show that the company will continue to generate a strong cash flow and profits. Consequently, the directors believe the company is well placed to manage its business risks successfully. In addition, as the company has access to a group banking facility, it consequently has sufficient cash resources to meet any reasonably foreseeable obligations. The ability of the company to repay its overdraft has been guaranteed by Illinois Tool Works Inc., the ultimate parent company. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future despite the uncertain economic outlook. Thus, the directors continue to adopt the going concern basis in preparing the annual report and 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 has continued to trade and settles all its liabilities when due.

Disclosure of information to auditor

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

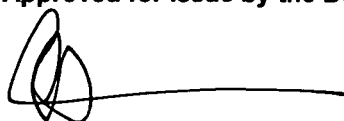
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is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

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

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

Deloitte LLP have expressed a 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



Giles Hudson
Director
Nexus House
Station Road
Egham
Surrey
TW20 9LB
United Kingdom

Date: 16 June 2022

ITW Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2021

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 year.

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ITW Limited

Independent Auditor's Report to the members of ITW Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of ITW Limited (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; and
- the related notes 1 to 27.

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 Limited

Independent Auditor's Report to the members of ITW Limited

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 Limited

Independent Auditor's Report to the members of ITW Limited (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 and internal audit 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 pension 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, GDPR, environmental regulations, health and safety regulations and quality management regulations.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations and pensions, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the recording of management adjustments during the project closing process and revenue recognition related to construction contracts. Our specific procedures performed to address it are described below.

We assessed the design and implementation, and operating effectiveness of controls around the manual adjustment process. We also tested the appropriateness of a sample of manual adjustments made directly during the project closing process, as well as any manual adjustments made to the project file.

We tested the appropriateness of a sample of journal entries recorded in the general ledger and other adjustments made in the preparation of financial statements/reporting packages, as directly relate to work in progress and related revenue.

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 internal audit 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, reviewing internal audit reports, and reviewing correspondence with HMRC.

ITW Limited

Independent Auditor's Report to the members of ITW Limited (continued)

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 material misstatements in the strategic report and 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: 16 June 2022

ITW Limited

Statement of Comprehensive Income For the Year Ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	3	786,468	695,271
Cost of sales		(493,487)	(453,916)
Gross profit		292,981	241,355
Administrative expenses		(101,659)	(109,024)
Distribution expenses		(41,326)	(39,607)
Other income		1,734	6,419
Operating profit	4	151,730	99,143
Income from investments	7	146,482	46,144
Interest receivable and similar income	8	4,370	3,385
Interest payable and similar charges	9	(61,637)	(60,043)
Profit before tax		240,945	88,629
Tax on profit	10	(20,501)	(14,911)
Profit for the financial year		220,444	73,718
Other comprehensive income for the year			
Actuarial gain relating to the pension scheme	24	51,375	5,380
Tax relating to components of other comprehensive income		(12,844)	(1,022)
Other comprehensive income for the year		38,531	4,358
Total comprehensive income for the year		258,975	78,076

The results reported above are all derived from continuing operations.

The notes on pages 21 to 57 form part of these Financial Statements.

ITW Limited
Registered number:00559693

Balance Sheet
As at 31 December 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	12	1,481,112	1,603,098
Tangible assets	13	31,861	31,602
Investments	14	1,303,477	1,303,223
		<u>2,816,450</u>	<u>2,937,923</u>
Current assets			
Stocks	15	47,952	39,817
Debtors: amounts falling due within one year	16	184,959	138,717
Debtors: amounts falling due after more than one year	16	5,303	4,362
Cash at bank and in hand		101,449	162,370
		<u>339,663</u>	<u>345,266</u>
Creditors: amounts falling due within one year	17	(880,183)	(883,278)
Net current liabilities		<u>(540,520)</u>	<u>(538,012)</u>
Total assets less current liabilities		<u>2,275,930</u>	<u>2,399,911</u>
Creditors: amounts falling due after more than one year	18	(618,757)	(618,757)
Provision for liabilities and charges	21	(50)	(53)
Net assets excluding pension asset		<u>1,657,123</u>	<u>1,781,101</u>
Pension asset	24	170,884	121,852
Deferred tax liability on pension asset	20	(42,721)	(23,152)
Net assets		<u><u>1,785,286</u></u>	<u><u>1,879,801</u></u>
Capital and reserves			
Called-up share capital	22	492	492
Share premium account	22	1,014,478	1,014,478
Capital contribution	22	246,494	246,494
Equity reserve	22	2,875	2,258
Profit and loss account	22	520,947	616,079
Total shareholders' funds		<u><u>1,785,286</u></u>	<u><u>1,879,801</u></u>

ITW Limited
Registered number:00559693

Balance Sheet (continued)
As at 31 December 2021

The notes on pages 21 to 57 form part of these financial statements.

The financial statements of ITW Limited, registered number 00559693, were approved by the Board of Directors and authorised for issue on 16 June 2022.

Signed on behalf of the Board

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

Giles Hudson
Director

ITW Limited

Statement of Changes in Equity For the Year Ended 31 December 2021

	Called-up share capital	Share premium account	Capital contribution	Equity reserve	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000	£000
At 1 January 2021	492	1,014,478	246,494	2,258	616,079	1,879,801
Comprehensive income for the year						
Profit for the financial year	-	-	-	-	220,444	220,444
Actuarial gains relating to the pension scheme (see note 24)	-	-	-	-	51,375	51,375
UK deferred tax attributable to the actuarial gains (see note 20)	-	-	-	-	(12,844)	(12,844)
Other comprehensive income for the year	-	-	-	-	38,531	38,531
Total comprehensive income for the year	-	-	-	-	258,975	258,975
Contributions by and distributions to owners						
Dividends paid during the year (see note 11)	-	-	-	-	(354,107)	(354,107)
Share based payments expense (see note 23)	-	-	-	1,560	-	1,560
Share based payments exercised (see note 23)	-	-	-	(943)	-	(943)
Total transactions with owners	-	-	-	617	(354,107)	(353,490)
At 31 December 2021	492	1,014,478	246,494	2,875	520,947	1,785,286

The notes on pages 21 to 57 form part of these financial statements.

