

Malvern Panalytical Limited
Annual report and financial
statements
Registered number 01020602
For the year ended 31 December 2021

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Strategic report

Malvern Panalytical Limited (the “Company”) creates innovative, customer-focused solutions and services that enhance efficiency and deliver tangible economic impact through chemical, physical and structural analysis of materials. We are able to progress this goal by exploiting the latest technological developments, including artificial intelligence and predictive analytics. This enables scientists and engineers in a wide range of industries and organizations to solve the challenges associated with maximizing productivity, developing better quality products and getting them to market faster.

The Directors present the Strategic Report, the Directors’ Report and the audited Financial Statements for the year ended 31 December 2021.

Review of the company’s business

Revenue increased in all territories, as the business recovered following the Covid-19 pandemic outbreak in 2020.

For further information about the company’s business, please refer to the Spectris plc Annual Report and Accounts 2021.

Domestic revenues grew by 55% to £15,710,000 (2020: £10,144,000), whilst total revenue increased to £143,416,000 (2020: £122,111,000).

As a result of the increased total revenue, gross profit increased to £89,345,000 (2020: £72,305,000). The gross profit percentage increased to 62% (2020: 59%), largely as a result of the growth in domestic revenues. The Operating profit increased to £39,879,000 (2020: £35,119,000) as a result of the greater gross profit. Operating margin decreased to 28% (2020: 29%) due to increased overheads as activities started returning to pre-Covid levels and a reduction in profit on disposal to £336,000 (2020: £6,287,000).

Key performance indicators (KPIs)

We monitor progress against the delivery of our strategic goals using both financial and non-financial key performance indicators (KPIs). Financial KPIs include sales growth, gross margin, operating margin and cash conversion amongst others. Non-financial KPIs include carbon emissions, energy efficiency and accident rates amongst others.

For further information about KPIs, please refer to the Spectris plc Annual Report and Accounts 2021.

Stakeholders

The Directors comply with section 172(1), and give full consideration to all stakeholders. Full engagement is supported on all matters necessary and appropriate. All stakeholder views and opinions are encouraged and given consideration, such as from employees, customers and suppliers, the government and the local community.

All reporting requirements are complied with in order to be transparent wherever possible. This includes detailed analysis of Gender Pay Gap Reporting, DBEIS supplier payment reporting and CSR.

For further information about stakeholders and section 172(1) statement, please refer to the Spectris plc Annual Report and Accounts 2021.

Principal risks and uncertainties facing the company

Risk management is a high priority. Processes are designed to identify, mitigate and manage risk. The Board are ultimately responsible for risk management, and the principal risks of the company are deemed to be aligned with that of our parent company, Spectris plc.

For further information about principal risks and uncertainties facing the company, please refer to the Spectris plc Annual Report and Accounts 2021.

Trading risks

The successful launch of new products and expansion into new markets and applications is key to obtaining growth and fending off increasing competition around traditional core technologies.

Exchange risks

The Company seeks to mitigate this risk through the provision of forward contracts.

Strategic report *(continued)*

Financial risks

The Company transacted in financial instruments during the year. Full details of the Spectris policies and procedures surrounding financial risks, financial instruments and details of such transactions can be found in the Spectris plc Annual Report and Accounts 2021.

Intellectual property risks

Malvern Panalytical Limited protects its intellectual property through patents registered in key geographical markets and by monitoring infringements and challenges within those markets.

Climate change

Malvern Panalytical Limited monitors and reports on climate physical risks and carbon emissions. The Company has implemented Net Zero targets to align strategy with current and emerging sustainability thematic.

Approved by order of the Board



SFA Horder
Director

Enigma Business Park
Groveswood Road
Malvern
Worcestershire
WR14 1XZ

24 August 2022

Directors' report

Results and dividends

The Company made a profit after tax in the year of £34,932,000 (2020: £35,317,000).

The Directors have proposed and paid a dividend for the year ended 31 December 2021 of £92,000,000 (2020: nil).

Directors

The following served as Directors during the year and up to the date of this report, unless otherwise shown:

SFA Horder

TA Mulder

Disclosure of information to auditor

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

Re-appointment of auditor

Pursuant to s386 Companies Act 1985, an elective resolution was passed dispensing with the requirement to appoint auditors annually. Therefore, Deloitte LLP are deemed to continue as auditors.

Charitable donations

A total of £8,100 was donated to registered charities during 2021 (2020: £2,659).

