Company Registration No. 03230332 (England and Wales)

TAYLOR HOBSON LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

TAYLOR HOBSON LIMITED

COMPANY INFORMATION

Directors	C Howarth B P Wilson P Zetti
Secretary	L Carino
Company number	03230332
Registered office	PO Box 36 2 New Star Road Leicester LE4 9JQ
Auditors	Ernst & Young LLP No 1 Colmore Square Birmingham B4 6HQ
Business addresses	PO Box 36 2 New Star Road Leicester LE4 9JQ Hackworth Industrial Park Shildon County Durham DL4 1LH

TAYLOR HOBSON LIMITED

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TAYLOR HOBSON LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their strategic report and financial statements for the year ended 31 December 2019.

The company's key financial indicators for the year were as follows:

	2019 £'000	2018 £'000	Change %
Turnover	69,063	57,379	20.36
Operating profit	11,082	7,262	52.60
Operating profit as % of sales	16.05%	12.66%	
Net current assets	24,904	18,241	36.53
Total equity	31,709	25,681	23.47

Results at the Leicester division are favourable with turnover increasing by 10.0%, and operating profit increasing by 22.4% versus 2018 on a like for like basis, having removed foreign exchange and the £4,100,000 in respect of group overhead charges in 2019. Profit before interest and tax showed a decline of £1,760,000, down 16.9% due to the impact of group overhead charges. Increased turnover related primarily to increased sales to the USA and Japan, while sales in Europe declined following a good year in 2018. Distribution costs increased from 2018 largely in line with sales volumes due to increased sales and service support. Administration costs increased marginally year-on-year on a like for like basis due to cost saving activities offsetting inflation and headcount increases, having adjusted for foreign exchange movements. Including group overhead charges, administration costs increased by £4,100,000 GBP, or 166.1% versus 2018.

The company continues to pursue opportunities to improve its working capital by working with customers and suppliers to improve payment terms where possible and reducing inventory within production requirements.

Turnover for 2019 for the Solartron ISA division increased by 128% driven by the timing of contracts and an increase in demand for products. Solartron ISA continued to receive large orders from a worldwide customer base as confidence within the industry strengthened. Profits increased by 328% (loss in 2018) due to increased turnover and demand and aided by effective cost measures.

Principal risks and uncertainties

The company operates in a competitive global environment. We continue to focus on the quality and reliability of our products and services to give good value. We constantly review our margins to ensure that we remain good value.

Financial Instruments

Financial risk management

The company's principal financial instruments comprise trade debtor, trade creditor and inter-company balances. The company does not enter into derivative transactions and it is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the company's financial instruments is foreign currency risk.

Foreign currency risk

The company has transactional and translational currency exposures arising from sales and purchases in foreign currencies. It is AMETEK group policy not to actively hedge against foreign currency transactions and balances. However, management monitor and mitigate this risk through active working capital management in respect of foreign currency transactions and cash and bank balances held in currencies other than sterling.

S172(1) statement

The Directors promote the success of the company and its subsidiary (Solartron Metrology Ltd) for the benefit of the sole shareholder and that of the shareholders of its ultimate parent (AMETEK Inc) while taking into account, amongst other matters, the following:

- Long-term consequences – by preparing 5-year strategic plans as well as short term forecasts, all of which are discussed with and approved by Divisional and Group Management
- Interests of company employees – see statement headed "Employee Involvement" in the Directors' Report
- Relationships with suppliers, customers and others – by agreeing contracts and terms of trade with, rather than imposing on, our trading partners to ensure they are mutually beneficial. See also our Payment Practices reports at www.gov.uk/check-when-businesses-pay-invoices
- The impact on the community and the environment– see statement headed "Community & Environment" in the Directors' Report
- The desirability of maintaining a high reputation for standards of business conduct – including overseeing an annual reporting and certification process to ensure all relevant employees are aware of the high standards set in this regard and a mechanism to notify the company of any shortcomings, including a "whistle-blowing" hotline.

On behalf of the board

BP Wilson

B P Wilson
Director
25 November 2020

Company Registration No. 03230332

The directors present their report for the year ended 31 December 2019.

Principal activities
The principal activities of the company are the design, manufacture, distribution and after sales service of ultra precision measurement instruments and the design and manufacture of flow measurement devices for the oil and gas industry.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

C Howarth
B P Wilson
P Zetti

Directors' insurance
AMETEK Inc. has indemnified directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and remains in place to the date of this report.

Results and dividends
The results for the year are set out on page 10.