ITW Limited

Statement of Changes in Equity For the Year Ended 31 December 2020

	Called-up share capital £000	Share premium account £000	Capital contribution £000	Equity reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2020	492	1,014,478	821,494	1,798	6,832	1,845,094
Comprehensive income for the year						
Profit for the financial year	-	-	-	-	73,718	73,718
Actuarial gains relating to the pension scheme (see note 24)	-	-	-	-	5,380	5,380
UK deferred tax attributable to the actuarial gains (see note 20)	-	-	-	-	(1,022)	(1,022)
Other comprehensive income for the year	-	-	-	-	4,358	4,358
Total comprehensive income for the year	-	-	-	-	78,076	78,076
Contributions by and distributions to owners						
Capital contribution redesignated during the year	-	-	(575,000)	-	575,000	-
Dividends paid during the year (see note 11)	-	-	-	-	(43,829)	(43,829)
Share based payments expense (see note 23)	-	-	-	1,114	-	1,114
Share based payments exercised (see note 23)	-	-	-	(654)	-	(654)
Total transactions with owners	-	-	(575,000)	460	531,171	(43,369)
At 31 December 2020	492	1,014,478	246,494	2,258	616,079	1,879,801

The notes on pages 21 to 57 form part of these financial statements.

ITW Limited

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 Limited is a private company limited by shares incorporated 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 pages 6 to 10.

The financial statements are prepared under the historical cost convention, modified to include certain items at fair value, 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 Limited is considered to be pounds 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 Companies Act 2006 as the company is included within the consolidated financial statements of Illinois Tool Works Inc., which are available as indicated in note 27.

1.3 Qualifying entity disclosure exemptions

In preparing the financial statements of the company, advantage has been taken of the disclosure exemptions available in FRS 102 to qualifying entities. ITW Limited is a qualifying entity as it is a member of a group which prepares publicly available consolidated financial statements which includes the results of the company (further details in note 27). Therefore ITW Limited has claimed the available exemption not to present a cash flow statement.

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

1. Statement of accounting policies (continued)

1.4 Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report and the principal risks and uncertainties are also set out in the Strategic report. The company has substantial net assets as set out in the balance sheet on page 17. Despite the current uncertain worldwide economic outlook, the company's forecasts for its wide range of businesses, which operate across different geographical locations, show that the company will continue to generate a strong cash flow and profits. Consequently, the directors believe the company is well placed to manage its business risks successfully. In addition, as the company has access to a group banking facility, it consequently has sufficient cash resources to meet any reasonably foreseeable obligations. The ability of the company to repay its overdraft has been guaranteed by Illinois Tool Works Inc., the ultimate parent company. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future despite the uncertain economic outlook. Thus, the directors continue to adopt the going concern basis in preparing the annual report and 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 has continued to trade and settles all its liabilities when due.

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

1. Statement of accounting policies (continued)

1.5 Intangible assets

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, represents any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired. It is capitalised and written off on a straight line basis over its useful economic life of 20 years. Provision is made for any impairment.

Negative goodwill is similarly recognised in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered, through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition.

Intellectual property

Intellectual property is included at cost and amortised over a period of up to 18 years which is its useful economic life. The useful economic life equates to the length of time that the company is expected to benefit from the underlying intangible asset. The directors periodically review the value of intellectual property rights to assess the cash flows that are being derived over its remaining life and should the need arise, provision is made for any impairment.

Customer relationships

Intangible assets recognised as customer relationships are included at cost and amortised over a period between 3 and 17 years. The useful economic life equates to the length of time that the customer relationships enhance ITW's business. Provision is made for any impairment.

Software

Software is included at cost and amortised over a period of between 5 and 9 years which is its useful economic life. The useful economic life equates to the length of time that the software agreement is in place. Provision is made for any impairment.

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

1. Statement of accounting policies (continued)

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. The following annual depreciation rates have been applied on a straight-line basis to write off the cost, less estimated residual value of the assets, over their estimated useful lives:

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Freehold buildings	- 1% - 4%
Short leasehold land and buildings	- 2% - 10% (minimum rates commensurate with remaining lives of leases)
Plant and equipment	- 10% - 33 1/3%

Freehold land is not depreciated.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

1.7 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.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Fair value is normally the transaction price excluding transaction costs, unless the arrangement constitutes a financing transaction, whereby the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Non-current debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- 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.
- 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.
- 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.

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

1. Statement of accounting policies (continued)

1.7 Financial instruments (continued)

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

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment. Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

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.

(i) Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

(ii) Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iii) Fixed asset investments

Fixed asset investments in subsidiary undertakings are stated at cost less any provision for impairment.

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value. This includes the cost of bringing each product to its present location.

Raw materials	- purchase cost on a first-in-first-out basis, including transportation
Work-in-progress and finished goods	- cost of direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

1. Statement of accounting policies (continued)

1.9 Impairment of assets

Assets, other than those measured at fair value, 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.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units ("CGUs") of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU and then to other assets within that CGU on a pro-rata basis.

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. Where a reversal of impairment occurs in respect of a CGU the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

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.

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

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 results 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.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is different to the value at which it is recognised, a deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of that difference. Similarly, a deferred tax asset or liability is recognised for the additional tax that will be avoided or paid because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised.

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 Turnover

Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably).

Turnover represents sales including royalties to other group entities are recorded at invoice value and are stated net of all credit notes, trade discount, allowances and value added tax.

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

1. Statement of accounting policies (continued)

1.12 Interest receivable

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

1.13 Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

1.14 Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. A grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised in income in the period in which it becomes receivable. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

1.15 Retirement benefits

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account. The net interest cost on the net defined benefit liability is shown within finance costs. Remeasurement comprising actuarial gains and losses the effect of the asset ceiling (if applicable) and the return of scheme assets (excluding interest) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either *accruals* or *prepayments* on the balance sheet.

For further details see note 24.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

1.16 Cash

Cash and cash equivalents comprise cash in hand, bank deposits and short-term deposits net of bank overdrafts. Short-term investments which have an original maturity of three months or less are classed as cash and cash equivalents.

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

1. Statement of accounting policies (continued)

1.17 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

1.18 Dividends

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

1.19 Leases

Assets held under finance leases and other similar contracts which confer rights and obligations similar to those attached to owned assets are capitalised as tangible fixed assets and are depreciated over the shorter of their lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities while the interest elements are charged to the profit and loss account over the period of the lease to produce a periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term. In accordance with the transitional provisions of FRS 102 lease incentives on leases which were in existence prior to the date of transition have been spread over the shorter of the lease term and the period to the first review date on which the rent is first expected to be adjusted to the prevailing market rate.