Research and Development

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

Employee Engagement

The Directors regard employee involvement and effective communication as essential to maintain productive relationships, achieve improved performance and ensure commitment to the Company's business objectives. Discussions take place regularly with the employees on a wide range of issues. Additionally, all employees are briefed throughout the year on the current business status and the immediate outlook through a range of communication forums including face to face and virtual "Town Hall" meetings held by the President, and regular updates via the Company Intranet.

For further information about employee engagement, please refer to the Spectris plc Annual Report and Accounts 2021.

Directors' Report *(continued)*

Customer, Supplier, and other third-party Engagement

The Directors regard customer, supplier and other third-party communication as essential to maintain productive relationships. The Company works closely with customers and strategic partners, producers and our supply chain, and many other stakeholders via a wide range of communication methods, both direct and indirect.

Customers: Customers are central to the business – without them the Company would not exist. The Company aims to deliver a consistently high performance in an efficient and continuously improving way so as to meet the customer's needs. Engagement in the early stages of projects allows the Company to add the most value, providing the customer with the right solution for their problem. Feedback is sought throughout the project cycle.

Suppliers: Building strong relationships with suppliers enables the Company to obtain the best value, service and quality. The Company works with suppliers who understand our business and adhere to our ways of working. Our procurement and operations teams work hard to understand our supply chain and develop deeper and more strategic relationships with key suppliers.

Other third-parties: What the Company does is an integral part of the community. Poor relationships can damage and even destroy our reputation. Good relationships win goodwill. The Company actively engages with the communities close to our offices and seeks to reduce the environmental impact of our operations.

For further information about customer, supplier and other third-party engagement, please refer to the Spectris plc Annual Report and Accounts 2021.

Diversity, equality and inclusion

We believe that people should be recruited, developed and promoted based on their talent, commitment and experience. We endeavour to ensure that everyone is treated equally and fairly, irrespective of race, colour, religion, national origin, gender, sexual orientation, age, background or disability. There is a zero-tolerance policy in place for any form of discrimination or harassment.

For further information about diversity, equality and inclusion, please refer to the Spectris plc Annual Report and Accounts 2021.


Future developments

The Company continues to invest in the long-term future of the business. This is done by means of R&D investment in both sustaining and new product/solution development, collaborative agreements, and potential acquisition opportunities.

Going Concern

After making due enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. The Company and its ultimate parent entity Spectris plc continue to conduct ongoing risk assessments on its business operations and liquidity. Having undertaken assessments, the directors consider that the Company 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.

Approved by order of the Board:



SFA Horder
Director

Enigma Business Park
Groveswood Road
Malvern
Worcestershire
WR14 1XZ

24 August 2022

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

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

Independent auditors' report to the members of Malvern Panalytical Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Malvern Panalytical Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 18.

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.

Independent auditors' report to the members of Malvern Panalytical Limited (continued)

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.

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 the company's ability to operate or to avoid a material penalty. These included all relevant regulations including environmental regulations.

Independent auditors' report to the members of Malvern Panalytical Limited (continued)

We discussed among the audit engagement team, including relevant internal specialists such as IT, 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:

- revenue recognition through inappropriate cut-off: vouched a sample of pre and post year-end revenue transactions through to invoice, despatch documentation and/or customer acceptance depending on the nature of the sale, to assess the timing of revenue recognised. Additional procedures were also performed around revenue which met early recognition approval criteria.

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.

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Independent auditors' report to the members of Malvern Panalytical Limited *(continued)*

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.



Dawn Harris FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom

24 August 2022

Income Statement
for the year ended 31 December 2021

	<i>Note</i>	2021 £000	2020 £000
Revenue	2	143,416	122,111
Cost of sales		(54,071)	(49,806)
		<hr/>	<hr/>
Gross profit		89,345	72,305
Distribution costs		(1,589)	(1,462)
Administrative expenses		(47,378)	(41,922)
Restructuring charge		(835)	(89)
Profit on disposal of rheology product range		336	6,287
		<hr/>	<hr/>
Operating profit	3	39,879	35,119
Interest receivable and similar income	6	-	35
Interest payable and similar charges	6	(17)	(20)
		<hr/>	<hr/>
Profit before taxation		39,862	35,134
Taxation (charge)/credit	7	(4,930)	183
		<hr/>	<hr/>
Profit for the financial year		34,932	35,317
		<hr/> <hr/>	<hr/> <hr/>

All results in the current and preceding financial year relate to continuing activities.

The notes on pages 14 to 32 form an integral part of these financial statements.