Dividends amounting to £11,715,000 were distributed for the year ended 31 December 2019 (2018: £31,328,000).

Going Concern
The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and details of the company's exposure to risk are described in the strategic report on page 1. As noted on pages 10 and 12 respectively, the Company has generated a profit after tax of £18,785,000 for the year-ended 31 December 2019 and has net current assets of £24,904,000 and net assets of £31,709,000 at this date.

In assessing whether the financial statements should be prepared on a going concern basis the Directors have considered the impact of COVID-19 on the Company. In this regard, the Directors note the Company operates in both diverse geographic markets and diverse industries and has a wide customer base.

As the COVID-19 pandemic arrived first in China in Q1 and then spread more globally, the company saw a fall-off in orders. The company quickly moved to adapt to the evolving situation, tightening credit terms, slowing the supply chain while taking action to protect critical supplies, and taking numerous other actions to protect its balance sheet and cash position. At the end of March 2020, the UK, along with much of the Western World went into some sort of a lockdown and the company ceased production for several weeks and had most staff on a temporary furlough. Since then, management accounts show that the company has traded profitably every month, sales levels have recovered well, and cash generation has been positive.

While the Directors anticipate that full year 2020 sales will be materially below 2019 sales, the company has adjusted its staffing levels to suit the current demand levels and the Directors anticipate reporting good profit and cash flow for 2020. As always, there is some future uncertainty but current trading is solid, the prospect list for future orders matches the current size of the business and the Directors believe that they are well placed to exploit future upside opportunities and to once again respond to any significant downturns.

The Directors' have stress tested the forecasts for the remainder of 2020 and for 2021 noting the most significant factor impacting the cash inflows for the Company is the level of revenues being generated. These stress tests show that, without any further management actions to mitigate costs, a fall in forecast revenues of more than one third would be required over 12 months from the date of approval of these financial statements for the Company to run out of liquid funds. This fall in revenues represents a significant reduction in forecast revenues for the next 12 months as well as a reduction in actual and forecast revenues for the year-ended 31 December 2020. Furthermore, the Directors would not tolerate such a fall in revenue without taking further measures to reduce costs in the business.

The Company's subsidiary Solartron Metrology has also traded profitably through the pandemic and the Company does not anticipate having to provide operational funding to its subsidiary. Likewise, the Company's ultimate parent, AMETEK Inc, has also performed favourably through the pandemic and has significant undrawn credit lines. The financial statements for AMETEK Inc are publicly available at www.ametek.com.

The Directors' overall assessment is that the economic impact of COVID-19, while significant, has not impacted the longer-term viability or sustainability of the Company. The Directors assess that with the Company's customer, industry and market diversification alongside its innovative and modem product lines, the Company is well positioned to continue business and can effectively overcome future market shocks, which the Company has proven in its performance during the months since the World Health Organisation declared COVID-19 a global pandemic.

On the basis of their assessment, including the factors detailed above, the Directors have concluded it is appropriate for the Company's 2019 financial statements to be prepared on a going concem basis.

Future developments
2020 has been significantly impacted by Covid-19, but a key influence on future growth in the Leicester division will be the ability to penetrate new and existing markets with recently launched and upcoming new products while protecting market share in existing products and markets. Coupled with the focus on cost management, the directors are confident that sales growth and increased profitability are possible in future despite the setback of the Covid-19 pandemic during 2020.

During 2019 the oil price continued to recover from the relatively low prices of the past three years, a factor which has led to the Solartron ISA Division's core customers to gain more confidence in developing new fields. Enquiry and order activity increased throughout the year, as customer confidence in the oil price continues. In addition, the Management is confident that the Division's supply to the maintenance of the oil and gas sector will continue to develop.

Market value of land and buildings
In the opinion of the directors the market value of freehold land and buildings is not considered to be materially different to the net book value as disclosed in the notes to the financial statements.

Financial instruments
Details of financial instruments are provided in the strategic report on page 1.

Research and development
The company continues an active programme of research and development in all areas of its activities, with the constant review of existing products and development of new products being an integral part of the programme. During the year, the company spent £4,064,000 (2018: £3,747,000).

Disabled persons
Employment policies are designed to provide equal opportunity, irrespective of age, sex, religion, race or marital status. Applications for employment by disabled persons are given full and fair consideration and, where practicable, provision is made for special needs. The company applies the same criteria to disabled employees for training, career development and promotion as to any other employee. If existing employees become disabled, every effort is made to ensure their continued employment.

