

Mitutoyo (U.K.) Limited

Annual Report and Financial Statements

Year Ended

31 December 2021

Company Number 01439214

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Mitutoyo (U.K.) Limited

Company Information

Directors	R Penny S Dyke S Sasaki
Company secretary	J P Brothers
Registered number	01439214
Registered office	West Point Business Park Andover Hampshire SP10 3UX
Independent auditor	BDO LLP Arcadia House Maritime Walk Ocean Village, Southampton SO14 3TL

Mitutoyo (U.K.) Limited

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Mitutoyo (U.K.) Limited

Strategic Report For the Year Ended 31 December 2021

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2021.

Business review

Turnover increased in 2021 to £20.7m from £19.8m in the previous year, and this resulted in an increase in gross profit from £7.1m to £7.9m. Pre-tax profits increased from £260k to £1.1m.

Sales to customers in our main market (UK and Republic of Ireland) rose steadily throughout the year, as confidence began to return our customers as they adapted to trading in a pandemic, and to overcoming the supply chain challenges surrounding BREXIT. As the year progressed, the company began to see confidence return to those sectors particularly affected by the pandemic.

The pandemic has affected all the markets we operate in, with sales beginning to return to growth in 2021 from the drop in 2020. Customer confidence began to improve as the rollout of vaccinations reached a greater proportion of the UK population. In 2022, we expect to see further steady growth in sales, as a result of a greater level of capital investment from our customers that was delayed because of the pandemic is reconsidered.

The directors have been committed to the safety of all our employees and visitors during the pandemic and have followed the government guidance allowing home working where possible. When it is not, safety measures have been implemented to ensure a safe working environment. The directors have also overseen various initiatives to ensure less face to face contact with our customers including launching a new virtual showroom, live product demonstrations and product focused dedicated micro-websites.

The directors are positive about the outlook for 2022, starting the year with increasing sales enquiries, a growing order book and recently launched new products. We expect to achieve sales growth in 2022, as the uncertainty over the pandemic diminishes making way for a 'post pandemic' more stable trading environment as the year progresses.

Key performance indicators

The company's key financial and other performance indicators during the year were as follows:

	2021 £'000	2020 £'000
Turnover	20,712	19,797
Gross profit	7,907	7,097
Operating profit - trading activities	1,115	211
Profit on ordinary activities before taxation	1,085	260
Profit after tax	875	194
Revenue per employee	180	157
	%	%
Current assets as a % of current liabilities	332	311

Mitutoyo (U.K.) Limited

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

The key performance indicators used by the company are turnover and profit before tax.

Turnover has increased by 5% against the previous year, a steady return to growth, which the directors consider positive considering the ongoing pandemic. The company expects to maintain steady growth in 2022.

The company reviews its gross profit margin and operating margin, as both contribute towards profit. The company achieved a gross profit margin of 38% (2020: 36%) and an operating profit margin of 5% (2020: 1%). The key factors influencing the profit margins were an increase in the ratio of customer support services, and the contribution to profit of small equipment and major items and a reduction in salary costs.

Other indicators: revenue per employee increased by 15% due to the improvements made by the directors in workforce efficiency, and the current ratio increased from 3.1. to 3.3 underlining the company's strong financial position.

Development of business

As the global economy continues to recover from the COVID-19 pandemic, the company will focus on ensuring that it maintains its leading UK market position. It will focus on supporting and expanding its existing customer base, target key geographical regions and industrial sectors and look for new sales opportunities in emerging technology sectors.

Principal risks and uncertainties

Customer base exposure

The company's customers are in the manufacturing sector and subsequently the economic environment applying to this sector will impact the company's sales.

We operate in a highly competitive marketplace. To remain competitive and increase growth in revenue, the group continually introduces new and updated products.

To maintain our market leading position, we offer excellent customer support, including service and repair, product training by fully qualified teachers, subcontract measurement services and calibration in our UKAS accredited calibration laboratory. We can also provide bespoke measurement solutions, through our Mitutoyo Gauging Technology Division.

Supply chain risk

The company is linked to a common European supply chain for most of its products. This should allow the European Group to make savings in stockholding costs. The supply chain involves a reduction in the risks borne by the company, including foreign exchange and price risk, as these are transferred into the European group.

To mitigate any disruption to its supply chain the company has increased its stock holding in the UK, successfully gained Authorised Economic Operator (AEO) status to aid customs procedures and strengthened its logistical processes.

