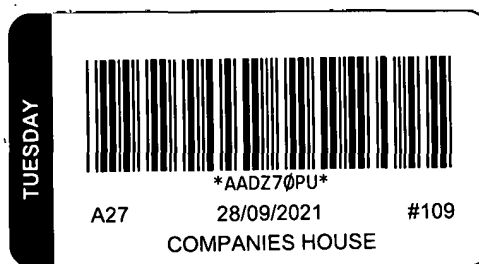


Servomex Group Limited

Annual report and financial statements

For the year ended 31 December 2020

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 2020.

Review of the Company's business

Sales decreased 7.7% year on year from £63,277,000 to £58,434,000. The Hummingbird OEM sensor business increased sales during 2020 but other divisions reduced sales due to the impact of COVID-19.

The reduction in gross profit from £23,289,000 in 2019 to £21,399,000 is in line with the decline in sales as the gross margin percentage reduced from 36.8% in 2019 to 36.6% in 2020. Management have been realigning the business with new purity and speciality products. These are being developed for US manufacture along with investment taking place within the UK to reset the manufacturing capability of the business. This will support longer term growth and ensure the Company has the appropriate support from key vendors. This caused overheads to increase by £198,000 year on year.

The factors above led to a reduction of £2,088,000 in operating profit from £6,929,000 to £4,841,000 in the current year.

Net assets increased by 7.2% 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.

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.

Exchange risks

The Company seeks to mitigate this risk through the provision of forward contracts. Contracts were put in place in 2019-20 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. There were no open forward contracts at the year end though some positions closed during the year.

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

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.

Post year end, as a result of the UK leaving the EU, the company has 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 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 has been a COVID-19 coronavirus pandemic across the world during 2020 and it continues to impact on 2021.

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.

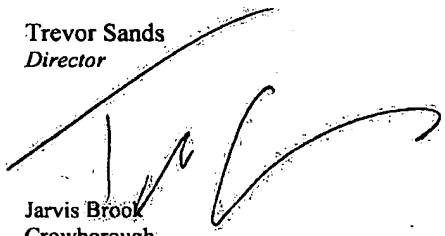
Strategic report (continued)

During 2020, the OEM business grew on the back of increased ventilator demand around the world, but other business declined, and this was the primary factor to the fall in sales year on year of 7.7%, though this was less than the 10% drop in sales that had been expected.

Looking forward

Uncertainty continues to impact on the outlook as we move into 2021. Based on a continued road map out of national lockdowns, we do expect the business to continue its recovery from the impact of COVID-19 through 2021 so that by 2022 it is back to pre-COVID-19 levels of sales and operating profit.

Trevor Sands
Director



Jarvis Brook
Crowborough
TN6 3FB
20 September 2021

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 £4,239,000 (2019: £5,862,000).

The Directors recommend that no dividend be paid (2019: 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:

Trevor Sands	
Luke Shaw	(appointed 7 December 2020)
Victoria Hammond	(resigned 31 December 2020)

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 £6,485 (2019: £6,000). Servomex Group Limited does not make political donations.

Research and development

The Company's products are regarded by the Directors as advanced technology and as such require constant updating and renewal to remain competitive. It is the policy of the Company to devote significant funds each year towards the 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

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.

Directors' report *(continued)*

Future developments

During 2020 the internal restructure of the Company was completed to align with three business units; Industrial Process & Emissions, Purity & Speciality gases and Hummingbird sensing technology. The Company is continuing to invest in 2021 to reset the process foundations and reduce the complexity in the business and mitigate against single points of failure to be in a stronger position to grow the business.

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
20 September 2021

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 2020 and its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

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

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to 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 the following area, and our specific procedures performed to address it are described below:

- Risk that revenue recognised is not complete. We have assessed the design and implementation of the controls surrounding revenue recognition and traced a sample from the sales order listing to invoice and general ledger to test whether all revenue has been recorded. We performed substantive procedures on the sales order listing to ensure that it was a complete list of all sales orders generated in the year.

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)

Extent to which the audit was considered capable of detecting irregularities, including fraud (cont.)

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.

