

Company Registration No. 03230332 (England and Wales)

TAYLOR HOBSON LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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TAYLOR HOBSON LIMITED

COMPANY INFORMATION

Directors	C Howarth B P Wilson P Zetti	(Appointed 27 April 2018)
Secretary	J Atwell	
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 address	PO Box 36 2 New Star Road Leicester LE4 9JQ	
Bankers	NatWest 1 Granby Street Leicester LE1 6EJ	
Solicitors	Freeths LLP 1 Colton Square Leicester LE1 1QH	

TAYLOR HOBSON LIMITED

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TAYLOR HOBSON LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their strategic report and financial statements for the year ended 31 December 2017.

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

	2017 £'000	2016 £'000	Change %
Turnover	60,151	49,330	21.94
Operating profit	13,563	8,249	64.42
Operating profit as % of sales	22.55%	16.72%	
Net current assets	22,788	17,290	31.80
Shareholders' funds	34,323	31,557	8.77

Results in our instruments division were excellent with reported sales up around 13%, whilst operating profits were up 28% on 2016. While these comparative results are assisted by the decline in rates seen since June 2016, we have also experienced healthy growth in underlying revenues which has driven excellent profit growth. The underlying sales growth in 2017 was dominated by an encouraging recovery in Europe following the contraction experienced in 2016. Distribution costs were up on 2016, in line with increased sales volumes with higher levels of travel and sales and service support, whilst administration costs were up primarily as a result of lower foreign exchange gains compared to 2016. Turnover for the year in our oil and gas division increased by 73% to £10.2m (2016 -£5.9m) mainly driven by the division handling its largest ever contract. In addition, the gradual improvement in the oil price and weakened £:\$ rate helped the division's customer base to start to invest in new projects as their confidence levels increased. Profit for the year was up 214% to £3.1m (2016: £1m) driven largely by strong cost controls.

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

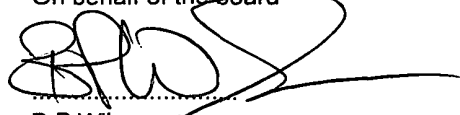
The company's principal financial instruments comprise trade debtor, trade creditor and inter-company balances. The company does not enter into derivative transactions and it is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken.

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.

On behalf of the board



B P Wilson
Director
21 May 2018

TAYLOR HOBSON LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

Company Registration No. 03230332

The directors present their report for the year ended 31 December 2017.

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:

D B Coley (Resigned 5 April 2018)

C Howarth

B P Wilson

P Zetti (Appointed 27 April 2018)

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 8.

Dividends amounting to £13,252,000 were distributed for the year ended 31 December 2017 (2016: £17,573,000).

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.

In view of the above and after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue operating for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Future developments

We anticipate that global economic conditions will remain uncertain with inconsistent performances across our market and regions. In spite of this, we expect our overall performance through 2018 to deliver modest growth on 2017 through product development, marketing and cost control initiatives.

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.

TAYLOR HOBSON LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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 £3,918,000 (2016: £3,535,000).

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.

Environment

The group is fully committed to pursuing the best environment 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 ISO 14001 accreditation since 2002.

Post reporting date events

The company has declared and paid interim dividends amounting to £13,637,000 and has received interim dividends amounting to £8,000,000 in respect of the year ending 31 December 2018 since 31 December 2017.

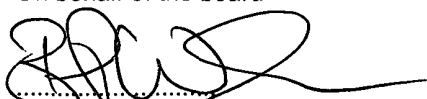
Auditor

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

Director

21 May 2018

TAYLOR HOBSON LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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.

TAYLOR HOBSON LIMITED

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 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 2017 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.

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.

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.

TAYLOR HOBSON LIMITED

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 set out on page 4, 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.

TAYLOR HOBSON LIMITED

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.

Helen McLeod-Jones (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Birmingham

Ernst & Young LLP
24 May 2018

TAYLOR HOBSON LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Turnover	3	60,151	49,330
Cost of sales		(27,185)	(24,534)
Gross profit		32,966	24,796
Distribution costs		(13,856)	(12,903)
Administrative expenses		(5,683)	(3,725)
Other operating income		136	81
Operating profit	4	13,563	8,249
Interest receivable and similar income	7	3,990	8,018
Interest payable and similar expenses	8	(563)	(257)
Profit before taxation		16,990	16,010
Taxation	9	(2,134)	(1,180)
Profit for the financial year	23	14,856	14,830

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 2017

		2017 £'000	2016 £'000
Profit for the year		14,856	14,830
Other comprehensive income			
Actuarial gain /(loss) on defined benefit pension scheme	20	739	(11,394)
Movement of taxation relating to pension liability		(9)	1,786
Other comprehensive income / (loss) for the year		730	(9,608)
Total comprehensive income for the year		15,586	5,222

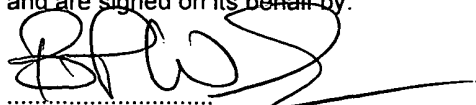
TAYLOR HOBSON LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Goodwill	11	2,182	2,465
Other intangible assets	11	5,156	6,473
Total intangible assets		7,338	8,938
Tangible assets	12	4,285	4,335
Investments	13	19,931	19,931
		31,554	33,204
Current assets			
Stocks	14	7,446	6,934
Debtors	15	17,081	13,758
Cash at bank and in hand		11,391	6,310
		35,918	27,002
Creditors: amounts falling due within one year	17	(13,130)	(9,712)
Net current assets		22,788	17,290
Total assets less current liabilities		54,342	50,494
Creditors: amounts falling due after more than one year	18	(5,800)	-
Provisions for liabilities	19	(14,219)	(18,937)
Net assets		34,323	31,557
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	21,273	18,507
Total equity		34,323	31,557

The financial statements were approved by the board of directors and authorised for issue on 21 May 2018 and are signed on its behalf by:



B P Wilson
Director

Company Registration No. 03230332

TAYLOR HOBSON LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Share capital £'000	Share premium account £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2016		5,150	7,900	30,535	43,585
Year ended 31 December 2016:					
Profit for the year		-	-	14,830	14,830
Other comprehensive income:					
Actuarial loss on defined benefit plans		-	-	(11,394)	(11,394)
Tax relating to other comprehensive income		-	-	1,786	1,786
Total comprehensive income for the year		-	-	5,222	5,222
Dividends	10	-	-	(17,573)	(17,573)
Credit to equity for equity settled share-based payments		-	-	323	323
Balance at 31 December 2016		5,150	7,900	18,507	31,557
Year ended 31 December 2017:					
Profit for the year		-	-	14,856	14,856
Other comprehensive income:					
Actuarial gain on defined benefit plans		-	-	739	739
Tax relating to other comprehensive income		-	-	(9)	(9)
Total comprehensive income for the year		-	-	15,586	15,586
Dividends	10	-	-	(13,252)	(13,252)
Credit to equity for equity settled share-based payments		-	-	432	432
Balance at 31 December 2017		5,150	7,900	21,273	34,323

TAYLOR HOBSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

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.

TAYLOR HOBSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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 if the fair value can be measured reliably.

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
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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.

TAYLOR HOBSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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.

TAYLOR HOBSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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 costs are recognised as expenses in the period in which they are incurred and contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable.

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 at bank and in hand 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.

TAYLOR HOBSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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 direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

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.

TAYLOR HOBSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

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 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.

1.17 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.

TAYLOR HOBSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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 income 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 lease 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.

TAYLOR HOBSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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 recognized 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	2017 £'000	2016 £'000
Operating profit for the year is stated after charging/(crediting):		
Exchange (losses) / gains	133	(939)
Research and development costs	3,918	3,535
Rents receivable	(29)	(43)
Fees payable to the company's auditors for the audit of the company's financial statements	94	94
Depreciation of owned tangible fixed assets	872	966
Amortisation of intangible assets	1,600	1,600
Cost of stocks recognised as an expense	20,319	17,019
Stocks impairment losses recognised or reversed	13	(39)
Operating lease charges	860	897

5 Employees

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

	2017 Number	2016 Number
Production	111	106
Engineering	40	44
Sales and Marketing	50	50
Administration	31	32
	<u>232</u>	<u>232</u>

TAYLOR HOBSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

5 Employees

(Continued)

Their aggregate remuneration comprised:

	2017 £'000	2016 £'000
Wages and salaries	10,400	9,915
Social security costs	1,281	1,129
Pension costs	5,580	975
	<u>17,261</u>	<u>12,019</u>

Included in wages and salaries is a total expenses for share-based payments in relation to equity-settled transactions of £432,000 (2016: £323,000), of which £189,000 (2016: £168,000) relates to restricted shares and £243,000 (2016: £155,000) relates to share options.

6 Directors' remuneration

	2017 £'000	2016 £'000
Remuneration for qualifying services	808	670
Company pension contributions to defined contribution schemes	<u>60</u>	<u>56</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2016 - 3).

The number of directors who exercised share options during the year was 3 (2016 - 2).

The number of directors who received shares under long term incentive schemes during the year was 3 (2016 - 3).

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

	2017 £'000	2016 £'000
Remuneration for qualifying services	526	416
Company pension contributions to defined contribution schemes	<u>40</u>	<u>36</u>

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.

TAYLOR HOBSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

7	Interest receivable and similar income	2017	2016
		£'000	£'000
	Interest income		
	Interest on bank deposits	9	19
	Interest receivable from group companies	-	2
	Total interest revenue	9	21
	Income from fixed asset investments		
	Income from shares in group undertakings	3,981	7,997
	Total interest receivable and similar income	3,990	8,018
8	Interest payable and similar expenses	2017	2016
		£'000	£'000
	Interest on bank overdrafts and loans	-	4
	Interest on overdue tax	2	-
	Interest payable to group undertakings	127	-
	Net interest on the defined benefit liability	434	253
	Total interest payable	563	257
9	Taxation	2017	2016
		£'000	£'000
	Current tax		
	UK corporation tax on profits for the current period	2,989	1,287
	Adjustments in respect of prior periods	-	10
	Total UK current tax	2,995	1,297
	Overseas taxation	5	10
	Total current tax	2,995	1,307
	Deferred tax		
	Origination and reversal of timing differences	(630)	12
	Changes in tax rates	-	8
	Deferred tax on defined benefit pension scheme	(231)	(147)
	Total deferred tax	(861)	(127)
	Total tax charge	2,134	1,180

TAYLOR HOBSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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:

	2017 £'000	2016 £'000
Profit before taxation	16,990	16,010
Expected tax charge based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	3,271	3,202
Tax effect of expenses that are not deductible in determining taxable profit	91	18
Tax effect of income not taxable in determining taxable profit	(203)	(117)
Adjustments in respect of prior years	-	10
Effect of changes in tax rates	114	50
Patent box deduction	(373)	(384)
Dividend income not taxable	(766)	(1,599)
Taxation for the year	2,134	1,180

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

	2017 £'000	2016 £'000
Taxation arising on:		
Actuarial differences recognised as other comprehensive income	9	(1,786)

Factors that may affect the future tax charge

The standard rate of Corporation Tax in the UK reduced from 20% to 19% with effect from 1 April 2017. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 19.25%. The standard rate will fall further to 17% with effect from 1 April 2020. The reduction to 17% was enacted in September 2016 and therefore deferred tax balances have been stated at a rate of 17%.

10 Dividends

	2017 £'000	2016 £'000
Ordinary dividend	13,252	17,573

TAYLOR HOBSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

11 Intangible fixed assets

	Goodwill £'000	Patents £'000	Total £'000
Cost			
At 1 January 2017 and 31 December 2017	5,788	7,900	13,688
Amortisation and impairment			
At 1 January 2017	3,323	1,427	4,750
Amortisation charged for the year	283	1,317	1,600
At 31 December 2017	3,606	2,744	6,350
Carrying amount			
At 31 December 2017	2,182	5,156	7,338
At 31 December 2016	2,465	6,473	8,938

12 Tangible fixed assets

	Land and buildings Freehold £'000	Leasehold improvements £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2017	796	3,646	11,168	15,610
Additions	6	177	639	822
Disposals	-	(82)	(221)	(303)
Transfer between categories	-	(30)	30	-
At 31 December 2017	802	3,711	11,616	16,129
Depreciation and impairment				
At 1 January 2017	132	2,698	8,445	11,275
Depreciation charged in the year	19	135	718	872
Eliminated in respect of disposals	-	(82)	(221)	(303)
At 31 December 2017	151	2,751	8,942	11,844
Carrying amount				
At 31 December 2017	651	960	2,674	4,285
At 31 December 2016	664	948	2,723	4,335

Included within freehold land and buildings is land of £197,000 (2016: £197,000) which is not depreciated.

TAYLOR HOBSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

13 Fixed asset investments

	Notes	2017 £'000	2016 £'000
Investments in subsidiaries	29	19,931	19,931

Movements in fixed asset investments

	Shares in group undertakings £'000
Cost or valuation At 1 January 2017 & 31 December 2017	19,931

14 Stocks

	2017 £'000	2016 £'000
Raw materials and consumables	2,787	2,406
Work in progress	3,079	1,744
Finished goods and goods for resale	2,601	2,954
Payments received on account	(1,021)	(170)
	<u>7,446</u>	<u>6,934</u>

15 Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade debtors	4,332	4,549
Gross amounts due from contract customers	3,803	1,126
Amount due from fellow subsidiary undertaking	4,852	3,965
Other debtors	281	266
Prepayments and accrued income	666	560
	<u>13,934</u>	<u>10,466</u>
Deferred tax asset (note 16)	3,147	3,292
	<u>17,081</u>	<u>13,758</u>

TAYLOR HOBSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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:

	Assets 2017 £'000	Assets 2016 £'000
Balances:		
Decelerated/ (Accelerated) capital allowances	3	(15)
Other timing differences	27	15
Share based payments	160	138
Defined benefit pension scheme	2,379	3,154
Pension spreading	578	-
	<u>3,147</u>	<u>3,292</u>
Movements in the year:		2017 £'000
Asset at 1 January 2017		(3,292)
Net origination differences taken to income statement		(630)
Movement re pension scheme taken to income statement		(231)
Movement re pension scheme taken to other comprehensive income		1,006
Asset at 31 December 2017		<u>(3,147)</u>

The company expects deferred tax assets of £196,000 to reverse in 2017.

17 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Notes		
Bank overdraft	3	-
Payments received on account	398	705
Trade creditors	3,724	4,002
Amounts due to fellow subsidiary undertakings	4,117	1,723
Corporation tax	819	226
Other taxation and social security	572	409
Other creditors	177	112
Accruals and deferred income	3,320	2,535
	<u>13,130</u>	<u>9,712</u>

TAYLOR HOBSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

18 Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Amounts due to fellow subsidiary undertakings	5,800	-

19 Provisions for liabilities

	Notes	2017 £'000	2016 £'000
Other provisions		226	386
Retirement benefit obligations	20	13,993	18,551
		14,219	18,937

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

	£'000
At 1 January 2017	386
Additional provisions in the year	10
Reversal of provision	(168)
Utilisation of provision	(2)
At 31 December 2017	226

Other provisions comprise warranty provision £226,000.

20 Retirement benefit schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to the income statement in respect of defined contribution schemes was £406,000 (2016: £377,000).

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 valuation used has been based on the most recent actuarial valuation as at 6 April 2016 and has been updated by an independent qualified actuary to 31 December 2017 allowing for cashflows in and out of the scheme and changes to assumptions over the period.

Funding policy

The company expects to contribute 20.2% of pensionable salaries in respect of future accrual of benefits between 1 January 2018 and 31 March 2018, increasing to 23.8% of pensionable salaries for the period from 1 April 2018 to 31 December 2018.

TAYLOR HOBSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

20 Retirement benefit schemes

(Continued)

	2017 %	2016 %
<i>Key assumptions</i>		
Discount rate	2.50	2.70
Pension increases - RPI capped at 5% pa	3.10	3.10
Pension increases - RPI capped at 2.5% pa	2.10	2.10
Pension increases - CPI capped at 3% pa	1.90	1.90
Inflation assumption (RPI)	3.20	3.30
Expected rate of salary increases	2.50	2.50
	<u> </u>	<u> </u>
<i>Mortality assumptions</i>	2017	2016
Assumed life expectations on retirement at age 65:	Years	Years
Retiring today		
- Males	22.30	22.46
- Females	24.30	24.61
	<u> </u>	<u> </u>
Retiring in 20 years		
- Males	23.80	24.19
- Females	25.80	26.48
	<u> </u>	<u> </u>

The post mortality table used in 2017 was a SAPS S2 table for retirement in normal health for individual year of birth with CMI 2016 core model with long term improvement rate of 1.25% (2016: CMI 2015 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.

	2017 £'000	2016 £'000
<i>Amounts recognised in the income statement</i>		
Current service cost	733	597
Net interest on defined benefit liability	434	253
Other costs and income	189	107
	<u> </u>	<u> </u>
Total costs	1,356	957
	<u> </u>	<u> </u>

TAYLOR HOBSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

20 Retirement benefit schemes

(Continued)

	2017 £'000	2016 £'000
<i>Amounts taken to other comprehensive income</i>		
Gain on plan assets in excess of interest	(1,630)	(455)
Experience (gains) / losses on liabilities	(187)	1,252
Gains from changes to demographic assumptions	(937)	-
Losses from changes to financial assumptions	2,015	10,597
Total (income) / costs	<u>(739)</u>	<u>11,394</u>

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

	2017 £'000	2016 £'000
Present value of defined benefit obligations	60,765	59,235
Fair value of plan assets	<u>(46,772)</u>	<u>(40,684)</u>
Deficit in scheme	13,993	18,551
Total liability recognised	<u>13,993</u>	<u>18,551</u>

	2017 £'000	2016 £'000
<i>Movements in the present value of defined benefit obligations</i>		
Liabilities at 1 January 2017	59,235	46,474
Current service cost	733	597
Benefits paid	(1,746)	(1,558)
Contributions from scheme members	112	111
Actuarial (gains) and losses	891	11,849
Interest cost	<u>1,540</u>	<u>1,762</u>
At 31 December 2017	<u>60,765</u>	<u>59,235</u>

TAYLOR HOBSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

20 Retirement benefit schemes

(Continued)

	2017 £'000	2016 £'000
<i>Movements in the fair value of plan assets</i>		
Fair value of assets at 1 January 2017	40,684	39,690
Interest income	1,106	1,509
Return on plan assets (excluding amounts included in net interest)	1,630	455
Benefits paid	(1,746)	(1,558)
Contributions by the employer	5,175	584
Contributions by scheme members	112	111
Other	(189)	(107)
At 31 December 2017	46,772	40,684
	<u>46,772</u>	<u>40,684</u>
	2017 £'000	2016 £'000
<i>Fair value of plan assets at the reporting period end</i>		
Equity instruments	19,457	14,239
Bonds	9,588	3,255
Property	-	406
Other assets (including target return funds)	17,727	22,784
	<u>46,772</u>	<u>40,684</u>

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

21 Share capital

	2017 £'000	2016 £'000
Ordinary share capital		
Issued and fully paid		
5,150,001 Ordinary shares of £1	5,150	5,150
	<u>5,150</u>	<u>5,150</u>

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 Financial commitments, guarantees and contingent liabilities

Bank guarantees given in the normal course of business and outstanding at 31 December 2017 amounted to £1,379,000 (2016: £1,658,000). The guarantees would crystallise 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.

TAYLOR HOBSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

25 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:

	2017 £'000	2016 £'000
Within one year	731	65
Between two and five years	2,238	2,850
In over five years	5,753	6,262
	<u>8,722</u>	<u>9,177</u>

26 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2017 £'000	2016 £'000
Acquisition of tangible fixed assets	<u>455</u>	<u>121</u>

27 Events after the reporting date

The company has declared and paid interim dividends amounting to £13,637,000 and has received interim dividends amounting to £8,000,000 in respect of the year ending 31 December 2018 since 31 December 2017.

28 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.

TAYLOR HOBSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

29 Subsidiaries

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

Details of the company's subsidiaries at 31 December 2017 are as follows:

Name of undertaking and country of incorporation or residency		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.