Employee involvement
It is the company's policy to keep employees fully informed of matters affecting them as employees and to make them aware of the financial and economic factors influencing company performance. Encouragement is given to employees to contribute towards the company's financial performance by means of an annual bonus scheme for certain employees.

Community and environment
The group is fully committed to pursuing the best environmental practice and conducting its activities in a way that fully recognises its responsibilities to the environment. As part of this, the company's environmental management system has obtained ISO14001 accreditation since 2002.

Post reporting date events
The company has declared and paid interim dividends amounting to £8,932,000 and has received interim dividends amounting to £3,746,000 in respect of the year ending 31 December 2020 since 31 December 2019.

On 11 March 2020, the World Health Organization declared a pandemic relating to COVID 19. As outlined in note 1.2, the directors have considered the impact of COVID 19 risk factors in the Going Concern assessment over a period of twelve months after signing these financial statements.

The Company's defined benefit pension scheme is also exposed to the impact of this pandemic through fluctuations in the pension scheme asset values and also changes in financial assumptions used to determine the pension scheme obligations. Given the complexity of the situation, its rapid evolution and the risk of a second wave of the pandemic, it is not practicable as of the date of approval of these financial statements to reliably make a quantified estimate of the potential impact on the Company related to the accounting surplus/ (deficit) of the Company's defined benefit pension scheme due to the impact of COVID-19.

Auditor
The auditor, Ernst & Young LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

B P Wilson

B P Wilson
Director
25 November 2020

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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.
- 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TAYLOR HOBSON LIMITED

Opinion

We have audited the financial statements of Taylor Hobson Limited (the 'company') for the year ended 31 December 2019 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and related notes 1 to 29, 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of matter - Effects of COVID 19

We draw attention to Notes 1.2 and 27 of the financial statements, which describe the economic and social consequences the company is facing as a result of COVID-19 which is impacting supply chains, customers, and financial markets. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF TAYLOR HOBSON LIMITED

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF TAYLOR HOBSON LIMITED

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://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.

Ernst & Young LLP

Stephen Kirk (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Birmingham

25th November 2020

TAYLOR HOBSON LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Turnover	3	69,063	57,379
Cost of sales		(33,398)	(30,309)
Gross profit		35,665	27,070
Distribution costs		(15,563)	(15,288)
Administrative expenses		(9,206)	(4,728)
Other operating income		186	208
Operating profit	4	11,082	7,262
Interest receivable and similar income	7	9,862	16,397
Interest payable and similar expenses	8	(586)	(521)
Profit before taxation		20,358	23,138
Taxation	9	(1,573)	(582)
Profit for the financial year	23	18,785	22,556

The income statement has been prepared on the basis that all operations are continuing operations.

TAYLOR HOBSON LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £'000	2018 £'000
Profit for the year		18,785	22,556
Other comprehensive income			
Actuarial loss on defined benefit pension scheme	20	(1,668)	(245)
Tax credit related to actuarial loss		284	42
Other comprehensive loss for the year		(1,384)	(203)
Total comprehensive income for the year		17,401	22,353

TAYLOR HOBSON LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Goodwill	11		1,590		1,886
Other intangible assets	11		2,901		4,307
Total intangible assets			4,491		6,193
Tangible assets	12		4,441		4,343
Investments	13		19,931		19,931
			28,863		30,467
Current assets					
Stocks	14	9,375		7,747	
Debtors	15	20,026		16,989	
Cash at bank and in hand		11,393		8,577	
		40,794		33,313	
Creditors: amounts falling due within one year	17	(15,890)		(15,072)	
Net current assets			24,904		18,241
Total assets less current liabilities			53,767		48,708
Creditors: amounts falling due after more than one year	18		(2,762)		(6,301)
Provisions for liabilities	19		(19,296)		(16,726)
Net assets			31,709		25,681
Capital and reserves					
Called up share capital	21		5,150		5,150
Share premium account	22		7,900		7,900
Profit and loss reserves	23		18,659		12,631
Total equity			31,709		25,681

The financial statements were approved by the board of directors and authorised for issue on 25 November 2020 and are signed on its behalf by:

