

Thermo Electron (Management Services) Limited

Annual report and financial statements for the year ended 31 December 2019

Company registration number: 03153068



THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

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

Contents	Page
Officers and Professional Advisers	3
Strategic Report for the Year Ended 31 December 2019	4
Directors' Report for the Year Ended 31 December 2019	8
Independent Auditors' report to the members of Thermo Electron (Management Services) Limited	10
Financial Statements for the Year Ended 31 December 2019:	
• Profit and Loss Account	11
• Balance Sheet	12
• Statement of Changes in Equity	13
Notes to the Financial Statements for the Year Ended 31 December 2019	14 to 35

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

D Norman
S W Ahmed
E Cameron
A Smith

Company Secretary

Oakwood Corporate Secretary Limited
R Gregg

Registered office

3rd Floor
1 Ashley Road
Altrincham
Cheshire
WA14 2DT

Bankers

Barclays Bank
1 Churchill Place
London
E14 5HP

Solicitors

Addleshaw Goddard
1 St Peter's Square
Manchester
M2 3DE

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Hardman Square
Manchester
M3 3EB

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

Review of the business and future developments

The directors are satisfied with the performance in the year due to the continued growth from the centralisation of activities within the European group companies. The directors expect to see similar turnover levels in the future.

The company will continue to operate within its existing principal activity of providing management services to other group companies for the future.

Results and key performance indicators (KPI's)

The directors believe that the key performance indicators ('KPIs') are covering its operating expenses.

Turnover has increased from £39,731,000 to £48,079,000 as a result of increased centralisation of management costs recharged out to the business units in Europe.

The profit for the financial year was £9,510,000 (2018: £2,797,000) which will be transferred to reserves. The profit for the financial year increased as a result of the £6,366,000 (2018 £ nil) reversal of the impairment of investments held, see note 13 for further details.

Total operating margins remained constant in relation to sales to 9% (2018: 9%). This is in line with management expectations and the mark up applied to costs.

Employee numbers increased by 44 (21%) to 250 (2018: 206) in the year as employees performing corporate work for the management services company were transferred from other group companies to Thermo Electron (Management Services) Limited.

Net assets at 31 December 2019 were £31,585,000 (2018: £23,124,000).

Statement by the directors of their statutory duties in accordance with Section 172(1) of the Companies Act 2006

The directors of the company must act in accordance with a set of general duties. These duties are detailed in section 172 of the Companies Act 2006 which is summarised as follows:

'Each director of the company has acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct,
- the need to act fairly as between members of the company.'

As part of the director induction process, a director is briefed on their duties and they can access professional advice on these from the company secretary. The following paragraphs summarise how the directors' fulfil their duties.

Risk management

As we continue to grow our business our risk environment also becomes more complex. It is therefore vital that we effectively identify, evaluate, manage and mitigate the risks we face and that we continue to evolve our approach to risk management.

For details of our principal risks and uncertainties and how we manage those risks, please refer to the principal risks section within the Strategic Report.

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Statement by the directors of their statutory duties in accordance with Section 172(1) of the Companies Act 2006 (continued)

Business relationships

Our mission is to enable our customers to make the world healthier, cleaner and safer and as a result of this mission we have created a culture where our customers come first. Part of our business strategy is to continue to strengthen our company to be the partner customers rely on to help them achieve their goals. This is achieved through delivering a unique value proposition to our customers.

As a company we place great importance on building and maintaining strong relationships with our suppliers. The company is committed to meeting payment terms agreed with suppliers and we seek to resolve queries in an efficient and professional manner.

Our colleagues

None of our accomplishments would be possible without our team. Inspired by our mission, and grounded by our 4i values (integrity, intensity, innovation and involvement) this motivates our team to bring their best every day. It also helps us to attract and retain talent which is critical to our future.

We invest in our colleagues through numerous development programs that enrich their individual experiences, stress the importance of teams and build skills that set them up for success.

Further information can be found in the Directors' Report.

Community and environment

Our Mission is to enable our customers to make the world healthier, cleaner and safer. One way that we fulfil our Mission is by being a socially responsible community partner. Our giving strategy includes educational programs, colleague donations and volunteering.

Our signature STEM education programs connect students and colleagues through hands on and team based activities that highlight our technologies, make connections to careers in STEM and demonstrate how our company impacts the world.