Further information on future lease commitments is given in note 25.

1.20 Share based payments

The ultimate parent company is able to issue equity-settled share based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of the grant. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the company's estimate of shares that will vest and adjusted for the effect of non-market based vesting conditions. Fair value is measured by use of the Black Scholes pricing model, which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

1.21 Research and development

Research and development expenditure is written off as incurred and includes amounts recharged by other group companies under a sub-contractor arrangement.

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

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.

Critical judgements in applying the company's accounting policies

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

Determining the useful life of intellectual property

Intellectual property is amortised over the economic useful life of 18 years, the estimated useful life is dependent on management's judgement of expected future cash flows and technological change.

Determining the useful life of goodwill

Goodwill is amortised over the economic useful life of 20 years, the estimated useful life is dependent on management's judgement of expected future cash flows and technological change.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation 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 these financial statements, the directors have made the following estimates:

Impairment of intellectual property (see note 12)

Determining whether intellectual property is impaired requires an estimation of the value of the cash generated from royalties levied on other companies for the use of the intellectual property. The value calculation requires the entity to estimate the future cash flows expected to arise from the royalties using an appropriate discount rate in order to calculate present value. The carrying amount of intellectual property at the balance sheet date was £1,429,403,000 (2020: £1,548,569,000) after an impairment loss of £nil (2020: £nil) was recognised in the year.

Impairment of goodwill (see note 12)

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit using an appropriate discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £44,634,000 (2020: £52,680,000) after an impairment loss of £nil (2020: £nil) was recognised in the year.

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Tangible fixed assets (see note 13)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and the projected disposal values.

Investments (see note 14)

Investments are assessed annually for any indicators of impairment and adjustments made where appropriate.

Retirement benefits (see note 24)

The key areas of uncertainty are the assumptions used in determining the defined benefit obligations.

3. Turnover

An analysis of the company's turnover by class of business is set out below.

	2021 £000	2020 £000
Turnover:		
Automotive OEM	94,061	92,604
Construction Products	154,492	123,189
Food Equipment	174,133	143,459
Polymers & Fluids	74,173	61,990
Speciality Products	91,337	85,609
Test & Measurement and Electronics	180,821	172,759
Welding	17,451	15,661
	786,468	695,271

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

3. Turnover (continued)

An analysis of the company's turnover by geographical market is set out below.

	2021 £000	2020 £000
Turnover:		
United Kingdom	287,696	237,042
Rest of Europe	290,425	272,177
United States	16,921	13,822
Far East	103,903	118,784
Rest of World	87,523	53,446
	786,468	695,271

An analysis of company's turnover is as follows:

	2021 £000	2020 £000
Turnover:		
Sale of goods	392,372	333,966
Sale of services	67,568	64,560
Royalties	326,528	296,745
	786,468	695,271

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

4. Operating profit

This is arrived at after charging/(crediting):

	2021 £000	2020 £000
Depreciation of tangible fixed assets	5,578	6,389
Profit on sale of trade and assets	(2,818)	(1)
Reversal of impairment of subsidiary undertakings	(218)	(567)
Amortisation charged to cost of sales	118,397	118,556
Amortisation charged to administrative expenses	9,057	8,637
Government grants	(1,518)	(5,852)
Other lease rentals	4,460	4,649
Research & development expenditure	99,164	92,294
Rental income	-	(21)
Stock recognised as an expense	283,401	249,347
Stock impairment (reversal)/charge	(229)	4,667
Foreign exchange loss	822	585

2021 £000	2020 £000
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The analysis of auditor's remuneration is as follows:

Fees payable to the company's auditor for the audit of the company's annual accounts	446	433
Total audit fees payable to the company's auditor for audit of related companies	282	300
Total audit fees	728	733

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

5. Employees

Particulars of employee costs (including executive directors) are as shown below:

	2021 £000	2020 £000
Employee costs during the year amounted to:		
Wages and salaries	75,388	77,535
Social security costs	7,768	7,907
Other pension costs (see note 24)	12,062	12,861
	95,218	98,303

Other pension costs includes only those items included within operating costs. Items reported elsewhere have been excluded from the table above.

The average monthly number of persons employed by the company during the year was as follows:

	2021 No.	2020 No.
Production and distribution	1,037	1,131
Sales and administration	875	867
	1,912	1,998

6. Directors' remuneration and transactions

	2021 £000	2020 £000
Directors' remuneration		
Emoluments	328	332
Amounts receivable under long-term incentive schemes	81	101
Company contributions to defined benefit pension scheme	92	92
	501	525

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

6. Directors' remuneration and transactions (continued)

	2021 No.	2020 No.
The number of directors who:		
Are members of a defined benefit pension scheme	2	2
Exercised options over shares in the company	-	-
Had awards receivable in the form of shares under a long-term incentive scheme	2	2
	<u>2</u>	<u>2</u>
	2021 £000	2020 £000
Remuneration of the highest paid director:		
Emoluments	212	229
Company contributions to defined benefit scheme	49	50
	<u>261</u>	<u>279</u>

The highest paid director did not exercise share options in the year.

The highest paid director is a member of the company's defined benefit pension scheme, had awards receivable in the form of shares under a long-term incentive scheme and had accrued entitlements of £69,000 (2020: £66,000) under the scheme at the end of the year. There is no accrued lump sum.

7. Income from investments

	2021 £000	2020 £000
Dividend income from fixed asset investments	146,482	46,144
	<u>146,482</u>	<u>46,144</u>

8. Interest receivable and similar income

	2021 £000	2020 £000
Interest receivable from fellow group undertakings	2,507	894
Net interest cost on defined benefit scheme (See note 24)	1,623	2,260
Interest receivable and similar income	240	231
	<u>4,370</u>	<u>3,385</u>

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

9. Interest payable and similar expenses

	2021 £000	2020 £000
Interest payable to fellow group undertakings	61,637	60,043

Included within interest payable to group undertakings is £24,682,000 (2020 - £24,817,000) which relates to the preference dividend payable on the preference shares as detailed in note 22.