BP Wilson

B P Wilson
Director

Company Registration No. 03230332

TAYLOR HOBSON LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £'000	Share premium account £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2018		5,150	7,900	21,273	34,323
Year ended 31 December 2018:					
Profit for the year		-	-	22,556	22,556
Other comprehensive income:					
Actuarial loss on defined benefit plans		-	-	(245)	(245)
Tax relating to other comprehensive income		-	-	42	42
Total comprehensive income for the year		-	-	22,353	22,353
Dividends	10	-	-	(31,328)	(31,328)
Credit to equity for equity settled share-based payments		-	-	333	333
Balance at 31 December 2018		5,150	7,900	12,631	25,681
Year ended 31 December 2019:					
Profit for the year		-	-	18,785	18,785
Other comprehensive income:					
Actuarial loss on defined benefit plans		-	-	(1,668)	(1,668)
Tax relating to other comprehensive income		-	-	284	284
Total comprehensive income for the year		-	-	17,401	17,401
Dividends	10	-	-	(11,715)	(11,715)
Credit to equity for equity settled share-based payments		-	-	342	342
Balance at 31 December 2019		5,150	7,900	18,659	31,709

1 Accounting policies

Company information
Taylor Hobson Limited is a private company limited by shares incorporated in England and Wales. The registered office is PO Box 36, 2 New Star Road, Leicester, LE4 9JQ.

1.1 Accounting convention
These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006. The financial statements were approved for issue on the date shown on the statement of financial position.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared on the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

Reduced disclosures

The accounts of Taylor Hobson Limited have taken advantage of the following disclosure exemptions under FRS 102:
- The requirement to present a statement of cash flows and related notes,
- financial instrument disclosures, including:
    - categories of financial instruments,
    - items of income, expenses, gains or losses relating to financial instruments and;
    - exposure to and management of financial risks
- share based payment disclosures, including:
    - a description of each type of share based payment arrangement that has existed and;
    - details of exercises and vests during the period
- related party transaction disclosures, including (i) transactions with wholly owned subsidiaries of the AMETEK Inc group and (ii) disclosures related to key management remuneration.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Taylor Hobson Limited is a wholly owned subsidiary of AMETEK Inc and the results of Taylor Hobson Limited are included in the consolidated financial statements of AMETEK Inc which are available from PO Box 36, 2 New Star Road, Leicester, LE4 9JQ.

1.2 Going concern
The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and details of the company's exposure to risk are described in the strategic report on page 1. As noted on pages 10 and 12 respectively, the Company has generated a profit after tax of £18,785,000 for the year-ended 31 December 2019 and has net current assets of £24,904,000 and net assets of £31,709,000 at this date.

In assessing whether the financial statements should be prepared on a going concern basis the Directors have considered the impact of COVID-19 on the Company. In this regard, the Directors note the Company operates in both diverse geographic markets and diverse industries and has a wide customer base.

1 Accounting policies **(Continued)**

As the COVID-19 pandemic arrived first in China in Q1 and then spread more globally, the company saw a fall-off in orders. The company quickly moved to adapt to the evolving situation, tightening credit terms, slowing the supply chain while taking action to protect critical supplies, and taking numerous other actions to protect its balance sheet and cash position. At the end of March 2020, the UK, along with much of the Western World went into some sort of a lockdown and the company ceased production for several weeks and had most staff on a temporary furlough. Since then, management accounts show that the company has traded profitably every month, sales levels have recovered well, and cash generation has been positive.

While the Directors anticipate that full year 2020 sales will be materially below 2019 sales, the company has adjusted its staffing levels to suit the current demand levels and the Directors anticipate reporting good profit and cash flow for 2020. As always, there is some future uncertainty but current trading is solid, the prospect list for future orders matches the current size of the business and the Directors believe that they are well placed to exploit future upside opportunities and to once again respond to any significant downturns.

The Directors' have stress tested the forecasts for the remainder of 2020 and for 2021 noting the most significant factor impacting the cash inflows for the Company is the level of revenues being generated. These stress tests show that, without any further management actions to mitigate costs, a fall in forecast revenues of more than one third would be required over 12 months from the date of approval of these financial statements for the Company to run out of liquid funds. This fall in revenues represents a significant reduction in forecast revenues for the next 12 months as well as a reduction in actual and forecast revenues for the year-ended 31 December 2020. Furthermore, the Directors would not tolerate such a fall in revenue without taking further measures to reduce costs in the business.

The Company's subsidiary Solartron Metrology has also traded profitably through the pandemic and the Company does not anticipate having to provide operational funding to its subsidiary. Likewise, the Company's ultimate parent, AMETEK Inc, has also performed favourably through the pandemic and has significant undrawn credit lines. The financial statements for AMETEK Inc are publicly available at www.ametek.com.

