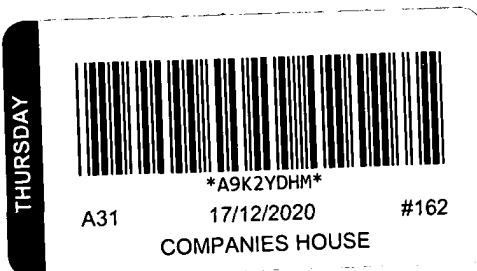


Company Registration No. 04220056 (England and Wales)

SOLARTRON METROLOGY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



SOLARTRON METROLOGY LIMITED

COMPANY INFORMATION

Directors

B P Wilson
T C Bache
P Zetti

Secretary

L Carino

Company number

04220056

Registered office

PO Box 36
2 New Star Road
Leicester
LE4 9JQ

Auditors

Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

Business address

Steyning Way
Southern Cross Industrial Estate
Bognor Regis
West Sussex
PO22 9ST

SOLARTRON METROLOGY LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 5
Directors' responsibilities statement	6
Independent auditor's report	7 - 9
Income statement	10
Statement of comprehensive income	11
Statement of financial position	12
Statement of changes in equity	13
Notes to the financial statements	14 - 28

SOLARTRON METROLOGY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Review of the business

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

	2019	2018	Change
	£'000	£'000	%
Turnover	24,185	27,477	(11.98)
Operating profit	7,636	11,887	(35.76)
Operating profit as a % of sales	31.57%	43.26%	-
Net current assets	6,076	7,529	(19.30)
Total equity	9,040	11,124	(18.73)

2019 results showed a 12% drop in sales revenue as the company was impacted by the global slowdown and a slowdown within the automotive sector, which remains the largest market sector for Solarton Metrology. As the product margins are high, with a large proportion of the cost base being largely fixed, the operating profit from the lower sales fell by 36% to £7,636,000.

To mitigate the slow-down in sales of pencil probes, development around niche products has been accelerated. The company has a wide range of niche products, for which demand remains strong and this is an area where future development is being focussed.

Principal risks and uncertainties

The company operates in a competitive global environment. Customers can switch to competitor products if they judge that the competitor product offers better value. We continue to focus on the quality and reliability of our products to give good value over the product life and to monitor competitor activity to maintain our competitiveness.

The company is impacted by exchange fluctuations, especially of the Euro and USD, but we continue to mitigate this as far as possible by increasing the proportion of purchases made in these currencies to reduce our overall exposure.

In addition, the directors have also considered the specific new risks arising from the COVID 19 pandemic.

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. The company has translational currency exposures arising from sales and purchases in foreign currencies. It is AMETEK Group policy not to hedge against foreign currency transactions and balances in subsidiary operations.

SOLARTRON METROLOGY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

S172(1) statement

The Directors promote the success of the company 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.
- 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



B P Wilson

Director

25 November 2020

SOLARTRON METROLOGY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Company Registration No. 04220056

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

Principal activities

The principal activity of the company continued to be that of the manufacture and sale of sensor measurement products.

Results and dividends

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

The total distribution of dividends for the year ended 31 December 2019 was £9,830,000 (2018: £16,372,000).

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 £7,669,000 for the year-ended 31 December 2019 and has net current assets of £6,076,000 and net assets of £9,040,000 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 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.

SOLARTRON METROLOGY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

Directors

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

B P Wilson
T C Bache
P Zetti

Directors' insurance

AMETEK Inc. has indemnified all 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.

Financial instruments

Details of financial instruments are set out 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 its programme.

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 company is fully committed to pursuing the best environmental practice and conducting its activities in a way that fully recognises its responsibilities to the environment.

Post reporting date events

The company has declared and paid dividends amounting to £3,746,000 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.

Auditor

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

SOLARTRON METROLOGY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Director

25 November 2020

SOLARTRON METROLOGY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

SOLARTRON METROLOGY LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SOLARTRON METROLOGY LIMITED

Opinion

We have audited the financial statements of Solartron Metrology 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 25 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 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, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 24 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.

SOLARTRON METROLOGY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SOLARTRON METROLOGY LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

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.

SOLARTRON METROLOGY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SOLARTRON METROLOGY 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.


David Brown (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Reading

25/11/2020

SOLARTRON METROLOGY LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Turnover	3	24,185	27,477
Cost of sales		(9,562)	(10,410)
Gross profit		14,623	17,067
Distribution costs		(3,412)	(3,453)
Administrative expenses		(3,575)	(1,727)
Operating profit	4	7,636	11,887
Interest receivable and similar income	8	39	22
Profit before taxation		7,675	11,909
Taxation	9	(6)	(120)
Profit for the financial year		7,669	11,789

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

SOLARTRON METROLOGY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £'000	2018 £'000
Profit for the year	7,669	11,789
Other comprehensive income	-	-
Total comprehensive income for the year	<u>7,669</u>	<u>11,789</u>

SOLARTRON METROLOGY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Goodwill	11	788	1,382
Tangible assets	12	2,186	2,222
		<u>2,974</u>	<u>3,604</u>
Current assets			
Stocks	13	1,352	1,593
Debtors	14	5,607	6,153
Cash at bank and in hand		1,539	1,944
		<u>8,498</u>	<u>9,690</u>
Creditors: amounts falling due within one year	16	<u>(2,422)</u>	<u>(2,161)</u>
Net current assets		6,076	7,529
Total assets less current liabilities		9,050	11,133
Provisions for liabilities	17	(10)	(9)
Net assets		<u>9,040</u>	<u>11,124</u>
Capital and reserves			
Called up share capital	18	6,000	6,000
Profit and loss reserves	20	3,040	5,124
Total equity		<u>9,040</u>	<u>11,124</u>

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:



B P Wilson
Director

Company Registration No. 04220056

SOLARTRON METROLOGY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £'000	Profit and loss reserve £'000	Total equity £'000
Balance at 1 January 2018		6,000	9,656	15,656
Profit for the year		-	11,789	11,789
Dividends	10	-	(16,372)	(16,372)
Equity settled share-based payments		-	51	51
Balance at 31 December 2018		6,000	5,124	11,124
Profit for the year		-	7,669	7,669
Dividends	10	-	(9,830)	(9,830)
Equity settled share-based payments		-	77	77
Balance at 31 December 2019		6,000	3,040	9,040

SOLARTRON METROLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Solartron Metrology 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 under the historical cost convention. The principal accounting policies adopted are set out below.

Reduced disclosures

The accounts of Solartron Metrology 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.

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 £7,669,000 for the year-ended 31 December 2019 and has net current assets of £6,076,000 and net assets of £9,040,000 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.

SOLARTRON METROLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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 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 Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding VAT and other sales taxes. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer, which is dependent on the specific customer agreements in place.

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 is considered to have a finite useful life, and is amortised on a systematic basis over the estimated useful life of the goodwill.

The goodwill recorded relates to the acquisition of the Solartron Metrology business in 2001. 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

Patents

Patents are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives.

SOLARTRON METROLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.6 Tangible fixed assets

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

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

Freehold property	over 30 years
Plant and machinery	over 10 years
Fixtures, fittings & equipment	over 7 to 10 years
Computer equipment	over 3 years
Motor vehicles	over 3 years
Toolings and moulds	over 3 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 profit or loss.

1.7 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.

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.

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.

1.8 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

- Raw materials, consumables and goods for resale are stated at purchase cost on a first in, first out basis.
- Work in progress and finished goods are stated at cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

SOLARTRON METROLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.9 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.

1.10 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' or as 'amounts due from group undertakings', if appropriate. 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.

Impairment of financial assets

Financial assets, other than those held at fair value through the income statement, 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.

1.11 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.

SOLARTRON METROLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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.

1.12 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.

1.13 Taxation

The tax expense represents the sum of the current tax payable and deferred tax movements in the period.