10. Tax on profit

	2021 £000	2020 £000
Current tax on profit		
UK corporation tax	14,289	13,177
Adjustments in respect of prior years	502	(379)
Foreign tax suffered	(547)	-
Total current tax	14,244	12,798
Deferred tax		
Origination and reversal of timing differences on fixed assets and pensions	(173)	(33)
Effect of change in tax rate	6,430	2,146
Total deferred tax	6,257	2,113
Total tax on profit	20,501	14,911
Total current and deferred tax relating to items of other comprehensive income	(12,844)	(1,022)

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

10. Tax on profit (continued)

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	<u>240,945</u>	<u>88,629</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	45,780	16,840
Effects of:		
Expenses not deductible for tax purposes	11,777	11,964
Income not taxable in determining taxable profit	(27,832)	(8,767)
Impairment of subsidiary undertakings	(41)	(108)
Group relief not paid for	(16,662)	(6,776)
Adjustment in respect of prior years	502	(379)
Changes in tax rates	6,430	2,146
Other	-	(9)
Foreign tax suffered	547	-
Total tax charge for the year	<u>20,501</u>	<u>14,911</u>

Factors that may affect 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.

11. Dividends

	2021 £000	2020 £000
Dividends paid of £720.04 (2020: £89.12) per share	<u>354,107</u>	<u>43,829</u>

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

12. Intangible fixed assets

	Intellectual property £000	Customer relationships £000	Software £000	Purchased goodwill £000	Total £000
Cost					
At 1 January 2021	2,135,480	4,265	215	188,526	2,328,486
Additions	-	5,640	-	-	5,640
Disposals	-	-	-	(273)	(273)
At 31 December 2021	2,135,480	9,905	215	188,253	2,333,853
Amortisation					
At 1 January 2021	586,911	2,448	183	135,846	725,388
Charge for the year	119,166	404	10	7,874	127,454
Disposals	-	-	-	(101)	(101)
At 31 December 2021	706,077	2,852	193	143,619	852,741
Net book value					
At 31 December 2021	1,429,403	7,053	22	44,634	1,481,112
At 31 December 2020	1,548,569	1,817	32	52,680	1,603,098

During the year the company acquired £5,640,000 of customer based intangibles from related companies.

The intellectual property acquired relates to a number of countries around the world. It includes, but is not limited to: all inventions, improvements, designs, patents, manufacturing process efficiency, trademarks, brand names, authored works and trade secrets. The remaining useful life is between 12 and 16 years.

In the statement of comprehensive income the amortisation is included as part of both cost of sales and administrative expenses.

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

12. Intangible fixed assets (continued)

The table below summarises the key information relating to the purchased goodwill that are considered material to the company:

	Date of purchase	NBV 2021 £000	NBV 2020 £000	Remaining useful lives (years)
Goodwill				
Envopak	December 2002	436	872	1
Foster	December 2002	338	675	1
Hobart	December 2002	2,229	3,343	1
Supreme	December 2005	1,676	2,095	4
Instron	December 2006	2,518	3,022	5
Forte	December 2007	7,302	8,519	6
Avery Berkel	September 2007	2,187	2,552	6
Avery Weigh-Tronix	April 2013	10,479	11,352	12
Lock Inspection Group	July 2014	4,506	4,852	13
Teknek	January 2015	8,778	9,453	13
		<hr/>	<hr/>	
		40,449	46,735	
All remaining brands		4,185	5,945	
		<hr/>	<hr/>	
		44,634	52,680	

Goodwill is amortised over the economic useful life based on projected future cash flows which are to be generated from the assets, ranging from 5 to 20 years.

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

13. Tangible fixed assets

	Freehold land and buildings £000	Short leasehold land and buildings £000	Plant and equipment £000	Total £000
Cost				
At 1 January 2021	21,398	6,323	79,612	107,333
Additions	2,167	28	3,925	6,120
Disposals	(51)	-	(1,869)	(1,920)
At 31 December 2021	<u>23,514</u>	<u>6,351</u>	<u>81,668</u>	<u>111,533</u>
Depreciation				
At 1 January 2021	11,596	5,017	59,118	75,731
Charge for the year	785	145	4,648	5,578
Disposals	(50)	-	(1,587)	(1,637)
At 31 December 2021	<u>12,331</u>	<u>5,162</u>	<u>62,179</u>	<u>79,672</u>
Net book value				
At 31 December 2021	<u>11,183</u>	<u>1,189</u>	<u>19,489</u>	<u>31,861</u>
At 31 December 2020	<u>9,802</u>	<u>1,306</u>	<u>20,494</u>	<u>31,602</u>

Plant and equipment includes fixtures and fittings, motor vehicles and assets in the course of construction. The assets in course of construction are not depreciated.

Land and buildings includes £5,208,000 (2020: £5,208,000) in respect of land which is not depreciated.

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

14. Fixed asset investments

	Investments in subsidiary companies £000	Other fixed asset investments £000	Total £000
Cost			
At 1 January 2021	1,587,419	18	1,587,437
Additions	36	-	36
At 31 December 2021	1,587,455	18	1,587,473
Impairment			
At 1 January 2021	284,214	-	284,214
Reversal of impairment loss	(218)	-	(218)
At 31 December 2021	283,996	-	283,996
Net book value			
At 31 December 2021	1,303,459	18	1,303,477
At 31 December 2020	1,303,205	18	1,303,223

During the year the company acquired the shares in Lombard Pressings Limited for cash consideration of £35,639.

Impairments

The impairment has arisen as a consequence of losses arising in a subsidiary and in respect of a business that was acquired by ITW Limited. During the year, the reversal of the impairment is due to an increase in net assets of a subsidiary previously impaired as a result of a profit made in the year.