Statement of Comprehensive Income
for year ended 31 December 2021

	2021	2020
	£000	£000
Profit for the financial year	34,932	35,317
Items that are or may be reclassified subsequently to profit or loss:		
Net (loss)/gain on effective portion of changes in fair value of cash flow hedges	(1,914)	149
Tax credit/(charge) on items above	364	(51)
Other comprehensive (expense)/income for the year, net of tax	(1,550)	98
Total comprehensive income for the year	33,382	35,415

Statement of Financial Position
at 31 December 2021

	<i>Note</i>	2021 £000	2020 (restated) ¹ £000
Non-Current assets			
Intangible assets	8	7,292	6,617
Property, plant & equipment	9	10,966	11,278
Investments	10	16	16
Deferred tax	7	1,208	652
		<u>19,482</u>	<u>18,563</u>
Current assets			
Inventories	11	18,257	12,573
Trade and other receivables	12	117,282	82,677
Financial instruments		-	1,339
Cash and cash equivalents		3,284	3,765
		<u>138,823</u>	<u>100,354</u>
Creditors: Amounts falling due within one year			
Trade and other payables	13	(24,111)	(22,740)
Lease Liabilities		(375)	(458)
Financial instruments		(655)	-
Corporation tax	7	(4,013)	(459)
		<u>109,669</u>	<u>76,697</u>
Net current assets		<u>109,669</u>	<u>76,697</u>
Total assets less current liabilities		<u>129,151</u>	<u>95,260</u>
Creditors: amounts falling due after more than one year			
Trade and other payables	13	(87)	(123)
Lease Liabilities		(533)	(801)
		<u>128,531</u>	<u>94,336</u>
Net assets		<u>128,531</u>	<u>94,336</u>
Capital and reserves			
Share capital	14	272	272
Capital redemption reserve		109	109
Cash flow hedge reserve		(530)	1,020
Retained earnings		128,680	92,935
		<u>128,531</u>	<u>94,336</u>
Shareholders' funds		<u>128,531</u>	<u>94,336</u>

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

The notes on pages 14 to 32 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 24 August 2022 and were signed on its behalf by:



SFA Horder
Director

Company number: 01020602

Statement of Changes in Equity
for the year ended 31 December 2021

	Share capital	Capital redemption reserve	Cash flow hedge reserve	Retained Earnings	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2020	272	109	922	57,777	59,080
Profit for the year	-	-	-	35,317	35,317
Other comprehensive income:					
Net gain on effective portion on changes in fair value of cash flow hedges, net of tax	-	-	98	-	98
Total comprehensive income for the year	-	-	98	35,317	35,415
Transactions with owners recorded directly in equity:					
Share based payments net of tax	-	-	-	(159)	(159)
Balance at 31 December 2020	272	109	1,020	92,935	94,336
Profit for the year	-	-	-	34,932	34,932
Other comprehensive income:					
Net (loss) on effective portion of changes in fair value of cash flow hedges, net of tax	-	-	(1,550)	-	(1,550)
Total comprehensive income for the year	-	-	(1,550)	34,932	33,382
Transactions with owners recorded directly in equity:					
Share based payments, net of tax	-	-	-	813	813
Balance at 31 December 2021	272	109	(530)	128,680	128,531

Notes to the financial statements *(forming part of the financial statements)*

1 Accounting policies

Malvern Panalytical 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 01020602 and the registered address is Enigma Business Park, Grovewood Road, Malvern, Worcestershire WR14 1XZ.

Basis of preparation

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

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

The Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, property, plant and equipment and intangible assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of key management personnel; and
- Related party transactions with wholly owned group companies.

As the consolidated financial statements of Spectris plc are available to the public as set out in note 18, 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;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures; and
- The requirement to present a Statement of Financial Position at the beginning of the preceding period when retrospectively applying an accounting policy.

The Company has taken advantage of the exemption set out in section 400 of the Act not to prepare group accounts.

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

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

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

New standards and interpretations adopted

In the current year there are no new standards and interpretations that have had a material impact on the company's Statement of Financial Position.

Change in accounting policy – Software as a Service ('SaaS') arrangement

The Company has changed its accounting policy relating to the capitalisation of certain software costs; this change follows the IFRIC Interpretation Committee's agenda decision published in April 2021 and relates to the capitalisation of costs of configuring or customising application software under 'Software as a Service' ('SaaS') arrangements.

The accounting policy has historically been to capitalise costs directly attributable to the configuration and customisation of SaaS arrangements as intangible assets in the Statement of Financial Position. Following the adoption of the above IFRIC agenda guidance the accounting policy was changed so that the Company only capitalises costs relating to the configuration and customisation of SaaS arrangements as intangible assets where control of the software exists.