Credit risk

The company is mainly exposed to credit risk from credit sales. It is company policy to assess the credit worthiness of new customers before entering contracts and monitor all existing customers on a monthly basis. Payment in advance is required from high risk or slow paying customers.

The company maintains a strong credit control procedure and bad debts remain exceptionally low.

Mitutoyo (U.K.) Limited

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

Principal risks and uncertainties (continued)

Liquidity and cash flow risk

The Board receives 12-month cash flow projections, which indicates that the company is expected to have sufficient cash flow to meet all its obligations under all reasonably expected circumstances, including a stress test scenario where the company could sustain a loss of more than 30% of turnover versus our current projections for the period to 31 March 2023 and still maintain an estimated cash balance of nearly £1.5m at the end of the period.

Cash flow forecasts are updated during the year where necessary depending on changing circumstances, which allows the company to assess any variances from the original planned cash flow.

Other external factors

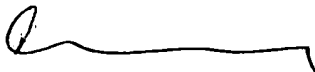
The directors are acutely aware of the serious threat to the business the continuation of the pandemic and rising costs and high inflation represent, and as such steering the company through this unprecedented situation has been and will continue to be their top priority. Where at all possible the directors have attempted to mitigate those risks by accepting government support through the Coronavirus Job Retention Scheme and have undertaken a full review of business expenditure and implemented cost reduction measures. The measures implemented include improving staffing efficiencies, updating the travel, company car and capital expenditure policies, fixing energy contracts and changing system processes to reduce wastage.

Employees

Some long serving employees are due to retire, and the company has made succession plans to ensure the positions are filled with plenty of overlap in the transitional stage of handover to ensure knowledge and experience is maintained. Employees of the company contribute hugely to the success of our business. We continue to train, develop and reward them so that we retain employees who are skilled, enthusiastic and knowledgeable and we expect to maintain an exceptional longevity of service record far above the industry average.

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

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



R Penny
Director

Date: 16-3-2022

Mitutoyo (U.K.) Limited

Directors' Report For the Year Ended 31 December 2021

The directors present their report together with the audited financial statements for the year ended 31 December 2021.

Principal activity

The company's principal activity is the sale, service and maintenance of precision measuring instruments primarily made by other Mitutoyo group companies, bespoke measurement solutions and the provision of training, installation, calibration and subcontract measurement services.

Results and dividends

The profit for the year, after taxation, amounted to £875,000 (2020 - £194,000).

A dividend of £Nil was paid during the year (2020 - £Nil).

Directors

The directors who served during the year were:

R Penny
S Dyke
S Sasaki

Going concern

The financial statements have been prepared on a going concern basis as the directors have prepared detailed budgets for a period of at least 12 months from the date of signing the financial statements which show that the company is expected to meet all its liabilities as they fall due. Further details of the directors' assessment of going concern are in note 2.2 of the financial statements.

Qualifying third party indemnity provisions

Qualifying third party indemnity insurance provisions (as defined in section 234(2) of the Companies Act 2006) are in force for the benefit of the directors who held office during the year ended 31 December 2021.

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

Mitutoyo (U.K.) Limited

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

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

Disclosure of information to auditor

All the current directors have taken all steps to make themselves to make themselves aware of any information needed by the company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

Financial risk management

Details of the financial risk management objectives and policies, exposure to price/credit/liquidity/cash flow risk is included in the strategic report (where relevant).

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 16TH MARCH 2022 and signed on its behalf.



R Penny
Director

16-3-2022

Mitutoyo (U.K.) Limited

Independent Auditor's Report to the Members of Mitutoyo (U.K.) Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mitutoyo (UK) Limited ("the company") for the year ended 31 December 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 on the financial statements

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

Independence

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

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.

Mitutoyo (U.K.) Limited

Independent Auditor's Report to the Members of Mitutoyo (U.K.) Limited (continued)

Other information

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

Other Companies Act 2006 reporting

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 or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

Mitutoyo (U.K.) Limited

Independent Auditor's Report to the Members of Mitutoyo (U.K.) Limited (continued)

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.

Extent to which the audit was 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 designed audit procedures to respond to recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

Procedures performed by the audit team included:

- Discussions with management regarding known or suspected instances of non-compliance with laws and regulations;
- Evaluation of controls designed to prevent and detect irregularities; and
- Assessing journal entries as part of our planned audit approach.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state 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.