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

14. Fixed asset investments (continued)

Subsidiary undertakings

In the opinion of the directors the aggregate value of the company's investment consisting of shares in or amounts owed by its subsidiaries and associates 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
Avery Malaysia Sdn Bhd ⁽¹⁾	Ordinary	100%	Distribution company
Avery Weigh-Tronix Limited ⁽²⁾	Ordinary	100%	Holding company
Avery Weigh-Tronix International Limited ⁽³⁾	Ordinary	100%	Holding company
Avery Weigh-Tronix Properties Limited ⁽⁴⁾	Ordinary	100%	Holding company
Avery Weigh-Tronix (Suzhou) Weighing Technology Co. Ltd. ⁽⁵⁾	Ordinary	100%	Manufacturing company
Beijing Miller Electric Manufacturing Co. Ltd ⁽⁶⁾	Percentage Ownership	100%	Manufacturing company
Brooks Instrument (Shanghai) Co. Ltd ⁽⁷⁾	Percentage Ownership	100%	Manufacturing company
Dongguan Ark-Les Electric Components Co., Ltd ⁽⁸⁾	Percentage Ownership	100%	Manufacturing company
Dongguan CK Branding Co., Ltd ⁽⁹⁾	Ownership Capital	100%	Manufacturing company
Gun Hwa Platech (Taicang) Co. Ltd ⁽¹⁰⁾	Percentage Ownership	100%	Manufacturing company
Hobart Food Equipment Co., Ltd ⁽¹¹⁾	Percentage Ownership	100%	Manufacturing company
Hobart International (Singapore) Pte. Ltd ⁽¹²⁾	Percentage Ownership	100%	Distribution company
Hobart Korea LLC ⁽¹³⁾	Percentage Ownership	100%	Distribution company
Instron Korea LLC ⁽¹⁴⁾	Shares	100%	Manufacturing company
Instron (Shanghai) Ltd. (formerly Instron (Shanghai) Experiment Equipment Trade Co., Ltd) ⁽¹⁵⁾	Percentage Ownership	100%	Distribution company
ITW CS (UK) Ltd ⁽¹⁶⁾	Ordinary	100%	Trading company
ITW Korea LLC (formerly ITW EF&C Korea, Inc.) ⁽¹⁷⁾	Ordinary	100%	Manufacturing company
ITW (China) Investment Company Limited ⁽¹⁸⁾	Ordinary	100%	Holding company
ITW (Ningbo) Components & Fastening Systems Co., Ltd. ⁽¹⁹⁾	Percentage Ownership	100%	Manufacturing company
ITW Automotive Components (Chongqing) Co. Ltd ⁽²⁰⁾	Percentage Ownership	100%	Manufacturing company
ITW Automotive Components (Langfang) Co., Ltd. ⁽²¹⁾	Percentage Ownership	100%	Manufacturing company

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

14. Fixed asset investments (continued)

Name	Class of shares	Holding	Principal activity
ITW Automotive Parts (Shanghai) Co. Ltd ⁽²²⁾	Percentage Ownership	100%	Manufacturing company
ITW Construction Products (Shanghai) Co. Ltd ⁽²³⁾	Percentage Ownership	100%	Manufacturing company
ITW Construction Products (Singapore) Pte. Ltd ⁽²⁴⁾	Ordinary	100%	Distribution company
ITW Contamination Control (Wujiang) Co., Ltd ⁽²⁵⁾	Percentage Ownership	100%	Manufacturing company
ITW Pension Funds Trustee Company ⁽²⁶⁾	Ordinary	100%	Dormant company
ITW Dynatec Adhesive Equipment (Suzhou) Co. Ltd ⁽²⁷⁾	Percentage Ownership	100%	Manufacturing company
ITW Electronic Components/Products (Shanghai) Co., Ltd ⁽²⁸⁾	Percentage Ownership	100%	Manufacturing company
ITW FEG Hong Kong Limited ⁽²⁹⁾	Ordinary	100%	Holding company
ITW GH, LLC ⁽³⁰⁾	Percentage Ownership	100%	Manufacturing company
ITW Graphics Asia Limited ⁽³¹⁾	Ordinary	100%	Distribution company
ITW International Holdings LLC ⁽³²⁾	Common Stock	100%	Holding company
ITW Meritex Sdn. Bhd. ⁽³³⁾	Ordinary	100%	Manufacturing company
ITW New Zealand ⁽³⁴⁾	Ordinary	100%	Manufacturing company
ITW Packaging Technology (China) Co Ltd (formerly ITW Test and Measurement (China) Company Ltd.) ⁽³⁵⁾	Percentage Ownership	100%	Manufacturing company
ITW Performance Polymers Trading (Shanghai) Co., Ltd. ⁽³⁶⁾	Ordinary	100%	Holding company
ITW Performance Plastic (Shanghai) Co. Ltd ⁽³⁷⁾	Percentage Ownership	100%	Distribution company
ITW Performance Polymers (Wujiang) Co., Ltd ⁽³⁸⁾	Percentage Ownership	100%	Manufacturing company
ITW Pte. Ltd ⁽³⁹⁾	Percentage Ownership	100%	Distribution company
ITW Qufu Automotive Cooling Systems Co. Ltd. (formerly ITW Temb (QuFu) Auto Cooling Systems) ⁽⁴⁰⁾	Percentage Ownership	100%	Manufacturing company
ITW Simco-Ion (Shenzhen) Co. Ltd ⁽⁴¹⁾	Percentage Ownership	100%	Manufacturing company
ITW Specialty Film, LLC ⁽⁴²⁾	Shares	100%	Manufacturing company
ITW Specialty Materials (Suzhou) Co., Ltd ⁽⁴³⁾	Percentage Ownership	100%	Manufacturing company
ITW Test & Measurement Equipment (Shanghai) Co., Ltd ⁽⁴⁴⁾	Percentage Ownership	100%	Manufacturing company

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

14. Fixed asset investments (continued)

Name	Class of shares	Holding	Principal activity
ITW Thermal Films (Shanghai) Co., Ltd ⁽⁴⁵⁾	Percentage Ownership	100%	Manufacturing company
Shanghai ITW Plastic & Metal Co. Ltd. ⁽⁴⁶⁾	Percentage Ownership	100%	Manufacturing company
ITW Welding Singapore Pte. Ltd. ⁽⁴⁷⁾	Percentage Ownership	100%	Manufacturing company
Lombard Pressings Limited ⁽⁴⁸⁾	Ordinary	100%	Non-Trading company
Meritex Technology (Suzhou) Co. Ltd. ⁽⁴⁹⁾	Percentage Ownership	100%	Manufacturing company
Pacific Concepts Industries Limited (Enping) ⁽⁵⁰⁾	Percentage Ownership	100%	Manufacturing company
Plasode Fasteners (Shanghai) Co., Ltd ⁽⁵¹⁾	Percentage Ownership	100%	Manufacturing company
Ramset Fasteners (Hong Kong) Ltd. ⁽⁵²⁾	Ordinary	100%	Distribution company
Stokvis Tapes Limited ⁽⁵³⁾	Ordinary	100%	Manufacturing company
Stokvis Tapes (Shanghai) Co. Limited ⁽⁵⁴⁾	Percentage Ownership	100%	Manufacturing company
Stokvis Tapes (Taiwan) Co. Ltd ⁽⁵⁵⁾	Percentage Ownership	100%	Manufacturing company
Teknek (China) Limited ⁽⁵⁶⁾	Ordinary	100%	Distribution company
Teknek (Japan) Limited ⁽⁵⁷⁾	Ordinary	100%	Distribution company
Teksaleco Limited ⁽⁵⁸⁾	Ordinary	100%	Holding company
Tien tai Electrode (Kunshan) Co., Ltd ⁽⁵⁹⁾		100%	Manufacturing company
Vesta (Guangzhou) Catering Equipment Co. Ltd ⁽⁶⁰⁾	Percentage Ownership	100%	Manufacturing company
Vesta Global Limited ⁽⁶¹⁾	Ordinary	100%	Manufacturing company

Instron Holdings Limited, Instron International Limited, ITW Philippines Holdings LLC, Stokvis Tapes (Shenzhen) Co. Ltd were struck off during the year.