To promote the generous spirit of our colleagues, our Charitable Giving Program provides a platform that allows them to contribute to causes that they feel passionately about. Through the program, employees can make direct donations to a charity of their choice, create a fundraiser - gathering greater support for a cause, or contribute to support a disaster relief campaign. Through our Employee Matching Gift program, we help employees make an even bigger impact by matching their contribution to eligible charities by 50%.

We feel it is important to support our community, throughout the year we encourage employees to take part in volunteering and charity events where our employees, together with our charity partners, take part in hands on volunteering.

The company is a part of Thermo Fisher Scientific Inc.'s global strategy to reduce our carbon footprint by 30% by 2030. As part of this global initiative we are committed to reviewing and reducing greenhouse gas emissions.

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

The management of the business is subject to a number of risks including currency risk, interest rate cash flow risk and liquidity risk. The mitigation of these risks has been outlined below.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, currency risk and interest rate cash flow risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

In order to ensure stability of cash outflows and hence manage interest rate risk, the company is supported by fellow group operations. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Currency risk

The company is exposed to currency risk as a result of its operations. However, given the size of the company's operations, the cost of managing the exposure to currency risk through the use of derivative financial instruments exceeds any potential benefits, and as such no hedge accounting is applied. The company operates foreign currency bank accounts in order to offset foreign currency receipts and payments.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances and on group loans, all of which earn interest at fixed and variable rates. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. Interest payable is on bank loans and overdrafts and therefore management of cash flows is taken account of as part of the group's financing activity.

Liquidity risk

The company monitors its net current liabilities position and relies upon the support of fellow group entities and the cash pooling arrangements to ensure it is able to meet its liabilities as they fall due.

Brexit

On 23 June 2016 the UK held a referendum on the UK's continuing membership of the European Union the outcome of the vote determined that the United Kingdom would leave the European Union. As a result the United Kingdom left the European entity on 31 January 2020 and entered into a period of transition. Until the Brexit transitional period and negotiations have concluded it is difficult to anticipate the potential impact on the company. The company continues to monitor the developments and potential impacts of Brexit.

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019


COVID-19

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by both the UK and foreign governments to contain the virus have started to impact economic activity. Thermo Fisher Scientific Inc. has taken a number of measures to monitor and prevent the effects of the COVID-19 virus such as safety and health measures for our people (social distancing, working from home etc.) and implementing additional protocols at our manufacturing sites to keep them operating safely. The group has also been granted exemptions in a number of countries to remain open as we supply critical equipment in the fight against COVID-19.

COVID-19 has had no effect on the results for the year ended 31 December 2019 and is not considered to be an adjusting post balance sheet event.

At this stage, the impact on our global business and results is limited and as the company is a holding / non-trading entity the risks are not expected to be material. The company will continue to monitor the situation and potential impact to our business.

On behalf of the board

DocuSigned by:

231F19E0E41648D

E Cameron

Director

22 October 2020

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

Future developments

Future developments are deemed to be of strategic importance to the company and as such have been outlined within the strategic report.

Dividends

The directors do not recommend the payment of a dividend (2018: £nil).

Going concern

The company meets its day-to-day working capital requirements through its bank facilities. The Directors have considered the cash flows of the company, taking into account expected cash flows as well as considering the terms of intercompany balances, intergroup cash pooling agreements and the group guarantees over third party overdraft facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approving these financial statements, due to the continued financial support of the ultimate parent company Thermo Fisher Scientific Inc. The directors have received confirmation that Thermo Fisher Scientific Inc. will support the company for at least one year after these financial statements are signed. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Financial risk management

Disclosures relating to this area is included in the strategic report.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

S W Ahmed (appointed 23 March 2020)
D Norman
L Grant (resigned 3 December 2019)
E Cameron
A Smith

Third party indemnity provision

The company has made qualifying third party indemnity provisions for the benefit of its directors (which extend to the performance of any duties as a director of any associated company) and these were in force during the year and they remain in force at the date of this report.

Employees

The company recognises the benefit of keeping employees informed of the progress of the business and of involving them in the company's performance and, accordingly, maintains regular communications with employees and has well established consultation arrangements that include the following:

- systematic provision of relevant information to employees;
- regular consultation with employees or their representatives so that the employees' views may be taken into account in making decisions that are likely to affect their interests;

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Employees (continued)

- encouragement of employees' participation in the group's performance by employee share schemes; and
- achieving awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Stakeholder engagement statement

For details on stakeholder engagements, please see the 'Business Relationships' section of the Strategic Report.

