

spectris

Cleaner.
Healthier.
More productive.



Spectris harnesses
the power of precision
measurement to
equip our customers
to make the world
cleaner, healthier
and more productive.

2021 performance

Sales

£1,292.0m

(2020: £1,336.2m)
Change yoy (3%)
LFL change yoy 10%

Adjusted cash flow conversion¹

96%

(2020: 141%)
Change yoy (45pp)

Dividend per share

71.8p

(2020: 68.4p)
Change yoy 5%

Adjusted operating profit¹

£209.4m

(2020: £173.6m)
Change yoy 21%
LFL change yoy 29%

Adjusted operating margin¹

16.2%

(2020: 13.0%)
Change yoy 320bps
LFL change yoy 240bps

Adjusted earnings per share¹

140.7p

(2020: 112.1p)
Change yoy 26%

Statutory operating profit/(loss)

£154.9m

(2020: (£23.3m))

Statutory operating margin

12.0%

(2020: (1.7%))
Change yoy 1,370bps

Statutory earnings/(loss) per share

305.1p

(2020: (14.6p))

1. Alternative performance measures ('APMs') are used consistently throughout this Annual Report and are referred to as 'adjusted' or 'like-for-like' ('LFL'). These are defined in full and reconciled to the reported statutory measures in the appendix to the Consolidated Financial Statements on page 182.

Our Purpose

Our Purpose is to deliver value beyond measure.

Precision is at the heart of what we do. Spectris provides customers with specialist insight through our high-tech instruments and test equipment, augmented by the power of our software.

We enable our customers to work faster, smarter and more efficiently. We equip them with the ability to innovate, reduce time to market, improve processes, quality and yield.

In this way, our know-how creates value for wider society, as our customers manufacture and develop new products to make the world cleaner, healthier and more productive.

Delivering value beyond measure.

Our Purpose in action



Read more about our Purpose in action on pages 18 to 19 and 24 to 43

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Additional information

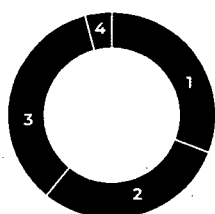
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Spectris in focus

Spectris harnesses the power of precision measurement to equip our customers to make the world cleaner, healthier and more productive.

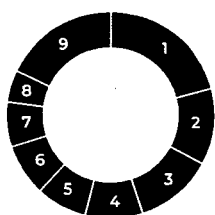
We are focusing on where we have competitive and differentiated offerings, and where we can maintain and build defensible positions, in attractive technology-driven end markets.

Group sales by location (%)



1 North America	31
2 Europe	30
3 Asia	35
4 Rest of the world	4

Group sales by end-user market (%)



1 Pharmaceutical	21
2 Electronics, semiconductors & telecoms	12
3 Automotive	12
4 Metals, minerals & mining	9
5 Academic research	8
6 Machine manufacturing	8
7 Energy & utilities	7
8 Aerospace & defence	5
9 Other	18

Our operating companies

What we do

We provide high-tech instruments, test equipment and software for many of the world's most technically demanding industrial applications.

Our technical expertise and deep domain knowledge enables us to provide the data and insights customers need to solve their challenges.

How we equip customers

We provide customers with our leading instrument and sensor technology, along with complementary software and services. We also provide superior data and insights that enable customers to work faster, smarter and more efficiently to innovate, reduce their time to market, improve processes, quality and yield. Our expertise creates value for our wider society, as our customers manufacture and develop new products to make the world a cleaner, healthier and more productive place.

We also provide a broad range of support services, such as training, technical support, spare parts, calibration and maintenance.

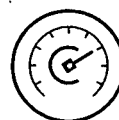
Where we are

We have a predominantly direct sales model through a worldwide network of sales, marketing and support offices, enabling us to be close to customers and gain a deeper understanding of the challenges they are seeking to address.

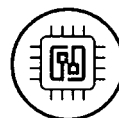
Our key markets



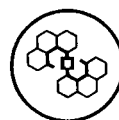
Pharmaceutical



Automotive



Electronics and semiconductors



Primary and advanced materials

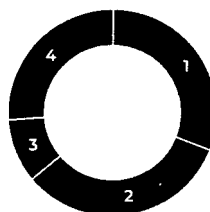


Technology-led industrials

Our organisational structure

Our organisational structure and financial reporting reflects the three platform businesses – Malvern Panalytical, HBK and Omega – and the Industrial Solutions Division ('ISD').

Group sales by business (%)



1	Malvern Panalytical	31
2	HBK	33
3	Omega	10
4	Industrial Solutions	26



Malvern Panalytical provides advanced measurement and materials characterisation, accelerating innovation and efficiency in R&D and manufacturing.

