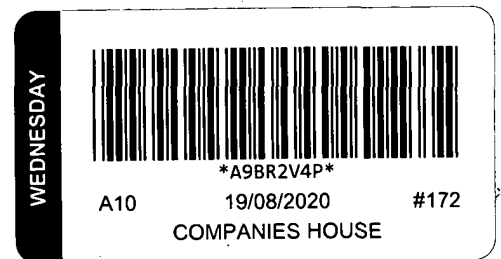


Servomex Group Limited

Annual report and financial statements

For the year ended 31 December 2019

Registered number 02170458



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Strategic report

The Directors present the strategic report, the directors' report and the audited financial statements for the year ended 31 December 2019.

Review of the Company's business

Sales increased by 11.8% year on year from £56,584,000 to £63,277,000. There were significant increases in the Asia and Middle East regions due to significant projects in the year. The Hummingbird OEM sensor business increased sales by 9.9% but services rendered reduced by 8.2%. Movements in the exchange rates reduced the translation of US Dollar denominated sales but this was partly offset by an improvement in the translation value of Euro denominated sales.

There was a slight decline in gross profit from £23,721,000 in 2018 to £23,289,000 in the current year despite the increase in sales. Gross margin percentage achieved reduced by 5.1% with a higher percentage of sales sourced from our US manufacturing facility and investment in our own facility. Overheads increased by 1.4% with continued cost control. The Directors have been realigning the business with new purity and speciality products being developed for US manufacture and investment taking place within the UK to reset the manufacturing capability of the business to support longer term growth and ensure we have the appropriate support from our key vendors.

The factors above led to a reduction of £1,233,000 in operating profit from £8,162,000 to £6,929,000 in the current year.

Net assets increased by 15% primarily due to an increase in receivables as a direct result of the 11.8% increase in sales.

Business KPIs are monitored at the consolidated 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 42 to 46 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. Covid-19 is the biggest current trading risk to the Company and therefore has its own section within the strategic report.

Exchange risks

The Company seeks to mitigate this risk through the provision of forward contracts: Contracts were put in place in 2017-18 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. The Company would rely on financial support from the Group if this position was to change

Strategic report (continued)

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, notably through forward contracts as mentioned under exchange risks.

Section 172

In accordance with section 172 of the Companies Act 2006, the Directors recognise the importance of our stakeholders to the sustainability of the business and the need to act fairly between members of the Company. Annual employee engagement surveys are carried out to monitor how employees view the management of the Company and the welfare of the employees. Feedback is then given during quarterly company all staff forums. This has led to the formation of an employee engagement committee to feed ideas to management and review potential actions. The focus on health and safety has been increased with the appointment of a global health and safety manager and capital investment to upgrade gas extraction, car park lighting and camera feeds where lone working may occur. We have also expanded the process for collating environmental and emissions data to allow us to reduce our impact on the local community and the environment.

Servomex trades on its reputation for high quality instruments, and management have implemented a reset phase to invest in new tooling and processes used in the manufacture of our sensing technology to ensure we maintain that reputation.

In addition, we maintain effective customer relationship management tools to support the identification of customer needs via our customer relationship system and are currently expanding this to our service activity. Voice of the customer feedback is also integral to our annual strategic review process. We ensure high standards throughout our supply chain by using the SA8000 Social Accountability Standard to physically audit our key suppliers.

Covid-19

Contagious diseases can have an adverse effect on the Company's business, financial condition and results of operations. There is currently a COVID-19 coronavirus pandemic across the world. Governments are taking a number of steps to mitigate the impact of this pandemic, including implementing quarantines. Many people have contracted the disease across the world and many deaths have occurred. It is not clear for how long this pandemic will last or how much more extensive it will become, or the further measures that will be taken by governments and others to seek to control this pandemic and its impact.

Since the outbreak of the COVID-19 coronavirus pandemic, the Company has taken a number of responsive measures including reducing site operational levels and introducing new cleaning regimes, safe working distance measures and protective equipment for its employees. A significant proportion of the Company's employees are working from home and have accepted a salary sacrifice. While the Company is liaising closely with its customers and suppliers to understand any changes in requirements and priorities during this time, the uncertainties surrounding the development of this pandemic make it difficult to predict the extent to which the Company may be affected. While OEM business is growing on the back of increased ventilator demand around the world, other business is slowing down and we anticipate around a 10% drop of sales in 2020 compared to the prior year.