Employee engagement statement

For details on employee engagements, please see the 'Our Colleagues' section of the Strategic Report.

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of disclosure of information to auditors

Each of the persons who are a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- Each director has taken all the steps that he/she should have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Independent Auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed.

On behalf of the board

DocuSigned by:

231F19E0E41048D

E Cameron
Director

22 October 2020

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Thermo Electron (Management Services) Limited's 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the Profit and Loss Account and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions relating to going concern

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Kate Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

27 October 2020

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
PROFIT AND LOSS ACCOUNT

		<u>Year ended 31 December</u>	
	Note	2019 £'000	2018 £'000
Turnover	5	48,079	39,731
Gross profit		48,079	39,731
Administrative expenses		(43,739)	(35,974)
Operating profit	6	4,340	3,757
Reversal of investment impairment	13	6,366	—
Profit before interest and taxation		10,706	3,757
Interest receivable and similar income	8	—	13
Interest payable and similar expenses	8	(1,196)	(973)
Net interest expense	8	(1,196)	(960)
Profit before taxation		9,510	2,797
Tax on profit	9	—	—
Profit for the financial year		9,510	2,797

Results in the current and previous financial year are from continuing operations only.

No separate statement of comprehensive income has been presented because the company has no other comprehensive income other than profit for the financial year.

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

BALANCE SHEET

		As at 31 December	
	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	11	46	81
Tangible assets	12	8,828	6,000
Investments	13	54,300	47,934
		63,174	54,015
Current assets			
Debtors	14	11,474	8,030
		11,474	8,030
Creditors: amounts falling due within one year	15	(42,589)	(38,870)
Net current liabilities		(31,115)	(30,840)
Total assets less current liabilities		32,059	23,175
Post-employment benefits	16	—	(51)
Provisions for liabilities	17	(474)	—
Net assets		31,585	23,124
Capital and reserves			
Called up share capital	20	4,000	4,000
Share premium account		3,036	3,036
Retained earnings		24,549	16,088
Total equity		31,585	23,124

The notes on pages 16 to 35 are an integral part of these financial statements.

The financial statements on pages 13 to 35 were authorised for issue by the board of directors on 22 October 2020 and were signed on its behalf

DocuSigned by:

 231F19E0E41048D
 E Cameron

Director

Thermo Electron (Management Services) Limited

Company registration number: 03153068

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

STATEMENT OF CHANGES IN EQUITY

		£'000	£'000	£'000	£'000
	Note	Called up share capital	Share premium account	Retained earnings	Total equity
Balance as at 1 January 2018		4,000	3,036	13,978	21,014
Profit for the financial year		—	—	2,797	2,797
Total comprehensive income for the year		—	—	2,797	2,797
Credit relating to equity-settled share-based payments	10	—	—	470	470
Charge from parent for equity-settled share-based payments	10	—	—	(1,157)	(1,157)
Total transactions with owners, recognised directly in equity		—	—	(687)	(687)
Balance as at 31 December 2018		4,000	3,036	16,088	23,124
Balance as at 1 January 2019		4,000	3,036	16,088	23,124
Profit for the financial year		—	—	9,510	9,510
Total comprehensive income for the year		—	—	9,510	9,510
Credit relating to equity-settled share-based payments	10	—	—	452	452
Charge from parent for equity-settled share-based payments	10	—	—	(1,501)	(1,501)
Total transactions with owners, recognised directly in equity		—	—	(1,049)	(1,049)
Balance as at 31 December 2019		4,000	3,036	24,549	31,585

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

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

1. General Information

Thermo Electron (Management Services) Limited ('the company') provides management services to other group companies in the UK and the rest of Europe.

The company is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of its registered office is 3rd Floor, 1 Ashley Road, Altrincham, Cheshire, WA14 2DT.

2. Statement of compliance

The individual financial statements of Thermo Electron (Management Services) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-size Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going Concern

The company meets its day-to-day working capital requirements through its bank facilities. The Directors have considered the cash flows of the company, taking into account expected cash flows as well as considering the terms of intercompany balances, intergroup cash pooling agreements and the group guarantees over third party overdraft facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approving these financial statements, due to the continued financial support of the ultimate parent company Thermo Fisher Scientific Inc. The directors have received confirmation that Thermo Fisher Scientific Inc. will support the company for at least one year after these financial statements are signed. The company therefore continues to adopt the going concern basis in preparing its financial statements.