The Directors' overall assessment is that the economic impact of COVID-19, while significant, has not impacted the longer-term viability or sustainability of the Company. The Directors assess that with the Company's customer, industry and market diversification alongside its innovative and modern product lines, the Company is well positioned to continue business and can effectively overcome future market shocks, which the Company has proven in its performance during the months since the World Health Organisation declared COVID-19 a global pandemic.

On the basis of their assessment, including the factors detailed above, the Directors have concluded it is appropriate for the Company's 2019 financial statements to be prepared on a going concern basis.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. In the case of goods, invoices are raised on delivery to and, where required, formal acceptance by customers.

1 Accounting policies **(Continued)**

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill shall be considered to have a finite useful life, and shall be amortised on a systematic basis over its life, which is currently estimated to be 20 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is subsequently reversed if, and only if, the reasons for the impairment loss have ceased to apply.

The goodwill above relates to the acquisition of the Solartron ISA business in 2005. The goodwill was considered to have a useful economic life of 20 years from the acquisition date and this is considered to remain appropriate.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Patents	6 years

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	40 years
Leasehold improvements	10 to 28 years
Plant and machinery	4 to 10 years
Loose tools	1 to 4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to the income statement.

1 Accounting policies **(Continued)**

1.7 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the income statement.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.8 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in the income statement. Reversals of impairment losses are also recognised in the income statement.

1 Accounting policies (Continued)

1.10 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs if the contract is obtained in a subsequent period.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

1.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial assets

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Other financial assets classified as fair value through the income statement are measured at fair value.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

1 Accounting policies **(Continued)**

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the income statement.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

1.13 Financial liabilities
Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Other financial liabilities classified as fair value through the income statement are measured at fair value.

Other financial liabilities
Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities
Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.14 Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.15 Taxation
The tax expense represents the sum of the current and deferred tax expense.

1 Accounting policies **(Continued)**

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.16 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision in measured at present value the unwinding of the discount is recognised as a finance cost in the income statement in the period it arises.

1.17 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.18 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.

1 Accounting policies **(Continued)**

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the income statement as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to the income statement in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

1.19 Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. No expense is recognised for awards that do not ultimately vest.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions that impact on the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement for the year (as part of wages and salaries) with a corresponding reserve transfer to the profit and loss reserve.

There are no non-equity settled share-based payments.

1.20 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.21 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

1.22 Research and Development

Research expenditure is written off to the income statement in the year in which it is incurred.

2 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The following are considered to have the most significant effect on the amounts recognised in the financial statements:

- Taxation - the determination of the amount of deferred tax assets that can be recognised, based on the likely level and timing of future profit.
- Stocks - the determination of provision required to ensure that inventories are recorded at the lower of cost and net realisable value.
- Fixed assets - the determination of whether impairment provisions are required to reduce the carrying value of tangible and intangible fixed assets.

3 Turnover

In the opinion of the directors, it would be seriously prejudicial to the interest of the company to provide an analysis of turnover by geographic market.

4 Operating profit

	2019 £'000	2018 £'000
Operating profit for the year is stated after charging/(crediting):		
Exchange gains/ (losses)	301	(81)
Research and development costs	4,064	3,747
Rents receivable	(29)	(29)
Fees payable to the company's auditors for the audit of the company's financial statements	95	142
Depreciation of owned tangible fixed assets	853	850
Amortisation of intangible assets	1,702	1,679
Cost of stocks recognised as an expense	24,600	21,158
Stocks impairment losses recognised or reversed	(35)	(7)
Operating lease charges	855	867

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Production	123	118
Engineering	38	39
Sales and Marketing	49	47
Administration	26	30
	236	234

5 Employees **(Continued)**

Their aggregate remuneration comprised:

	2019	2018
	£'000	£'000
Wages and salaries	10,762	10,890
Social security costs	1,440	1,278
Pension costs	1,729	3,035
	13,931	15,203

Included in wages and salaries is a total expenses for share-based payments in relation to equity-settled transactions of £342,000 (2018: £333,000), of which £166,000 (2018: £247,000) relates to restricted shares and £176,000 (2018: £86,000) relates to share options.

6 Directors' remuneration

	2019	2018
	£'000	£'000
Remuneration for qualifying services	747	867
Company pension contributions to defined contribution schemes	40	39

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2018 - 3).

The number of directors who exercised share options during the year was 1 (2018 - 2).

The number of directors who received shares under long term incentive schemes during the year was 2 (2018 - 3).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019	2018
	£'000	£'000
Remuneration for qualifying services	455	581
Company pension contributions to defined contribution schemes	10	10

The highest paid director has exercised share options during the year.
The highest paid director has received shares under a long term incentive scheme during the year.