Read more:
Pages 24 to 28

% Group sales

31%

% LFL sales growth

11%

Adjusted operating margin

18.0%

Employees

2,310



Hottinger Brüel & Kjær ('HBK') provides differentiated sensing, testing, modelling and simulation solutions to help customers accelerate product development.

Read more:
Pages 29 to 33

% Group sales

33%

% LFL sales growth

8%

Adjusted operating margin

15.3%

Employees

3,260



Omega provides specialist sensors, helping customers improve processes, delivered by a high service omni-channel distribution platform.

Read more:
Pages 34 to 37

% Group sales

10%

% LFL sales growth

14%

Adjusted operating margin

11.6%

Employees

660

Industrial Solutions

ISD is a portfolio of high-value precision in-line sensing and monitoring businesses. It comprises Particle Measuring Systems, Red Lion Controls and Servomex. (Brüel & Kjær Vibro, ESG Solutions, Millbrook and NDC Technologies were divested during 2021.)

Read more:
Pages 38 to 43

% Group sales

26%

% LFL sales growth

8%

Adjusted operating margin

17.0%

Employees

1,370



Mark Williamson
Chairman

Recovery and moving forward

Sales

£1,292.0m

(2020: £1,336.2m)

Dividend per share

71.8p

(2020: 68.4p)

Good financial performance

Spectris has emerged from the COVID-19 pandemic a more resilient and much improved company, with a refined purpose, values and ethics programme, and it has been pleasing to see these further embedded within the organisation during 2021. Being clear about who we are, how we behave and how this connects with our Strategy for Profitable Growth ensures that we are aligned and working to deliver value beyond measure for all of our stakeholders.

The execution of the Group's strategy alongside the continued adoption of new ways of working has positioned the company well to benefit from the market recovery. Driving sustainable organic sales growth and continued margin expansion are key elements of

that strategy, and the Board was pleased to see good progress on this during 2021. Similarly, delivering strong cash flow conversion and improving returns to shareholders are key objectives and these were also delivered during the year. Whilst 2021 still had its COVID-19 related challenges, a return to economic growth, combined with multiple new product launches, helped drive a strong underlying demand for the Group's products and services and lead to a like-for-like sales growth of 10%. This supported an improved adjusted operating margin of 16.2% (statutory operating margin 12.0%) and the Group again delivered strong cash conversion, ending the year with net cash of £167.8 million on the balance sheet.

The Board is proposing a final dividend of 48.8 pence per share which, when combined with the interim dividend of 23.0 pence, gives a total of 71.8 pence per share for the year. This equates to a 5% increase, in line with our policy of making progressive dividend payments based on affordability and sustainability. Our strong cash generation and robust balance sheet also supported a £200 million share buyback programme in 2021, which was completed in October.

Delivering strategic transformation

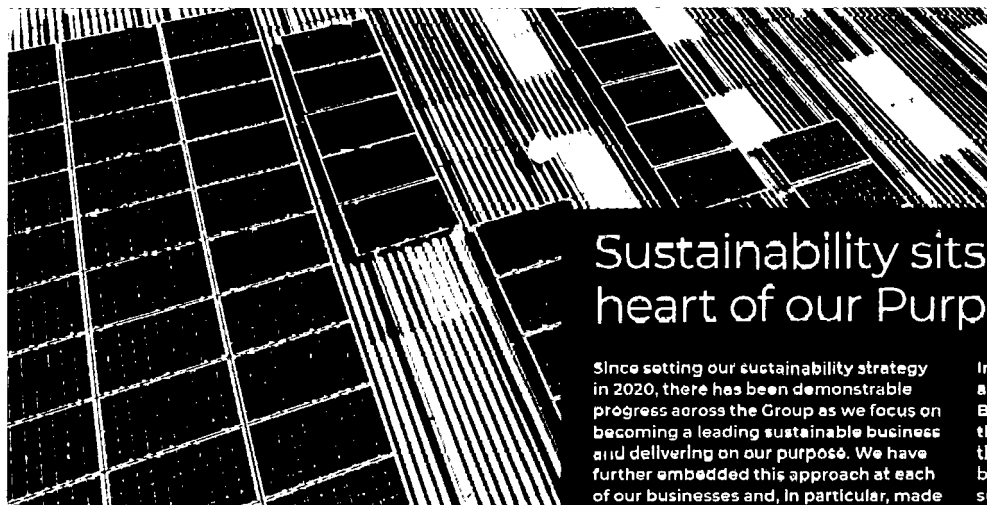
During 2021, we continued to successfully execute the portfolio optimisation element of our Strategy for Profitable Growth, with the

completion of four divestments: Brüel & Kjær Vibro, ESG Solutions, Millbrook and NDC Technologies. I would like to thank all of the employees in these businesses for their contribution to Spectris over the years. Completing these disposals, and at good valuations, against the backdrop of a global pandemic has been a great achievement and it is pleasing that these businesses have found new owners to help them better deliver their potential.