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

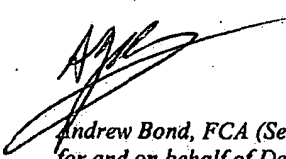
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 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
London, United Kingdom

20 September 2021

Income Statement

For the year ended 31 December 2020

	Note	2020 £000	2019 £000
Revenue	2	58,434	63,277
Cost of sales		(37,035)	(39,988)
Gross profit		21,399	23,289
Distribution costs		(6,628)	(8,714)
Administrative expenses		(9,707)	(7,385)
Other operating expenses		(223)	(261)
Other operating income			
Operating profit		4,841	6,929
Interest receivable and similar income	6	64	132
Interest expense and similar expense	7	(71)	(5)
Profit before taxation	3	4,834	7,056
Tax on profit	8	(595)	(1,194)
Profit for the financial year attributable to the owners of the Company		4,239	5,862

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 2020

	2020	2019
	£000	£000
Profit for the financial year	4,239	5,862
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Fair value (loss)/gain arising on hedging instruments during the year	(741)	1,053
Deferred tax relating to items that may be reclassified subsequently to profit or loss	126	(180)
Other comprehensive (expense)/income for the year, net of tax	(615)	873
Total comprehensive income for the year attributable to the owners of the Company	3,624	6,735

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

Statement of Changes in Equity

For the year ended 31 December 2020

	Notes	Called up Share Capital £000	Retained earnings £000	Cash flow hedge reserve £000	Other reserve £000	Total equity £000
Balance at 1 January 2020	17,18	4,426	44,858	615	1,059	50,958
Profit for the financial year		-	4,239	-	-	4,239
Other comprehensive income 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	17,18	4,426	49,259	-	940	54,625
Balance at 1 January 2019	17,18	4,426	38,998	(258)	1,107	44,273
Adoption of IFRS 16, net of tax		-	(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	17,18	4,426	44,858	615	1,059	50,958

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

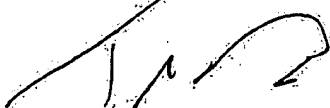
Statement of Financial Position

As at 31 December 2020

	Note	2020 £000	2019 £000
Non-current assets			
Intangible assets	10	2,810	2,612
Property, plant and equipment	11	11,714	10,093
		<u>14,524</u>	<u>12,705</u>
Current assets			
Inventories	12	7,086	7,303
Trade and other receivables	13	39,702	38,774
Cash and cash equivalents		1,007	1,277
		<u>47,795</u>	<u>47,354</u>
Current liabilities			
Trade and other payables	14	(7,256)	(8,260)
Lease liabilities	21	(89)	(49)
Net current assets		<u>40,450</u>	<u>39,045</u>
Total assets less current liabilities		<u>54,974</u>	<u>51,750</u>
Non-current liabilities			
Provisions	16	(273)	(717)
Lease liabilities	21	(76)	(75)
Net assets		<u>54,625</u>	<u>50,958</u>
Capital and reserves			
Called-up share capital	17	4,426	4,426
Retained earnings	18	49,259	44,858
Cash flow hedge reserve	18	-	615
Other reserves	18	940	1,059
Shareholders' funds		<u>54,625</u>	<u>50,958</u>

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

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



Trevor Sands

Director

Registered number 02170458

20 September 2021

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; and
- Disclosures in respect of the compensation of Key Management Personnel.

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

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

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

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

Going concern

The 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 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. 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.

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

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

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.

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 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.

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 £533,000 (2019: £393,000).

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 profit and loss account. 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 2020 were nil (2019: 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 £673,000 for the year ended 31 December 2020 (2019: £646,000). 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 2020 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 2020

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 2020 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:

	2020	2019
	£000	£000
Sale of analysers and spares	39,163	52,493
Sale of transducers	18,237	9,832
Services rendered	1,034	952
Revenue from continuing operations	58,434	63,277

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

	2020	2019
	£000	£000
United Kingdom	2,134	2,240
Europe	12,123	10,127
Asia	24,495	34,182
Americas	18,824	12,866
Rest of the world	858	3,862
	58,434	63,277

3. Profit before tax

Profit before tax has been arrived at after charging:

	2020	2019
	£000	£000
Net foreign exchange losses/(gain)	223	261
Research and development costs	2,701	2,650
Depreciation of property, plant and equipment	977	904
Depreciation and impairment of right of use assets	107	121
Amortisation of intangible assets	378	350
Write downs of inventories recognised as an expense	-	11
Loss on sales of property, plant and equipment	-	4

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 (2019: £3,000)

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:

	2020	2019
	£000	£000
Audit of the Company	66	46

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:

	2020	2019
	Number	Number
Production and engineering	145	134
Sales and marketing	38	58
Administrative	40	24
	223	216

Their aggregate remuneration comprised:

	2020	2019
	£000	£000
Wages and salaries	11,583	11,844
Social security costs	1,385	1,561
Contributions to defined contribution plans	673	646
Equity-settled share-based payment expense	531	440
	14,172	14,491

Notes to the Accounts (continued)

5. Staff costs (continued)

	2020	2019
	£000	£000
Directors' remuneration		
Aggregate emoluments	638	672
Equity-settled share-based payment expense	89	27
	727	699

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

	2020	2019
	£000	£000
Money purchase schemes	28	34
	28	34

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	1
2	3

In respect of the highest paid Director:

	2020	2019
	£000	£000
Aggregate emoluments	425	353

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 (2019: £21,000).

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 22.

6. Interest receivable and similar income

	2020	2019
	£000	£000
Interest receivable from group undertakings	64	132
Total interest receivable	64	132

7. Interest payable and similar expense

	2020	2019
	£000	£000
Interest payable to group undertakings	66	-
Finance Lease Interest	5	5
Total interest payable	71	5

Notes to the Accounts (continued)

8. Tax on profit or loss

	2020	2019
	£000	£000
a) Tax charged in the income statement		
Corporation tax:		
UK corporation tax	742	1,237
Current tax charge	742	1,237
Adjustments in respect of prior years	6	(5)
Total current tax charge	748	1,232
Deferred tax:		
Origination and reversal of temporary differences	(38)	(35)
Adjustments in respect of prior years	(126)	(3)
Adjustments in respect of change in tax rates	11	-
Total deferred tax (credit)	(153)	(38)
Total tax charge reported in the income statement	595	1,194

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

	2020	2019
	£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	(141)	180
Change in tax rates	15	-
Total deferred tax (credit)/charge	(126)	180
Total tax (credit)/charge reported in the statement of comprehensive income	(126)	180

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

	2020	2019
	£000	£000
Current tax:		
Share based payments	(6)	(15)
Total current (credit)	(6)	(15)
Deferred tax:		
Share based payments	(12)	(13)
Total deferred tax (credit)	(12)	(13)
Total tax (credit) reported directly in the Statement of Changes in Equity	(18)	(28)

d) Reconciliation of the total tax charge

The tax charge in the income statement for the year is lower (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	2020	2019
	£000	£000
Profit before taxation	4,834	7,056
Tax at the UK corporation tax rate of 19% (2019: 19%)	919	1,341
Non-deductible expenditure	113	103
UK patent box incentives	(300)	(200)
Other current year items	(27)	(42)
Change in tax rates	11	-
Adjustments to prior year current and deferred tax charges	(121)	(8)
Tax expense for the year	595	1,194

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 not substantively enacted at 31 December 2020 and so deferred tax has been calculated at the current rate of 19%. The impact of this 6% rate increase on the deferred tax balance at 31st December 2020 would be to increase the deferred tax liability by £17,000.

f) Deferred tax

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

	2020	2019
	£000	£000
Deferred tax liability		
Temporary difference relating to property, plant and equipment	329	426
Temporary differences relating to revaluation of cash flow hedges		127
	329	553
Deferred tax asset		
Temporary difference relating to intangible assets	14	12
Share based payments	200	145
Other temporary differences	62	52
	276	209
Disclosed on the statement of financial position		
Deferred tax liability	53	344
	53	344

	2020	2019
	£000	£000
Deferred tax in the income statement		
Temporary differences relating to property, plant and equipment	(11)	6
Share based payments	(27)	(41)
Change in tax rates	11	-
Adjustments in respect of prior years	(126)	(3)
	(153)	(38)
Deferred tax credit to the income statement	(153)	(38)

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 (2019: Nil).

10. Intangible assets

	Goodwill	Patents	Internal Develop- ment	Computer Software	Total
Cost	£000	£000	£000	£000	£000
At 1 January 2020	2,241	314	393	3,842	6,790
Additions	-	-	533	43	576
Disposals	-	-	-	-	-
At 31 December 2020	2,241	314	926	3,885	7,366
Accumulated amortisation and impairment losses					
At 1 January 2020	909	314	-	2,955	4,178
Amortisation	-	-	-	378	378
Disposals	-	-	-	-	-
At 31 December 2020	909	314	-	3,333	4,556
Carrying amount					
At 31 December 2020	1,332	-	926	552	2,810
At 31 December 2019	1,332	-	393	887	2,612

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 2021 to 2025. The goodwill all relates to the one cash generating unit of Servomex Group Limited.

The key assumptions on which the value in use calculations are based on relate to future business performance over the forecast period (five years), projected long-term growth rates and the discount rates applied. The forecast cash flows include management's latest estimates on sales volumes and pricing, production and other costs. The key estimates applied in the impairment review are the forecast level of revenue, operating margins and the proportion of operating profit converted to cash in each year. A long-term growth rate of 2.0% (2019: 2.0%) has been consistently applied in the impairment review based on current forecast global industrial production growth rates, and long-term GDP growth rates for the Company's primary markets. The cash flow projections have been discounted using a pre-tax discount rate of 11.7% (2019: 11.7%).

The Company has recognised £533,000 of internally-generated intangible assets from development expenditure on three projects in 2020 (2019: £393,000). These projects were expected to complete in 2020, but are now expected to complete in 2021 and 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 2020	8,517	22	9,410	17,949
Additions	34	-	2,574	2,608
Disposals	-	-	-	-
At 31 December 2020	8,551	22	11,984	20,557
Accumulated depreciation and impairment				
At 1 January 2020	2,250	22	5,700	7,972
Charge for the year	219	-	758	977
Disposals	-	-	-	-
At 31 December 2020	2,469	22	6,458	8,949
Carrying amount				
At 31 December 2020	6,082	-	5,526	11,608
At 31 December 2019	6,267	-	3,710	9,977

Assets under construction. The amount recognised in the carrying amount of items of plant and equipment in the course of its construction was £1,301,000 (2019: £903,000).

There was no impairment of property, plant and equipment in the year. (2019: Nil)

No borrowing costs met the required criteria for capitalisation during the year (2019: 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 2020	41	187	228
Additions	11	86	97
Disposals	(41)	(28)	(69)
At 31 December 2020	11	245	256

Accumulated depreciation and impairment

At 1 January 2020	32	80	112
Charge for the year	12	95	107
Disposals	(41)	(28)	(69)
Impairments	-	-	-
At 31 December 2020	3	147	150

Carrying amount

At 31 December 2020	8	98	106
At 31 December 2019	9	107	116

	2020
	£000
Property, plant and equipment: owned	11,608
Property, plant and equipment: right of use	106
	11,714

12. Inventories

	2020	2019
	£000	£000
Raw materials and consumables	94	98
Work in progress	6,102	6,161
Finished goods and goods for resale	890	1,044
	7,086	7,303

Raw materials, consumables, changes in finished goods and work in progress recognised as cost of sales in the year amounted to £37,035,000 (2019: £39,988,000).

Notes to the Accounts (continued)

13. Trade and other receivables

	2020	2019
	£000	£000
Current:		
Trade receivables	5,934	8,589
Amounts owed by group undertakings	32,593	28,565
Prepayments and accrued income	365	465
Other taxation and social security	737	336
Other receivables	55	785
	39,684	38,740
	2020	2019
	£000	£000
Amounts falling due after more than one year:		
Prepayments and accrued income	18	34
Total trade and other receivables	39,702	38,774

14. Trade and other payables

	2020	2019
	£000	£000
Current:		
Trade payables	3,186	2,552
Amounts owed to group undertakings	1,009	1,640
Other tax and social security	1,020	1,328
Accruals and deferred income	1,769	2,651
Other payables	272	89
	7,256	8,260

Notes to the Accounts (continued)

15. Related parties

	Sales 2020 £000	Sales 2019 £000	Purchases 2020 £000	Purchases 2019 £000
Intercompany trading for the year				
Parent	-	-	-	-
Affiliate companies	28,485	22,144	22,227	21,202
Total	28,485	22,144	22,227	21,202

	Receivables outstanding 2020 £000	Receivables outstanding 2019 £000	Payables outstanding 2020 £000	Payables outstanding 2019 £000
Intercompany balances as at 31 December				
Parent	29,953	27,425	472	-
Affiliate companies	2,640	1,142	537	1,640
Total	32,593	28,567	1,009	1,640

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

16. Provisions and deferred tax

	Restructure £000	Product Warranty £000	Deferred Tax £000	Total £000
At 1 January 2020	137	236	344	717
Additional provisions in the year	-	-	-	-
Utilised in the year	(137)	(16)	(291)	(444)
At 31 December 2020	-	220	53	273

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.

Restructure

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 incurred during 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)

17. Called-up share capital

	2020 Number of shares thousands	2020 £000
Allotted, called up and fully paid		
At 1 January 2020 and 31 December 2020		
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 2020.

19. Capital commitments

During the year ended 31 December 2020, the Company entered into contracts to purchase plant and equipment for £575,822 (2019: £822,000). These commitments are expected to be settled in the following financial year.

20. Contingent liabilities

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

	2020 £000	2019 £000
Royal Bank of Scotland	2,092	1,607

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

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

2019 Undiscounted lease liability maturity analysis under IFRS 16:

	Property £000	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

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, 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