DocuSigned by:
David I Anson

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David I Anson (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom

Date: 17 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Mitutoyo (U.K.) Limited

Statement of Comprehensive Income For the Year Ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	4	20,712	19,797
Cost of sales		(12,805)	(12,700)
Gross profit		<u>7,907</u>	<u>7,097</u>
Distribution costs		(4,673)	(4,927)
Administrative expenses		(2,324)	(2,565)
Other operating income	5	205	606
Operating profit	6	<u>1,115</u>	<u>211</u>
Unrealised (deficit)/gain on revaluation of fixed asset investments		(25)	51
Interest receivable and similar income		1	5
Interest payable and similar charges		(6)	(7)
Profit before tax		<u>1,085</u>	<u>260</u>
Tax on profit	10	(210)	(66)
Profit for the financial year		<u><u>875</u></u>	<u><u>194</u></u>
Other comprehensive income for the year			
Actuarial gain/(loss) on defined benefit pension scheme		249	(313)
Other comprehensive income/(loss) for the year		<u>249</u>	<u>(313)</u>
Total comprehensive income/(loss) for the year		<u><u>1,124</u></u>	<u><u>(119)</u></u>

The notes on pages 12 to 30 form part of these financial statements.

Mitutoyo (U.K.) Limited
Registered number: 01439214

Statement of Financial Position
As at 31 December 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Tangible assets	11		3,845		4,246
Investments	12		122		147
			<u>3,967</u>		<u>4,393</u>
Current assets					
Stocks	13	4,080		2,576	
Debtors: amounts falling due within one year	14	3,471		3,412	
Cash at bank and in hand		4,866		5,192	
		<u>12,417</u>		<u>11,180</u>	
Creditors: amounts falling due within one year	15	(3,739)		(3,595)	
Net current assets			<u>8,678</u>		<u>7,585</u>
Provisions for liabilities					
Deferred tax	16		(39)		-
Pension liability	19		(25)		(521)
Net assets			<u>12,581</u>		<u>11,457</u>
Capital and reserves					
Called up share capital	17		100		100
Capital redemption reserve	18		4,900		4,900
Profit and loss account	18		7,581		6,457
Total equity			<u>12,581</u>		<u>11,457</u>

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



16-3-2022

R Penny
Director

The notes on pages 12 to 30 form part of these financial statements.

Mitutoyo (U.K.) Limited

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

	Share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2021	100	4,900	6,457	11,457
Comprehensive income for the year				
Profit for the year	-	-	875	875
Actuarial gains on defined benefit pension scheme	-	-	313	313
Taxation in respect of items of other comprehensive income	-	-	(64)	(64)
Other comprehensive income for the year	-	-	249	249
Total comprehensive income for the year	-	-	1,124	1,124
At 31 December 2021	100	4,900	7,581	12,581

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

	Share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2020	100	4,900	6,576	11,576
Comprehensive income for the year				
Profit for the year	-	-	194	194
Actuarial losses on pension scheme	-	-	(313)	(313)
Other comprehensive loss for the year	-	-	(313)	(313)
Total comprehensive income for the year	-	-	(119)	(119)
At 31 December 2020	100	4,900	6,457	11,457

The notes on pages 12 to 30 form part of these financial statements.

Mitutoyo (U.K.) Limited

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

1. General information

Mitutoyo (U.K.) Limited is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are disclosed in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

These financial statements are for Mitutoyo (UK) Limited entity only results. The results of the subsidiary (Note 11) are not included as the subsidiary is dormant.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest thousand.

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on the going concern basis, as the directors have prepared detailed budgets for a period of at least 12 months from the date of signing the accounts. This shows that the company is expected to be able to meet all its liabilities as they fall due. However, it is acknowledged that COVID-19 has had a profound impact on the global and UK economy and businesses.

The directors have produced a detailed going concern stress test for the company. The conclusion of this stress test is that the business could sustain a loss of more than 30% of turnover versus our current projections for the period to 31 March 2023, excluding further cost reductions and other mitigating actions. Such a loss of business would still result in the company maintaining an estimated cash balance of nearly £1.5m.

The company continues to hold significant cash reserves and is expected to remain in a strong financial position during the forecast period and further strengthen its financial position during 2022 and 2023. The directors are confident of being able to trade for a period of at least 12 months from the approval of the financial statements and the directors have therefore concluded that it is appropriate for the financial statements to be prepared on a going concern basis.

Mitutoyo (U.K.) Limited

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

2. Accounting policies (continued)

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Mitutoyo Corporation as at 31 December 2021 and these financial statements may be obtained from Ministry of Finance, Tokyo, Japan.