We made one major acquisition during the year – Concurrent Real-Time – and the integration of that business into HBK, to advance its high performance computing and simulation software strategy, is progressing well. We also made two smaller technology acquisitions and participated in a number of other processes, but retained discipline in accordance with our capital allocation framework. M&A is a key component of the strategy and our balance sheet strength leaves us well positioned to participate in further activity on this front.

Building a sustainable business

Underpinning our Strategy for Profitable Growth is the Group's sustainability agenda and the Board is particularly pleased with the significant work that was undertaken during 2021 to implement this. We have set ambitious, but realistic, Net Zero goals and have established a programme of work to integrate sustainability into



Sustainability sits at the heart of our Purpose

Since setting our sustainability strategy in 2020, there has been demonstrable progress across the Group as we focus on becoming a leading sustainable business and delivering on our purpose. We have further embedded this approach at each of our businesses and, in particular, made major steps forward in relation to our environmental strategy, with ambitious Net Zero targets set and detailed climate analysis work undertaken to meet TCFD reporting requirements.

Integral to this strategy is the attitude and activities of our people, and the Board is proud of the way our people live the Group's values, shape its culture and the manner in which they conduct their business to support our customers, suppliers and our communities. Being clear about who we are, how we behave and how this connects with our Strategy for Profitable Growth ensures that we are aligned and working towards creating long-term value for all of our stakeholders.

Read more in our Sustainability Report on pages 54 to 67

our operations, behaviours and ways of working. We recognise that embedding sustainability throughout the Group protects and creates long-term value for all our stakeholders, and will secure our long-term success. Our Section 172 statement is set out on pages 76 to 77 and explains in more detail how the Board considers all our stakeholders in the decisions it makes.

We have set a clear ambition to be Net Zero in our own operations (Scope 1 and 2) by 2030 and in our value chain (Scope 3) by 2040. As well as ensuring we have accountability for the sustainability of our own operations, our precision measurement and analytics solutions also helps support our customers on their own sustainability journeys.

The Board has also spent time considering the risks and opportunities relevant to the Group regarding climate change. A summary of our reporting against the Task Force on Climate-related Financial Disclosures ('TCFD') framework is set out on page 65. Climate risks have now been embedded into the businesses and Group risk activities and we have elevated climate change to become a new Group principal risk (see page 52). More detail is set out in the Sustainability Report on pages 54 to 67.

In relation to our people, we continue to ensure that we safeguard their well-being. Many of our employees

continue to work from home, so ensuring they remain connected to colleagues has been key to ensure a continued focus on strengthening the culture across the Group. We have also focused on supporting science, technology, engineering and maths ('STEM') activities to help attract, develop and retain employees in STEM-related careers, as well as provide support for STEM education in our communities. This has been further supported by the Spectris Foundation, a £15 million fund to support STEM projects and other charitable causes nominated by our employees. Good attendance at the employee STEM showcase, held in May, highlighted the interest our employees have in providing STEM opportunities in our communities. The Foundation recently agreed its first donation and the Board and I look forward to watching its developing influence in supporting STEM education for all.

Regarding our shareholders, the Board is regularly updated on their views. The Board receives feedback from the Executive Directors, who regularly meet investors. Following the changes in the Industrial Solutions Division, we held a virtual teach-in on PMS, Red Lion and Servomex to help investors better understand their products, markets and key growth drivers. Given continued restrictions, our investor engagement has continued to be predominantly virtual and our AGM

was again a virtual meeting. We will continue to keep in mind the health and safety of our employees and shareholders as we plan for the 2022 AGM, which will be held on 27 May.

Summary

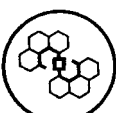
The Board would like to express its thanks to all of our employees for their contribution to a good performance during the year and to the management of Spectris for their continued delivery of the strategy. We would also like to express our gratitude to Martha Wyrsh, who retired in May, and to Karim Bitar, who stood down from the Board in December, thanking them for their contribution during their tenures. The Board was pleased to welcome Ravi Gopinath and Alison Henwood as Non-executive Directors. They bring a broad range of experience from their careers to Spectris.

Spectris again demonstrated in 2021 that it is a resilient business, and whilst 2022 will continue to have its challenges, the Group is much better positioned to deliver on its growth and margin ambitions, has a strong balance sheet to support its M&A ambitions and is therefore well placed to create long-term sustainable value for all our stakeholders.

Mark Williamson
Chairman
23 February 2022

A focus on our markets

Our key addressable markets have attractive, structural demand drivers underpinning long-term growth.

