Servomex Group Limited

Annual report and financial statements

For the year ended 31 December 2018

Registered number 02170458

Contents

Strategic report

The Directors present the strategic report, the directors' report and the audited financial statements for the year ended 31 December 2018.

Review of the Company's business

Sales increased by 22.0% year on year. There were significant increases in the Asia and Americas regions with upturns in those markets. The Hummingbird OEM sensor business increased sales by 20.2% and services rendered increased by 8.7%. Movements in the exchange rates improved the translation of US Dollar denominated sales but reduced the translation value of Euro denominated sales.

Gross profit increased by 31.2% following the increase in sales. Gross margin achieved increased by 2.9 percentage points with sales moving to more profitable products and services. Overheads increased by 2.7% with investments influenced by continued cost control.

The factors above led to an increase of £5.7m in operating profit.

Net assets increased by 16.7% primarily due to an increase in receivables as a direct result of the 22.0% increase in sales.

Business KPIs are monitored at the Servomex Group level with the key measures being gross margin percentage, return on sales, average working capital and cash cycle.

Principal risks and uncertainties facing the Company

The key business risks and uncertainties affecting the Company are considered to relate to international competition, employee retention and product availability. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided on pages 31-36 of the Spectris plc annual report. The Company also maintains a rigorous disaster recovery programme.

Trading risks

The successful launch of new products and expansion into new markets is key to obtaining growth and fending off increasing competition around traditional core technologies. The Company continually seeks to improve product costs and control overheads to improve the profitability of the business.

Exchange risks

The Company seeks to mitigate this risk through the provision of forward contracts. Contracts were put in place in 2016-17 for US Dollars, Euros and Japanese Yen. Intercompany invoices are settled within 30 days to reduce the currency risk between invoice date and settlement date.

Financial risks

The Company generates cash and is part of the global bank pooling arrangements of its parent company, Spectris plc, which provides sufficient working capital for its business needs. There is no exposure to future debt repayments or interest demands.

Liability risks

There are no outstanding claims.

Brexit

The major uncertainty for the Company revolves around the value of sales in GBP as over 90% of our sales are in other currencies. The business is working closely with our parent company to minimise any risks.

Strategic report (continued)

Future developments

There have not been any changes in the Company's activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year. There have been no subsequent events since the end of the year.

Approved by the Board and signed on its behalf by:

Trevor Sands
Director

Jarvis Brook
Crowborough
TN6 3FB
6 September 2019

Directors' report

Principal activities

The Company's principal activity during the year continued to be the design, manufacture and distribution of industrial instruments for gas analysis.

Results and dividends

The Company made a profit after tax of £7,089,000 *(2017: £1,833,000)*

The Directors recommend that no dividend be paid *(2017: Nil)*

Directors

The Directors who are currently in office or held office during the year are as follows:

Joanna Hallas	(resigned 15 January 2019)
Victoria Hammond	
Catherine Haynes	(appointed 20 February 2018)
James Hobby	(resigned 1 January 2019)
Charles Hurley	(resigned 2 March 2018)
Trevor Sands	(appointed 20 February 2018)
Clive Watson #	(resigned 15 January 2019)

The Directors and their families have no beneficial interests in the ordinary share capital of the company.

The Director marked (#) was also a Director of the Company's ultimate holding company, Spectris plc. His interest in the share capital of that company is stated in the annual report and financial statements of Spectris plc for the year ended 31 December 2018.

Donations

Charitable donations in the year were nil (*2017: £1,000*). Servomex Group Limited does not make political donations.

Research and development

The Company's products are regarded by the directors as advanced technology and as such require constant updating and renewal to remain competitive. It is the policy of the company to devote significant funds each year towards the exploitation of new technology within the industrial instrumentation field. The amount of this expenditure is given in note 3 to the financial statements.

Future developments

Future developments are referred to in the strategic report. Please see page 3.

Financial Risk Management Policy

Financial instruments are referred to under exchange risks in the strategic report.

Directors' report *(continued)*

Going Concern

The financial statements have been prepared on a going concern basis and, in the opinion of the Directors, there are no material uncertainties surrounding the going concern of the Company. The Directors have prepared detailed forecasts for the performance and position of the Company for at least 12 months from the date of approval of the financial statements. In doing so the Directors have considered any financial support available to the Company for that period. Further details regarding the adoption of the going concern basis can be found in note 1 in the financial statements (page 17)

Disclosure of information to auditor

The Directors who held office at the date of approval of this directors' report confirm that so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all steps that ought to have been taken as Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Deloitte LLP will therefore continue in office. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

Trevor Sands
Director

Jarvis Brook
Crowborough
TN6 3FB
6 September 2019

Directors' responsibilities statement

The Directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced Disclosure Framework.