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

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

3. Summary of significant accounting policies (continued)

COVID-19

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by both the UK and foreign governments to contain the virus have started to impact economic activity. Thermo Fisher Scientific Inc. has taken a number of measures to monitor and prevent the effects of the COVID-19 virus such as safety and health measures for our people (social distancing, working from home etc.) and implementing additional protocols at our manufacturing sites to keep them operating safely. The group has also been granted exemptions in a number of countries to remain open as we supply critical equipment in the fight against COVID-19.

COVID-19 has had no effect on the results for the year ended 31 December 2019 and is not considered to be an adjusting post balance sheet event.

At this stage, the impact on our global business and results is limited and as the company is a holding / non-trading entity the risks are not expected to be material. The company will continue to monitor the situation and potential impact to our business.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions.

Cash flow statement and related party disclosures

The company is included in the consolidated financial statements of Thermo Fisher Scientific Inc. which are publicly available. Consequently, as the company is a 100% owned subsidiary, the company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Thermo Fisher Scientific Inc, includes the company's cash flows in its own consolidated financial statements. The company is also exempt under the terms of FRS 102 paragraph 33.1 from disclosing related party transactions with entities that are part of the Thermo Fisher Scientific Inc. group (see note 24).

Key Management Compensation

The company has taken advantage of the exemption under FRS 102 para 33.7 from disclosing its key management personnel compensation in total as this is disclosed in full in the consolidated group financial statements.

Share-based payments

The company has taken advantage of the exemption under FRS 102 para 26.16 where the company is a member of a group share-based payment arrangement and where the company's expense is based on a reasonable allocation and disclosed in full in the consolidated group financial statements.

Consolidated financial statements

The financial statements contain information about Thermo Electron (Management Services) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent company, Thermo Fisher Scientific Inc., a company incorporated in the United States of America (see note 24). The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Thermo Fisher Scientific Inc.. The address of the ultimate parent's registered office is 168 Third Avenue, Waltham, MA 02451, USA.

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

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

3. Summary of significant accounting policies (continued)

Foreign currency

(i) Functional and presentation currency

The company's functional and presentation currency is the pound sterling.

(ii) Transactions and balances

Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transactions is included as an exchange gain or loss in the Profit and Loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Non-monetary items measured at historical costs are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss account within 'Finance (expense) / income'. All other foreign exchange gains and losses are presented in the profit and loss account within 'Administrative expenses'.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount received for services rendered, net of value added taxes. Revenue is calculated by uplifting administrative costs. Administrative costs are recognised and recharged on an accrual basis.

Interest income

Interest income is recognised using the effective interest rate method.

Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

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

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year. Differences between contributions payable and actually paid are shown as either accruals or prepayments in the balance sheet.

Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

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

3. Summary of significant accounting policies (continued)

Share-based payments

Where the company participates in a share-based payment arrangement established by a group company the company takes advantage of the alternative treatment allowed under Section 26 of FRS 102. The company recognises the share-based payment expense based on an allocation of its share of the group's total expense, calculated in proportion to the number of participating employees. The corresponding credit is recognised in retained earnings as a component of equity.

Where the company is charged for the cost of share-based payments arrangements the amounts are treated as a reduction to retained earnings. If the amount charged is in excess of the share-based payment charge the company treats the excess as a notional distribution and charges this to retained earnings.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Intangible assets

Computer software

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight line basis.

Where factors, such as technological advancement or changes in the market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

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

3. Summary of significant accounting policies (continued)

Tangible assets

Tangible fixed assets are stated at historic purchase cost, net of accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and costs attributable to bringing the asset into its working condition for its intended use.