As a result of this change in accounting policy, all current SaaS arrangements were identified and assessed to determine if the Company has control of the software. For those arrangements where the Company does not have control of the developed software, the Company derecognised the intangible asset previously capitalised. To the extent that such amounts were paid to the SaaS supplier in advance of the service period, including for configuration or customisation, these were instead treated as a prepayment over the life of the service period. All other amounts were recognised within administrative expenses in the Income Statement as incurred.

The change in accounting policy led to adjustments amounting to a £1,483,492 reduction in intangible assets, and a £1,483,492 increase in trade and other receivables recognised in the 31 December 2020 Statement of Financial Position. The 2020 Income Statement, Statement of Other Comprehensive Income and Statement of Changes in Equity have not been restated, as the impact on them is immaterial.

Going concern

The Company has been cash generative in the year and after reviewing the Company's forecasts and strategic plan, the Company is expected to continue to generate positive cash flows over the going concern period.

Spectris plc operates a cash pooling arrangement whereby the company contributes cash, which is held on its behalf in another Group company in return for an intercompany receivable. As part of this, the Company has an overdraft facility with our banks that allows for short term overdrafts without penalty. Should an overdraft position remain for more than a short period of time, then this will be cleared by reduction of the intercompany receivable.

After making due enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. The Company and its ultimate parent entity Spectris plc continue to conduct ongoing risk assessments of business operations and liquidity. Having undertaken assessments, the directors consider that the Company 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.

Consolidation

The Company is exempt by virtue of section 400 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.

Significant 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 differ from these estimates.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

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.

Judgements

The Company recognises revenue predominantly through the provision of goods and services accounted for under IFRS 15. Judgements have been made as to recognise revenue on complex installed products at the point of installation and customer acceptance. The Directors use available information, including sales contracts and installation data, based on the transfer of control of goods and services to customers.

Further information on the sale of goods with complex installations are covered in note 2.

There are no other areas of estimation uncertainty that the business deem to be key/significant.

Intangible assets

The cost of acquiring software (including associated implementation costs where applicable) that is not specific to an item of property, plant and equipment is classified as an intangible asset. The Company only capitalises costs relating to the configuration and customisation of SaaS arrangements as intangible assets where control of the software exists.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

The Company does not amortise goodwill but reviews it for impairment on an annual basis or whenever there are indicators of impairment. This is not in accordance with the UK Companies Act which requires goodwill to be amortised over its useful economic life. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The Company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

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

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 or 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.

Software	– 3 to 5 years.
Patents, contractual rights, technology	– Up to 10 years.
Customer-related and trade names	– 3 to 20 years.

Other Intangibles within Note 8 includes contractual rights, customer-related and trade names.

Property, plant and equipment

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

Depreciation is recognised in the income statement on a straight-line basis to write off the cost, less the estimated residual value (which is reviewed annually), of property, plant and equipment over its estimated useful economic life. Depreciation commences on the date 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 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 items. Estimated useful lives are as follows:

Freehold property	– 40 years.
Plant and equipment	– 3 to 20 years.

Freehold land is not depreciated.

Leases

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 arrangement 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 interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is presented as a separate line in the Statement of Financial Position.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

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 right-of-use assets are presented within the 'Property, plant and equipment' line of the Statement of Financial Position, together with owned items of property, plant and equipment. Separate disclosure of right-of-use assets is provided in Note 9.

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 remeasured 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 case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Investments

Investments in subsidiaries and other investments are stated at historical cost, less provision for any impairment in value.

Inventories

Inventories and work in progress are carried at the lower of cost and net realisable value. Inventory acquired as part of business combinations is valued at fair value less cost to sell. Cost represents direct costs incurred and, where appropriate, production or conversion costs and other costs to bring the inventory to its existing location and condition. In the case of manufacturing inventory and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Inventory is accounted for on a first-in, first-out basis or, in some cases, a weighted average basis is used if deemed more appropriate for the business. Provisions are made to write down slow-moving, excess and obsolete items to net realisable value, based on an assessment of technological and market developments and on an analysis of historic and projected usage with regard to quantities on hand.

Trade and other receivables

Trade and other receivables are carried at original invoice amount (which is considered a reasonable proxy for fair value) and are subsequently held at amortised cost less provision for impairment. The provision for impairment of receivables is based on lifetime expected credit losses. Lifetime expected credit losses are calculated by assessing historic credit loss experience, adjusted for factors specific to the receivable and operating company. The movement in the provision is recognised in the Income Statement.

Cash and cash equivalents

Comprises cash at bank and in hand and short-term deposits held on call or with maturities of less than three months at inception.