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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Servomex Group Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Servomex Group Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of financial position; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We 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 Financial Reporting Council's (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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- The directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of Servomex Group Limited (continued)

Other information (continued)

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 respect of these matters.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Independent auditor's report to the members of Servomex Group Limited (continued)

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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 the audit.

We have nothing to report in respect of these matters.

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.

Andrew Bond

Andrew Bond, FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP, Statutory Auditor
Reading, United Kingdom

6 September 2019

Income Statement

For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	2	**56,584**	46,390
Cost of sales		**(32,863)**	(28,316)
Gross profit		**23,721**	18,074
Distribution costs		**(8,106)**	(8,167)
Administrative expenses		**(7,774)**	(7,300)
Other operating expenses		**-**	(142)
Other operating income		**321**	-
Operating profit		**8,162**	2,465
Interest receivable and similar income	6	**85**	14
Profit before taxation	3	**8,247**	2,479
Taxation charge	7	**(1,158)**	(646)
Profit for the financial year attributable to the owners of the Company		**7,089**	1,833

Turnover and operating profit are all derived from continuing operations.

The notes on pages 15 to 36 form part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2018

	2018 £000	2017 £000
Profit for the financial year	**7,089**	1,833
Items that may be reclassified subsequently to profit or loss:		
Fair value (gain)/loss arising on hedging instruments during the year	**(655)**	1,878
Income/(expense) tax relating to items that may be reclassified subsequently to profit or loss	**114**	(322)
Other comprehensive income/(expense) for the year, net of tax	**(541)**	1,556
Total comprehensive income for the year attributable to the owners of the Company	**6,548**	3,389

The notes on pages 15 to 36 form part of these financial statements

Statement of Changes in Equity

For the year ended 31 December 2018

	Notes	Called up Share Capital	Retained earnings	Cash flow hedge reserve	Other reserve	Total equity
		£000	£000	£000	£000	£000
Balance at 1 January 2018	16	4,426	31,775	283	1,438	37,922
Adoption of IFRS 9 net of tax	1	-	134	-	-	134
Balance at 1 January 2018 (restated)		4,426	31,909	283	1,438	38,056
Profit for the financial year		-	7,089	-	-	7,089
Other comprehensive income for the year						
Gain on effective portion of changes in fair value of cash flow hedges, net of tax		-	-	(541)	-	(541)
Total comprehensive income for the year		-	7,089	(541)	-	6,548
Capital contribution for equity-settled share-based payments		-	-	-	(331)	(331)
Balance at 31 December 2018		4,426	38,998	(258)	1,107	44,273
Balance at 1 January 2017	16	4,426	29,942	(1,273)	1,210	34,305
Profit for the financial year		-	1,833	-	-	1,833
Other comprehensive income for the year						
Loss on effective portion of changes in fair value of cash flow hedges, net of tax		-	-	1,556	-	1,556
Total comprehensive income for the year		-	1,833	1,556	-	3,389
Transactions with owners recorded directly in equity:						
Equity settled share based payment transactions		-	-	-	228	228
Balance at 31 December 2017		4,426	31,775	283	1,438	37,922

The notes on pages 15 to 36 form part of these financial statements

Statement of Financial Position

As at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	9	**2,167**	2,338
Property, plant and equipment	10	**9,689**	9,617
		11,856	11,955
Current assets			
Inventories	11	**5,505**	5,072
Trade and other receivables	12	**32,210**	28,240
Cash and cash equivalents		**3,839**	670
		41,554	33,982
Trade and other payables	13	**(8,704)**	(7,418)
Net current assets		**32,850**	26,564
Total assets less current liabilities		**44,706**	38,519
Provisions	15	**(433)**	(597)
Net assets		**44,273**	37,922
Capital and reserves			
Called-up share capital	16	**4,426**	4,426
Retained earnings		**38,998**	31,775
Cash flow hedge reserve		**(258)**	283
Other reserves		**1,107**	1,438
Shareholders' funds		**44,273**	37,922

The notes on pages 15 to 36 form part of these financial statements.