Fixtures, fittings and computer equipment

Fixtures, fittings and computer equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation and residual values

The fixed assets have been depreciated on a straight line basis at rates calculated to reduce the net book value of each asset to its estimated residual value by the end of its expected useful economic life in the company's business, and the rates are as follows:

Fixtures, fittings and computer equipment – 3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating (losses)/gains'.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Investments

Investments held as fixed assets are stated at cost less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of either further potential impairment or the reversal of an existing impairment.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Provisions and contingencies

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

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

3. Summary of significant accounting policies (continued)

Provisions and contingencies (continued)

In particular:

(i) Restructuring provisions are recognised when the company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and

(ii) Provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

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

.3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

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

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share Premium

The share premium account is classified as equity. The share premium account represents the value paid by the shareholder in excess of the par value of share capital issued. This account can be used to write off equity-related expenses, such as underwriting costs, and may also be used to issue bonus shares.

Distributions to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

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

3. Summary of significant accounting policies (continued)

Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the entity's accounting policies

Share-based payments

The company's employees have been granted share options by the ultimate parent company, Thermo Fisher Scientific Inc. The company makes use of the exemption in Section 26 of FRS 102 to account for the expense based on a reasonable allocation of the parent company's total expense. The company has calculated its allocation of the parent company's total expense based on the number of participating employees in the company compared to the number of participating employees in the group.

The company also considered an allocation based on the relative remuneration cost of the relevant employees and considered that this gave rise to no significant differences in the allocated costs.

(b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the property plant and equipment, and note 3 for the useful economic lives for each class of assets.

(ii) Impairment of investments

The company makes an estimate of the recoverable value of investment in its subsidiary companies. When assessing impairment of investments, management considers factors including the current results of the company for the year and the net asset position. As a result of this review the company has reversed the impairment that had been reported in previous years. See note 13 for the carrying amount of investments.

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019****5. Turnover**

Turnover by geography	2019 £'000	2018 £'000
United Kingdom	16,641	14,101
Rest of Europe	31,213	25,433
Rest of World	225	197
	48,079	39,731
Turnover by nature	2019 £'000	2018 £'000
Rendering of services	48,079	39,731
	48,079	39,731

6. Operating profit

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

	Note	2019 £'000	2018 £'000
Wages and salaries		20,155	16,298
Social security costs		4,167	3,420
Other pension costs	16	759	723
Share-based payments	10	452	470
Staff costs		25,533	20,911
Reorganisation expense	17	505	486
Amortisation of intangible assets (included in 'administrative expenses')		35	35
Operating lease charges			
- Other		22	23
Depreciation of tangible fixed assets			
- Owned assets		2,863	2,653
Foreign exchange (gain) / loss		(158)	12
Audit fees payable to the company's auditors		23	23

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019****7. Employees and directors**

By activity	2019 Number	2018 Number
Average monthly numbers of persons employed (including directors) by the company during the year was:		
Administration	78	76
	78	76
	2019 Number	2018 Number
Average monthly numbers of persons (including directors) whose costs are reported by the company during the year was:		
Employed by the company	78	76
Employed by the company and recharged to other group entities	-35	-33
Employed by other group entities and recharged to the company	207	163
Total number of employees whose cost are reported by the company	250	206

The company had an average of 78 (2018: 76) employees on the payroll during the year. The costs of 35 (2018: 33) of these employees are recharged out to other group entities as they perform their duties solely for other entities. The remaining 43 (2018: 43) employees perform their duties for the company.

The company receives the costs of 207 (2018: 163) employees that are employed by other group entities but perform their duties for the company.

Directors

	2019 £'000	2018 £'000
Aggregate emoluments	320	414
Aggregate amounts (including shares) receivable under long-term incentive schemes	88	182
Company contributions to defined contribution pension scheme	20	25
	428	621

Retirement benefits accrued to no directors (2018: no directors) under a defined benefit scheme. Retirement benefits accrued to 2 (2018: 4) directors under a money purchase pension scheme.

During the year 1 director (2018: 3 directors) exercised options over shares of Thermo Fisher Scientific Inc.

In 2019 2 (2018: 4) directors were entitled to shares under a long-term incentive scheme.

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019****7. Employees and directors (continued)**

Highest paid director	2019	2018
	£'000	£'000
Aggregate emoluments	166	152
Aggregate amounts (including shares) receivable under long-term incentive schemes	88	135
Company contributions to defined contribution pension scheme	11	9
	265	296

The highest paid director exercised share options over shares in Thermo Fisher Scientific Inc. during 2019.