Strategic report (continued)

Looking forward

The future potential impact of the COVID-19 pandemic on the Company is not yet known but may be significant. While the Company cannot currently quantify what the effects might be, it continues to monitor the pandemic and its impact, to ensure appropriate actions can be taken to mitigate risks to the Company



Trevor Sands
Director

Jarvis Brook
Crowborough
TN6 3FB
7 August 2020

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 £5,862,000 (2018: £7,089,000)

The Directors recommend that no dividend be paid (2018: Nil)

Directors

The Directors who are currently in office or held office during the year and to the date of this report are as follows:

Joanna Hallas	(resigned 15 January 2019)
Victoria Hammond	
Catherine Haynes	(resigned 8 October 2019)
James Hobby	(resigned 1 January 2019)
Trevor Sands	
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 at the date of his retirement from that company in the annual report and financial statements of Spectris plc for the year ended 31 December 2019.

Donations

Charitable donations in the year were £6,000 (2018: nil). 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 exploration of new technology within the industrial instrumentation field. It has been decided to capitalise internal development costs for the first time in 2019. The amount of this expenditure is given in note 3 to the financial statements.

Financial risk management policy

Financial instruments are referred to under exchange risks in the strategic report on page 3.

Directors' report *(continued)*

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have received confirmation that Spectris plc, the Company's ultimate parent undertaking, will continue to provide the necessary level of support to enable it to continue to operate for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in note 1 of the financial statements.

Future developments

In the second half of 2019, the Directors changed the internal structure of the Company to align with three business units; Industrial Process & Emissions, Purity & Speciality gases and Hummingbird sensing technology. The Company is investing to reset the process foundations so that we are not reliant on one employee, one piece of equipment or one vendor and we will then be in a stronger position to grow the business in these core markets by capitalising on the immediate market opportunities and developing new products to expand our potential market opportunities.


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.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor 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
7 August 2020

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law 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 2019 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 23.

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

7th August 2020

Income Statement

For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Revenue	2	63,277	56,584
Cost of sales		(39,988)	(32,863)
Gross profit		23,289	23,721
Distribution costs		(8,714)	(8,106)
Administrative expenses		(7,385)	(7,774)
Other operating expenses		(261)	-
Other operating income		-	321
Operating profit		6,929	8,162
Interest receivable and similar income	6	132	85
Interest expense on unwinding of discount on lease liability		(5)	-
Profit before taxation	3	7,056	8,247
Tax on profit	7	(1,194)	(1,158)
Profit for the financial year attributable to the owners of the Company		5,862	7,089

Revenue and operating profit are all derived from continuing operations.

The notes on pages 16 to 39 form part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2019

	2019	2018
	£000	£000
Profit for the financial year	5,862	7,089
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Fair value gain/(loss) arising on hedging instruments during the year	1,053	(655)
Deferred tax relating to items that may be reclassified subsequently to profit or loss	(180)	114
Other comprehensive income/(expense) for the year, net of tax	873	(541)
Total comprehensive income for the year attributable to the owners of the Company	6,735	6,548

The notes on pages 16 to 39 form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2019

	Notes	Called up Share Capital £000	Retained earnings £000	Cash flow hedge reserve £000	Other reserve £000	Total equity £000
Balance at 1 January 2019	16	4,426	38,998	(258)	1,107	44,273
Adoption of IFRS 16, net of tax	1	-	(2)	-	-	(2)
Balance at 1 January 2019 (restated)		4,426	38,996	(258)	1,107	44,271
Profit for the financial year		-	5,862	-	-	5,862
Other comprehensive income for the year						
Gain on effective portion of changes in fair value of cash flow hedges, net of tax		-	-	873	-	873
Total comprehensive income for the year		-	5,862	873	-	6,735
Equity-settled share-based payments		-	-	-	(48)	(48)
Balance at 31 December 2019		4,426	44,858	615	1,059	50,958
Balance at 1 January 2018	16	4,426	31,909	283	1,438	38,056
Profit for the financial year		-	7,089	-	-	7,089
Other comprehensive income for the year						
Loss 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
Equity settled share based payments		-	-	-	(331)	(331)
Balance at 31 December 2018		4,426	38,998	(258)	1,107	44,273

The notes on pages 16 to 39 form part of these financial statements

Statement of Financial Position

As at 31 December 2019

	Note	2019 £000	2018 £000
Non-current assets			
Intangible assets	9	2,612	2,167
Property, plant and equipment	10	10,093	9,689
		12,705	11,856
Current assets			
Inventories	11	7,303	5,505
Trade and other receivables	12	38,774	32,210
Cash and cash equivalents		1,277	3,839
		47,354	41,554
Current liabilities			
Trade and other payables	13	(8,260)	(8,704)
Lease liabilities	21	(49)	-
Net current assets		39,045	32,850
Total assets less current liabilities		51,750	44,706
Non-current liabilities			
Provisions	15	(717)	(433)
Lease liabilities	21	(75)	-
Net assets		50,958	44,273
Capital and reserves			
Called-up share capital	16	4,426	4,426
Retained earnings	17	44,858	38,998
Cash flow hedge reserve	17	615	(258)
Other reserves	17	1,059	1,107
Shareholders' funds		50,958	44,273

The notes on pages 16 to 39 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

7 August 2020

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 5. 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 23.

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 16 Leases

In the current year, the Company has applied IFRS 16 *Leases* (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. The date of initial application of IFRS 16 for the Company is 1 January 2019.

IFRS 16 provides a single model for leases which provides right of use asset and a lease liability for all leases, with exceptions available for short-term and low-value leases. The impact of IFRS 16 is to recognise a lease liability and a corresponding asset in the Statement of Financial Position for leases previously classified as operating leases. The most significant impact has been that the Company's buildings and car leases are now recognised on the Statement of Financial Position. Previously rentals payable under operating leases were not recognised on the Statement of Financial Position and were charged to the Income Statement on a straight line basis over the term of the relevant lease.

The Company has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information. In respect of those leases the Company previously treated as operating leases, the Company has elected to measure its right of use assets using the approach set out in IFRS 16.C8(b)(i). Under IFRS 16.C8(b)(i) right of use assets are calculated as if the Standard applied at lease commencement, but discounted using the borrowing rate at the date of initial application.

The Company has applied the practical expedients available in IFRS 16 for excluding low-value assets and short-term leases from the requirements of the standard and right of use assets have been adjusted by the carrying amount of onerous lease provisions at 31 December 2019 instead of performing impairment reviews under IAS 36.

The impacts of the adoption of IFRS 16 at 1 January 2019, were: a decrease in retained earnings of £2,000 (no material tax effect), an increase in property, plant and equipment of £130,000 and an increase in lease liabilities of £132,000. In 2019, the Company incurred a finance charge of £5,000, reflecting the unwinding of discount on lease liabilities, with depreciation/impairment of £121,000 on right of use assets. These items effectively replace the operating lease rentals previously charged to profit before taxation under IAS17 'Leases'. For the year ended 31 December 2018, operating lease rentals charged to profit before tax amounted to £103,000. The lease liabilities recognised at 1 January 2019 are £67,000 higher than the total operating lease commitments of £65,000 disclosed in the Annual Report and Accounts for 2018, which were prepared under IAS 17. The reasons for the differences are set out in the table below. Cash outflows at £117,000 are not materially affected by the adoption of IFRS16.

Notes to the Accounts (continued)

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

The Company's weighted average incremental borrowing rate applied to lease liabilities as at 1 January 2019 is 3.0%

The key judgement in applying IFRS 16 for the company is the selection of discount rates.

The table below presents a reconciliation from operating lease commitments disclosed at 31 December 2018 to lease liabilities recognised at 1 January 2019.

	£000
Operating lease commitments under IAS 17 at 31 December 2018	65
Effect of discounting	(2)
Payments due in periods covered by extension options that are included in the lease term	69
Lease liabilities recognized at 1 January 2019	132

New accounting policy under IFRS 16

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise; fixed lease payments (including in substance fixed payments), less any lease incentives; variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; the amount expected to be payable by the lessee under residual value guarantees; the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease. The lease liability is subsequently measured by increasing the carrying amount to reflect the lease payments made.

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset; restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

Notes to the Accounts (continued)

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

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever; the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is measured by discounting the revised lease payments using a revised discount rate; the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; or a lease contract is modified, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; or a lease contract is modified, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the Company's financial statements.

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 23, 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 settles 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.

Notes to the Accounts (continued)

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

Going Concern

The ultimate parent company, Spectris plc, has indicated in writing that, for at least 12 months from the date of approval of these financial statements, it will continue to make available funds as are needed by the Company to meet its liabilities as they fall due and in particular will not seek repayment of amounts currently made available. While there remains significant uncertainty as to the future impact of the COVID-19 pandemic, the Company and its ultimate parent entity Spectris plc continue to conduct ongoing risk assessments of the potential impact of the pandemic on its business operations and liquidity. The impact on the Company is set out in note 22. Having undertaken these assessments, the Directors consider that the Company, and its ultimate parent, Spectris plc, will be able to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

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

There are no significant estimates made in the calculation of provisions.

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.

Notes to the Accounts (continued)

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

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.

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 is 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 improvements	-	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.

Notes to the Accounts (continued)

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

Trade and other receivables

Trade and other receivables are carried at original invoice amount less expected credit losses as dictated by IFRS 9.

Cash and cash equivalents

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

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

Policy applicable prior to 1 January 2019.

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 short term or low value leases.

Policy applicable after 1 January 2019.

See page 16 for discussion on IFRS 16 application.

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

Notes to the Accounts (continued)

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

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

Self-funded research and development costs are charged to the Income Statement in the year in which they are incurred unless development expenditure meets certain strict criteria for capitalisation. These criteria include demonstration of the technical feasibility, intent of completing a new intangible asset that is separate and that the asset will generate profitable future economic benefits. From the point where expenditure meets the criteria, development costs are capitalised and amortised over the useful economic lives of the assets to which they relate. Two such projects have commenced in 2019 and therefore we have capitalised £393,000. (2018: Nil).

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.

Notes to the Accounts (continued)

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

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

Amounts recognised 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.

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 IFRS, 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 2019 were nil (2018: 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 £646,000 for the year ended 31 December 2019 (2018: £523,000). 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.

Notes to the Accounts (continued)

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

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.

Revenue

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.

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

Product warranties are covered in note 15.

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. For services, revenue is recognised at the point of service/repair unless it is a service contract with no defined service points (e.g. call out cover), in which case it is recognised on commencement.

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 expense is the translation effect of exchange losses in the year (2019).
Other operating income is the translation effect of exchange gains in the year (2018).

Notes to the Accounts (continued)

2. Revenue

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

	2019	2018
	£000	£000
Sale of analysers and spares	52,493	46,604
Sale of transducers	9,832	8,943
Services rendered	952	1,037
Revenue from continuing operations	63,277	56,584

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

	2019	2018
	£000	£000
United Kingdom	2,240	2,431
Europe	10,127	10,919
Asia	34,182	28,601
Americas	12,866	11,774
Rest of the world	3,862	2,859
	63,277	56,584

3. Profit before tax

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

	2019	2018
	£000	£000
Net foreign exchange losses/(gain)	261	(321)
Research and development costs	2,650	3,130
Depreciation of property, plant and equipment	904	971
Depreciation and impairment of right of use assets	121	-
Amortisation of intangible assets	350	384
Operating lease payments	-	103
Write downs of inventories recognised as an expense	11	125
Loss/(profit) on sales of property, plant and equipment	4	(2)

Research and development costs are included in the Income Statement as Administrative expenses.

Amortisation of intangible assets are included primarily in Administrative expenses.

Impairment losses recognised within receivables arising from contracts with customers totalled £3,000 (2018: £34,000)

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:

	2019, £000	2018 £000
Audit of the Company	46	39

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:

	2019 Number	2018 Number
Production and engineering	134	128
Sales and marketing	58	50
Administrative	24	24
	216	202

Their aggregate remuneration comprised:

	2019 £000	2018 £000
Wages and salaries	11,844	11,593
Social security costs	1,561	1,288
Contributions to defined contribution plans	646	523
Equity-settled share-based payment expense	440	(321)
	14,491	13,083

Notes to the Accounts (continued)

Staff costs (continued)

	2019	2018
	£000	£000
Directors' remuneration		
Aggregate emoluments	672	761
Equity-settled share-based payment expense	27	-
	699	761

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

	2019	2018
	£000	£000
Money purchase schemes	34	38
	34	38

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:

1	-
3	5

In respect of the highest paid Director:

	2019	2018
	£000	£000
Aggregate emoluments	353	267

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 £21,000 (2018: £1,000).

Two Directors received no remuneration for their services to the Company in either year. They were employed by, and received remuneration for services from, the ultimate parent company as disclosed in note 23.

6. Interest receivable and similar income

	2019	2018
	£000	£000
Interest receivable from group undertakings	132	85
Total interest receivable	132	85

Notes to the Accounts (continued)

7. Tax on profit or loss

	2019	2018
	£000	£000
a) Tax charged in the income statement		
Corporation tax:		
UK corporation tax	1,237	1,360
Current tax charge	1,237	1,360
Adjustments in respect of prior years	(5)	(129)
Total current tax charge	1,232	1,231
Deferred tax:		
Origination and reversal of temporary differences	(35)	(30)
Adjustments in respect of prior years	(3)	(43)
Total deferred tax (credit)	(38)	(73)
Total tax charge reported in the income statement	1,194	1,158

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

	2019	2018
	£000	£000
b) Tax relating to items charged or credited to other comprehensive income		
Deferred tax:		
Fair value gain/(loss) arising on hedging instruments during the year	180	(114)
Change in tax rates	-	-
Total deferred tax charge/(credit)	180	(114)
Total tax charge/(credit) reported in the statement of comprehensive income	180	(114)

Notes to the Accounts (continued)

Tax on profit or loss (continued)

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

	2019	2018
	£000	£000
Current tax:		
Share based payments	(15)	-
Adoption of IFRS 9	-	32
Total current (credit)/charge	(15)	32
Deferred tax:		
Share based payments	(13)	-
Adoption of IFRS 16	-	-
Total deferred tax (credit)	(13)	-
Total tax (credit)/charge reported directly in the Statement of Changes in Equity	(28)	32

d) Reconciliation of the total tax charge

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

	2019	2018
	£000	£000
Profit before taxation	7,056	8,247
Tax at the UK corporation tax rate of 19% (2018: 19%)	1,341	1,567
Non-taxable income	-	(25)
Non-deductible expenditure	103	-
UK patent box incentives	(200)	(200)
Other current year items	(42)	(12)
Change in tax rates	-	-
Adjustments to prior year current and deferred tax charges	(8)	(172)
Tax expense for the year	1,194	1,158

Notes to the Accounts (continued)

Tax on profit or loss (continued)

e) Change in corporation tax rate

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 15 September 2016 and confirmed by the Finance Act 2019. Deferred tax has been calculated based on the substantively enacted rate at 31 December 2019. Subsequent to 31 December 2019, in the budget 2020 on 11 March 2020, it was confirmed that the planned reduction in corporation tax from 19% to 17% from 1 April 2020 would not go ahead. The impact of this 2% increase on the deferred tax balance at 31 December 2019 would be to increase the deferred tax liability by £41,000.

f) Deferred tax

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

	2019	2018
	£000	£000
Deferred tax liability		
Temporary difference relating to property, plant and equipment	426	421
Temporary differences relating to revaluation of cash flow hedges	127	-
	553	421
Deferred tax asset		
Temporary difference relating to intangible assets	12	12
Share based payments	145	91
Temporary differences relating to revaluation of cash flow hedges	-	53
Other temporary differences	52	50
	209	206
Disclosed on the statement of financial position		
Deferred tax liability	344	215
	344	215

	2019	2018
	£000	£000
Deferred tax in the income statement		
Temporary differences relating to intangible assets	-	(5)
Temporary differences relating to property, plant and equipment	6	(7)
Share based payments	(41)	(14)
Other temporary differences	-	(4)
Change in tax rates	-	-
Adjustments in respect of prior years	(3)	(43)
Deferred tax credit to the income statement	(38)	(73)

Deferred tax is shown as a provision on the statement of financial position.

Notes to the Accounts (continued)

8. Dividends

The Directors recommend that no dividend be paid (2018: Nil).

9. Intangible assets

Cost	Goodwill £000	Patents £000	Internal Develop- ment £000	Computer Software £000	Total £000
At 1 January 2019	2,241	314	-	3,575	6,130
Additions	-	-	393	402	795
Disposals	-	-	-	(135)	(135)
At 31 December 2019	2,241	314	393	3,842	6,790
Accumulated amortisation and impairment losses					
At 1 January 2019	909	314	-	2,740	3,963
Amortisation	-	-	-	350	350
Disposals	-	-	-	(135)	(135)
At 31 December 2019	909	314	-	2,955	4,178
Carrying amount					
At 31 December 2019	1,332	-	393	887	2,612
At 31 December 2018	1,332	-	-	835	2,167

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 recognised £393,000 of internally-generated intangible assets from development expenditure on two projects in 2019 (2018: None). These projects are expected to complete in 2020.

Notes to the Accounts (continued)

10. Property, plant and equipment

Property, plant and equipment: owned assets

	Freehold property	Leasehold improvements	Plant and machinery	Total
Cost	£000	£000	£000	£000
At 1 January 2019	8,492	22	8,515	17,029
Additions	25	-	1,174	1,199
Disposals	-	-	(279)	(279)
At 31 December 2019	8,517	22	9,410	17,949
Accumulated depreciation and impairment				
At 1 January 2019	2,034	19	5,287	7,340
Charge for the year	216	3	685	904
Disposals	-	-	(272)	(272)
At 31 December 2019	2,250	22	5,700	7,972
Carrying amount				
At 31 December 2019	6,267	-	3,710	9,977
At 31 December 2018	6,458	3	3,228	9,689

Assets under construction. The amount recognised in the carrying amount of items of plant and equipment in the course of its construction was £903,000 (2018: £611,000).

There was no impairment of property, plant and equipment in the year. (2018: Nil)

No borrowing costs met the required criteria for capitalisation during the year (2018: Nil).

Notes to the Accounts (continued)

Property, plant and equipment: right of use

	Leasehold property	Plant and machinery	Total
Cost	£000	£000	£000
At 1 January 2019	-	-	-
Adoption of IFRS 16	46	242	288
Additions	16	91	107
Disposals	(21)	(146)	(167)
At 31 December 2019	41	187	228
Accumulated depreciation and impairment			
At 1 January 2019	-	-	-
Adoption of IFRS 16	4	154	158
Charge for the year	45	72	117
Disposals	(21)	(146)	(167)
Impairments	4	-	4
At 31 December 2019	32	80	112
Carrying amount			
At 31 December 2019	9	107	116
At 31 December 2018	-	-	-

	2019
	£000
Property, plant and equipment: owned	9,977
Property, plant and equipment: right of use	116
	10,093

11. Inventories

	2019	2018
	£000	£000
Raw materials and consumables	98	102
Work in progress	6,161	4,788
Finished goods and goods for resale	1,044	615
	7,303	5,505

Raw materials, consumables, changes in finished goods and work in progress recognised as cost of sales in the year amounted to £39,988,000 (2018: £32,863,000).

Notes to the Accounts (continued)

12. Trade and other receivables

	2019	2018
Current:	£000	£000
Trade receivables	8,589	7,381
Amounts owed by group undertakings	28,565	23,780
Prepayments and accrued income	465	270
Other taxation and social security	336	680
Other receivables	785	73
	38,740	32,184
	2019	2018
	£000	£000
Amounts falling due after more than one year:		
Prepayments and accrued income	34	26
Total trade and other receivables	38,774	32,210

13. Trade and other payables

	2019	2018
Current:	£000	£000
Trade payables	2,552	2,721
Amounts owed to group undertakings	1,640	1,690
Other tax and social security	1,328	1,580
Accruals and deferred income	2,651	1,654
Other financial liabilities	-	379
Other payables	89	680
	8,260	8,704

Notes to the Accounts (continued)

14. Related parties

	Sales 2019 £000	Sales 2018 £000	Purchases 2019 £000	Purchases 2018 £000
Intercompany trading for the year				
Parent	-	-	-	-
Affiliate companies	22,144	19,977	21,202	13,746
Total	22,144	19,977	21,202	13,746

	Receivables outstanding 2019 £000	Receivables outstanding 2018 £000	Payables outstanding 2019 £000	Payables outstanding 2018 £000
Intercompany balances as at 31 December				
Parent	27,425	22,263	-	41
Affiliate companies	1,142	1,517	1,640	1,649
Total	28,567	23,780	1,640	1,690

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

15. Provisions

	Restructure £000	Product Warranty £000	Deferred Tax £000	Total £000
At 1 January 2019	-	218	215	433
Additional provisions in the year	137	18	129	284
At 31 December 2019	137	236	344	717

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.

Restructuring

In 2019 alignment took place to manage the business by business unit rather than by geographical region. Most costs were expensed in 2019 with the final costs expected to fall in H1 2020. It was also decided to relocate our European customer service activity to Romania. The final costs for this occurred in January 2020.

Notes to the Accounts (continued)

16. Called-up share capital

	2019 Number of shares thousands	2019 £000
Allotted, called up and fully paid		
At 1 January 2019 and 31 December 2019		
Ordinary Shares £1 each	4,426	4,426

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 2019.

Notes to the Accounts (continued)

18. Share based payments

The Spectris Share Incentive Plan (SIP) was launched in 2018 and replaced the SAYE Option Scheme. UK employees can invest up to £150 per month to buy ordinary shares in Spectris plc tax efficiently and for every five shares purchased, Spectris will gift one free ordinary share.

Under the Performance Share Plan (unapproved share options as defined by HMRC), the exercise price is the nominal cost of the Company's shares. Outstanding PSP awards granted to Executive Directors are subject to the following performance conditions; one-third subject to an adjusted earnings per share growth target ("EPS"); one-third subject to an economic profit ("EP") target; and one-third subject to a total shareholder return target ("TSR").

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.

19. Capital commitments

During the year ended 31 December 2019, the Company entered into contracts to purchase plant and equipment for £822,000 (2018: £323,000). These commitments are expected to be settled in the following financial year.

Notes to the Accounts (continued)

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:

	2019 £000	2018 £000
Royal Bank of Scotland	1,607	2,517

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.

21. Lease liabilities

2019 Undiscounted lease liability maturity analysis under IFRS 16:

	Property	Plant and equipment £000	Total £000
Less than one year	9	43	52
Between one and five years	-	82	82
More than five years	-	-	-
	9	125	134

2018 Operating leases under IAS 17

	Property	Plant and equipment £000	Total £000
Less than one year	13	24	37
Between one and five years	-	28	28
More than five years	-	-	-
	13	52	65

Notes to the Accounts (continued)

22. Events after the end of the reporting period

The outbreak of the COVID-19 coronavirus was confirmed to be a global pandemic by the World Health Organisation on 11 March 2020 and only after that date did major governments, such as the UK, start taking significant mitigating steps. As such the Company considers this to be a non-adjusting post balance sheet event. The full impact of the COVID-19 pandemic on medium- and long-term economic activity is not yet known, although is likely to be significant. The Company continues to monitor the impact on its business, however while the uncertainty continues, the Company is not able to quantify the possible financial effect of the pandemic

23. Ultimate holding company

The Company's immediate parent company is Spectris Group Holdings Limited, a company incorporated in England and Wales with registered number 0014312. The ultimate controlling party and ultimate parent 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 plc is the only group to consolidate the result of this entity. This is the smallest and largest Group of which Servomex Group Limited is consolidated within.

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