⁽¹⁾ registered office is 10th Floor, Wisma Havela Thakardas, No. 1 Jalan Tiong Nam, Off Jalan Raja Laut, Kuala Lumpur, 50350, Malaysia

⁽²⁾ registered office is Foundry Lane, Smethwick, B66 2LP, United Kingdom

⁽³⁾ registered office is 5 Aldermanbury Square, 13th Floor, London, EC2V7HR, United Kingdom

⁽⁴⁾ registered office is 5 Aldermanbury Square, 13th Floor, London, EC2V7HR, United Kingdom

⁽⁵⁾ registered office is NG2 Export processing Zone B, 280 Shangpu Road, SIP of Suzhou, 215121, China

⁽⁶⁾ registered office is Xin Cheng Industrial Park, Jing Hai No. 2 Road, Building 6, No. 28, Beijing, China

⁽⁷⁾ registered office is Room 203, Building 6, No. 1888 Xin Jing Qiao Road, Shanghai, China

⁽⁸⁾ registered office is Nan Main Industrial Park, Hu Men Town, Dong Guan City, Guangdong, China

⁽⁹⁾ registered office is Hw WuGang, Cun Tou, Humen Dongguan, China

⁽¹⁰⁾ registered office is 327 Chundong Road, Xinzhou Industrial Development Zone, Shanghai, 201108, China

⁽¹¹⁾ registered office is No.8 Yesheng Road, Xiqing Economic & Development Zone, Tianjin, China

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

14. Fixed asset investments (continued)

- (12) registered office is 158 Kallang Way, #06-03, Safekeep Building, Singapore 349245, Singapore
- (13) registered office is 7F Woongsan Bldg, 108 Bange-dong Songpa-Ku, Seoul, 138-050, South Korea
- (14) registered office is 5 Aldermanbury Square, 13th Floor, London, EC2V7HR, United Kingdom
- (15) registered office is Room 1704-1715, Shanghai Civic Plaza, Shanghai, China 200041, China
- (16) registered office is 5 Aldermanbury Square, 13th Floor, London, England, EC2V 7HR
- (17) registered office is 16th Floor Hae-Am Building, 983-3 Daechi-dong, Seoul, 135-842, South Korea
- (18) registered office is Room 2801, Tower B, New Caohejing International Business Center, 391 Guiping Zone, Shanghai, China 200233
- (19) registered office is No. 333 Batou West Road, Beilum Zone, Nigbo, China 315806
- (20) registered office is No 106 Jin Yu Road, Chongqing, China
- (21) registered office is Langsen Automotive Industry Park 9#, Yaohua Str., Langfang ETDZ, Langfang, China
- (22) registered office is No. 500, Huapu Road, No. E Building, Qingpu, Shanghai, China
- (23) registered office is Shengang Road, No. 3802, Bldg. 13, Shanghai, 201611, China
- (24) registered office is 4 Changi South Lane, #06-01, Nan Wah Building, 486127, Singapore
- (25) registered office is 4660 Pangjin Road, Economic Development Zone, Jiangsu, China
- (26) registered office is Nexus House, Station Road, Egham, Surrey, United Kingdom, TW20 9LB
- (27) registered office is Unit 2, B1 Building No.9, Weixin Road, Kuatang, SIP, Suzhou, China
- (28) registered office is 789-5, Shenfu Road, Xinzhuang Industrial Zone, Shanghai, China
- (29) registered office is 1401 Hutchison House, 10 Harcourt Road, Hong Kong
- (30) registered office is #589, Byeong-Dong-Ri, Hallim-Myeon, Gimhae-Si, GyeongSangNam-Do, South Korea
- (31) registered office is 3rd Floor, Capella Htr, 47 Hung To Road, Kwun Tong, Kowloon, Hong Kong
- (32) registered office is 1209 Orange Street, Wilmington, Delaware 19801-0000, United States
- (33) registered office is 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, Pulau Pinang, 11900, Malaysia
- (34) registered office is Level 7, The Bayleys Building, 36 Brandon Street, Wellington, 6140, New Zealand
- (35) registered office is No.9, Weixin Road, Kuatang, SIP, Suzhou, China
- (36) registered office is Room 301, Building A International Far Est Plaza, No. 319 XianXia Road, Shanghai, China
- (37) registered office is Room 301, Building A International Far Est Plaza, No. 319 XianXia Road, Shanghai, China
- (38) registered office is No. 4860, Pangjin Road, Wujiang Economic Development Zone, Wujiang
- (39) registered office is 132 Joo Seng Road, #03-01 Uniplus Building Centre, 368358, Singapore
- (40) registered office is No. 11 Chuangye Road, Economic Development Zone, Shandong Province, Qufu City, China
- (41) registered office is 2/F, Building 11, Heng Ming Zhu Technology Park, Xiang Xing Road, Sha Jing, Bao An Shenzhen District, Guangdong, 518104, China
- (42) registered office is 460, Cheonheung-ri, Seonggeo-eup, Cheonan-si 330-836, South Korea
- (43) registered office is Heng Qiao Road, Wujiang Economic & Technological, Development Zone, China
- (44) registered office is 15#, Lane 1985, Chunshen Road, Minhang District, Shanghai, China
- (45) registered office is 327 Chundong Road, Xinzhuang Industrial Development Zone, Shanghai, 201108, China
- (46) registered office is 327 Chundong Road, Xinzhuang Industrial Development Zone, Shanghai, 201108, China
- (47) registered office is 23 Tagore Lane, #04-06/07, Tagore 23 Warehouse, 787601, Singapore
- (48) registered office is 5 Aldermanbury Square, 13th Floor, London, England, EC2V 7HR
- (49) registered office is Block D No. 28 Heshun Road, Loufeng North District, Suzhou Industrial Park, Jiangsu, China 215122
- (50) registered office is Puqiao Industrial Park, Shahu Town, Enping City, Guangdong Province, Enping City, 529447, China