P Zetti is a director based in Italy within the AMETEK group and does not provide any qualifying services to Taylor Hobson Limited.

7 Interest receivable and similar income

	2019 £'000	2018 £'000
Interest income		
Interest on bank deposits	31	22
Other interest income	1	3
Total interest revenue	32	25
Income from fixed asset investments		
Income from shares in group undertakings	9,830	16,372
Total interest receivable and similar income	9,862	16,397

8 Interest payable and similar expenses

	2019 £'000	2018 £'000
Interest payable to group undertakings	124	176
Net interest on the defined benefit liability	462	345
Total interest payable	586	521

9 Taxation

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on profits for the current period	1,423	758
Adjustments in respect of prior periods	78	3
Total UK current tax	1,501	761
Overseas taxation	3	4
Total current tax	1,504	765
Deferred tax		
Origination and reversal of timing differences	216	187
Deferred tax on defined benefit pension scheme	(147)	(370)
Total deferred tax	69	(183)
Total tax charge	1,573	582

9 Taxation (Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £'000	2018 £'000
Profit before taxation	20,358	23,138
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	3,868	4,396
Tax effect of expenses that are not deductible in determining taxable profit	147	88
Tax effect of income not taxable in determining taxable profit	(306)	(118)
Effect of changes in tax rates	(25)	(22)
Patent box deduction	(321)	(655)
Under/(over) provided in prior years	78	3
Dividend income not taxable	(1,868)	(3,110)
Taxation charge for the year	1,573	582

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2019 £'000	2018 £'000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	(284)	(42)

Factors that may affect future tax charge

The Company's profits for this accounting period are taxed at a rate of 19%. The standard rate of Corporation Tax was due to fall further to 17% with effect from 1 April 2020 and therefore closing deferred tax balances are stated at 17%. It was announced in the Budget on 11 March 2020 that the reduction to 17% will be reversed but as that change was not substantively enacted at the balance sheet date it is not reflected in these financial statements.

10 Dividends

	2019 £'000	2018 £'000
Ordinary dividend	11,715	31,328

11 Intangible fixed assets

	Goodwill	Patents	Total
	£'000	£'000	£'000
Cost			
At 1 January 2019 and 31 December 2019	5,788	8,434	14,222
Amortisation and impairment			
At 1 January 2019	3,902	4,127	8,029
Amortisation charged for the year	296	1,406	1,702
At 31 December 2019	4,198	5,533	9,731
Carrying amount			
At 31 December 2019	1,590	2,901	4,491
At 31 December 2018	1,886	4,307	6,193

12 Tangible fixed assets

	Land and buildings Freehold	Leasehold improvements	Plant and machinery	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2019	802	3,835	11,431	16,068
Additions	-	54	1,214	1,268
Disposals	-	(44)	(374)	(418)
Intra group transfers	-	(52)	(692)	(744)
At 31 December 2019	802	3,793	11,579	16,174
Depreciation and impairment				
At 1 January 2019	170	2,859	8,696	11,725
Depreciation charged in the year	18	137	698	853
Eliminated in respect of disposals	-	(44)	(372)	(416)
Intra group transfers	-	(29)	(400)	(429)
At 31 December 2019	188	2,923	8,622	11,733
Carrying amount				
At 31 December 2019	614	870	2,957	4,441
At 31 December 2018	632	976	2,735	4,343

Included within freehold land and buildings is land of £197,000 (2018: £197,000) which is not depreciated.

13 Fixed asset investments

	Notes	2019 £'000	2018 £'000
Investments in subsidiaries	28	19,931	19,931

Movements in fixed asset investments

	Shares in group undertakings £'000
Cost or valuation	
At 1 January 2019 & 31 December 2019	19,931

14 Stocks

	2019 £'000	2018 £'000
Raw materials and consumables	3,797	4,222
Work in progress	2,494	1,968
Finished goods and goods for resale	3,084	2,080
Payments received on account	-	(523)
	9,375	7,747

15 Debtors

Amounts falling due within one year:	2019 £'000	2018 £'000
Trade debtors	5,809	5,541
Gross amounts due from contract customers	5,109	778
Corporation tax recoverable	712	275
Amount due from fellow subsidiary undertaking	3,604	5,935
Other debtors	444	323
Prepayments and accrued income	761	765
	16,439	13,617
Deferred tax asset (note 16)	3,587	3,372
	20,026	16,989

16 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Balances:	Assets 2019 £'000	Assets 2018 £'000
Decelerated capital allowances	11	16
Other timing differences	23	21
Share based payments	138	159
Defined benefit pension scheme	3,222	2,791
Pension spreading	193	385
	3,587	3,372

Movements in the year:	2019 £'000
Asset at 1 January 2019	(3,372)
Net origination differences taken to income statement	69
Movement re pension scheme taken to other comprehensive income	(284)
Asset at 31 December 2019	(3,587)

The company expects deferred tax assets of £nil to reverse in 2020.

17 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank overdraft	2	-
Payments received on account	3,718	638
Trade creditors	5,235	5,111
Amounts due to fellow subsidiary undertakings	3,123	4,169
Other taxation and social security	415	487
Other creditors	364	398
Accruals and deferred income	3,033	4,269
	15,890	15,072

18 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Amounts due to fellow subsidiary undertakings	2,300	5,800
Deferred income	462	501
	2,762	6,301

£800,000 was paid in March 2020 in part settlement of the amounts due to fellow subsidiary undertakings.

19 Provisions for liabilities

	Notes	2019 £'000	2018 £'000
Other provisions		345	309
Retirement benefit obligations	20	18,951	16,417
		19,296	16,726

Movements on provisions apart from retirement benefits and deferred tax liabilities:

	£'000
At 1 January 2019	309
Additional provisions in the year	647
Utilisation of provision	(611)
At 31 December 2019	345

Other provisions comprise warranty provision £345,000 (2018: £309,000).

20 Retirement benefit schemes

Defined contribution schemes
The charge to the income statement in respect of defined contribution schemes was £714,000 (2018: £631,000).

Defined benefit schemes
The defined benefit scheme, covering some of the of UK employees (excluding Solartron ISA employees), was closed to new employees during the course of 2001.

Valuation
The most recent comprehensive actuarial valuation of the scheme was carried out as at 6 April 2019. The preliminary results of the 6 April 2019 valuation were updated by an independent qualified actuary to 31 December 2019 allowing for cashflows in and out of the scheme, some changes in the membership and changes to assumptions over the period.

20 Retirement benefit schemes **(Continued)**

Funding policy

The company expects to contribute 25.2% of pensionable salaries in respect of future accrual of benefits, but these contributions are expected to increase once the 6 April 2019 valuation is finalised, which will be by 5 July 2020. The company operates a salary sacrifice arrangement in respect of employees' pension contributions. For those active members that take part in the arrangement, the company will contribute an additional 5% pensionable salaries between 1 January 2020 and 31 December 2020.

The company expects to contribute £112,750 per month in respect of the funding shortfall from 1 February 2020, but these payments are likely to be revised following the conclusion of the 6 April 2019 valuation.

Key assumptions	**2019** %	**2018** %
Discount rate	2.10	2.85
Pension increases - RPI capped at 5% pa	2.90	3.10
Pension increases - RPI capped at 2.5% pa	2.10	2.10
Pension increases - CPI capped at 3% pa	1.80	1.90
Inflation assumption (RPI)	3.00	3.25
Inflation assumption (CPI)	2.10	2.25
Expected rate of salary increases	2.50	2.50

Mortality assumptions Assumed life expectations on retirement at age 65:	**2019** **Years**	**2018** **Years**
Retiring today		
- Males	21.10	22.20
- Females	24.10	24.20
Retiring in 20 years		
- Males	22.40	23.60
- Females	25.50	25.70

The post mortality table used in 2019 was 110% of S3PMA fo males and 100% of the S3PFA for females with CMI 2018 projections using long term improvement rate of 1.25% and in 2018 was a S2NA table for retirement in normal health for individual year of birth with CMI 2017 core model with long term improvement rate of 1.25%

Following the Government's announcement that statutory increases for pensions in deferment and in payment will in future be based on the Consumer Prices Index rather than the Retail Prices Index, allowance has been made for deferred pension revaluation in excess of GMP and increases in payment to post April 1988 GMP to be based on the Consumer Prices Index rather than the Retail Prices Index.