Trade and other payables

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

Provisions

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

Notes to the financial statements *(continued)*

1 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 tax 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 goodwill, nor 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.

Prior Year Restatement

The prior year deferred tax asset has been restated from a Current Asset to a Non-Current Asset. This change in presentation is to reflect the expectation of when the deferred tax asset is expected to reverse.

Foreign currency translation

The functional currency for the Company is determined with reference to the currency of the primary economic environment in which it operates. Transactions in currencies other than the functional currency are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at 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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction.

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 set 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. In determining estimated fair value, investments are valued at quoted bid prices on the trade date. When quoted prices on an active market are not available, fair value is determined by reference to price quotations for similar instruments traded.

Originated loans and receivables are initially recognised in accordance with the policy stated above and subsequently re-measured at amortised cost using the effective-interest method. Allowance for impairment is estimated on a case-by-case basis.

Notes to the financial accounts *(continued)*

1 Accounting policies *(continued)*

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 ongoing 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 item.

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

Amounts deferred in equity are reclassified 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. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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 to the cash flows from the asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. Originated loans and receivables are derecognised on the date they are transferred by the Company.

Impairment of financial assets

The Company assesses at each Statement of Financial Position reporting date whether there is any objective evidence that a financial asset, or Company of financial assets, is impaired. A financial asset, or group of financial assets, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For trade receivables the Company recognises impairment provisions based on lifetime expected credit losses.

Employee benefits

The Company operates defined contribution pension schemes.

Defined contribution scheme

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised in the income statement in the periods during which services are rendered by employees.

Short term benefits

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

Notes to the financial accounts *(continued)*

1 Accounting policies *(continued)*

Share based payments

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

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.

Revenue

Revenue from the provision of services, including ongoing support, servicing and maintenance, is recognised in line with the delivery of the service, either at a point in time or, for some ongoing services, over time.

Revenue from the sale of goods, where the goods are not required to be installed, is recognised at a point in time when legal title transfers to the customer, usually on delivery.

When the sale of goods is combined with installation, revenue recognition depends upon the nature of the installation. Simple installations are those which the customer perceives as a separate performance obligation within the overall contract to deliver goods, whereas complex installations are those for which the installation is an integral part of the delivery of the goods.

Revenue is recognised for simple installations separately from the delivery of goods, and only at a point in time when the installation has occurred.

For complex installations, revenue is normally deferred until installation is complete. For a small number of complex installations, revenue is recognised before installation when: a) a significant period of time has elapsed since completion of the product; b) an installation date has not been agreed despite multiple attempts to arrange; and c) payment has been received from the customer. Significant judgement is required for these installations. Revenue from these arrangements represents approximately 2% of the segment's total sales.

Occasionally, the initial contract covers both the supply of goods and ongoing support, servicing and maintenance. For such contracts, revenue is allocated across each of the individual components in line with their relative price and value of the performance obligation and each element is accounted for as described above.

Payment is normally due at the point that the performance obligation is completed. For some of the segment's business the customer may make partial payment in advance. Such payments are recognised as contract liabilities until the performance obligation has been satisfied.

Sales-related warranties associated with the products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications.

Interest receivable and similar income

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

Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are credited to a deferred income account and are released as income by equal annual amounts over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Notes to the financial accounts *(continued)*

2 Revenue

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

	2021 £000	2020 £000
At a point in time :		
Sale of goods (no installation)	119,828	101,359
Sale of goods with complex installation	20,079	16,243
Services rendered	680	1,562
Royalty income	142	98
Over time :		
Services rendered	2,687	2,849
	<hr/>	<hr/>
Revenue from continuing operations	<u>143,416</u>	<u>122,111</u>

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

	2021 £000	2020 £000
United Kingdom	15,710	10,144
Rest of Europe	32,841	28,247
Asia and Australia	63,242	56,233
Americas	30,395	26,561
Africa	1,228	926
	<hr/>	<hr/>
	<u>143,416</u>	<u>122,111</u>

3 Operating profit

Operating profit has been arrived at after charging/(crediting):

	2021 £000	2020 £000
Net foreign exchange gain	(11)	(86)
Research and development	9,834	9,936
Depreciation of property, plant and equipment (owned assets)	1,383	1,934
Amortisation of intangible assets	828	2,234
Expenses relating to short term and low-value leases	324	279
Deprecation of right-of-use assets	189	288
Restructuring charge	835	89
Profit on disposal of rheology product range	(336)	(6,287)

Research and development costs are included in the Income Statement as Administration expenses.
Amortisation of intangible assets are included in the Income Statement as Administration expenses.

