

Specialty Measurement Bidco Limited

**Annual report and financial
statements**

Registered number 12961312

For the period ended 31 December 2021



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Officers and professional advisors

Company registration number	12961312
Registered office	48 Lancaster Way Business Park Ely Cambridgeshire CB6 3NW
Director	Mr R Gedeon
Bankers	Lloyds Bank plc 1-5 Sidney Street Cambridge CB2 3HQ
Auditor	KPMG LLP Botanic House 100 Hills Road Cambridge CB2 1AR

Strategic report

Business review

The company was incorporated on 19 October 2020. This is the first set of financial statements, for the period from incorporation to 31 December 2021.

The company is an intermediate holding company within the Specialty Measurement Holdco Limited group (trading as the PST Group). The ultimate parent undertaking is Specialty Measurement Topco Limited, a company incorporated and registered in Jersey.

On 25 November 2020, the company acquired 100% of the issued share capital of PST Group Holdings Limited (formerly BV PMT Limited) and subsidiaries for consideration of £303,058,694 and acquisition costs of £6,068,960. Additionally, the company acquired the preference shares and accrued dividends of PST Group Holdings Limited for consideration of £9,657,997. The acquisition, and repayment of the pre-existing term loan of £123,109,828, was funded primarily through a syndicated bank loan amounting to £211,858,245 and shares issued to the immediate parent company, Specialty Measurement Holdco Limited, amounting to £219,178,447.

Key performance indicators

The company incurs costs in relation to acquisitions and external borrowings for the PST Group Holdings Limited group. The directors monitor the performance at the group level and not at the individual entity level. Group financial statements are prepared by the immediate parent undertaking, Specialty Measurement Holdco Limited. The loss in the period resulted from costs incurred in connection with the sale of the business to AEA Investors LP, external financing costs and an absence of any dividend receivable from subsidiary undertakings.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are as follows:

Performance of subsidiary undertakings

The company's strategy includes the holding of investments in subsidiary undertakings and maximising the return on its investments. There is a risk that the trading subsidiaries may be affected by external factors, which could lead to indicators of impairment in the investment held. Rigorous monitoring of each subsidiary's performance is undertaken by the directors and where appropriate formal impairment reviews are undertaken when impairment indicators arise.

Cash flow and liquidity risk

Cash flow risk for the company is managed at the Specialty Measurement Holdco Limited level. Cash is transferred to the company and other group undertakings as and when required.

Brexit

On January 31, 2020, the United Kingdom (U.K.) ceased to be a member of the European Union (E.U), commonly referred to as "Brexit". The Brexit transition period ended on 31 December 2020 with a new Free Trade Agreement between the U.K. and the E.U. being implemented (subject to legal ratification) on 1 January 2021. The company experienced some initial delays in the delivery of goods from the U.K. to the E.U. and an increased administration burden to comply with the new regulations. Providing the Free Trade Agreement is legally ratified Brexit is not expected to have a material impact on our business.

COVID-19

Notwithstanding a loss for the year of £8.3million, the Directors has considered the factors that impact Specialty Measurement Bidco (the "company") in conjunction with their assessment of the position of the Specialty Measurement Holdco Limited group ("the group"). They have considered the future development, performance, cash flows and financial position along with the current and forecast liquidity in forming their opinion on the going concern basis.

The financial year 2021 has proven again, that the Group as a manufacturer of instruments and sensors that are used in a variety of applications in essential industries, is not adversely affected by COVID-19. Cash reserves of the group were always very stable and high positive cash flows were generated in 2021. The group expects the following development of its core customer segments for 2022: Additive Manufacturing, Life Sciences/Pharma and Compressed Air are foreseen to grow as are Semiconductors and Transportation markets.

Strategic report (continued)

HVAC as well as Food and Beverage markets are seen to be more stable and Natural Gas as well as Oil and Petrochem were rather seen as stable to declining markets when assessed last November. Recent geostrategic developments and price increases on the energy markets may increase investments into both, Natural Gas and Oil/Petrochem facilities again.

The Group has seen limited impact to its supply chain over the course of the pandemic, which is thanks to own technology and in-house manufacturing capabilities. There are relatively few sole source key components. Increased cost of supplies is in most cases passed on to customers. Overall financial impact is considered to be minimal.