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

14. Fixed asset investments (continued)

⁽⁵¹⁾registered office is No. 900 Songzheng Road, Songjiang EPZ (BZone), Shanghai, 201614, China

⁽⁵²⁾registered office is Unit D, 22nd Floor, Capital Trade Center, No. 62 Tsun Yip Street, Kwun Tong, Kowloon, Hong Kong

⁽⁵³⁾ Unit 8, Tring Industrial Estate, Icknield Way, Tring, United Kingdom HP23 4JX, United Kingdom

⁽⁵⁴⁾registered office is Section B, Building 9, No. 353 North Riving Road, Wai Gao Qiao Banded Zone, Shanghai, 200131, China

⁽⁵⁵⁾registered office is 8F., No.561, Guangfu S. Rd., Xinyi Dist. Taipei City, Taiwan

⁽⁵⁶⁾registered office is River Drive, Inchinnan Business Park, Renfrewshire, Scotland PA4 9RT, United Kingdom

⁽⁵⁷⁾registered office is River Drive, Inchinnan Business Park, Renfrewshire, Scotland PA4 9RT, United Kingdom

⁽⁵⁸⁾registered office is River Drive, Inchinnan Business Park, Renfrewshire, Scotland PA4 9RT, United Kingdom

⁽⁵⁹⁾registered office is No 189 Hua Yuan Road, Zhang Pu Town, Kun Shan City, China

⁽⁶⁰⁾registered office is 43 South Liang Long Street, Huashan Town, Huadu District, Guangzhou, China

⁽⁶¹⁾registered office is Unit 902, 9/F, 113 Argyle Street, Mong Kok, Kowloon, Hong Kong

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Notes to the Financial Statements For the Year Ended 31 December 2021

15. Stock

	2021 £000	2020 £000
Raw materials and consumables	19,703	14,819
Work-in-progress	6,561	4,895
Finished goods and goods for resale	21,688	20,103
	<u>47,952</u>	<u>39,817</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

16. Debtors

	2021 £000	2020 £000
Due after more than one year		
Other debtors	5,303	4,362
	<u>5,303</u>	<u>4,362</u>
Due within one year		
Trade debtors	87,072	72,733
Amounts owed by group undertakings	62,296	41,903
VAT	4,046	1,783
Prepayments and accrued income	6,111	5,824
UK corporation tax	20,398	12,152
Deferred tax asset (see note 20)	5,036	4,322
	<u>184,959</u>	<u>138,717</u>

Amounts owed by group undertakings are unsecured with no interest payable and repayable on demand.

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

17. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Loan notes	803,144	803,144
Trade creditors	12,729	10,351
Amounts owed to group undertakings	12,450	9,915
Other taxation and social security	28	8
VAT	3,714	3,369
Defined contribution pension scheme accrual	102	102
Accruals and deferred income	48,016	56,389
	880,183	883,278

Amounts owed to group undertakings are unsecured with no interest payable and 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 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 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 unsecured and 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 ITW UK.

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

	2021 £000	2020 £000
Share capital treated as debt (see note 22)	618,757	618,757
	618,757	618,757

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

19. Financial instruments

	2021 £000	2020 £000
Financial assets		
Cash	101,449	162,370
Measured at amortised cost	93,059	64,521
Trade debtors measured at undiscounted amount receivable	87,072	72,732
	<u> </u>	<u> </u>
Financial liabilities		
Measured at amortised cost	(1,482,367)	(1,491,575)
Trade payables measured at undiscounted amount payable	(12,729)	(10,350)
	<u> </u>	<u> </u>

Financial assets measured at amortised cost comprise of amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise amounts owed to group companies, accruals, deferred income and convertible loan notes.

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

20. Deferred taxation

The deferred tax liability arises as follows:

	2021 £000	2020 £000
Accelerated capital allowances and losses	4,366	3,696
Other timing differences	670	626
Net deferred tax asset (see note 16)	5,036	4,322
Deferred liability arising in relation to retirement benefit obligations (see note 24)	(42,721)	(23,152)
Total deferred tax liability	<u>(37,685)</u>	<u>(18,830)</u>

The movement in deferred tax provision comprises of the following:

	2021 £000	2020 £000
At 1 January	(18,830)	(15,861)
Change of rate impact	(6,430)	(2,147)
Debited to other comprehensive income	(12,844)	(1,022)
Credited to profit and loss account - current year	173	33
Credited to profit and loss account - prior year	246	167
At 31 December	<u>(37,685)</u>	<u>(18,830)</u>

Deferred tax assets and liabilities are only offset where the company has a legally enforceable right to do so.

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

21. Provisions for liabilities and charges

	2021	2020
	£000	£000
Vacant property provision	50	53
		£000
At 1 January 2021		53
Utilised in year		(3)
At 31 December 2021		50

The vacant property provision is expected to be utilised within 1 year. This is a best estimate by the Directors on the basis of the portfolio of properties.

22. Called-up share capital and reserves

	2021	2020
	£000	£000
Shares classified as equity		
Allotted, called-up and fully paid		
491,789 (2020: 491,789) ordinary shares of £1 each	492	492
Shares classified as debt		
Allotted, called-up and fully paid		
618,757,059 (2020: 618,757,059) preference shares of £1 each	618,757	618,757

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

22. Called-up share capital and reserves (continued)

The company has one class of ordinary shares which carry no right to a fixed income. These shares have full voting, dividend and capital distribution (including winding up) rights; they do not confer any special rights or rights of redemption. The company has one class of preference shares which carries a right to receive interest at a coupon rate of 4% per annum. The preference shares are non voting, rank first on a winding up and are not redeemable.

The company's other reserves are as follows:

The equity reserve represents the equity arising on outstanding stock options.

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 other comprehensive income made by the company, as well as distributions and other adjustments.

The share premium account represents the amount subscribed for share capital in excess of nominal value.

23. Share based payments

The company has an equity-settled share option scheme for certain employees. Options are exercisable at a price equal to the average quoted market price of the company's shares on the date of grant. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. From 2009, the company has also issued restricted unit share options. If the options remain unexercised after a period of 3 years from the date of grant, the options expire.