These financial statements were approved by the Board of Directors and were signed on its behalf by:

Trevor Sands
Director
Registered number 02170458
6 September 2019

Notes to the Accounts

1. Basis of preparation and summary of significant accounting policies

Servomex Group Limited (the "Company") is a company incorporated and domiciled in the UK. It is a private company limited by shares registered in England and Wales. The registered number is 02170458 and the registered address is Jarvis Brook, Crowborough, TN6 3FB.

The nature of the Company's operations and its principal activities are set out in the strategic report on pages 3 to 4. These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of Spectris plc. The group accounts of Spectris plc are available to the public and can be obtained as set out in note 22.

Adoption of new and revised Standards
Amendments to IFRS Standards and the new Interpretation that are mandatorily effective for the current year

Impact of initial application of IFRS 9 *Financial Instruments*

In the current year, the Company has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparitives.

IFRS 9 provides a new impairment model for financial assets, which requires the recognition of impairment provisions based on expected credit losses rather than incurred credit losses as is the case under IAS 39. This requires the Company to record expected losses on all of its trade receivables, either on a 12-month or lifetime basis. The Company is applying the simplified approach and records lifetime expected losses on all trade receivables.

At 1 January 2018, the Company reviewed and assessed the amounts due from customers for the above changes, which resulted in the following overall impact on transition on 1 January 2018;

	Increase in retained earnings	Increase in trade and other receivables	Increase in current and deferred tax net liabilities
	£000	£000	£000
Company	134	166	(32)

The increase in current and deferred tax net liabilities consists of £32,000 increase in current tax liabilities but no change in deferred tax liabilities.

Adoption of IFRS 9 did not have any other material impact on the Company's statement of financial position.

Impact of application of IFRS 15 *Revenue from Contracts with Customers*

In the current year, the Company has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Company's financial statements are described below.

Notes to the Accounts (continued)

Basis of preparation and summary of significant accounting policies (continued)

The Company has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15.C5(a) and (b), or for modified contracts in IFRS 15.C5(c). IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued income' or 'deferred income', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Company uses 'accrued/deferred income' to describe such balances. The Company's accounting policies for its revenue streams are disclosed in detail below. Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 has not had any impact on the financial position of financial performance of the Company.

Impact of initial application of other amendments to IFRS Standards and Interpretations

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 2 (amendments) – Classification and Measurement of Share-based Payment Transactions

The Company has adopted the amendments to IFRS 2 for the first time in the current year. The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
- Modification of a share-based payment which changes the transaction from cash-settled to equity-settled should be accounted for as follows:
    - The original liability is derecognised
    - The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date, and
    - Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in the income statement immediately.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a refundable deposit or deferred revenue).

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

Notes to the Accounts (continued)

Basis of preparation and summary of significant accounting policies (continued)

a) Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantages of the FRS 101 disclosure exemptions have been taken.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- A cash flow statement and related notes;
- Comparative period reconciliations for share capital, property, plant and equipment and intangible assets;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Spectris plc, available to the public as set out in note 22, include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of Assets in respect of the impairment of goodwill and indefinite life intangible assets; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The financial statements have been prepared on the historical cost basis, except for revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principle accounting policies are set out below.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Going Concern

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future and has a strategic plan in place up to 2024.

On the basis of their assessment of the Company's financial position the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the Accounts (continued)

Basis of preparation and summary of significant accounting policies (continued)

Critical accounting judgements and estimates

In preparing the financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.
Estimates and assumptions are reviewed on an on-going basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

Information about the significant areas of judgements, estimates and assumptions are as follows:

Estimates

Provisions are made to write down slow-moving and obsolete inventory items to net realisable value, based on an assessment of technological developments and on an analysis of historical usage. The assessment used to calculate the provisions needed requires the application of judgment by management.

Provisions held in respect of tax risks are included within current and deferred tax liabilities depending on the underlying circumstances of the provision. Significant management judgment is exercised in arriving at the amounts to be provided.

The calculation of financial instruments for currency hedging is undertaken by our parent company. Significant management judgment is undertaken by the treasury management over likely cash flows and future exchange rates in arriving at the provisions needed.

Judgements

There are no significant critical judgements which the Directors have made in applying the Company's accounting policies that have any significant effect on the amounts recognised in the financial statements.

b) Summary of significant accounting policies

Intangible Assets

The Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or infinite.