8. Net interest expense

Interest receivable and similar income	2019	2018
	£'000	£'000
Bank interest receivable	—	13
Total interest income on financial assets not measured at fair value through profit or loss	—	13
Total interest receivable and similar income	—	13
Interest payable and similar expenses	2019	2018
	£'000	£'000
Interest payable on overdrafts and bank loans	(10)	(174)
Interest payable to group undertakings	(1,186)	(799)
Total interest expense on financial liabilities not measured at fair value through profit or loss	(1,196)	(973)
Total interest payable and similar expenses	(1,196)	(973)
Net interest expense	2019	2018
	£'000	£'000
Total interest receivable and similar income	—	13
Total interest payable and similar expenses	(1,196)	(973)
Net interest expense	(1,196)	(960)

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019****9. Tax on profit**

Tax charge included in profit and loss

	Note	2019 £'000	2018 £'000
Current tax			
Total current tax		—	—
Deferred tax			
Total deferred tax	18	—	—
Tax on profit		—	—

Tax charge included in other comprehensive income

	2019 £'000	2018 £'000
Current tax	—	—
Deferred tax	—	—
Total tax charge included in other comprehensive income	—	—

Reconciliation of tax charge:

The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK 19% (2018: 19%). The differences are outlined below:

	2019 £'000	2018 £'000
Profit before taxation	9,510	2,797
Profit before taxation multiplied by the standard rate of corporation tax in the UK 19% (2018: 19%)	1,807	531
Effects of:		
Income not taxable	(1,206)	—
Movement on deferred tax not recognised	426	495
Movement on deferred tax on stock options	132	—
Expenses not deductible for tax purposes	—	1
Group relief claimed for nil charge	(622)	(676)
Tax relief for employee share acquisition	(537)	(351)
Total tax charge for the year	—	—

Factors that may affect future tax charges:

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used, the unrecognised deferred tax asset would have been £232,000 higher.

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

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

10. Share-based payments

Under the The Employee Incentive Programme (EIP) options and Restricted Stock Units (RSUs) are granted to employees of this company in the shares of the ultimate parent company, Thermo Fisher Scientific Inc. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of the grant. Employees do not pay an exercise price for RSUs. The contractual life of an option is 7 years from the date of the grant. Historically, options are annually granted in February or March. Options and RSUs vest over three or four years from the grant date, with equal proportions being exercisable on each anniversary, subject to continued employment.

New options and RSUs were granted in 2018 and 2019 under the Thermo Fisher Scientific Inc. plan.

The company recognises an equity-settled share-based payment expense based on a reasonable allocation of the total charge for the group. This allocation is the total charge for the group prorated for the number of participating employees of the company.

On exercise of the shares by the employees, the company is charged the intrinsic value of the shares by Thermo Fisher Scientific Inc.. Charges of £1,501,000 (2018: £1,157,000) were recognised directly in equity.

Options were valued using the Black-Scholes option-pricing model. RSUs are valued at the market price at date of grant.

The fair value per option granted and the assumptions used in the calculation are as follows:

Reconciliation of options movement	2019		2018	
	Number (000)	Weighted average share price (£)	Number (000)	Weighted average share price (£)
Outstanding at 1 January	48	98.97	59	80.07
Granted	4	198.97	6	157.82
Forfeited	(4)	128.97	—	98.18
Transferred	(4)	—	—	—
Exercised	(22)	72.50	(17)	53.51
Outstanding 31 December	22	125.93	48	98.97
Exercisable at 31 December	15	103.42	35	81.92

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

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

10. Share-based payments (continued)

Reconciliation of RSU movements	2019		2018	
	Number (000)	Weighted average share price (£)	Number (000)	Weighted average share price (£)
Outstanding at 1 January	3	—	4	—
Granted	2	—	2	—
Forfeited	(1)	—	—	—
Transfers	(1)	—	—	—
Exercised	(1)	—	(3)	—
Outstanding 31 December	2	—	3	—

Weighted average disclosures are those which are based on the options relating to all of the UK subsidiaries of the ultimate parent Thermo Fisher Scientific Inc. and are used as an approximation of the weighted average disclosures relevant to these financial statements.

The weighted average share price during the year for options exercised over the year was £201.28 (2018: £171.20). The total charge for the year relating to employee share based payment plans was £452,000 (2018: £470,000) all of which related to equity-settled share based payment transactions. After deferred tax, the total charge was £452,000 (2018: £470,000). The cumulative amount included in reserves is £2,567,000 (2018: £3,204,000).