Profit on disposal relates to the sale of the rheology range of products. In 2020, this included the disposal of various assets, with net values including £1,114,000 of Inventory and £62,000 of Fixed Assets. The transitional service agreement completed during 2021, and all residual provisions were therefore released. There were no associated asset disposals in 2021.

Notes to the financial accounts *(continued)*

4 Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company.

	2021 £000	2020 £000
Audit of the Company's financial statements	121	82

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the Group accounts of its parent, Spectris plc.

5 Employee numbers and costs

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

	Number of employees	
	2021	2020
Production and engineering	124	109
Sales and marketing	72	76
Administrative	247	245
	<u>443</u>	<u>430</u>

The aggregate payroll costs of these persons, including Directors' remuneration, were as follows:

	2021 £000	2020 £000
Wages and salaries	21,391	18,287
Social security costs	2,581	2,112
Contributions to defined contribution plans	2,321	2,070
Equity-settled share-based payment expense	393	198
Cash-settled share-based payment expense	48	77
	<u>26,734</u>	<u>22,744</u>

Directors' remuneration:

	2021 £000	2020 £000
Short term benefits	253	438
Equity-settled share-based payment expense	31	-
Company contributions to money purchase pension scheme	20	18
	<u>304</u>	<u>456</u>

Notes to the financial accounts *(continued)*

5 Employee numbers and costs *(continued)*

	2021 No.	2020 No.
The number of Directors who exercised share options	1	-
The number of Directors in respect of whose services shares were received or receivable under long term incentive schemes was	1	-
Retirement benefits are accruing to the following number of Directors under: Money purchase schemes	1	2
In respect of the highest paid Directors:		
	2021 £000	2020 £000
Aggregate remuneration	284	342
Company contributions to money purchase pension scheme	20	9

6 Interest receivable and payable

	2021 £000	2020 £000
Interest receivable and similar income		
Interest receivable from Group undertakings	-	35
Interest payable and similar charges		
Unwind of discount on IFRS 16 lease liability	(17)	(20)

7 Taxation

(a) Tax charged/(credited) in the income statement

	2021 £000	2020 £000
<i>UK corporation tax</i>		
Current tax on profit in year	4,974	465
Adjustments in respect of prior years	111	(247)
Total current tax charge	5,085	218
<i>Deferred tax</i>		
Origination and reversal of temporary differences	258	(72)
Change in tax rates	(273)	(87)
Adjustments in respect of prior years	(140)	(242)
Total deferred tax credit	(155)	(401)
Total tax charge/(credit) on profit on ordinary activities	4,930	(183)

Notes to the financial accounts *(continued)*

7 Taxation *(continued)*

(b) Tax relating to items (credited)/charged to other comprehensive income

	2021 £000	2020 £000
<i>Deferred tax</i>		
Tax on effective portion of change in fair value of cash flow hedges	(364)	29
Change in tax rates	-	22
	<hr/>	<hr/>
Total deferred tax (credit)/charge	(364)	51
	<hr/>	<hr/>
Total tax (credit)/charge	(364)	51
	<hr/> <hr/>	<hr/> <hr/>

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

	2021 £000	2020 £000
<i>Current tax</i>		
Share based payments	(27)	(7)
	<hr/>	<hr/>
Total current tax credit	(27)	(7)
	<hr/>	<hr/>
<i>Deferred tax</i>		
Share based payments	(28)	9
Change in tax rates	(9)	-
	<hr/>	<hr/>
Total deferred tax (credit)/charge	(37)	9
	<hr/>	<hr/>
Total tax (credit)/charge to the Statement of Changes in Equity	(64)	2
	<hr/> <hr/>	<hr/> <hr/>

(d) Reconciliation of the total tax charge/(credit)

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

	2021 £000	2020 £000
Profit on ordinary activities before tax	39,862	35,134
	<hr/>	<hr/>
Corporation tax at standard rate of 19% (2020: 19%)	7,574	6,675
	<hr/>	<hr/>
<i>Effects of:</i>		
Non-deductible expenditure	143	37
Group relief for £nil consideration	(152)	(3,941)
UK patent box incentives	(2,600)	(2,350)
Other current year items	267	(28)
Change in tax rates	(273)	(87)
Adjustments to prior year current and deferred tax charges	(29)	(489)
	<hr/>	<hr/>
Total tax charge/(credit) reported in the income statement	4,930	(183)
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial accounts *(continued)*

7 Taxation *(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 was included in the Finance Bill 2021 which was substantively enacted on 24th May 2021 and so deferred tax at 31 December 2021 has been calculated at the rate of 25%.

