

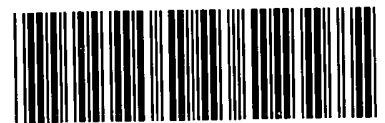
Servomex Group Limited

Annual report and financial statements

For the year ended 31 December 2021

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 2021.

Review of the Company's business

Sales decreased 7.8% year on year from £58,434,000 to £53,886,000 primarily due to a reduction in sensor sales as a result of the exceptional demand in the prior year for sensors for critical care ventilators due to COVID.

An increase in the gross margin percentage from 36.6% to 39.4% as a result of a change in the product mix during the year meant gross profit only reduced £179,000 on 2020 despite the higher fall in sales. Management have been investing in the development of new products for manufacture within the UK and are resetting the manufacturing capability of the business to support these new products.

The primary focus during the year was on the development of a new generation 2500 analyser and as this investment in research and development was capitalised as an intangible asset during the year there was a reduction in research and development costs that flowed through to the Income Statement of £502,000. This reduction offset an increase in administrative expenses of £776,000 as the business continued to invest in resetting the structure of the business to be set for future growth. Overall this caused administrative expenses to increase from £9,707,000 in the prior year to £9,981,000 in the current year.

Distribution costs increased by £2,035,000 from £6,628,000 in the prior period to £8,663,000 in the current year. This was primarily as a result of a £697,000 increase in marketing costs and a £1,292,000 increase in sales commissions to affiliate companies as a result of a higher concentration of indirect sales in Asia than in the prior year (see note 2 on page 24).

The factors above led to a reduction of £2,231,000 in operating profit from £4,841,000 in the prior year to £2,610,000 in the current year.

Net assets increased by 5.3% from £53,546,000 (restated) in the prior year to £56,394,000 in the current year primarily due to movements in working capital.

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. The consolidated Servomex Group consists of individual Servomex entities and Servomex divisions of companies that form part of the ISD platform of Spectris plc as listed in note 14 to the Financial Statements of Spectris plc.

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 44 to 48 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.

Strategic report (continued)

Exchange risks

The Company seeks to mitigate this risk through the provision of forward contracts. Contracts were put in place in 2021 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.

Liability risks

There are no outstanding claims.

Brexit

During the year the major Brexit uncertainty for the Company revolved around the value of sales in GBP as over 90% of our sales are in other currencies. The business works closely with our parent company to minimise any currency risks, notably through forward contracts as mentioned under exchange risks.

During the year, as a result of the UK leaving the EU, the company restructured the way in which it does business with countries in the EU and now channels its sales to EU countries through its affiliate companies in the EU. The removal of any customs compliance for its EU customers will maintain the way it historically dealt with those customers as well as ensuring no competitive disadvantage is experienced in compared to its competitors based in the EU.

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 Group Limited 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.

Strategic report (continued)

COVID-19

Contagious diseases can have an adverse effect on the Company's business, financial condition and results of operations. There has been a COVID-19 coronavirus pandemic across the world during 2021 and it continues to impact on 2022.

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. The Company continues to liaise closely with its customers and suppliers to understand any changes in requirements and priorities during this time. The uncertainties surrounding the continuation of this pandemic make it difficult to predict the extent to which the Company may be affected.

Looking forward

Uncertainty continues to impact on the outlook as we move into 2022. With the exception of China, COVID-19 lockdowns have not impacted the business. However, the availability of manufacturing resources continues to be impacted by an increase in infections that is causing employees isolations and resulting in the Company having to respond to these challenges by flexing our manufacturing capabilities to maintain production.

Outside of restrictions, the global supply chain challenges have impacted the business and continues to do so with parts in scarce supply and, where available, at a premium. The business has moved to secure sufficient supplies of key materials and has made advance purchases to protect future shipments. Whilst this will result in higher inventories the company's cash generation remains strong and with the continued support of Spectris plc, the company's ultimate parent undertaking, the company is in a position to continue to protect its supply chain where appropriate.

Approved by the Board and signed on its behalf by:



Andrew Cowan
Director

Jarvis Brook
Crowborough
TN6 3FB
17 October 2022

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 and the company does not operate any branches outside of the UK.

Results and dividends

The Company made a profit after tax of £2,028,000 (2020: £4,239,000).

The Directors recommend that no dividend be paid (2020: 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:

Andrew Cowan	(appointed 20 January 2022)
Trevor Sands	(resigned 21 January 2022)
Luke Shaw	(resigned 30 June 2022)
Martin Cox	(appointed 9 August 2022)

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

There are no qualifying third party indemnity director provisions.

Donations

Charitable donations in the year were £6,100 (2020: £6,485). 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. 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 2.

Going concern

Having considered the risk and uncertainties in the Strategic report, the Company's business and financial forecasts (including a sensitivity analysis of those forecasts) the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In addition, 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.

Directors' report (continued)

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 continuing to invest 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. This reset process will continue into early 2022 as the impact of COVID has impacted on the Company's ability to complete this project earlier.

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:



Andrew Cowan
Director

Jarvis Brook
Crowborough
TN6 3FB
17 October 2022

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 2021 and of 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in revenue recognition, with the risk that revenue is not recognised in the correct period. Details of the Group's accounting policy for revenue is disclosed in note 1b, and disclosure relating to the amount recognised in the year is disclosed in note 2. Our specific procedures performed to address it are described below:

- assessing the design and implementation of the controls surrounding revenue recognition at year end.
- assessing the appropriateness of the revenue recorded during the year including tracing a sample from the revenue GL to invoice and delivery note, to test whether revenue has been recognised in the correct period.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

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.

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 our 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
London, United Kingdom
17 October 2022

Income Statement

For the year ended 31 December 2021

	Note	2021 £000	2020 £000
Revenue	2	53,886	58,434
Cost of sales		(32,666)	(37,035)
Gross profit		21,220	21,399
Distribution costs		(8,663)	(6,628)
Administrative expenses		(9,981)	(9,707)
Other operating expenses		-	(223)
Other operating income		34	-
Operating profit		2,610	4,841
Interest receivable and similar income	6	-	64
Interest expense and similar expense	7	(40)	(71)
Profit before taxation	3	2,570	4,834
Tax on profit	8	(542)	(595)
Profit for the financial year attributable to the owners of the Company		2,028	4,239

Revenue 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 2021

	2021 £000	2020 £000
Profit for the financial year	2,028	4,239
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Fair value gain/(loss) arising on hedging instruments during the year	109	(741)
Deferred tax relating to items that may be reclassified subsequently to profit or loss	(21)	126
Other comprehensive income/(expense) for the year, net of tax	88	(615)
Total comprehensive income for the year attributable to the owners of the Company	2,116	3,624

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

Statement of Changes in Equity

For the year ended 31 December 2021

	Notes	Called up Share Capital £000	Retained earnings £000	Cash flow hedge reserve £000	Other reserve £000	Total equity £000
Balance at 1 January 2021 (restated)¹	17,18	4,426	48,180	-	940	53,546
Profit for the financial year		-	2,028	-	-	2,028
Other comprehensive income for the year						
Gain on effective portion of changes in fair value of cash flow hedges, net of tax		-	-	88	-	88
Total comprehensive income for the year		-	2,028	88	-	2,116
Deferred tax on share based payment		-	93	-	-	93
Equity-settled share-based payments		-	-	-	639	639
Transfer		-	-	-	-	-
Balance at 31 December 2021	18	4,426	50,301	88	1,579	56,394
Balance at 1 January 2020		4,426	44,858	615	1,059	50,958
Goodwill Impairment		-	(1,332)	-	-	(1,332)
Tax on goodwill impairment		-	253	-	-	253
Balance at 1 January 2020 (restated)¹		4,426	43,779	615	1,059	49,879
Profit for the financial year		-	4,239	-	-	4,239
Other comprehensive expense for the year						
(Loss) on effective portion of changes in fair value of cash flow hedges, net of tax		-	-	(615)	-	(615)
Total comprehensive income/(expense) for the year		-	4,239	(615)	-	3,624
Equity-settled share-based payments		-	-	-	43	43
Transfer		-	162	-	(162)	-
Balance at 31 December 2020 (restated)¹		4,426	48,180	-	940	53,546

1. See Note 1 for details of the prior period restatement

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

Statement of Financial Position


As at 31 December 2021

	Note	2021 £000	2020 (restated) ¹ £000
Non-current assets			
Intangible assets	10	2,767	1,478
Property, plant and equipment	11	12,478	11,714
		15,245	13,192
Current assets			
Inventories	12	10,399	7,086
Trade and other receivables	13	37,935	39,702
Cash and cash equivalents		1,450	1,007
		49,784	47,795
Current liabilities			
Trade and other payables	14	(8,109)	(7,003)
Lease liabilities	21	(49)	(89)
Net current assets		41,626	40,703
Total assets less current liabilities		56,871	53,895
Non-current liabilities			
Provisions	16	(448)	(273)
Lease liabilities	21	(29)	(76)
Net assets		56,394	53,546
Capital and reserves			
Called-up share capital	17	4,426	4,426
Retained earnings	18	50,301	48,180
Cash flow hedge reserve	18	88	-
Other reserves	18	1,579	940
Shareholders' funds		56,394	53,546

1. See Note 1 for details of the prior period restatement

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:



Andy Cowan

Director

Registered number 02170458

17 October 2022

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 2 to 4. These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

a) Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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 standards;
- Disclosures in respect of the compensation of Key Management Personnel.
- Disclosures in respect of capital management; and
- Related party transactions with wholly owned group companies.

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 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. 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, along with having considered the risk and uncertainties in the Strategic report, the Company's business and financial forecasts (including a sensitivity analysis of those forecasts) the Directors continue to adopt the going concern basis in preparing the 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

There are no significant estimates made in the preparation of these financial statements.

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 reviews goodwill 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.

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.

Intangible Assets – Prior Period Restatement

During the year the Company carried out an impairment review of goodwill and determined a full impairment of goodwill had occurred in a period prior to 1st January 2020 to bring the previously stated goodwill to a nil net book value. The accounts have been restated to incorporate the impact of the misstatement of the impairment charges of £1,332,000 along with the corresponding reduction in tax of £253,000. The change has resulted in profits available for distribution at 31 December 2019 reducing by £1,079,000 as shown in the Statement of Changes in Equity and notes 10 and 14 to these financial statements.

Notes to the Accounts (continued)

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

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.

Trade and other receivables

Trade and other receivables are carried at original invoice amount (which is considered a reasonable proxy for fair value) and are subsequently held at amortised cost less provision for impairment. The movement in the provision is recognised in the Income Statement.

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.

Notes to the Accounts (continued)

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

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

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.

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.

Notes to the Accounts (continued)

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

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

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. Capitalised research and development across three projects during the year was £839,000 (2020: £533,000).

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.

Notes to the Accounts (continued)

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

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 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.

Notes to the Accounts (continued)

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

There is no contractual agreement or stated policy for charging the net defined benefit cost within the Group, therefore the Company recognises a cost equal to its contribution payable for the period, which is presented within administrative expenses in the Income Statement. 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 2021 were nil (2020: 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 £679,000 for the year ended 31 December 2021 (2020: £673,000). 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).

Where it is not possible to incentivise managers of the Company with equity-settled options, they are issued with cash-settled options. The charge for these awards is adjusted to reflect the expected and actual levels of options that vest and the fair value is based on either the share price at date of exercise or the share price at the Statement of Financial Position date if sooner.

Where the Company's parent Company has granted rights to its equity instruments to employees of the Company, such arrangements are accounted for as equity-settled share-based payment arrangements. In such instances a capital contribution is recognised to the extent that the Company is not recharged by its parent.

Where the Company grants to its employees rights to equity instruments of its parent, the Company accounts for such arrangements as cash-settled share-based payment arrangements.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Notes to the Accounts (continued)

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

The share based payments awarded are in the form of one of the following incentives.

Spectris Long Term Incentive Plan ('LTIP') – awards granted from 2021 onwards with performance conditions attached

The LTIP is used to grant share awards with performance conditions attached to senior executives and key employees that are settled in either equity or cash. Both cash and equity-settled LTIP awards are expected to vest, subject to their performance conditions, after three years. Vested equity settled awards, which are granted in the form of nominal share options, must be exercised within the next seven years, whereas vested conditional share awards and cash-settled awards are paid out on or shortly after the vesting date. Subject to the LTIP awards vesting, participants receive additional dividend shares on the vested shares under the LTIP award. Dividend shares are of equivalent value to the Company's dividends paid between the date of grant and the vesting date.

Spectris Performance Share Plan ('PSP') - awards granted prior to 2021

The PSP was used to grant share awards to senior executives and key employees that are settled in either equity or cash. Both cash and equity-settled PSP awards are expected to vest, subject to their performance conditions, after three years. Vested equity settled awards must be exercised within the next seven years, whereas vested cash-settled awards are paid out on or shortly after the vesting date. Subject to the PSP awards vesting, participants receive additional dividend shares on the vested shares under the PSP award. For PSP awards granted in or after 2014, the dividend shares are of equivalent value to the Company's dividends paid between the date of grant and the vesting date. For PSP awards granted before 2014, dividend shares were of equivalent value to Company's dividends paid between the date of grant and the date of exercise.

Spectris Reward Plan ('SRP') – awards granted from 2021 onwards with no performance conditions attached

The SRP is used to grant share awards with no performance conditions attached to key employees that are settled in equity or, in limited circumstances, in cash. SRP awards cannot be granted to an Executive Director of Spectris plc. Both cash and equity-settled SRP awards are expected to vest after three years. Vested equity settled awards, which are granted in the form of nominal share options, must be exercised within the next seven years, whereas vested conditional share awards and cash-settled awards are paid out on or shortly after the vesting date. On vesting, participants receive additional dividend shares on the vested shares under the SRP award. Dividend shares are of equivalent value to the Company's dividends paid between the date of grant and the vesting date.

Restricted Shares Plan ('RSP') – Cash-settled awards granted without performance conditions between 2014 and 2018

RSP is used to grant cash-settled share awards to selected key employees within the Spectris Group. RSP awards, which were granted from 2014 and 2018, are subject to the same rules as the PSP but no performance conditions apply. RSP awards could not be granted to an Executive Director of Spectris plc

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.

Notes to the Accounts (continued)

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

Sales related warranties

Sales-related warranties associated with sale of 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.

Product warranties are covered in note 16.

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.

Notes to the Accounts (continued)

2. Revenue

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

	2021	2020
	£000	£000
Sale of analysers and spares	39,266	39,163
Sale of transducers	13,479	18,237
Services rendered	1,141	1,034
Revenue from continuing operations	53,886	58,434

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

	2021	2020
	£000	£000
United Kingdom	2,714	2,134
Europe	10,049	12,123
Asia	28,186	24,495
Americas	11,653	18,824
Rest of the world	1,284	858
	53,886	58,434

3. Profit before tax

Profit before tax has been arrived at after charging:

	2021	2020
	£000	£000
Net foreign exchange (gains)/ losses	(27)	223
Research and development costs	2,199	2,701
Depreciation of property, plant and equipment	1,121	977
Depreciation and impairment of right of use assets	65	107
Amortisation of intangible assets	358	378

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 £nil (2020: nil)

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:

	2021	2020
	£000	£000
Audit of the Company	102	66

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:

	2021	2020
	Number	Number
Production and engineering	151	145
Sales and marketing	43	38
Administrative	36	40
	230	223

Their aggregate remuneration comprised:

	2021	2020
	£000	£000
Wages and salaries	12,754	11,583
Social security costs	1,547	1,385
Contributions to defined contribution plans	679	673
Equity-settled share-based payment expense	704	531
	15,684	14,172

Notes to the Accounts (continued)

5. Staff costs (continued)

	2021	2020
	£000	£000
Directors' remuneration		
Aggregate emoluments	512	638
Equity-settled share-based payment expense	160	89
	672	727

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

	2021	2020
	£000	£000
Money purchase schemes	29	28
	29	28
The number of Directors who exercised share options:	1	1
The number of Directors in respect of whose services shares were received or receivable under long term incentive schemes was:	2	2

In respect of the highest paid Director:

	2021	2020
	£000	£000
Aggregate emoluments	321	425

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 £21,757 (2020: £21,000).

6. Interest receivable and similar income

	2021	2020
	£000	£000
Interest receivable from group undertakings	-	64
Total interest receivable	-	64

7. Interest payable and similar expense

	2021	2020
	£000	£000
Interest payable to group undertakings	36	66
Finance Lease Interest	4	5
Total interest payable	40	71

Notes to the Accounts (continued)

8. Tax on profit or loss

	2021	2020
	£000	£000
a) Tax charged in the income statement		
Corporation tax:		
UK corporation tax	350	742
Current tax charge	350	742
Adjustments in respect of prior years	(14)	6
Total current tax charge	336	748
Deferred tax:		
Origination and reversal of temporary differences	183	(38)
Adjustments in respect of prior years	(4)	(126)
Adjustments in respect of change in tax rates	27	11
Total deferred tax charge/(credit)	206	(153)
Total tax charge reported in the income statement	542	595

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

	2021	2020
	£000	£000
b) Tax relating to items charged or credited to other comprehensive income		
Deferred tax:		
Fair value (loss)/gain arising on hedging instruments during the year	21	(141)
Change in tax rates	-	15
Total deferred tax charge/(credit)	21	(126)
Total tax charge/(credit) reported in the statement of comprehensive income	21	(126)

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

	2021 £000	2020 £000
Current tax:		
Share based payments	(31)	(6)
Total current tax (credit)	(31)	(6)
Deferred tax:		
Share based payments	(52)	(12)
Change in tax rates	(10)	-
Total deferred tax (credit)	(62)	(12)
Total tax (credit) reported directly in the Statement of Changes in Equity	(93)	(18)

d) Reconciliation of the total tax charge

The tax charge in the income statement for the year is higher (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are reconciled below:

	2021 £000	2020 £000
Profit before taxation	2,570	4,834
Tax at the UK corporation tax rate of 19% (2020: 19%)	488	919
Non-deductible expenditure	120	113
UK patent box incentives	(150)	(300)
Other current year items	75	(28)
Change in tax rates	27	11
Adjustments to prior year current and deferred tax charges	(18)	(120)
Tax expense for the year	542	595

Notes to the Accounts (continued)

Tax on profit or loss (continued)

e) Change in corporation tax rate

It was announced in the Budget 2021 that corporation tax rates will increase from 19% to 25% (effective from 1 April 2023). This legislation was substantively enacted at 31 December 2021 and so deferred tax has been calculated at the current rate of 25%.

f) Deferred tax

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

	2021 £000	2020 £000
Deferred tax liability		
Temporary difference relating to property, plant and equipment	575	329
Temporary differences relating to revaluation of cash flow hedges	21	-
	596	329
Deferred tax asset		
Temporary difference relating to intangible assets	18	14
Share based payments	275	200
Other temporary differences	85	62
	378	276
Disclosed on the statement of financial position		
Deferred tax liability	218	53
	218	53

	2021 £000	2020 £000
Deferred tax in the income statement		
Temporary differences relating to property, plant and equipment	142	(11)
Share based payments	41	(27)
Change in tax rates	27	11
Adjustments in respect of prior years	(4)	(126)
Deferred tax credit to the income statement	206	(153)

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

Notes to the Accounts (continued)

9. Dividends

The Directors recommend that no dividend be paid (2020: Nil).

10. Intangible assets

Cost	Goodwill £000	Patents £000	Internal Develop- ment £000	Computer Software £000	Total £000
At 1 January 2021 (restated)	-	-	926	3,885	4,811
Additions	-	-	839	-	839
Transfers	-	-	-	808	808
At 31 December 2021	-	-	1,765	4,693	6,458
Accumulated amortisation and impairment losses					
At 1 January 2021 (restated)	-	-	-	3,333	3,333
Amortisation	-	-	-	347	347
Transfers	-	-	-	11	11
At 31 December 2021	-	-	-	3,691	3,691
Carrying amount					
At 31 December 2021	-	-	1,765	1,002	2,767
At 31 December 2020 (restated)	-	-	926	552	2,810

During the year the Company carried out an impairment review of goodwill and determined a full impairment of goodwill had occurred in a period prior to 1st January 2020 to bring the previously stated goodwill to a nil net book value. Furthermore, the goodwill and patents were disposed off prior to 1 January 2020. The accounts have been restated to incorporate the impact of the misstatement of the impairment charges of £1,332,000 along with the corresponding reduction in tax of £253,000. The change has resulted in profits available for distribution at 31 December 2019 reducing by £1,079,000 as shown in the Statement of Changes in Equity and notes 1 and 14 to these financial statements.

The Company has recognised £839,000 of internally-generated intangible assets from development expenditure on three projects in 2021 (2020: £533,000). These projects were expected to complete in 2021, but are now expected to complete in 2022.

Notes to the Accounts (continued)

11. 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 2021	8,551	22	11,984	20,557
Additions	-	-	2,725	2,725
Transfers	-	-	(808)	(808)
At 31 December 2021	8,551	22	13,901	22,474
Accumulated depreciation and impairment				
At 1 January 2021	2,469	22	6,458	8,949
Charge for the year	218	-	914	1,132
Transfers	-	-	(11)	(11)
Disposals	-	-	-	-
At 31 December 2021	2,687	22	7,361	10,070
Carrying amount				
At 31 December 2021	5,864	-	6,540	12,404
At 31 December 2020	6,082	-	5,526	11,608

Assets under construction. The amount recognised in the carrying amount of items of plant and equipment in the course of its construction was £321,807 (2020: £1,301,000).

There was no impairment of property, plant and equipment in the year. (2020: Nil)

No borrowing costs met the required criteria for capitalisation during the year (2020: 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 2021	11	245	256
Additions	-	33	33
Disposals	(11)	(49)	(60)
At 31 December 2021	-	229	229

Accumulated depreciation and impairment

At 1 January 2021	3	147	150
Charge for the year	8	57	65
Disposals	(11)	(49)	(60)
Impairments	-	-	-
At 31 December 2021	-	155	155

Carrying amount

At 31 December 2021	-	74	74
At 31 December 2020	8	98	106

	2021	2020
	£000	£000
Property, plant and equipment: owned	12,404	11,608
Property, plant and equipment: right of use	74	106
	12,478	11,714

12. Inventories

	2021	2020
	£000	£000
Raw materials and consumables	124	94
Work in progress	9,111	6,102
Finished goods and goods for resale	1,164	890
	10,399	7,086

Raw materials, consumables, changes in finished goods and work in progress recognised as cost of sales in the year amounted to £32,666,000 (2020: £37,035,000).

Notes to the Accounts (continued)

13. Trade and other receivables

	2021	2020
	£000	£000
Current:		
Trade receivables	7,665	5,934
Amounts owed by group undertakings	28,673	32,593
Prepayments and accrued income	484	365
Other taxation and social security	932	737
Other receivables	179	55
	37,933	39,684
	2021	2020
	£000	£000
Amounts falling due after more than one year:		
Prepayments and accrued income	2	18
Total trade and other receivables	37,935	39,702

14. Trade and other payables

	2021	2020 ¹
	£000	£000
Current:		
Trade payables	5,014	3,186
Amounts owed to group undertakings	226	1,009
Other tax and social security	1,123	767
Accruals and deferred income	1,635	1,769
Other payables	111	272
	8,109	7,003

Other tax and social security has been restated in 2020 due to the reduction in corporation tax due of £253,000 as a result of the prior period restatement of goodwill due to an impairment review as shown in the Statement of Changes in Equity and notes 1 and 11 to these financial statements.

Notes to the Accounts (continued)

15. Related parties

	Sales 2021 £000	Sales 2020 £000	Purchases 2021 £000	Purchases 2020 £000
Intercompany trading for the year				
Parent	-	-	-	-
Affiliate companies	19,596	28,485	20,425	22,227
Total	19,596	28,485	20,425	22,227

	Receivables outstanding 2021 £000	Receivables outstanding 2020 £000	Payables outstanding 2021 £000	Payables outstanding 2020 £000
Intercompany balances as at 31 December				
Parent	26,508	29,953	-	472
Affiliate companies	2,165	2,640	226	537
Total	28,673	32,593	226	1,009

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

The intercompany loan balance with the Company's parent is interest bearing and repayable on demand. Interest is charged at the current three month market rate less 0.25%.

There have been no related party transactions with key management personnel other than those disclosed in Note 5

16. Provisions and deferred tax

	Product Warranty £000	Deferred Tax £000	Total £000
At 1 January 2021	220	53	273
Additional provisions in the year	10	148	175
Change in tax rate	-	17	17
At 31 December 2021	230	218	448

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.

Deferred Tax

The basis on which deferred tax is recognised is disclosed in Note 1 of the Notes to these Financial Statements and the composition of the deferred tax liability is disclosed in Note 8f) to these Financial Statements.

The share based asset component of the deferred tax liability is expected to be realised by March 2024 and the majority of the accelerated capital allowances liability to be realised by December 2031. All other components of the deferred tax liability relate to temporary timing differences that will have been realised by December 2022.

Notes to the Accounts (continued)

17. Called-up share capital

	2021 Number of shares thousands	2021 £000
Allotted, called up and fully paid		
At 1 January 2021 and 31 December 2021		
Ordinary Shares £1 each	4,426	4,426

18. 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 2021.

19. Capital commitments

The Company had the following capital commitments as at 31 December 2021 which are expected to be settled in the following financial year. The comparative commitments as at the end of 2020 were settled in 2021.

	2021 £000	2020 £000
Plant & Machinery	519	137
Software	303	439
	822	576

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:

	2021 £000	2020 £000
Royal Bank of Scotland	2,200	2,092

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. Lease liabilities

2021 Undiscounted lease liability maturity analysis under IFRS 16:

	Property £000	Plant and equipment £000	Total £000
Less than one year	-	53	53
Between one and five years	-	32	32
More than five years	-	-	-
	-	85	85

2020 Undiscounted lease liability maturity analysis under IFRS 16:

	Property £000	Plant and equipment £000	Total £000
Less than one year	9	81	90
Between one and five years	-	81	81
More than five years	-	-	-
	9	162	171

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 01104312. 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, Melbourne House, 44 – 46 Aldwych, London, WC2B 4LL. 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.