Details of the share options outstanding during the year are as follows:

	Number of share options 2021 No.	Weighted average exercise 2021 £	Number of share options 2020 No.	Weighted average exercise 2020 £
Outstanding at the beginning of the year	4,607	121.06	2,069	115.18
Granted during the year	2,322	148.52	2,538	137.43
Exercised during the year	-	-	-	-
Outstanding at the end of the year	6,929	128.85	4,607	121.06
Exercisable at the end of the year	3,337	118.92	1,596	114.07

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Notes to the Financial Statements For the Year Ended 31 December 2021

23. Share-based payment (continued)

Details of the restricted unit options outstanding during the year are as follows:

	Number of restricted stock units 2021 No.	Weighted average exercise 2021 £	Number of restricted stock units 2020 No.	Weighted average exercise 2020 £
Outstanding at beginning of year	21,265	120.53	19,827	109.45
Granted during the year	8,848	147.55	7,554	136.17
Vested during the year	(6,170)	120.72	(5,547)	94.37
Lapsed during the year	(1,553)	129.63	(569)	119.28
Outstanding at the end of the year	22,390	131.13	21,265	120.53
Exercisable at the end of the year	-	-	-	-

The fair value of both of the share options at the grant date were calculated using the Black Scholes model, which is considered to be the most appropriate generally accepted valuation method of measuring fair value.

The company recognised total expense of £1,560,000 relating to equity-settled share based payment transactions (2020: £1,114,000).

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

24. Retirement benefits schemes

Defined contribution schemes

The company sponsors the ITW DC Pension Scheme. The pension cost for this scheme is the cash contributions payable, which for the year to 31 December 2021 was £4,774,000 (2020: £5,251,000).

Defined benefit schemes

The ITW Pension Fund is a defined benefit scheme. The scheme is now closed to new members.

The contribution rate for 2021 was 22% of pensionable earnings and the agreed contribution rate for the next year is 22% of pensionable earnings.

The company's overall pension cost for the year to 31 December 2021 in respect of the ITW Pension Fund and ITW DC Pension Scheme was £12,062,000 (2020: £12,861,000).

Movements in the present value of defined benefit obligations were as follows:

	2021 £000	2020 £000
Reconciliation of present value of plan liabilities		
At 1 January	701,500	635,590
Employer service cost	7,288	7,610
Interest cost	9,046	11,780
Fund participants' contributions	810	800
Fund changes	-	320
Actuarial (gain)/loss	(35,653)	63,670
Benefits paid from Fund assets	(21,951)	(18,270)
At 31 December	661,040	701,500

Movements in the fair values of schemes assets were as follows:

	2021 £000	2020 £000
At 1 January	823,352	753,612
Interest income on fund assets	10,669	14,040
Return on fund assets greater than discount rate	15,720	69,050
Employer contributions	3,324	4,120
Fund participants' contributions	810	800
Benefits paid	(21,951)	(18,270)
At 31 December	831,924	823,352

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

24. Retirement benefits schemes (continued)

The analysis of the scheme assets at the balance sheet date was as follows:

	2021 £000	2020 £000
Equity instruments	168,049	148,203
Debt instruments	660,548	671,032
Other assets	3,327	4,117
Fair value of assets	831,924	823,352

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit retirement schemes is as follows:

	2021 £000	2020 £000
Present value of defined benefit obligations	(661,040)	(701,500)
Fair value of scheme assets	831,924	823,352
Surplus in the scheme	170,884	121,852
Related deferred tax liability	(42,721)	(23,152)
Net pension scheme asset	128,163	98,700

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	2021 £000	2020 £000
Current service cost	7,288	7,610
Fund changes	-	320
Net interest cost	(1,623)	(2,260)
	5,665	5,670

Amounts recognised in the other comprehensive income in respect of these defined benefit schemes are as follows:

	2021 £000	2020 £000
Gain on plan assets excluding interest income	15,722	69,050
Actuarial gain/(loss) arising during year	35,653	(63,670)
	51,375	5,380

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

24. Retirement benefits schemes (continued)

The most recent comprehensive actuarial valuation was carried out by the Trustee of the Fund as at 5 April 2021 for funding purposes. The company has employed an independent actuary to approximately update that actuarial valuation allowing for differences between the actuarial assumptions used by the Fund for funding purposes and those adopted by the company to measure the DBO, as well as adjusting for benefit accrual, benefits paid from the Fund and differences between assumed and actual pension increases between 5 April 2021 and 31 December 2021.

Key assumptions used in calculating the pension cost:

	Valuation at 2021 %	Valuation at 2020 %
Discount rate	1.9	1.3
Expected rate salary increases	3.4	2.9
Inflation		
- RPI	3.4	2.9
- CPI	2.9	2.5
Mortality rates		
- for a male aged 65 now	22.2	22.40
- for a female aged 65 now	24.4	24.50

Key assumptions used in calculating the defined benefit obligation:

	Valuation at 2021 %	Valuation at 2020 %
Discount rate	1.9	1.9
Expected rate salary increases	3.4	3.0
Inflation		
- RPI	3.4	3.0
- CPI	2.9	2.3

ITW Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

25. Financial commitments

At 31 December 2021 the company had future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings 2021 £000	Other 2021 £000	Land and buildings 2020 £000	Other 2020 £000
Not later than 1 year	1,700	1,538	1,517	1,719
Later than 1 year and not later than 5 years	5,059	1,978	2,055	2,061
Later than 5 years	2,569	-	1,564	-
	9,328	3,516	5,136	3,780

26. Guarantees

The company issues bank guarantees over warranties on some of its products. Bank guarantees issued for customer warranties were held for a value of £349,000 (2020: £408,000) and bank guarantees issued in respect of duty deferment guarantees were held for a value of £3,200,000 (2020: £3,200,000).

27. Ultimate parent undertaking

The company's immediate parent company is Berrington UK, a company incorporated in England and Wales. The company's ultimate parent company and controlling party is Illinois Tool Works, Inc., which is incorporated in the State of Delaware, United States of America.

The smallest and largest group in which the results of the company are consolidated is that headed by the ultimate parent company. Copies of these financial statements are available from Illinois Tool Works Inc., 155 Harlem Avenue, Glenview, Illinois, 60025, United States of America.