(f) Deferred tax

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

	2021 £000	2020 £000
<i>Deferred tax liability</i>		
Temporary differences relating to revaluation of cash flow hedges	-	240
	-	240
<i>Deferred tax asset</i>		
Temporary differences relating to intangible assets	419	486
Temporary differences relating to property, plant and equipment	479	214
Temporary differences relating to revaluation of cash flow hedges	124	-
Share based payments	183	119
Other temporary differences	3	73
	1,208	892
Disclosed on the statement of financial position	1,208	652

Deferred tax in the income statement

	2021 £000	2020 £000
Temporary differences relating to intangible assets	90	(112)
Temporary differences relating to property, plant and equipment	165	(3)
Other temporary differences	3	43
Change in tax rates	(273)	(87)
Adjustment in respect of prior year	(140)	(242)
Deferred tax credit to the income statement	(155)	(401)

Notes to the financial accounts *(continued)*

8 Intangible assets

	Goodwill	Technology	Patents	Other intangible assets	Software	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 31 December 2019	15,874	13,599	2,234	6,307	9,165	47,179
Accounting policy change - SaaS	-	-	-	-	(2,225)	(2,225)
At 1 January 2020 (restated)	15,874	13,599	2,234	6,307	6,940	44,954
Additions	-	-	-	-	951	951
Disposals	(6,137)	(501)	-	-	(1,008)	(7,646)
At 31 December 2020 (restated)	9,737	13,098	2,234	6,307	6,883	38,259
Additions	-	-	-	-	1,058	1,058
Disposals	-	(13,098)	(2,234)	(6,307)	(458)	(22,097)
At 31 December 2021	9,737	-	-	-	7,483	17,220
Amortisation and impairment						
At 31 December 2019	10,560	12,532	2,234	6,307	6,154	37,787
Accounting policy change – SaaS	-	-	-	-	(741)	(741)
At 1 January 2020 (restated)	10,560	12,532	2,234	6,307	5,413	37,046
Charged in year	-	1,067	-	-	1,167	2,234
Disposals	(6,137)	(501)	-	-	(1,000)	(7,638)
At 31 December 2020 (restated)	4,423	13,098	2,234	6,307	5,580	31,642
Charged in year	-	-	-	-	828	828
Disposals	-	(13,098)	(2,234)	(6,307)	(903)	(22,542)
At 31 December 2021	4,423	-	-	-	5,505	9,928
Net book value						
At 31 December 2021	5,314	-	-	-	1,978	7,292
At 31 December 2020	5,314	-	-	-	1,303	6,617

Note 1 contains an explanation of the change in accounting policy – Software as a Service ('SaaS') arrangement. The change in accounting policy led to adjustments amounting to a £1,483,492 reduction in intangible assets, and a £1,483,492 increase in trade and other receivables recognised in the 31 December 2020 Statement of Financial Position.

Notes to the financial accounts *(continued)*

8 Intangible assets (continued)

Intangible assets other than goodwill are being amortised over a period between 5 and 7 years, being the Directors' estimate of the useful economic lives.

The Company has no internally generated intangible assets from development expenditure as the criteria for the recognition as an asset under IAS38 "Intangible Assets" have not been met (2020: *None*).

As part of the annual impairment review, the carrying amount of goodwill has been assessed with reference to value in use to perpetuity with a 5% growth rate, reflecting the projected cash flows for the next 3 years with a 9.4% discount rate. This is based on actual operation results, the most recent budget for the next financial year as approved by the board, and strategic review projections, all of which provide sufficient headroom to support the carrying value.

Goodwill is allocated to two cash-generating units that are anticipated to benefit from the acquisition. These were:

	2021 £000	2020 £000
Nano particle tracking	3,164	3,164
X-Ray analysis equipment	2,150	2,150
	<u>5,314</u>	<u>5,314</u>

Notes to the financial accounts *(continued)*

9 Property, plant and equipment

Property, plant and equipment: owned

	Freehold land and buildings £000	Plant and equipment £000	Total £000
Cost			
At 31 December 2020	7,860	12,297	20,157
Additions	-	1,061	1,061
Disposals	-	(433)	(433)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	7,860	12,925	20,785
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation			
At 31 December 2020	2,731	6,539	9,270
Charge for the year	150	1,233	1,383
Disposals	-	(433)	(433)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	2,881	7,339	10,220
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value			
At 31 December 2021	4,979	5,586	10,565
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2020	5,129	5,758	10,887
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Property, plant and equipment: right-of-use

	Property £000	Plant and equipment £000	Total £000
At 31 December 2020	224	167	391
Additions	-	199	199
Depreciation	(47)	(142)	(189)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	177	224	401
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
		2021 £000	2020 £000
Property, plant and equipment: owned		10,565	10,887
Property, plant and equipment: right-of-use		401	391
		<hr/> <hr/>	<hr/> <hr/>
		10,966	11,278

Included in the total net book value of freehold land and buildings is £1,875,000 (2020: £1,875,000) in respect of freehold land which is not depreciated.