Current tax

The current tax 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 liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

SOLARTRON METROLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.14 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 is measured at present value the unwinding of the discount is recognised as a finance cost in the income statement in the period it arises.

1.15 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.

1.16 Retirement benefits

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

1.17 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 statement of financial position 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.

1.18 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.

1.19 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.

SOLARTRON METROLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.20 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:

- Stocks – the determination of provision required to ensure that stock is recorded at the lower of cost and net realisable value.
- Fixed assets – the determination on whether impairment provisions are required to reduce the carrying value of tangible and intangible fixed assets.
- Warranty provision - the warranty provision is estimated based on current forecasts of the likely amount required to settle the liability.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

Turnover analysed by geographical market

	2019 £'000	2018 £'000
Europe	8,692	9,783
Asia	5,709	7,168
Americas (excluding USA)	1,734	1,434
USA	8,050	9,092
	<u>24,185</u>	<u>27,477</u>

4 Operating profit

	2019 £'000	2018 £'000
Operating profit is stated after charging/ (crediting):		
Exchange losses/(gains)	171	(136)
Depreciation of owned tangible fixed assets	397	365
(Loss)/profit on disposal of tangible fixed assets	-	(1)
Amortisation of intangible assets	594	594
Cost of stocks recognised as an expense	4,694	5,052
Research and development expenditure	835	960
Reversal of write downs of stocks recognised in the period	(2)	(1)
Hire of plant and machinery	26	33
	<u></u>	<u></u>

SOLARTRON METROLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

5 Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2019 £'000	2018 £'000
Fees payable to the company's auditors for the audit of the company's annual accounts	32	32

6 Employees

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

	2019 Number	2018 Number
Production staff	89	88
Engineering staff	10	11
Sales and Marketing staff	4	4
Administrative staff	9	9
	112	112

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	3,836	3,978
Social security costs	354	355
Pension costs	251	254
	4,441	4,587

Included in wages and salaries is a total expense for share-based payments in relation to equity-settled transactions of £77,000 (2018: £51,000), of which £44,000 (2018: £14,000) relates to restricted shares and £33,000 (2018: £37,000) relates to share options.

Further details of the share-based payment arrangements applicable are given in the group financial statements of the ultimate parent entity AMETEK Inc.

SOLARTRON METROLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

7	Directors' remuneration	2019 £'000	2018 £'000
	Remuneration for qualifying services	357	404
	Company pension contributions to defined contribution schemes	31	31
		<u> </u>	<u> </u>

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 2 (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 £'000	2018 £'000
Remuneration for qualifying services	244	257
Company pension contributions to defined contribution schemes	28	27
	<u> </u>	<u> </u>

The highest paid director has not 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 an Italy based director within the AMETEK group and does not provide any qualifying services to the company.

8	Interest receivable	2019 £'000	2018 £'000
	Interest income		
	Bank interest receivable	4	4
	Interest receivable from group companies	35	18
		<u> </u>	<u> </u>
	Total interest receivable	39	22
		<u> </u>	<u> </u>

9	Taxation	2019 £'000	2018 £'000
	Current tax		
	UK corporation tax on profits for the current period	3	130
		<u> </u>	<u> </u>
	Deferred tax		
	Origination and reversal of timing differences	3	(10)
		<u> </u>	<u> </u>
	Total tax charge	6	120
		<u> </u>	<u> </u>

SOLARTRON METROLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

9 Taxation

(Continued)

The actual charge for the year can be reconciled to the profit per the income statement as follows:

	2019 £'000	2018 £'000
Profit before taxation	7,675	11,909
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	1,458	2,263
Tax effect of income not taxable in determining taxable profit	(42)	(5)
Amortisation of intangible assets	121	121
Effect of change in tax rates	-	1
Group relief received for nil payment	(1,534)	(2,260)
Under provided in prior years	3	-
Taxation for the year	6	120

Factors that may affect the 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 dividends paid	9,830	16,372

SOLARTRON METROLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Intangible fixed assets