2.4 Revenue

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

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied: usually upon dispatch;

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

Rendering of services

Revenue from service provision streams such as the provision of maintenance contracts is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Mitutoyo (U.K.) Limited

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

2. Accounting policies (continued)

2.5 Tangible fixed assets

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

Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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

Depreciation is provided on the following basis:

Freehold property and leasehold buildings	-	40 years/remaining useful life
Long-term leasehold land	-	over period of lease
Plant, office fixtures and fittings and equipment	-	4 - 5 years
Motor vehicles	-	3 years
Showroom and warehouse fixtures and fittings	-	5 years

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

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

2.6 Valuation of investments

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

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price. The impairment loss is recognised immediately in profit or loss.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment.

Mitutoyo (U.K.) Limited

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

2. Accounting policies (continued)

2.9 Cash at bank and in hand

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.10 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

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

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate when fair value was determined.

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

Foreign exchange gains and losses that relate to cash are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'administrative expenses'.

Mitutoyo (U.K.) Limited

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

2. Accounting policies (continued)

2.13 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.

2.14 Operating leases: the company as lessor

Annual rentals received under these leases are credited to the profit or loss on a straight-line basis over the term of the lease.

2.15 Operating leases: the company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.16 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

Mitutoyo (U.K.) Limited

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

2. Accounting policies (continued)

Defined benefit pension plan

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

The liability or asset recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which obligations are to be settled. The carrying value of any resulting pension scheme asset is restricted to the extent that the company is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

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

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in accordance with FRS 102 chapter 28.10.

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

- a) The increase in net pension benefit liability arising from employee service during the period; and
- b) The cost of plan introductions, benefit changes, curtailments and settlements.

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

2.17 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the statement of comprehensive income in the same period as the related expenditure.

Income from the Coronavirus Job Retention Scheme has been accounted for in accordance with the above.

2.18 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

Mitutoyo (U.K.) Limited

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

2. Accounting policies (continued)

2.19 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.20 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

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

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

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

The preparation of the financial statements requires the company to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses. The company bases its estimates and judgements on historical experience and various other assumptions that it considers to be reasonable. Actual results may differ from the estimates under different assumptions or conditions.

Stock valuations: as stocks are carried at the lower of cost and net realisable value (see note 13) this requires the estimation of the eventual sales price of goods to customers in the future. A degree of judgement is applied when estimating the impact on the carrying value of stock of factors such as slow moving items, damage and obsolescence. The quantity, age and condition of stock is regularly assessed and stock counts undertaken during the year.

Mitutoyo (U.K.) Limited

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

3. Judgements in applying accounting policies (continued)

Estimated pension liabilities: the company operates a defined benefit pension scheme, in accordance with the accounting policy stated above. The future pension liabilities that will arise and the expected return on scheme assets are based upon various assumptions such as mortality rates, investment returns, GMP impact and future inflation. The calculations require the use of estimates (see note 19).

Tangible fixed assets: Tangible fixed assets (see note 11), 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 projected disposal values.

4. Turnover

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

	2021 £000	2020 £000
Sale of goods	16,425	15,707
Provision of maintenance and servicing	4,287	4,090
	<u>20,712</u>	<u>19,797</u>

Analysis of turnover by country of destination:

	2021 £000	2020 £000
United Kingdom	19,669	18,877
Rest of Europe	280	270
Rest of the World	763	650
	<u>20,712</u>	<u>19,797</u>

5. Other operating income

	2021 £000	2020 £000
Other income	11	33
Warehousing recharge	81	188
Coronavirus Job Retention Scheme	113	385
	<u>205</u>	<u>606</u>

Mitutoyo (U.K.) Limited

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

6. Operating profit

The operating profit is stated after charging/(crediting):

	2021 £000	2020 £000
Defined benefit pension scheme administration costs	57	38
Depreciation of tangible fixed assets - owned assets	573	624
Loss/(gain) on disposal of fixed assets	22	(40)
Operating lease rentals	394	370
Exchange differences	(47)	174
Defined contribution pension cost	574	669
	<u>574</u>	<u>669</u>

7. Auditor's remuneration

	2021 £000	2020 £000
Fees payable to the company's auditor for the audit of the company's annual financial statements	53	51
	<u>53</u>	<u>51</u>
Fees payable to the company's auditor and its associates in respect of:		
Other non-audit services supplied pursuant to such legislation	-	9
Taxation compliance and advisory services	12	25
	<u>12</u>	<u>34</u>

Mitutoyo (U.K.) Limited

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

8. Employees

Staff costs were as follows:

	2021 £000	2020 £000
Wages and salaries	5,043	5,383
Cost of defined contribution scheme	574	669
Social security costs	554	559
	<u>6,171</u>	<u>6,611</u>

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

	2021 No.	2020 No.
Office and management	21	38
Services and repairs	40	33
Sales and distribution	54	55
	<u>115</u>	<u>126</u>

9. Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	326	314
Company contributions to defined contribution pension schemes	23	22
	<u>349</u>	<u>336</u>

The highest paid director received remuneration of £194k (2020 - £145k).