No borrowing costs met the required criteria for capitalisation during the year (2020: £Nil).

Notes to the financial accounts (continued)

10 Investments

	£000
<i>Cost</i>	
At 31 December 2020	16
<i>Impairment</i>	-
At 31 December 2021	16

The Company has the following investments in subsidiaries:

Name of company	Registered office address	Class of shares held	Ownership
Malvern-Aimil Instruments Private Ltd	Naimex House, A-8 Mohan Co-op Inell Estate, Mathura Road, New Delhi-110044, India	Ordinary	99.9%
Nanosight Limited	Enigma Business Park, Grovewood Road, Malvern, Worcestershire WR14 1XZ	Ordinary	100%

11 Inventories

	2021 £000	2020 £000
Raw materials	15,148	9,013
Work in progress	703	694
Finished stocks	2,406	2,866
	<u>18,257</u>	<u>12,573</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £54,071,000 (2020: £49,806,000).

12 Trade and other receivables

	2021 £000	2020 (restated) £000
<i>Amounts falling due within one year</i>		
Trade receivables	13,586	13,755
Amounts owed by group undertakings	98,690	64,585
Other debtors	4,295	2,707
Prepayments and accrued income	711	1,630
	<u>117,282</u>	<u>82,677</u>

Prepayments and accrued income for 2020 have been restated for the impact of the Company's change in accounting policy for Software as a service ('SaaS') arrangements. See note 1 for further details. The change in accounting policy led to adjustments amounting to a £1,483,492 reduction in intangible assets, and a £1,483,492 increase in trade and other receivables recognised in the 31 December 2020 Statement of Financial Position.

Amounts owed by Group undertakings are in relation to interest bearing intra-group loans which are financial arrangements on an arm's length basis, or trading balances with other companies within the Group. This is maintained by the Parent Company Treasury Management team and allows us to increase or reduce cash reserves as required. Surplus funds are held on deposit, and are repayable on demand.

Notes to the financial accounts *(continued)*

13 Trade and other payables

	2021	2020
	£000	£000
<i>Amounts falling due within one year</i>		
Trade payables	8,933	7,884
Social Security	633	664
Accruals and deferred income	9,886	9,491
Other creditors	4,659	4,701
	<u>24,111</u>	<u>22,740</u>
<i>Amounts falling due after more than one year</i>		
Other creditors	87	123
	<u>87</u>	<u>123</u>

14 Share capital

	2021	2020
	£000	£000
<i>Authorised, Allotted, called up and fully paid:</i>		
272,290 ordinary shares of £1 each	272	272
	<u>272</u>	<u>272</u>

15 Commitments

Capital commitments

During the year ended 31 December 2021, the Company entered into contracts to purchase plant and equipment for £31,000 (2020: £181,000). These commitments are expected to be settled in the following financial year.

Notes to the financial accounts *(continued)*

16 Lease Liabilities

2021 Undiscounted lease liability maturity analysis under IFRS 16

	Property	Plant and equipment	Total
	2021 £000	2021 £000	2021 £000
Within one year	267	114	381
More than one year but less than five years	449	124	573
Greater than five years	-	-	-
Total undiscounted lease liabilities at 31 December 2021	716	238	954
	2020 £000	2020 £000	2020 £000
Within one year	317	150	467
More than one year but less than five years	814	127	941
Greater than five years	-	-	-
Total undiscounted lease liabilities at 31 December 2020	1,131	277	1,408

17 Contingent liabilities

With certain 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 at 31 December 2021:

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

Where the Company enters into financial guarantee contract 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.

Malvern Panalytical 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 that allows individual subsidiaries to borrow from the bank on overdraft within the overall borrowing limit of the Spectris Group.

18 Parent companies

The Company's immediate parent company is Spectris Group Holdings Limited which is incorporated in England & Wales with registered number 01104312.

The Company's controlling and ultimate holding company is Spectris plc which is incorporated in England & Wales with registration number 02025003.

The consolidated accounts of this company are available to the public and may be obtained from:
Spectris plc, Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL