

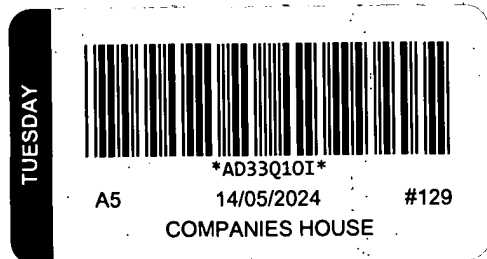
Mitutoyo (U.K.) Limited

Annual Report and Financial Statements

Year Ended

31 December 2023

Company Number 01439214



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 2023

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2023.

Business review

Turnover increased in 2023 to £26.6m from £24.4m in the previous year, and this resulted in an increase in gross profit from £8.4m (restated) to £10m. Pre-tax profits increased from £779k (restated) to £1.9m.

Sales to customers in our main markets (UK and Republic of Ireland) continued to rebound in 2023 following a sharp fall during the Covid-19 pandemic. We have seen growth in sales in most sectors in which we operate, including those that were particularly affected by the pandemic such as aerospace. We have been seeing a more positive outlook from our customers, with a greater demand for capital equipment, a higher level of enquiries, resulting in a growing order book. However, high interest rates and borrowing costs have impacted some of the demand resulting in a steady return to growth rather than a pre-pandemic bounce back.

Due to initiatives undertaken by the management, some of the inflationary pressures that continued to persist during 2023 were mitigated. However, inflation continues to be a key focus of the management; profit margins and overhead costs are closely monitored, and the business is ready to undertake further measures should the need arise.

During the pandemic Mitutoyo UK's parent company, Mitutoyo Corporation, undertook significant capital investment in its facilities and production lines to increase output and improve efficiencies in production. There was some limited disruption to the company's supply chain until the new production lines were fully operational, however by the end of 2022 this had been mostly overcome. In 2023, back orders that were carried over were fulfilled and lead times normalised.

The directors are positive about the outlook for 2024, starting the year with increasing sales enquiries and a growing order book. We expect to achieve sales growth in 2024, as more certainty and confidence returns to our customers and the wider UK economy.

In the short term, the company does not foresee a significant reduction in inflation or interest rates. There is still also uncertainty concerning conflicts around the world and global supply chains. The company will maintain its strategy of reviewing its prices, expenditure, income, and profit margins to be able to react to market conditions. In 2024, the company is investing in solar panels at its Andover HQ and more vehicle charging points, which will result in a significant reduction in the company's carbon footprint and will help to mitigate the impact of energy inflation, as the company's fixed energy contracts will have expired. The company will also investigate other green initiatives, including the rollout of solar panels at its various sites in the UK to ensure that the company's impact on the environment is minimalised and to reduce the impact of energy price fluctuations on its business.

Mitutoyo (U.K.) Limited

Strategic Report (continued) For the Year Ended 31 December 2023

Key performance indicators

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

	2023 £'000	Restated 2022 £'000
Turnover	26,578	24,382
Gross profit	10,035	8,398
Operating profit	1,820	796
Profit on ordinary activities before taxation	1,890	779
Profit after tax	1,781	507
Revenue per employee	231	216
	%	%
Current assets as a % of current liabilities	288	252

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

Turnover has increased by 9% against the previous year, a rebound to growth, which the directors consider positive considering the wider global circumstances. The company expects to maintain steady growth in 2024.

The company reviews its gross profit margin and operating margin, as both contribute towards profit. The company achieved a gross profit margin of 38% (2022 - 34%) and an operating profit margin of 7% (2022 - 3%). The key factors influencing the profit margins were an increase in capital equipment sales and after sales services.

Other indicators: revenue per employee increased by 7% due to the improvements made by the directors in workforce efficiency, and the current ratio increased from 2.5 to 2.9 still 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 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.

Mitutoyo (U.K.) Limited

Strategic Report (continued)
For the Year Ended 31 December 2023

Principal risks and uncertainties (continued)

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.

Liquidity risk

The Board receives 15-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 2025 and still maintain a strong cash balance 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 that rising costs and high inflation represent, and as such steering the company through this situation remains a top priority. Where at all possible the directors have attempted to mitigate those risks by undertaking 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 and investigating green energy investments.

Employees

Some long serving employees are due to retire, succession plans are in place 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.



R Penny
Director

Date: 30/4/24

Mitutoyo (U.K.) Limited

Directors' Report For the Year Ended 31 December 2023

The directors present their report together with the audited financial statements for the year ended 31 December 2023.

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 £1,781k (2022 restated - £507k).

A dividend of £Nil was paid during the year (2022 - £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 2023.

Mitutoyo (U.K.) Limited

Directors' Report (continued) For the Year Ended 31 December 2023

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 the steps 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.

This report was approved by the board on 30/4/2024 and signed on its behalf.



R Penny
Director

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 2023 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 (U.K.) Limited ("the company") for the year ended 31 December 2023 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

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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the applicable accounting framework and UK tax legislation.

The company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to Health and Safety legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

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 (continued)

Based on our risk assessment, we considered the areas most susceptible to fraud to be revenue recognition and management override of controls.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Assessing significant estimates made by management for bias, such as stock valuations and estimated pension liabilities.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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 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.

DocuSigned by:

David T Anson

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David T Anson (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom
03 May 2024

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 2023

	Note	2023 £000	Restated 2022 £000
Turnover	5	26,578	24,382
Cost of sales		(16,543)	(15,984)
Gross profit		10,035	8,398
Distribution costs		(5,646)	(5,299)
Administrative expenses		(2,608)	(2,324)
Other operating income	6	39	21
Operating profit	7	1,820	796
Unrealised deficit on revaluation of fixed asset investments		(2)	(28)
Interest receivable and similar income	11	76	11
Interest payable and similar charges	12	(4)	-
Profit before tax		1,890	779
Tax on profit	13	(109)	(272)
Profit for the financial year		1,781	507
Other comprehensive deficit for the year			
Actuarial loss on defined benefit pension scheme		(194)	(177)
Other comprehensive deficit for the year		(194)	(177)
Total comprehensive income for the year		1,587	330

The notes on pages 13 to 30 form part of these financial statements.

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

Statement of Financial Position
As at 31 December 2023

	Note	2023 £000	2023 £000	Restated 2022 £000	Restated 2022 £000
Fixed assets					
Tangible assets	14		3,814		3,649
Investments	15		92		94
			<u>3,906</u>		<u>3,743</u>
Current assets					
Stocks	16	5,948		4,915	
Debtors: amounts falling due within one year	17	4,025		4,147	
Cash at bank and in hand		6,044		5,861	
		<u>16,017</u>		<u>14,923</u>	
Creditors: amounts falling due within one year	18	(5,552)		(5,911)	
Net current assets			10,465		9,012
Provisions for liabilities					
Deferred tax	19		(55)		(26)
Net assets			14,316		12,729
Capital and reserves					
Called up share capital	20		100		100
Capital redemption reserve	21		4,900		4,900
Profit and loss account	21		9,316		7,729
Total equity			14,316		12,729

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30/4/24.



R Penny
Director

The notes on pages 13 to 30 form part of these financial statements.

Mitutoyo (U.K.) Limited

Statement of Changes in Equity For the Year Ended 31 December 2023

	Share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2023 (restated)	100	4,900	7,729	12,729
Comprehensive income for the year				
Profit for the year	-	-	1,781	1,781
Actuarial loss on pension scheme	-	-	(194)	(194)
Other comprehensive deficit for the year	-	-	(194)	(194)
Total comprehensive income for the year	-	-	1,587	1,587
At 31 December 2023	100	4,900	9,316	14,316

Statement of Changes in Equity For the Year Ended 31 December 2022

	Share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2022 (restated)	100	4,900	7,399	12,399
Comprehensive income for the year				
Profit for the year	-	-	507	507
Actuarial loss on pension scheme	-	-	(177)	(177)
Other comprehensive deficit for the year	-	-	(177)	(177)
Total comprehensive income for the year	-	-	330	330
At 31 December 2022 (restated)	100	4,900	7,729	12,729

The notes on pages 13 to 30 form part of these financial statements.

Mitutoyo (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

1. General information

Mitutoyo (U.K.) Limited is a private company limited by shares 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 (U.K.) Limited as an entity only and not those of the consolidated group. The results of the subsidiary (note 15) are not included as the subsidiary is immaterial to the group and 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.

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 May 2025, excluding further cost reductions and other mitigating actions.

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 2024 and 2025. 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 2023

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); and
- 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 2023 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.

Revenue for the sale of large items such as coordinate measuring machines is recognised on installation.

Revenue for the sale of small tools is recognised when possession of the goods passes to the buyer. This usually occurs on dispatch.

Rendering of services

Revenue for service provision streams such as the provision of maintenance contracts is recognised on a straight-line basis over the specified period of the contract.

Mitutoyo (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

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	- 40 years/remaining useful life
Plant and machinery	- 4 - 5 years
Motor vehicles	- 3 - 4 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 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 the statement of comprehensive income for the period.

Investments in subsidiaries are measured at cost less accumulated impairment.

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. Work in progress and finished goods include labour and attributable overheads.

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 the statement of comprehensive income.

2.8 Debtors

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

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.

Mitutoyo (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

2. Accounting policies (continued)

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'.

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 statement of comprehensive income on a straight-line basis over the term of the lease.

Mitutoyo (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

2. Accounting policies (continued)

2.15 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the statement of comprehensive income 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.

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. 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.

The cost of the defined benefit plan, recognised in the statement of comprehensive income 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 the statement of comprehensive income as a 'finance expense'.

Mitutoyo (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

2. Accounting policies (continued)

2.17 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.

2.18 Interest income

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

2.19 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 statement of financial position 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 16) 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 2023

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 and future inflation. The calculations require the use of estimates (see note).

Tangible fixed assets: Tangible fixed assets (see note 14), 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. Prior period adjustment

During the year the directors identified an error in relation to items with a value of £629,282 that were held in stock at the previous balance sheet date that should have been released to cost of sales. An adjustment has been made to the comparative figures to reduce stock by £629,282 from £5,544,000 to £4,915,000 and increase cost of sales by £447,415 from £15,537,000 to £15,984,000. Gross profit decreased from £8,845,000 to £8,398,000. Operating profit, profit before tax, profit for the financial year and total comprehensive income for the year have all subsequently reduced by £447,415 from the amounts previously presented. The retained profit and loss account brought forward at 1 January 2022 has decreased by £181,867 from £7,581,000 to £7,399,000.

5. Turnover

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

	2023 £000	2022 £000
Sale of goods	21,164	19,335
Provision of maintenance and servicing	5,414	5,047
	<u>26,578</u>	<u>24,382</u>

Analysis of turnover by country of destination:

	2023 £000	2022 £000
United Kingdom	21,665	20,695
Rest of Europe	3,765	2,589
Rest of the World	1,148	1,098
	<u>26,578</u>	<u>24,382</u>

Mitutoyo (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

6. Other operating income

	2023 £000	2022 £000
Sundry income	39	21

7. Operating profit

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

	2023 £000	2022 £000
Defined benefit pension scheme administration costs	51	41
Depreciation of tangible fixed assets	517	538
Loss/(gain) on disposal of fixed assets	71	(6)
Operating lease rentals	517	390
Exchange differences	62	99

8. Auditor's remuneration

	2023 £000	2022 £000
Fees payable to the company's auditor for the audit of the company's financial statements	65	62

	2023 £000	2022 £000
Fees payable to the company's auditor in respect of:		
Accounts preparation services	1	1
Taxation compliance services	16	13
Taxation advisory services	23	14
Other non-audit services	9	8