11. Intangible assets

	Software £'000	Total £'000
Cost		
At 1 January 2019	128	128
At 31 December 2018	128	128
Accumulated amortisation and impairment of goodwill		
At 1 January 2019	47	47
Charge for the year	35	35
At 31 December 2019	82	82
Net book value		
At 31 December 2019	46	46
At 31 December 2018	81	81

The software intangible assets include the implementation costs for the company's flexible benefit system. The asset is carried at £24,000 (2018: £36,000) and has a remaining amortisation period of 2 years. There are no other individually material intangible assets.

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019****12. Tangible assets**

	Fixtures, fittings and computer equipment £'000	Total £'000
Cost		
At 1 January 2019	15,317	15,317
Additions	5,691	5,691
At 31 December 2019	21,008	21,008
Accumulated depreciation		
At 1 January 2019	9,317	9,317
Charge for the year	2,863	2,863
At 31 December 2019	12,180	12,180
Net book value		
At 31 December 2019	8,828	8,828
At 31 December 2018	6,000	6,000

13. Investments

	Subsidiary undertakings £'000
Cost	
At 1 January 2019	54,300
Additions	—
At 31 December 2019	54,300
Provision for impairment	
At 1 January 2019	6,366
Reversal of impairment	(6,366)
At 31 December 2019	—
Net book value	
At 31 December 2019	54,300
At 31 December 2018	47,934

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

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

13. Investments (continued)

Analysed as:	2019 £'000	2018 £'000
Life Sciences International Holdings BV	54,299	47,933
Thermo Ramsey Italia S.r.L.	1	1
	<hr/> 54,300	<hr/> 47,934

Fixed asset investments comprise equity shares in Life Sciences International Holdings BV and Thermo Ramsey Italia S.r.L., neither of which are publicly traded.

As a result of the 2019 review the directors have assessed that the continued performance of Thermo Ramsey Italia S.r.L., the strong net asset position of Life Sciences International Holdings B.V. and its investments should be reflected by the reversal of the impairment that had been reported in previous years.

The carrying value of investments is compared to estimated recoverable amounts, represented by the value in use of the investment. The directors believe that the carrying value of the investments is supported by their underlying net assets.

The company's subsidiaries were as follows:

	Incorporated in	Share Class	Percentage held	Activity
Life Sciences International Holdings BV	Netherlands +	Ordinary	100 %	Holding company
Thermo Ramsey Italia S.r.L.	Italy ++	Ordinary	100 %	Development, manufacture and supply of scientific instruments
Bioanalysis Labsystems S.A. *	Spain +++	Ordinary	90 %	Holding company
Life Sciences International (Poland) SPzO.O. *	Poland +	Ordinary	100 %	Holding company

* Investment held via Life Sciences International Holdings BV

Registered office:

+ Takkebijsters 1, Breda, Netherlands

++ Strada Rivoltana, Km 6/7 - 20090, Rodano, (MI) Italy

+++ Valportillo I, 22,28108, Alcobendas, Madrid, Spain

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019****14. Debtors**

	2019 £'000	2018 £'000
Trade debtors	33	—
Amounts owed by group undertakings	10,380	7,690
Prepayments and accrued income	1,061	340
	11,474	8,030

Amounts owed by group undertakings of £7,338,000 (2018: £5,830,000) are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The remaining £2,992,000 (2018: £1,860,000) relates to cash held under the cash sweep arrangement. The management company, Life Technologies Finance Limited, shall effect quarterly the calculation for distributions of debit interest or credit interest at rate of LIBOR 0.5% among the parties and settle this accordingly on the in-house bank accounts of the participant with the management company. It is repayable on demand.

15. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	2,371	840
Amounts owed to group undertakings	34,381	33,999
Taxation and social security	175	325
Accruals and deferred income	5,662	3,706
	42,589	38,870

The amounts owed to group undertakings includes loans of £30,800,000 (2018: £30,800,000) denominated in GBP which are unsecured and repayable on demand. Interest is charged at LIBOR+1.5%. The remainder of the amounts owed to group undertakings includes accrued interest of £477,000 (2018: £405,000) and intercompany trade payables of £3,104,000 (2018: £2,794,000).

16. Post-employment benefits

The company operates a defined contribution scheme. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £758,668 (2018: £723,000). The liability at the year end for the contributions payable to the defined contribution scheme is £nil (2018: £51,000).