On February 24, 2022, Russia invaded Ukraine with military forces. Multiple countries have imposed sanctions against individuals and companies from Russia and Belarus. At the same time, it has become difficult to trade with companies within Ukraine due to the implications of the war, such as disrupted transportation and supply. The Group decided to cease trading with Russian customers and suppliers entirely. Total direct sales to Russia and Belarus were below £2 million in 2021. The financial impact from this decision is therefore not significant. Only a very small number of components are sourced either from Russian/Belarusian or Ukrainian suppliers. The Group is currently working on its product designs and supply certifications to replace those suppliers. Financial impact from the supply disruption is expected to be minimal.

Along with its cash resources, the Group is financed by an external lending facility of £256 million and £25 million revolving credit facility, through its subsidiary, Specialty Measurement Bidco Limited. As of 31 December 2021, these facilities were £206 million and £5 million drawn respectively. The loan facility is subject to leverage covenants and has a minimum term ending in November 2027. During the year and up to the date of signing these financial statements, the EBITDA and net debt level covenants were not breached, and the Group operated within the parameters of facilities. Under the remote downside scenario, there were no covenant breaches and the group remained cash generative, showing operating cash inflow of £3 million across the going concern period.

Management has developed scenarios including remote downsides for at least 12 months from the date of signing, to simulate the potential impacts of COVID-19 and the impact of the war between Russia and Ukraine. None of the scenarios impacted the business in a way that liquidity levels were unsustainable. A remote downside scenario with sales levels 10% below targets for 2022 results in cash flow and margin levels to sustain the banking covenant. The group's operating cash inflow was £5.9 million in Q1 2022. Given the record high order book at the end of Q1 2022 there is only a limited risk that the remainder of the year will see much reduced revenue or cash flows. Even in this remote downside simulation liquidity levels will stay healthy and available revolving credit facilities of £20 million will remain unused and the net-debt level covenant will not be breached. That assessment is dependent on Specialty Measurement Holdco Limited providing additional financial support during the going concern assessment period. Specialty Measurement Holdco Limited has indicated its intention to continue to make available such funds as are needed by the company during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Financial risk management objectives and policies

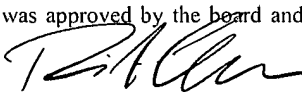
The company uses various financial instruments including loans from other group undertakings, cash and various items, such as debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, primarily interest rate risk and currency risk.

The company finances its operations through a mixture of retained profits and group borrowings. The company is exposed to interest rate fluctuations on its borrowings which are subject to interest rates based on the Bank of England base rate.

The company is exposed to transaction foreign exchange risk. Transaction exposures, where possible, are hedged through the use of foreign currency bank accounts and forward contracts.

This report was approved by the board and signed on its behalf by:


R Gedeon
Director

Date: 29 April 2022

Director's report

The director presents his report and the financial statements for the period ended 31 December 2021.

Results and dividends

The company's loss after tax for the period amounted to £8,337,257.

During the period the company paid interim dividends of £nil on Ordinary shares. The director does not recommend the payment of a final dividend for the period ended 31 December 2021.

Director

The director who served the company during the period and to the date of this report, except as stated otherwise, was as follows:

Mr R Gedeon (appointed 19 October 2020)


Statement of disclosure to auditors

So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



R Gedeon
Director

48 Lancaster Way Business Park
Ely
Cambridgeshire
CB6 3NWE

Date: 29 April 2022

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT THE DIRECTOR'S REPORT AND THE FINANCIAL STATEMENTS]

The director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the director 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The director is 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Specialty Measurement Bidco Limited

Opinion

We have audited the financial statements of Specialty Measurement Bidco Limited ("the company") for the period ended 31 December 2021 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The director has prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a period from the date of approval of the financial statements ("the going concern period").

In our evaluation of the director's conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the director's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included enquiring of directors and inspection of policy documentation as to the Specialty Measurement Bidco Limited's policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

We performed procedures including agreeing all accounting entries in the period to supporting documentation.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations.

Independent auditor's report to the members of Specialty Measurement Bidco Limited (continued)

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

This company, as a holding company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and director's report

The director is responsible for the strategic report and the director's report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the director's report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the director's report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you 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 director's 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 these respects.

Independent auditor's report to the members of Specialty Measurement Bidco Limited (continued)

Director's responsibilities

As explained more fully in their statement set out on page 6, the director is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Mark Prince (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
Botanic House
100 Hills Road
Cambridge
CB2 1AR

Date: 29 April 2022

Profit and Loss Account
for the period ended 31 December 2021

	<i>Note</i>	Period ended 31 December 2021 £
Distribution costs		(1,043,747)
Administrative expenses		(2,736,586)
Other operating income	3	721,643
Operating loss	4	(3,058,690)
Interest receivable and similar income	6	13,241,460
Interest payable and similar expenses	7	(18,198,750)
Loss before taxation		(8,015,980)
Taxation	8	(321,277)
Loss for the financial period		(8,337,257)

All of the activities of the company are classed as continuing.

There were no other components of comprehensive income during the period ended 31 December 2021. As a result, total comprehensive income for the period is the same as the loss for the period.

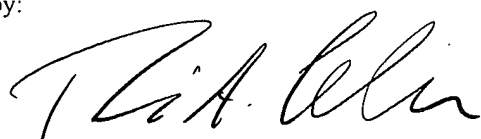
The notes on pages 13 to 22 form part of these financial statements.

Balance Sheet
at 31 December 2021

	<i>Note</i>	2021 £
Fixed assets		
Investments	9	309,127,654
Current assets		
Debtors	10	139,033,464
Creditors: amounts falling due within one year	11	(39,313,246)
Net current assets		99,720,218
Total assets less current liabilities		408,847,872
Creditors: amounts falling due after more than one year	12	(198,006,682)
Net assets		210,841,190
Capital and reserves		
Called up share capital	13	10,000
Share premium	13	219,168,447
Profit and loss account		(8,337,257)
Shareholders' funds		210,841,190

The notes on pages 13 to 22 form part of these financial statements.

These financial statements were approved by the board of directors on 29 April 2022 and were signed on its behalf by:



R Gedeon
Director

Company registered number: 12961312

Statement of Changes in Equity

	<i>Note</i>	Called up share capital £	Share Premium £	Profit and loss account £	Total equity £
Total comprehensive profit for the period					
Loss for the period		-	-	(8,337,257)	(8,337,257)
Total comprehensive loss for the period		-	-	(8,337,257)	(8,337,257)
Transactions with owners, recorded directly in equity					
Shares issued during the year	13	10,000	219,168,447	-	219,178,447
Balance at 31 December 2021		10,000	219,168,447	(8,337,257)	210,841,190

The notes on pages 13 to 22 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting Policies

Specialty Measurement Bidco Limited (the "Company") is a private company incorporated, domiciled and registered in England and Wales in the UK. The registered number is 12961312 and the registered address is 48 Lancaster Way Business Park, Ely, Cambridgeshire CB6 3NW.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling.

The Company's parent undertaking, Specialty Measurement Holdco Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Specialty Measurement Holdco Limited are prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and are available to the public and may be obtained at companies house. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Specialty Measurement Holdco Limited include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next period are discussed in note 2.

1.1 Basis of accounting

The financial statements have been prepared under the historical cost convention, in accordance with applicable UK accounting standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102) and with the Companies Act 2006.

The financial statements are presented in sterling (£).

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern

Notwithstanding a loss for the year of £8.3million, the Director has considered the factors that impact Specialty Measurement Bidco (the “company”) in conjunction with their assessment of the position of the Specialty Measurement Holdco Limited group (“the group”). They have considered the future development, performance, cash flows and financial position along with the current and forecast liquidity in forming their opinion on the going concern basis.

The financial year 2021 has proven again, that the Group as a manufacturer of instruments and sensors that are used in a variety of applications in essential industries, is not adversely affected by COVID-19. Cash reserves of the group were always very stable and high positive cash flows were generated in 2021. The group expects the following development of its core customer segments for 2022: Additive Manufacturing, Life Sciences/Pharma and Compressed Air are foreseen to grow as are Semiconductors and Transportation markets.

HVAC as well as Food and Beverage markets are seen to be more stable and Natural Gas as well as Oil and Petrochem were rather seen as stable to declining markets when assessed last November. Recent geostrategic developments and price increases on the energy markets may increase investments into both, Natural Gas and Oil/Petrochem facilities again.

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Management has developed scenarios including remote downsides for at least 12 months from the date of signing, to simulate the potential impacts of COVID-19 and the impact of the war between Russia and Ukraine. None of the scenarios impacted the business in a way that liquidity levels were unsustainable. A remote downside scenario with sales levels 10% below targets for 2022 results in cash flow and margin levels to sustain the banking covenant. The group's operating cash inflow was £5.9 million in Q1 2022. Given the record high order book at the end of Q1 2022 there is only a limited risk that the remainder of the year will see much reduced revenue or cash flows. Even in this remote downside simulation liquidity levels will stay healthy and available revolving credit facilities of £20 million will remain unused and the net-debt level covenant will not be breached. That assessment is dependent on Specialty Measurement Holdco Limited providing additional financial support during the going concern assessment period. Specialty Measurement Holdco Limited has indicated its intention to continue to make available such funds as are needed by the company during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on the above assessment the Director is confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements. Therefore, the Director has continued to prepare these financial statements on a going concern basis.

Notes (continued)

1.3 Investment in subsidiaries

Investment in subsidiaries are accounted for at cost less impairment.

1.4 Impairment of assets

At each reporting date fixed asset investments are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the statement of comprehensive income.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

1.5 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.6 Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.7 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

1.7 Financial instruments (continued)

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Notes (continued)

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Carrying value of investments

Where there are indicators of impairment of investments, the company compares the carrying value of the asset with its recoverable amount, represented by the higher of its value in use and net realisable value.

Value in use is based on a discounted cash flow model, and therefore is sensitive to the discount rate used as well as the expected future cash flows and extrapolated growth rate. Net realisable value is estimated as fair value less costs of disposal.

As the performance of Parametric Investments Limited and subsidiaries is in line with expectations, the directors consider that the carrying value is equivalent to the net realisable value and therefore no impairment indicator exists.

Financial instrument classification

The company's term loan is required to be classified as either a basic or non-basic financial instrument in accordance with the conditions set out under FRS 102 Section 11.9.

The directors have concluded that the term loan should be reported as a basic financial instrument as there are no terms or conditions that indicate it should be reported as a non-basic financial instrument and as such is recognised at amortised cost in the balance sheet using the effective interest rate method.

3 Other operating income / (expense)

	2021 £
Management charges to subsidiary undertakings	721,643
	<u>721,643</u>

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2021 £
Legal and professional fees	338,841
	<u>338,841</u>

Auditor's remuneration:

Audit of these financial statements	<u>10,000</u>
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Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	Number of employees
	2021 Number
Administration	9
	<u>9</u>

The aggregate payroll costs of these persons were as follows:

	2021 £
Wages and salaries	1,690,390
Social security costs	102,937
Other and pension costs	88,011
	<u>1,881,338</u>

During the year, no director received any emoluments.

6 Interest receivable and similar income

	2021 £
Interest receivable on loans to fellow group undertakings	4,939,466
Net foreign exchange gains on loans to fellow group undertakings	8,301,994
	<u>13,241,460</u>

7 Interest payable and similar expenses

	2021 £
Interest payable on term loan facility	16,736,353
Amortisation of debt issue costs	1,073,547
Interest payable on loans to fellow group undertakings	388,850
	<u>18,198,750</u>

Notes (continued)

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2021 £
Current tax	
UK corporation tax	321,277

Reconciliation of effective tax rate

	2021 £
Loss before taxation	(8,015,980)
Tax on loss at the standard rate of UK corporation tax of 19% (2020: 19%)	(1,523,036)
Effects of:	
Expenses not deductible for tax purposes	2,367,883
Income not taxable for tax purposes	(523,570)
Tax credit on loss on ordinary activities	321,277

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would remain £nil.

9 Investments

	Shares in group undertakings £
Cost and net book value	
At beginning of period	-
Additions	309,127,564
At end of period	309,127,564

During the year the company acquired 100% of issued share capital of PST Group Holdings Limited

During the period the company received dividends amounting to £nil from its subsidiary undertaking.

Notes (continued)

9 Investments (continued)

At 31 December 2021, the company held 100% of the allotted ordinary share capital of the following:

PST Group Holdings Limited	48 Lancaster Way Business Park, Ely, CB6 3NW, United Kingdom	England and Wales
Process Sensing Technologies Limited*	48 Lancaster Way Business Park, Ely, CB6 3NW, United Kingdom	England and Wales
Parametric Investments Limited**	48 Lancaster Way Business Park, Ely, CB6 3NW, United Kingdom	England and Wales
Michell Instruments Limited ***	48 Lancaster Way Business Park, Ely, CB6 3NW, United Kingdom	England and Wales
Michell Instruments GmbH ***	Max-Planck-Stasse 14, D-61381, Friedrichsdorf, Germany	Germany
Michell Instruments Benelux BV ***	Krombraak 11, Oosterhout 4906 CR, The Netherlands	Netherlands
Michell Instruments SAS ***	1, rue Monseigneur, Bt C 69800 Saint Priest, France	France
Michell Italia srl ***	Via Magenta 77., Edificio 6, 20017 Rho, Milano, Italy	Italy
Michell Japan KK ***	Musashino Center Building, 1-19-18 Nakacho, Musashino, Tokyo 180-0006, Japan	Japan
Michell Instruments (Shanghai) Co. Limited ***	Zone D, Floor 6, Building 4, No. 889 Yishan Road, Shanghai 200233, China	China
Michell Instruments Brasil Ltda ***	Av. Henrique Valadares 69, Loja C – Centro, Rio de Janeiro, RJ 20231-030, Brazil	Brazil
Rotronic AG**	Grindlestrasse 6, CH-8303, Bassersdorf, Switzerland	Switzerland
Rotronic Instruments Corp. ****	135 Engineers Rd Suite, 150 Hauppauge, NY 11788, USA	USA
Rotronic Instruments UK Limited ****	Unit 1a Crompton Fields, Crompton Way, Crawley, West Sussex, RH10 9EE, United Kingdom	England and Wales
Rotronic Messgeräte GmbH ****	Einsteinstrasse 17-23, D-76275, Ettlingen, Germany	Germany
Rotronic Instruments Pte Ltd ****	1003 Bukit Merah Central, #06-31, Inno Centre, Singapore, 159836	Singapore
Rotronic Canada Inc. ****	206-435 McNeilly Rd., Stoney Creek, ON, Canada, L8E 5E3	Canada
Analytical Instruments Inc. ****	1209 Orange Street, Wilmington, DE 19801, USA	USA
LDetek Inc. ****	990 rue Monfette E., Thetford Mines, Quebec, G6G 7K6 Canada	Canada
PST Canada Holdings ULC****	1055 West Hastings Street, Suite 1700, Vancouver, V6E 2E9, Canada	Canada
Richbloom Holdings Limited****	Hermitage Lane Industrial Estate, Kingsmill Way, Mansfield, Nottinghamshire, NG18 5ER, United Kingdom	England and Wales
Dynamant Limited****	Hermitage Lane Industrial Estate, Kingsmill Way, Mansfield, Nottinghamshire, NG18 5ER, United Kingdom	England and Wales
Status Scientific Controls Limited****	Hermitage Lane Industrial Estate, Kingsmill Way, Mansfield, Nottinghamshire, NG18 5ER, United Kingdom	England and Wales
Richbloom Marketing Limited****	Hermitage Lane Industrial Estate, Kingsmill Way, Mansfield, Nottinghamshire, NG18 5ER, United Kingdom	England and Wales
Ntron Limited****	Mullaghboy Industrial Estate, Navan, Co. Meath, Ireland	Ireland
SST Sensing Limited****	5 Hagmill Crescent, Shawhead Industrial Estate, Coatbridge, ML5 4NS	Scotland
Isensix Corp****	557 Cottonwood Avenue, Hartland, WI 53029, USA	USA

Notes (continued)

9 Investments (continued)

- * Investment held indirectly through the company's direct investment in PST Group Holdings Limited.
- ** Investment held indirectly through the company's investment in Process Sensing Technologies Limited.
- *** Investment held indirectly through the company's investment in Parametric Investments Limited.
- **** Investment held indirectly through the company's investment in Rotronic AG.

All of the above subsidiaries are engaged in the supply, service and technical support of humidity measurement instruments and other related products.

10 Debtors

	2021 £
Prepayments and accrued income	100,000
Amounts owed by group undertakings: Loans	126,519,836
Amounts owed by group undertakings: Series A preference shares and dividend payable	12,413,628
	<hr/>
	139,033,464
	<hr/>

All of the above amounts are due within one year except for amounts owed by fellow group undertakings, including nominal value of the preference shares, where the director expects the amounts to be recovered after more than one period from the balance sheet date.

Group interest is charged for some of the intercompany loans at rate between 1.5% - 2.75%.

As at 31 December 2021 the company held 45,985 Series A preference shares issued by subsidiary undertaking, PST Group Holdings Limited. The nominal value of each preference share is £675 giving a total value of £31,039,875. The Series A Preference shareholders are entitled to receive a fixed cumulative preferential dividend at the rate of 6% per annum of the issue price. As at 31 December the accrued dividend receivable was £12,413,628.

11 Creditors: amounts falling due within one year

	2021 £
Trade Creditors	
Accruals	2,182,424
Taxation payable	321,277
Amounts owed to subsidiary undertakings	36,775,723
Other taxation and social security	33,822
	<hr/>
	39,313,246
	<hr/>

Group interest is charged for some of the intercompany loans at rate between 1.5% - 2.75%.

12 Creditors: amounts falling after more than one year

	2021 £
Term loan	203,714,385
Less: Unamortised issue costs	(5,707,703)
	<u>198,006,682</u>

On 25 November 2020, Specialty Measurement Bidco Limited received a term loan facility of £256 million which is repayable in full on 25 November 2027 and incurs interest at 6.25% plus LIBOR rate per annum. As at 31 December 2021 this facility was £198,714,385 drawn. Specialty Measurement Bidco Limited also received a revolving credit facility of £25 million, repayable in full on 25 November 2026 with interest charged at 3.5% plus LIBOR rate. As at 31 December 2021 this facility was £5,000,000 drawn. Both of these facilities are secured by cross group guarantees over the assets of the subsidiary undertakings.

13 Capital and reserves

	2021 £
<i>Allotted, called up and fully paid</i>	
Ordinary shares of £0.01 each	10,000
	<u>10,000</u>

On incorporation the company issued 1 ordinary share of £0.01 each at par.

On 25 November 2020 the company issued 1,000,002 ordinary shares of £0.01 each at a premium of £219.17 per share.

14 Capital commitments

As at 31 December 2021, amounts contracted for but not provided in the financial statements amounted to £Nil.

15 Financial assets and liabilities

	2021 £
Financial assets	
Measured at amortised cost	170,073,339
Financial liabilities	
Measured at amortised cost	236,998,651
	<u>170,073,339</u>

Financial assets measured at amortised cost comprise of cash at bank, other debtors, and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise of accruals, term loan and amounts owed to subsidiary undertaking.

16 Reserves

The called up share capital represents the nominal value of shares that have been issued.

The profit and loss account includes all current period retained profits and losses.

Notes (continued)

17 Financial risk management

The company uses various financial instruments including short and long term bank loans and facilities to fund both its activities and to support its trading subsidiaries.

The company's operations expose it to a variety of financial risks including liquidity risk and interest rate risk.

Liquidity risk

The objective of the company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The company expects to meet its financial obligations through financial support from the rest of the Specialty Measurement Holdco Limited group.

Interest rate risk

The company's borrowings of £198 million at the end of 2021 repayable in full on 25 November 2027 and a revolving credit facility of £5 million. The interest rate of the related facilities are up to 6.25% + LIBOR rate per annum. The company monitors interest rate risk and mitigating financial instruments on a continual basis.

18 Related parties

The company has taken advantage of the exemption in FRS 102 Chapter 33 Related Party Disclosures paragraph 33.1A not to disclose transactions with wholly owned fellow subsidiaries of the Specialty Measurement Holdco group.

19 Ultimate parent company and parent company of larger group

The immediate parent company is Specialty Measurement Holdco Limited. The ultimate parent company is Specialty Measurement Topco Limited, a company incorporated and registered in Jersey.

The ultimate controlling party is considered to be the US Private Equity firm, AEA Investors LP.

The parent undertaking of the smallest and largest group of undertakings for which consolidated financial statements are prepared and of which the company is a member is headed by Specialty Measurement Holdco. Copies of the consolidated financial statements of Specialty Measurement Holdco Limited are available from companies house.