There were 2 directors in the group's defined contribution scheme (2020 - 2). 2 of the directors accrued benefits under the group's defined benefit pension scheme during the year (2020 - 2).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £16k (2020 - £11k).

Mitutoyo (U.K.) Limited

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

10. Taxation

	2021 £000	2020 £000
Corporation tax		
Current tax on profits for the year	197	51
Adjustments in respect of previous periods	(6)	28
Total current tax	191	79
Deferred tax		
Origination and reversal of timing differences	22	(32)
Adjustments in respect of prior periods	8	19
Effect of tax rate change on opening balance	(11)	-
Total deferred tax	19	(13)
Taxation on profit on ordinary activities	210	66

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 -higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	1,085	260
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 -19%)	206	49
Effects of:		
Expenses not deductible for tax purposes, other than impairment	9	26
Adjustments to tax charge in respect of prior periods	(6)	28
Adjustments to tax charge in respect of prior periods - deferred tax	8	19
Movements on deferred tax	9	(1)
Adjustment to pension scheme brought forward	-	(55)
Fixed asset differences	28	-
Adjustments in respect of timing differences	(44)	-
Total tax charge for the year	210	66

Mitutoyo (U.K.) Limited

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

10. Taxation (continued)

Factors that may affect future tax charges

The Finance Act 2021 was substantially enacted in May 2021 and has increased the corporation tax rate to from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

For further information on deferred tax balances see note 16.

11. Tangible fixed assets

	Freehold property £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2021	5,219	7,006	752	12,977
Additions	-	173	35	208
Disposals	-	(276)	(78)	(354)
At 31 December 2021	5,219	6,903	709	12,831
Depreciation				
At 1 January 2021	2,050	6,082	599	8,731
Charge for the year	115	364	94	573
Disposals	-	(243)	(75)	(318)
At 31 December 2021	2,165	6,203	618	8,986
Net book value				
At 31 December 2021	3,054	700	91	3,845
At 31 December 2020	3,169	924	153	4,246

The net book value of land and buildings may be further analysed as follows:

	2021 £000	2020 £000
Long leasehold	2,101	2,177
Freehold	953	992
	3,054	3,169

Mitutoyo (U.K.) Limited

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

12. Fixed asset investments

	Listed investments £000
Cost or valuation	
At 1 January 2021	147
Movement in fair value	(25)
At 31 December 2021	<u>122</u>
Net book value	
At 31 December 2021	<u>122</u>
At 31 December 2020	<u>147</u>

Subsidiary undertakings

The following is a subsidiary undertaking of the company:

Name	Class of shares	Holding	Principal activity
MGT The Gaugemakers Limited	Ordinary	100%	Dormant

The registered address of the above subsidiary is West Point Business Park, Andover, Hampshire, SP10 3UX.

13. Stocks

	2021 £000	2020 £000
Finished goods and goods for resale	<u>4,080</u>	<u>2,576</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

Mitutoyo (U.K.) Limited

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

14. Debtors: amounts falling due within one year

	2021 £000	2020 £000
Trade debtors	2,958	2,664
Amounts owed by group undertakings	107	23
Other debtors	-	1
Prepayments and accrued income	406	587
Deferred taxation	-	44
Finance lease receivable	-	93
	3,471	3,412

15. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	443	466
Amounts owed to group undertakings	1,413	1,261
Corporation tax	121	52
Other taxation and social security	842	769
Other creditors	11	41
Accruals and deferred income	909	1,006
	3,739	3,595

16. Deferred taxation

	2021 £000
At beginning of year	44
Credited to other comprehensive income	(64)
Credited to profit or loss	(19)
At end of year	(39)

Mitutoyo (U.K.) Limited

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

16. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	2021 £000	2020 £000
Accelerated capital allowances	(39)	(55)
Short term timing differences	-	99
	<u>(39)</u>	<u>44</u>

17. Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
100,000 (2020 -100,000) ordinary shares of £1 each	<u>100</u>	<u>100</u>

18. Reserves

The company's capital and reserves are as follows:

Share capital

Called up share capital represents the nominal value of the shares issued.

Capital redemption reserve

The capital redemption reserve contains the nominal value of own shares that have been acquired by the company and cancelled.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid.

Mitutoyo (U.K.) Limited

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

19. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £574k (2020 - £669k). Contributions totalling £Nil (2020 - £Nil) were payable to the fund at the statement of financial position date.

The company also operates a Defined Benefit Pension Scheme, the Mitutoyo (UK) Limited Retirement and Death Benefit Scheme, to provide retirement benefits for its current and previous employees.

The value of the liabilities has been calculated by adjusting and updating the results of the 31 March 2020 scheme funding valuation.

The scheme is funded by payment of contributions from the company to a trustee administered fund. Benefits were built up in the fund on a final salary basis. The scheme was closed to new accruals from 31 December 2005, the serving employees have all joined the company's defined contribution pension scheme, consequently the current service cost is £Nil.

There were no changes to the scheme during the year.

Reconciliation of present value of plan liabilities:

	2021 £000	2020 £000
At beginning of the year	(7,205)	(6,953)
Interest expense	(100)	(137)
Actuarial gains/(losses)	71	(253)
Benefits paid	148	207
Losses due to benefit changes	-	(69)
Total plan liabilities	(7,086)	(7,205)

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income was £5,173k (2020 - £4,924k).

Composition of plan assets:

	2021 £000	2020 £000
Equities and other growth assets	2,983	2,571
Bonds	1,131	1,054
Insured pensions	2,876	2,989
Cash	71	70
Total plan assets	7,061	6,684

Mitutoyo (U.K.) Limited

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

19. Pension commitments (continued)

	2021 £000	2020 £000
Fair value of plan assets	7,061	6,684
Present value of plan liabilities	(7,086)	(7,205)
Net pension scheme liability	(25)	(521)

The amounts recognised in the Statement of Comprehensive Income are as follows:

	2021 £000	2020 £000
Included in administrative expenses:		
Administration costs	57	38
Total	57	38

Reconciliation of fair value of plan assets was as follows:

	2021 £000	2020 £000
Opening fair value of scheme assets	6,684	6,622
Return on plan assets excluding interest income	242	(60)
Contributions by the employer	240	235
Interest income on plan assets	94	132
Benefits paid	(199)	(245)
	7,061	6,684

	2021 £000	2020 £000
Analysis of actuarial gain/(loss) recognised in Other Comprehensive Income		
Actual return less interest income included in net interest income	242	(60)
Experience gains and losses arising on the scheme liabilities	(52)	186
Changes in assumptions underlying the present value of the scheme liabilities	123	(439)
	313	(313)

Mitutoyo (U.K.) Limited

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

19. Pension commitments (continued)

Principal actuarial assumptions at the statement of financial position date:

	2021	2020
	%	%
Discount rate	1.80	1.40
Consumer Price Inflation	2.90	2.40
Retail Price Inflation	3.50	3.00
	3.50	3.00

The pensioner mortality rate for the year is 110% of SAPS S3, CMI 2019 projections, 1.25% (2020 - 90% of SAPS S2, CMI 2018 projections, 1.25%).

	2021	2020
	£000	£000
Experience adjustments on scheme liabilities	(52)	186
	(52)	186

The company expects to contribute £240k to its Defined Benefit Pension Scheme in 2022.

20. Commitments under operating leases

At 31 December 2021 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021	2020
	£000	£000
Not later than 1 year	133	204
Later than 1 year and not later than 5 years	91	173
Later than 5 years	1,397	1,413
	1,621	1,790

Mitutoyo (U.K.) Limited

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

21. Finance leases

The company acts as a lessor providing measurement equipment, under such contracts the company has annual committed lease revenue of:

	2021 £000	2020 £000
Within one year	-	93
	<u>-</u>	<u>93</u>

22. Capital commitments

	2021 £000	2020 £000
Contracted for but not provided in these financial statements	4	52
	<u>4</u>	<u>52</u>

23. Related party disclosures

The company is a subsidiary of Mitutoyo Europe GmbH incorporated in Germany. The ultimate parent company and controlling party is Mitutoyo Corporation, incorporated in Japan. The largest and smallest group in which the results of the company are consolidated is that headed by Mitutoyo Corporation. The consolidated accounts of this company are available to the public and may be obtained from the Ministry of Finance, Tokyo, Japan.