20 Retirement benefit schemes **(Continued)**

Amounts recognised in the income statement	2019 £'000	2018 £'000
Current service cost	803	765
Net interest on defined benefit liability	462	345
Past service costs	-	1,521
Other costs and income	202	118
Total costs	1,467	2,749

Amounts taken to other comprehensive income	2019 £'000	2018 £'000
(Gains) / losses on plan assets in excess of interest	(4,804)	3,011
Experience losses on liabilities	1,658	1,124
Gains from changes to demographic assumptions	(2,116)	(351)
Losses / (Gains) from changes to financial assumptions	6,930	(3,539)
Total costs	1,668	245

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	2019 £'000	2018 £'000
Present value of defined benefit obligations	67,616	60,023
Fair value of plan assets	(48,665)	(43,606)
Deficit in scheme	18,951	16,417
Total liability recognised	18,951	16,417

20 Retirement benefit schemes **(Continued)**

Movements in the present value of defined benefit obligations	2019 £'000	2018 £'000
Liabilities at 1 January 2019	60,023	60,897
Money purchase liabilities at 1 January 2019	(1,429)	(1,508)
Current service cost	803	765
Past service cost	-	1,521
Benefits paid	(1,590)	(1,829)
Contributions from scheme members	50	51
Actuarial losses and (gains)	6,472	(2,766)
Interest cost	1,648	1,463
Money purchase liabilities at 31 December 2019	1,639	1,429
At 31 December 2019	67,616	60,023

Movements in the fair value of plan assets	2019 £'000	2018 £'000
Fair value of assets at 1 January 2019	43,606	46,904
Money purchase assets at 1 January 2019	(1,429)	(1,508)
Interest income	1,186	1,118
Return on plan assets (excluding amounts included in net interest)	4,804	(3,011)
Benefits paid	(1,590)	(1,829)
Contributions by the employer	601	570
Contributions by scheme members	50	51
Money purchase assets at 31 December 2019	1,639	1,429
Other	(202)	(118)
At 31 December 2019	48,665	43,606

20 Retirement benefit schemes (Continued)

Fair value of plan assets at the reporting period end	2019 £'000	2018 £'000
Equity instruments	21,438	17,662
Bonds	9,938	9,316
Cash	280	-
Other assets (including target return funds)	15,370	15,199
Money purchase assets	1,639	1,429
	48,665	43,606

Other assets includes the scheme's investments in diversified growth funds

21 Share capital

	2019 £'000	2018 £'000
Ordinary share capital		
Allotted, issued and fully paid		
5,150,001 Ordinary shares of £1	5,150	5,150

22 Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

23 Profit and loss reserves

This account includes all current and prior period retained profits and losses.

24 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £'000	2018 £'000
Within one year	790	746
Between two and five years	2,245	2,232
In over five years	3,021	5,245
	6,056	8,223

25 Financial commitments, guarantees and contingent liabilities

Bank guarantees given in the normal course of business and outstanding at 31 December 2019 amounted to £1,254,000 (2018: £1,239,000). The guarantees would crystalise if, for example, the company defaulted on delivery of goods to a customer who had paid in advance. This possibility is considered to be remote.

26 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2019 £'000	2018 £'000
Acquisition of tangible fixed assets	274	408

27 Events after the reporting date

The company has declared and paid interim dividends amounting to £8,932,000 and has received interim dividends amounting to £3,746,000 in respect of the year ending 31 December 2020 since 31 December 2019.

On 11 March 2020, the World Health Organization declared a pandemic relating to COVID 19. As outlined in note 1.2, the directors have considered the impact of COVID 19 risk factors in the Going Concern assessment over a period of twelve months after signing these financial statements.

The Company's defined benefit pension scheme is also exposed to the impact of this pandemic through fluctuations in the pension scheme asset values and also changes in financial assumptions used to determine the pension scheme obligations. Given the complexity of the situation, its rapid evolution and the risk of a second wave of the pandemic, it is not practicable as of the date of approval of these financial statements to reliably make a quantified estimate of the potential impact on the Company related to the accounting surplus/(deficit) of the Company's defined benefit pension scheme due to the impact of COVID-19.

The Directors are aware of the High Court ruling regarding GMP equalisation made in November 2020 and are working with the Schemes Trustees and Advisors to calculate the impact of this on the Company.

28 Subsidiaries

These financial statements are separate company financial statements for Taylor Hobson Limited.

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking and address of registered office		Class of shareholding	% Held Direct
Solartron Metrology Limited	PO Box 36, 2 New Star Road, Leicester LE4 9JQ England	Ordinary	100

Solartron Metrology Limited is involved in the manufacture and sale of sensor measurement products.

29 Ultimate controlling party

The immediate parent company is AMETEK Instruments Group UK Limited, a company registered in England and Wales.

The ultimate parent company is AMETEK Inc, a company incorporated in the United States Of America. AMETEK Inc. prepares group financial statements which include the company and are the smallest and largest consolidated accounts that the company is included in, copies of which can be obtained from P O Box 36, 2 New Star Road, Leicester LE4 9JQ.