Mitutoyo (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

9. Employees

Staff costs were as follows:

	2023 £000	2022 £000
Wages and salaries	6,097	5,408
Cost of defined contribution scheme	481	451
Social security costs	754	639
	<u>7,332</u>	<u>6,498</u>

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

	2023 No.	2022 No.
Office and management	18	18
Production and repairs	40	39
Sales and distribution	57	56
	<u>115</u>	<u>113</u>

10. Directors' remuneration

	2023 £000	2022 £000
Directors' emoluments	421	362
Company contributions to defined contribution pension schemes	24	21
	<u>445</u>	<u>383</u>

The highest paid director received remuneration of £250k (2022 - £211k).

There were 2 directors in the group's defined contribution scheme (2022 - 2). 2 of the directors accrued benefits under the group's defined benefit pension scheme during the year (2022 - 2).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £14k (2022 - £12k).

Mitutoyo (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

11. Interest receivable

	2023 £000	2022 £000
Other interest receivable	76	11
	76	11

12. Interest payable and similar expenses

	2023 £000	2022 £000
Other interest payable	4	-
	4	-

13. Taxation

	2023 £000	2022 £000
Corporation tax		
Current tax on profits for the year	203	228
Adjustments in respect of previous periods	(123)	57
Total current tax	80	285
Deferred tax		
Origination and reversal of timing differences	26	8
Adjustments in respect of prior periods	3	(24)
Effect of tax rate change on opening balance	-	3
Total deferred tax	29	(13)
Taxation on profit on ordinary activities	109	272

Mitutoyo (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2022 - higher than) the standard rate of corporation tax in the UK of 23.5% (2022 - 19%). The differences are explained below:

	2023	Restated
	£000	2022
		£000
Profit on ordinary activities before tax	1,890	779
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.5% (2022 - 19%)	444	148
Effects of:		
Expenses not deductible for tax purposes	13	18
Adjustments to tax charge in respect of prior periods	(123)	57
Adjustments to tax charge in respect of prior periods - deferred tax	3	(23)
Other tax adjustments, reliefs and transfers	(219)	85
Fixed asset differences	35	18
Adjustment to brought forward values	(46)	(33)
Remeasurement of deferred tax for changes in tax rates	2	2
Total tax charge for the year	109	272

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 19.

Country by Country Reporting – BEPS Pillar Two

The company is part of the Mitutoyo Group and will fall within the scope of Pillar Two reporting requirements from 2024. The company has prepared an effective tax rate (ETR) calculation using the GloBE rules and believes there will be no additional tax exposure.

Mitutoyo (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

14. Tangible fixed assets

	Freehold property £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2023	5,219	7,029	735	12,983
Additions	-	327	359	686
Disposals	-	(94)	(246)	(340)
At 31 December 2023	<u>5,219</u>	<u>7,262</u>	<u>848</u>	<u>13,329</u>
Depreciation				
At 1 January 2023	2,280	6,434	620	9,334
Charge for the year	115	315	87	517
Disposals	-	(90)	(246)	(336)
At 31 December 2023	<u>2,395</u>	<u>6,659</u>	<u>461</u>	<u>9,515</u>
Net book value				
At 31 December 2023	<u>2,824</u>	<u>603</u>	<u>387</u>	<u>3,814</u>
At 31 December 2022	<u>2,939</u>	<u>595</u>	<u>115</u>	<u>3,649</u>

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

	2023 £000	2022 £000
Long leasehold	1,948	2,025
Freehold	876	914
	<u>2,824</u>	<u>2,939</u>

Mitutoyo (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

15. Fixed asset investments

	Listed investments £000
Cost or valuation	
At 1 January 2023	94
Movement in fair value	(2)
At 31 December 2023	<u>92</u>
Net book value	
At 31 December 2023	<u>92</u>
At 31 December 2022	<u>94</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.