Notes to the Accounts (continued)

Basis of preparation and summary of significant accounting policies (continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

The estimated useful life for computer software is 3 to 5 years.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost comprises the purchase price paid and any costs directly attributable to bringing it into working condition for its intended use.

Depreciation is recognised in the income statement on a straight-line basis to write off the cost, less the estimated residual value (which is reviewed annually), of property, plant and equipment over its estimated useful economic life. Depreciation commences in the month the assets are ready for use within the business and the asset carrying values are reviewed for impairment when there is an indication that they may be impaired. The depreciation charge is revised where the useful lives are different from those previously estimated, or where technically obsolete assets are required to be written down. Where parts of an item of plant and equipment have separate lives, they are accounted for and depreciated as separate assets. Estimated useful lives are as follows:

Freehold buildings	-	40 years
Leasehold property	-	3 years
Plant and machinery	-	5 to 10 years

No depreciation is provided on freehold land.

Inventories

Inventories and work in progress are carried at the lower of standard cost and net realisable value. Cost represents direct costs incurred and, where appropriate, production or conversion costs. In the case of manufacturing inventory and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Inventories are held using the average cost (AVCO) through use of standard costing.

Provisions are made to write down slow-moving, excess and obsolete items to net realisable value, based on an assessment of technological and market developments and on an analysis of historic and projected usage with regard to quantities on hand.

Trade and other receivables

Trade and other receivables are carried at original invoice amount less expected credit losses as dictated by IFRS 9. See the start of note 1 for further details.

Cash and cash equivalents

Cash comprises various currency bank accounts and petty cash in hand.

Notes to the Accounts (continued)

Basis of preparation and summary of significant accounting policies (continued)

Trade and other payables

Trade and other payables are carried at the amounts expected to be paid to counterparties.

Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources, that can be reliably measured, will be required to settle the obligation. In respect of warranties, a provision is recognised when the underlying products or services are sold. Provisions are recognised at an amount equal to the best estimate of the expenditure required to settle the Company's liability. A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefit is probable. Obligations arising from restructuring plans are recognised when detailed formal plans have been established and when there is a valid expectation that such a plan will be carried out.

Leasing

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. All leases are for one term with no guaranteed rental increases.

Taxation

Tax on the profit or loss for the year comprises both current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised either in other comprehensive income or directly in equity, in which case tax is recognised in the Statement of Comprehensive Income or the Statement of Changes in Equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustments to tax payable in respect of prior years.

Deferred taxation is provided on taxable temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and their corresponding tax bases. Deferred tax is measured using the tax rates expected to apply when the asset is realised or the liability settled based on tax rates enacted or substantively enacted by the statement of financial position date. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax is accounted for under trade and other payables falling due in more than one year.

Research and development expenditure

Expenditure on research and development is written off to the income statement in the year in which it is incurred up to the production of a certified prototype. Once a product is certified for sale the project is considered to demonstrate technical feasibility and therefore additional development costs may be capitalised and amortised over the expected life of the project. Such costs are not significant and have not been capitalised in 2018 *(2017: Nil)*.

Notes to the Accounts (continued)

Basis of preparation and summary of significant accounting policies (continued)

Foreign currency translations

Transactions in foreign currencies are initially recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the rate of exchange ruling at the statement of financial position date. Exchange gains and losses on settlement of foreign currency transactions are translated at the rate prevailing at the date of the transactions, or the translation of monetary assets and liabilities at period end exchange rates, and are charged/credited to the income statement.

Financial Instruments
Recognition

The Company recognises financial assets and liabilities on its statement of financial position when it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to sell off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Measurement

When financial assets and liabilities are initially recognised, they are measured at fair value, being the consideration given or received plus directly attributable transaction costs.

The Company uses derivative financial instruments such as forward foreign exchange contracts to hedge risks associated with foreign exchange fluctuations. These are designated as cash flow hedges. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an on-going basis, the Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged items, it then classifies it as other financial liabilities in the statement of financial position.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts deferred in equity are recycled to the income statement in the periods when the hedged item is recognised in the income statement, in the same line of the income statement as the recognised hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

Notes to the Accounts (continued)

Basis of preparation and summary of significant accounting policies (continued)

Derecognition

A financial asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Employee benefits
Post-retirement benefits

The Company participates in a Group defined benefit scheme. The scheme provides pensions in retirement, death in service and in some cases disability benefits to members. The pension benefit is linked to members' final salary at retirement and their service life. Since 31 December 2009, the UK plan has been closed to new members.

There is no contractual agreement or stated policy for charging the net defined benefit cost within the Group. Under FRS101, the full defined benefit surplus/obligation has been recognised by the sponsoring employer, Spectris plc. The Company contributions made to the defined benefit plan during the year ended 31 December 2018 were nil *(2017: Nil)*.

Spectris plc operates a defined contribution pension plan, membership of which is available to the qualifying UK employees of Group companies. Contributions payable by the Company to the plan amounted to £523,000 for the year ended 31 December 2018 *(2017: £485,000)*. There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Further details of the UK Spectris Pension Plan are contained in the financial statements of Spectris plc.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share based payments

Certain employees of the Company receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards with market-related vesting conditions is determined by an external consultant and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each statement of financial position reporting date up to the vesting date, at which point the estimate is adjusted to reflect the actual outcome of awards which have vested. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

Notes to the Accounts (continued)

Basis of preparation and summary of significant accounting policies (continued)

Turnover

The company recognises revenue from the following major sources:
- Sale of analysers, spares and transducers
- Services rendered

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

Turnover comprises sales to external (third party and inter group) customers after discounts and excluding Value Added Tax.

Sale of goods

The Company sells analysers, spares and transducers directly to customers. Sales-related warranties associated with these goods cannot be purchased separately, and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the company accounts for warranties in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

Revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods from the Company. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Interest payable and receivable

Interest comprises the interest payable on borrowings and the interest receivable on cash and funds invested. It is recognised in the income statement as it accrues.

Other operating income and expense

Other operating income is the translation effect of exchange gains in the year (2018).

Other operating expense is the amortisation of intangible assets in the year, together with the translation effect of exchange losses in the year (2017).

Notes to the Accounts (continued)

2. Turnover

An analysis of the Company's turnover by product is as follows:

	2018	2017
	£000	£000
Sale of Analysers and Spares	**46,604**	37,996
Sale of Transducers	**8,943**	7,440
Services rendered	**1,037**	954
Turnover from continuing operations	**56,584**	46,390

An analysis of the Company's turnover by geographical area is as follows:

	2018	2017
	£000	£000
United Kingdom	**2,431**	2,626
Europe	**10,919**	9,681
Asia	**28,601**	21,554
Americas	**11,774**	9,366
Rest of the world	**2,859**	3,163
	56,584	46,390

3. Profit before tax

Profit before tax has been arrived at after charging/(crediting):

	2018	2017
	£000	£000
Net foreign exchange (gain)/losses	**(321)**	97
Research and development costs	**3,130**	2,556
Depreciation of property' plant and equipment	**971**	918
Amortisation of intangible assets	**384**	420
Operating lease payments	**103**	126
Write downs/(reversal of write downs) of inventories recognised as an expense/(income)	**125**	(337)
(Profit) on sales of property, plant and equipment	**(2)**	(1)

Research and development costs are included in the Income Statement as Administrative expenses.
Amortisation of intangible assets are included primarily in Administrative expenses except for patent amortisation which is included in Other operating expenses.
Impairment losses recognised within receivables arising from contracts with customers totalled £34,000 *(2017: £93,000)*

Notes to the Accounts (continued)

4. Auditor's remuneration

The Company paid the following amounts to its auditor in respect of auditing the financial statements:

	2018 £000	2017 £000
Audit of the Company	**39**	58

£19,000 of prior year fees relate to work undertaken by KPMG for 2016

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

5. Staff costs

The average monthly number of employees (including Executive Directors) during the year, analysed by category was as follows:

	2018 Number	2017 Number
Production and engineering	**128**	128
Sales and marketing	**50**	50
Administrative	**24**	24
	202	202

Their aggregate remuneration comprised:

	2018 £000	2017 £000
Wages and salaries	**11,593**	10,071
Social security costs	**1,288**	1,202
Contributions to defined contribution plans	**523**	485
Equity-settled share-based payment expense	**(321)**	228
	13,083	11,986

Notes to the Accounts (continued)

Staff costs (continued)

Directors' remuneration	2018 £000	2017 £000
Aggregate emoluments	**761**	542
	761	542

Retirement benefits are accruing to the following number of Directors under:

	2018	2017
Money purchase schemes	**5**	3
	5	3

The number of Directors who exercised share options:	-	-
The number of Directors in respect of whose services shares were received or receivable under long term incentive schemes was:	5	3

In respect of the highest paid Director:

	2018	2017
Aggregate emoluments	**267**	201

The highest paid Director exercised no options during the year but received shares under the group's long-term incentive scheme.