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

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

17. Provisions for other liabilities

	Restructuring £'000	Total £'000
At 1 January 2019	—	—
Additions dealt with in profit and loss account	505	505
Utilised during the year	(31)	(31)
At 31 December 2019	474	474

The restructuring provision relates to the loss of 3 (2018: 8) jobs during the year and is expected to be settled within the next 12 months. In 2018 there was a charge for restructuring of £486,000 which was all settled in that year.

18. Deferred tax asset

The company does not recognise a deferred tax asset in the balance sheet despite reporting losses in the previous financial years. The asset continues to be unrecognised as the directors consider its future recovery to be uncertain. There is an unrecognised deferred tax asset which relates principally to the accelerated capital allowances of approximately £1,972,000 (2018: £1,618,000) which are carried forward for relief against future profits of the same trade, subject to agreement with H M Revenue and Custom. The deferred tax asset is made up as follows:

	2019 £'000	2018 £'000
Accelerated capital allowances	1,868	1,367
Other timing differences	104	251
Deferred tax asset	1,972	1,618

Deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. If the amended tax rate of 19% had been used, the unrecognised deferred tax asset would have been £232,000 higher.

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019****19. Financial Instruments**

The company has the following financial instruments:

	Note	2019 £'000	2018 £'000
Financial assets that are debt instruments measured at amortised cost			
– Amounts owed by group undertakings	14	10,380	7,690
– Prepayments and accrued income	14	1,061	340
		11,441	8,030
Financial liabilities measured at amortised cost			
– Trade creditors	15	2,371	840
– Amounts owed to group undertakings	15	34,381	33,999
– Other creditors	15	5,837	4,031
		42,589	38,870

Derivative financial instruments

The company has no interest rate derivative financial instruments (2018: none).

Interest on bank loans and overdrafts are disclosed in note 8.

20. Called up share capital

	2019 £	2018 £
Allotted and fully paid		
4,000,001 (2018:4,000,001) ordinary shares of £1	4,000,001	4,000,001

21. Contingent assets and liabilities

The company is a participant in a group banking arrangement under which all surplus cash balances are held as collateral for bank facilities advanced to group members. No liability is expected to arise under this arrangement.

The company receives a recharge from the ultimate parent in respect of share-based payment awards. This recharge is recorded in the financial statements when it is paid. The recharge is based on the exercise of awards by employees, so the timing and amount of the recharge for future years is reliant on uncertain future events, and the liability is therefore disclosed as contingent.

THERMO ELECTRON (MANAGEMENT SERVICES) LIMITED

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

22. Capital and other commitments

	2019 £'000	2018 £'000
Contracts authorised for future capital expenditure not provided in the financial statements	—	—
The company had the following minimum lease payments under non-cancellable operating leases for each of the following periods:		
	2019 £'000	2018 £'000
Plant and machinery and vehicles		
Within one year	10	22
Within two to five years	13	7
	23	29

The company has no other off-balance sheet arrangements.

23. Related party transactions

See note 7 for disclosure of the directors' remuneration and key management compensation.

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group.

24. Controlling parties

The immediate parent undertaking is Life Sciences International Limited whose registered office is 3rd Floor, 1 Ashley Road, Altrincham, Cheshire, WA14 2DT.

The ultimate parent undertaking and controlling party is Thermo Fisher Scientific Inc. which is the largest and smallest group to consolidate these financial statements. The company is incorporated in the United States of America and its common stock is listed on the New York Stock Exchange. Copies of the financial statements of the ultimate parent company are publicly available and can be obtained from its headquarters at 168 Third Avenue, Waltham, MA 02451, USA.

25. Non adjusting post balance sheet event

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by both the UK and foreign governments to contain the virus have started to impact economic activity. Thermo Fisher Scientific Inc. has taken a number of measures to monitor and prevent the effects of the COVID-19 virus such as safety and health measures for our people (social distancing, working from home etc.) and implementing additional protocols at our manufacturing sites to keep them operating safely. The group has also been granted exemptions in a number of countries to remain open as we supply critical equipment in the fight against COVID-19.

COVID-19 has had no effect on the results for the year ended 31 December 2019 and is not considered to be an adjusting post balance sheet event.

At this stage, the impact on our global business and results is limited and as the company is a holding / non-trading entity the risks are not expected to be material. The company will continue to monitor the situation and potential impact to our business.