16. Stocks

	2023 £000	Restated 2022 £000
Finished goods and goods for resale	<u>5,948</u>	<u>4,915</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 2023

17. Debtors: amounts falling due within one year

	2023 £000	2022 £000
Trade debtors	3,458	3,700
Amounts owed by group undertakings	37	6
Corporation tax	20	-
Prepayments and accrued income	510	441
	<u>4,025</u>	<u>4,147</u>

18. Creditors: amounts falling due within one year

	2023 £000	2022 £000
Trade creditors	116	384
Amounts owed to group undertakings	1,798	2,951
Corporation tax	-	148
Other taxation and social security	1,063	1,370
Other creditors	363	6
Accruals and deferred income	2,212	1,052
	<u>5,552</u>	<u>5,911</u>

19. Deferred taxation

	2023 £000
At beginning of year	26
Charged to profit or loss	29
At end of year	<u><u>55</u></u>

The provision for deferred taxation is made up as follows:

	2023 £000	2022 £000
Accelerated capital allowances	<u>55</u>	<u>26</u>

Mitutoyo (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

20. Share capital

	2023 £000	2022 £000
Allotted, called up and fully paid		
100,000 ordinary shares of £1 each	100	100

21. 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.

22. 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 £481k (2022 - £451k). Contributions totalling £Nil (2022 - £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.

Mitutoyo (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

22. Pensions commitments (continued)

Reconciliation of present value of plan liabilities:

	2023 £000	2022 £000
At the beginning of the year	(5,340)	(7,086)
Interest expense	(260)	(123)
Actuarial gains	54	1,412
Benefits paid	250	457
Total plan liabilities	(5,296)	(5,340)

Reconciliation of fair value of plan assets was as follows:

	2023 £000	2022 £000
Opening fair value of scheme assets	5,815	7,061
Return on plan assets	46	(1,114)
Contributions by the employer	241	241
Interest income on plan assets	289	125
Benefits and administrative expenses paid from scheme assets	(301)	(498)
	6,090	5,815

Composition of plan assets:

	2023 £000	2022 £000
Equities and other growth assets	-	2,296
Bonds	3,346	745
Insured pensions	2,674	2,763
Cash	70	11
Total plan assets	6,090	5,815

Mitutoyo (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

22. Pension commitments (continued)

	2023 £000	2022 £000
Fair value of plan assets	6,090	5,815
Present value of plan liabilities	(5,296)	(5,340)
Effect of asset ceiling	(794)	(475)
Net pension scheme liability	-	-

The amounts recognised in the statement of comprehensive income are as follows:

	2023 £000	2022 £000
Included in administrative expenses:		
Administration costs	51	41
Total	51	41

Analysis of actuarial loss recognised in Other Comprehensive Deficit

	2023 £000	2022 £000
Actual return less interest income included in net interest income	46	(1,114)
Experience gains and losses arising on the scheme liabilities	(9)	(1,611)
Changes in assumptions underlying the present value of the scheme liabilities	63	3,023
Change in asset ceiling	(294)	(475)
	(194)	(177)

Mitutoyo (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

22. Pension commitments (continued)

Principal actuarial assumptions at the statement of financial position date:

	2023	2022
	%	%
Discount rate	4.8	5.00
Consumer Price Inflation	3.2	3.30
Retail Price Inflation	2.7	2.70

The pensioner mortality rate for the year is 110% of SAPS S3, CMI 2021 projections, 1.25% (2022 - 110% of SAPS S3, CMI 2021 projections, 1.25%).

The company expects to contribute £241k to its Defined Benefit Pension Scheme in 2024 (2022 - £241k).

23. Commitments under operating leases

At 31 December 2023 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023	2022
	£000	£000
Not later than 1 year	303	68
Later than 1 year and not later than 5 years	537	125
Later than 5 years	1,193	1,382
	<u>2,033</u>	<u>1,575</u>

24. Capital commitments

	2023	2022
	£000	£000
Contracted for but not provided in these financial statements	<u>140</u>	<u>125</u>

25. 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.