The highest paid Director received company pension contributions of £1,000 *(2017: £16,000).*

Two Directors received no remuneration for their services to the Company in either year. They are employed by, and receive remuneration for services from, the ultimate parent company as disclosed in note 22.

6. Interest receivable and similar income

	2018 £000	2017 £000
Interest receivable from group undertakings	**85**	14
Total interest receivable	**85**	14

Notes to the Accounts (continued)

7. Taxation charge

a) Tax charged in the income statement	2018 £000	2017 £000
Corporation tax:		
UK corporation tax	**1,360**	520
Current tax charge	**1,360**	520
Adjustments in respect of prior years	**(129)**	216
Total current tax charge	**1,231**	736
Deferred tax:		
Origination and reversal of temporary differences	**(30)**	(56)
Change in tax rates	**-**	-
Adjustments in respect of prior years	**(43)**	(34)
Total deferred tax (credit)	**(73)**	(90)
Total tax charge reported in the income statement	**1,158**	646

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognised in other comprehensive income.

b) Tax relating to items charged or credited to other comprehensive income	2018 £000	2017 £000
Deferred tax:		
Fair value (loss)/gain arising on hedging instruments during the year	**(114)**	322
Change in tax rates	**-**	-
Total deferred tax (credit)/charge	**(114)**	322
Total tax (credit)/charge reported in the statement of comprehensive income	**(114)**	322

Notes to the Accounts (continued)

Taxation charge (continued)

c) Tax relating to items charged or (credited) directly to the Statement of Changes in Equity

	2018 £000	2017 £000
Current tax charge on adoption of IFRS 9	**32**	-
Total tax charge reported directly in the Statement of Changes in Equity	**32**	-

d) Reconciliation of the total tax charge

The tax charge in the income statement for the year is lower *(2017: higher)* than the standard rate of corporation tax in the UK of 19% *(2017: 19.25%)*. The differences are reconciled below:

	2018 £000	2017 £000
Profit before taxation	**8,247**	2,479
Tax at the UK corporation tax rate of 19% (2017: 19.25%)	**1,567**	477
Non-taxable income	**(25)**	-
Non-deductible expenditure	-	83
UK patent box incentives	**(200)**	(63)
Other current year items	**(12)**	(33)
Change in tax rates	-	-
Adjustments to prior year current and deferred tax charges	**(172)**	182
Tax expense for the year	**1,158**	646

e) Change in corporation tax rate

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective from 1 April 2020) was substantively enacted on 15 September 2016 and confirmed by the Finance Act 2019 following Royal Assent in February 2019. Deferred tax at 31 December 2018 has been calculated based on these rates.

Notes to the Accounts (continued)

Taxation charge (continued)

f) Deferred tax

The deferred tax included in the Company statement of financial position is as follows:

Deferred tax liability	2018 £000	2017 £000
Temporary difference relating to property, plant and equipment	**421**	474
Temporary differences relating to revaluation of cash flow hedges	**-**	61
	421	535
Deferred tax asset		
Temporary difference relating to intangible assets	**12**	15
Share based payments	**91**	77
Temporary differences relating to revaluation of cash flow hedges	**53**	-
Other temporary differences	**50**	41
	206	133
Disclosed on the statement of financial position		
Deferred tax liability	**215**	402
	215	402

Deferred tax in the income statement	2018 £000	2017 £000
Temporary differences relating to intangible assets	**(5)**	(18)
Temporary differences relating to property, plant and equipment	**(7)**	(2)
Share based payments	**(14)**	(36)
Other temporary differences	**(4)**	-
Change in tax rates	**-**	-
Adjustments in respect of prior years	**(43)**	(34)
Deferred tax credit to the income statement	**(73)**	(90)

Deferred tax is shown as trade and other payables on the statement of financial position.

8. Dividends

The Directors recommend that no dividend be paid *(2017: Nil)*.

Notes to the Accounts (continued)

9. Intangible assets

Cost	Goodwill £000	Patents £000	Computer Software £000	Total £000
At 1 January 2018	**2,241**	**314**	**3,362**	**5,917**
Additions	**-**	**-**	**213**	**213**
At 31 December 2018	**2,241**	**314**	**3,575**	**6,130**
Accumulated amortisation and impairment losses				
At 1 January 2018	**909**	**314**	**2,356**	**3,579**
Amortisation	**-**	**-**	**384**	**384**
At 31 December 2018	**909**	**314**	**2,740**	**3,963**
Carrying amount				
At 31 December 2018	**1,332**	**-**	**835**	**2,167**
At 31 December 2017	**1,332**	**-**	**1,006**	**2,338**

The goodwill and patent assets were acquired by Servomex Group Limited in December 2010 (having originally been acquired by another Spectris entity in 2007). Under FRS101 the net value of goodwill has been frozen as at 1 January 2014. The patents have been fully written down as at 31 December 2017.

As part of the annual impairment review, the carrying amount of goodwill has been assessed with reference to value in use to perpetuity, reflecting the projected cash flows based on actual operating results, the most recent budget for the next financial year as approved by the board, and strategic review projections from 2020 to 2024. The goodwill all relates to the one cash generating unit of Servomex Group Limited.

The Company has no internally-generated intangible assets from development expenditure as the criteria for the recognition as an asset under IAS 38 "Intangible Assets" have not been met *(2017: None).*

Notes to the Accounts (continued)

10. Property, plant and equipment

Cost	Freehold property £000	Leasehold property £000	Plant and machinery £000	Total £000
At 1 January 2018	8,487	22	7,500	16,009
Additions	5	-	1,040	1,045
Disposals	-	-	(102)	(102)
Inter Group Transfers	-	-	77	77
At 31 December 2018	**8,492**	**22**	**8,515**	**17,029**
Accumulated depreciation and impairment				
At 1 January 2018	1,818	11	4,563	6,392
Charge for the year	216	8	747	971
Disposals	-	-	(101)	(101)
Inter Group Transfers	-	-	78	78
At 31 December 2018	**2,034**	**19**	**5,287**	**7,340**
Carrying amount				
At 31 December 2018	**6,458**	**3**	**3,228**	**9,689**
At 31 December 2017	6,669	11	2,937	9,617

Assets under construction. The amount recognised in the carrying amount of items of plant and equipment in the course of its construction was £611,000 *(2017: £261,000).*

Leasehold property is all on short term lease.

There was no impairment of property, plant and equipment in the year. *(2017: Nil)*

No borrowing costs met the required criteria for capitalisation during the year *(2017: Nil).*

11. Inventories

	2018 £000	2017 £000
Raw materials and consumables	**102**	105
Work in progress	**4,788**	4,119
Finished goods and goods for resale	**615**	848
	5,505	5,072

Raw materials, consumables, changes in finished goods and work in progress recognised as cost of sales in the year amounted to £32,863,000 *(2017: £28,316,000)*. The impairment reversal of inventories to net realisation value amounted to nil *(2017: £337,000, inaccurate stockcount)* and is included in cost of sales.

Notes to the Accounts (continued)

12. Trade and other receivables

Amounts falling due within one year:	2018 £000	2017 £000
Trade receivables	7,381	5,574
Amounts owed by group undertakings	23,780	21,446
Prepayments and accrued income	270	262
Taxation and social security	680	457
Other receivables	73	444
	32,184	28,183

Amounts falling due after more than one year:	2018 £000	2017 £000
Prepayments and accrued income	**26**	57
Total trade and other receivables	**32,210**	28,240

13. Trade and other payables

Amounts falling due within one year:	2018 £000	2017 £000
Trade payables	**2,721**	2,388
Amounts owed to group undertakings	**1,690**	2,747
Tax and Social Security	**1,580**	614
Accruals and deferred income	**1,654**	519
Other financial liabilities	**379**	-
Other payables	**680**	1,150
	8,704	7,418

Notes to the Accounts (continued)

14. Related parties

Inter company trading for the year	Sales 2018 £000	Sales 2017 £000	Purchases 2018 £000	Purchases 2017 £000
Parent	-	-	-	-
Affiliate companies	19,977	16,143	13,746	8,056
Total	19,977	16,143	13,746	8,056

Inter company balances as at 31 December	Receivables outstanding 2018 £000	Receivables outstanding 2017 £000	Payables outstanding 2018 £000	Payables outstanding 2017 £000
Parent	22,263	20,736	41	989
Affiliate companies	1,517	710	1,649	1,758
Total	23,780	21,446	1,690	2,747

All intercompany invoices are unsecured, but settled within 30 days as per agreed terms.

15. Provisions

	Product Warranty £000	Deferred Tax £000	Total £000
At 1 January 2018	195	402	597
Additional provisions/releases) in the year	23	(187)	(164)
At 31 December 2018	**218**	**215**	**433**

Product warranty

Product warranty provisions reflect commitments made to customers on the sale of goods in the ordinary course of business and included within the company's standard terms and conditions. Warranty commitments typically apply for a 12-month period, but can extend to 36 months. These extended warranties are not significant.

16. Called-up share capital

Allotted, called up and fully paid	2018 Number of shares thousands	2018 £000
At 1 January 2018 and 31 December 2018 Ordinary Shares £1 each	4,426	4,426

Notes to the Accounts (continued)

17. Reserves

Cash flow hedge reserve

The Reserve records the net change in the fair value of forward exchange contracts where they are designated as effective cash flow hedge relationships.

Other reserves

Included in other reserves are the liabilities for the Share Option scheme and the employee share save scheme as at 31 December 2018

18. Share based payments

The Save As You Earn Share (SAYE) Option Scheme was set up in order to provide executives and selected employees with options to purchase ordinary shares in the ultimate parent company, Spectris plc. Under the SAYE Option Scheme, equity shares are issued following a vesting period of three years. Options may be exercised during a six-month period following the vesting date, and exercise prices are determined according to the mid-market closing share price prevailing on the day before the date of grant. There are no performance criteria associated with options granted under the SAYE Option Scheme.

Under the Performance Share Plan (unapproved share options as defined by HMRC), the exercise price is the nominal cost of the Company's shares. Awards to Servomex Group Limited employees are subject to performance criteria: 33.3% of the award being based on business operating profit growth targets, 33.3% of the award being based on an adjusted earnings growth target and 33.3% of the award is subject to employees staying within Specris for a further three years.

Since 2011, Performance Share Plan options have also been granted to UK employees that are approved share options as defined by HMRC. The performance criteria and vesting conditions are consistent with the unapproved options granted described above.

The approved share options are linked to the unapproved share options in order to benefit from the tax-exempt status of approved share option grants to a value not exceeding £30,000. Should there be a gain on exercise under the approved options, such gain will cause a proportionate reduction in the number and value of the linked unapproved options. Should there be no gain on exercise under the approved options, these options are then forfeited and the linked unapproved options may be exercised in full, to the extent their performance criteria is met.

From 2014, awards were made under the Restricted Shares Plan. Awards vest three years from grant and are cash-settled on vesting. The Restricted Shares Plan is subject to the same rules as the Performance Share Plan but gives flexibility as to whether or not awards are subject to performance criteria. Awards under the Restricted Shares Plan may be awarded to an Executive Director of Servomex Group Limited.

Notes to the Accounts (continued)

19. Capital commitments

During the year ended 31 December 2018, the Company entered into contracts to purchase plant and equipment for £323,000 *(2017: £378,000)*. These commitments are expected to be settled in the following financial year.

20. Contingent liabilities

As with other members of the Spectris Group, the Company has guaranteed facilities made available to Spectris plc, in respect of which the following amounts were outstanding:

	2018 £000	2017 £000
Royal Bank of Scotland	**2,517**	2,342

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group the Company considers these to be insurance arrangements in accordance with the requirements of IFRS 4 and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Servomex Group Limited and other UK subsidiaries of the Spectris Group are party to a cross-guarantee arrangement to support trade finance facilities entered into in the normal course of business. They are also party to a cross-guarantee arrangement which allows individual subsidiaries to borrow from the bank on overdraft within the overall borrowing limit of the Spectris Group.

Notes to the Accounts (continued)

21. Financial commitments

Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
Less than one year	37	46
Between one and five years	28	26
More than five years	-	-
	65	72

There are no property leases.

During the year £103,000 was recognised as an expense in the income statement in respect of operating leases *(2017: £126,000).*

22. Ultimate holding company

The Company's immediate parent company is Spectris Group Holdings Limited, a company incorporated in England and Wales with registered number 00143112. The controlling party and ultimate holding company is Spectris plc, incorporated in England and Wales with registration number 02025003. The consolidated accounts of Spectris plc are available to the public and may be obtained from Spectris plc, Heritage House, Church Road, Egham, Surrey, TW20 9QD. Spectris is the only group to consolidate the result of this entity.

Servomex Group Limited's only registered office is UK Technical Centre, Jarvis Brook, Crowborough, TN6 3FB, UK