	Goodwill	Patents and trademarks	Total
	£'000	£'000	£'000
Cost			
At 1 January 2019 and 31 December 2019	11,870	1,600	13,470
Amortisation and impairment			
At 1 January 2019	10,488	1,600	12,088
Amortisation charged for the year	594	-	594
At 31 December 2019	11,082	1,600	12,682
Carrying amount			
At 31 December 2019	788	-	788
At 31 December 2018	1,382	-	1,382

12 Tangible fixed assets

	Freehold property	Fixtures, fittings & equipment	Plant and machinery	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2019	1,750	1,142	5,553	8,445
Additions	-	55	260	315
Intra group transfers	-	-	46	46
Disposals	-	(67)	(285)	(352)
At 31 December 2019	1,750	1,130	5,574	8,454
Accumulated depreciation and impairment				
At 1 January 2019	1,128	1,060	4,035	6,223
Charge for the year	42	26	329	397
Eliminated on disposal	-	(67)	(285)	(352)
At 31 December 2019	1,170	1,019	4,079	6,268
Carrying amount				
At 31 December 2019	580	111	1,495	2,186
At 31 December 2018	622	82	1,518	2,222

SOLARTRON METROLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

13 Stocks

	2019 £'000	2018 £'000
Raw materials and consumables	966	1,080
Work in progress	39	60
Finished goods and goods for resale	347	453
	<u>1,352</u>	<u>1,593</u>

14 Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade debtors	1,965	1,876
Amounts due from fellow subsidiary undertakings	2,173	2,202
Corporation tax recoverable	1,089	1,628
Other debtors	272	332
Prepayments and accrued income	41	45
Deferred tax asset (note 15)	67	70
	<u>5,607</u>	<u>6,153</u>

SOLARTRON METROLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

15 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2019 £'000	Assets 2018 £'000
Balances:		
Decelerated capital allowances	25	24
Other timing differences	42	46
	<u>67</u>	<u>70</u>
Movements in the year:		2019 £'000
Asset at 1 January 2019		(70)
Net origination differences taken to income statement		3
		<u>(67)</u>
Asset at 31 December 2019		<u>(67)</u>

The effect of future changes in tax rates is not considered to have a material effect on the deferred tax balance.

The company expects deferred tax liabilities of £3,000 to reverse in 2020.

16 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	951	1,037
Amounts due to fellow subsidiary undertakings	646	325
Other taxation and social security	141	95
Accruals and deferred income	684	704
	<u>2,422</u>	<u>2,161</u>

17 Provisions for liabilities

	2019 £'000	2018 £'000
Warranty provision	10	9
	<u>10</u>	<u>9</u>

SOLARTRON METROLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

17	Provisions for liabilities	(Continued)	
		2019	2018

Movements on provisions:

	£'000
At 1 January 2019	9
Additional provisions in the year	2
Utilisation of provision	(1)
At 31 December 2019	10

18	Share capital	2019	2018
		£'000	£'000
	Ordinary share capital Issued and fully paid		
	6,000,000 Ordinary Shares of £1 each	6,000	6,000

19 Retirement benefit schemes

The total costs charged to income in respect of defined contribution schemes was £251,000 (2018: £254,000).

20 Profit and loss reserves

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

21 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	2018
	£'000	£'000
Within one year	27	31
Between two and five years	31	24
	58	55

22 Financial commitments, guarantees and contingent liabilities

The company has issued bank guarantees to the value of £150,000 (2018: £150,000) in favour of HM Revenue and Customs.

SOLARTRON METROLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

23 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2019 £'000	2018 £'000
Acquisition of tangible fixed assets	37	40

24 Events after the reporting date

The company has declared and paid dividends amounting to £3,746,000 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.

25 Controlling party

The immediate parent company is Taylor Hobson Limited, a company registered in England and Wales.

The ultimate parent company and controlling party 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, and copies can be obtained from PO Box 36, 2 New Star Road, Leicester LE4 9JQ.