Industry	Market trends	Key trends shaping our offer
 Pharmaceutical	Pharmaceutical R&D spend continues to rise. In response to COVID-19, high demand for vaccine and viral vector development continues and manufacturing solutions in new areas, such as immuno-therapies and gene therapies, are also seeing rising investment. Demand is also being supported by an increase in onshoring, which has prompted investment in pharmaceutical facilities as customers look to increase the robustness of supply chains. Increasing regulatory security and a need for data integrity are also key drivers underpinning market growth.	• Rising R&D spend • Growth in drug delivery systems and therapies • Increasing drug complexity • Reducing drug development time and cost • Onshoring of development and manufacturing capability
 Automotive	Although global auto sales have been impacted by reduced demand and supply side issues, automotive R&D spend has been resilient, driven by the proliferation of new technologies, from electric, autonomous, and increasingly digital vehicles. Electric vehicle sales momentum is expected to continue, with significant new electric models coming to market. Given the investments needed for these new solutions amidst lower sales, automotive OEMs must contain costs, to develop products better, with less, and to reduce complexity. An increasing use of simulation and software is being deployed to assist on this front.	• Increasing focus on climate change and emission control • Proliferation of technologies and new product launches • Connected and autonomous vehicles • Rising use of simulation and software to reduce development time and cost
 Electronics and semiconductors	Investment in the semiconductor industry continues to rise and total semiconductor manufacturing equipment sales surpassed the \$100 billion mark, reflecting the industry's drive to expand capacity to meet demand. The digital infrastructure buildout, requirement for greater processing power and fast evolving technologies, such as 5G, Internet of Things and machine learning is fuelling this demand. Similarly, an increasing desire for consumer electronics products with more features is driving growth. Localising production is also a trend supporting capacity expansion, with major US fabrication plants now being built.	• Cloud computing • Internet of things • Big data • Processing power and speed • Miniaturisation • 5G • Localising production capacity
 Primary and advanced materials	Primary materials – Volatile commodity prices and the climate challenge is driving a need to be more efficient with resource use. There are increasing regulatory controls around this to reduce emissions and meet Net Zero targets. Companies are also adopting greater use of automation and digitisation, fuelling demand for connected instruments and remote monitoring and analytics. Advanced materials – Innovation and developments in technology are underpinning demand for advanced materials testing and analysis. New battery technologies, environmental technologies, such as green and blue hydrogen and fuel cells, and the wider adoption of additive layer manufacturing all represent growth opportunities.	• Environmental and sustainability concerns • Energy efficiency • Autonomous operations • Predictive analytics • Cost management, lean principles and just-in-time techniques • Innovation in new technologies

Industry	Market trends	Key trends shaping our offer
 Technology-led industrials	The adoption of the Industrial Internet of Things ('IIoT') continues, reflecting a greater demand to connect assets and access data to better understand and control production processes, compounded by more widespread remote working and more disparate assets. More advanced process instrumentation is also increasing demand for smart sensors, testing and control systems and software solutions, with automation being a key demand driver in machine manufacturing to drive efficiency and yield improvements. Similarly, in consumer electronics the desire for smarter, more connected devices, alongside 5G adoption, are key trends. In aerospace and defence, new development programmes support demand, with increasing spend on alternative fuels to hit decarbonisation targets. New programmes are also being launched in the space/satellite industry with a number of new entrants in this area.	• Remote servicing and monitoring • Predictive processes • 5G • IIoT • Process automation • Additive manufacturing

Sustainability trends

The Strategy for Profitable Growth re-positioned our portfolio to focus on key end markets which offer ODP+ growth opportunities. As we evolve our strategy, we are increasingly looking at sustainability-linked opportunities in those markets, such as environmental and health related trends, which have strong momentum, include fast growth segments and are aligned with our Purpose. Our customers are increasingly looking for solutions to their challenges in these areas. In many of them, we already have a material presence and see incremental opportunities in market adjacencies. The sustainability trends we have identified are:

- Advancements in health – accelerating investment in pharmaceutical R&D, particularly novel drug delivery systems and biologic based therapies;
- Transformation of mobility – increasing penetration of electric vehicles and autonomous driving technologies;

- Energy transition – growth in renewable energy, nascent technologies for hydrogen and carbon capture and establishment of eGrid;
- Responsibility in sourcing and production – an increasing focus on responsible extraction of resources, on waste minimisation and energy efficiency;
- Transition to a circular economy – an increasing effort to re-use and re-cycle materials;
- Environmental protection – increasing focus on protection from emissions and waste; and
- Evolution of food and agriculture – development of new food types and more precise forms of farming to reduce resource use and improve yields.





Andrew Heath
Chief Executive

Adapted

and well positioned

Adjusted operating profit

£209.4m

(2020: £173.6m)

Adjusted operating margin

16.2%

(2020: 13.0%)

Delivery on the Strategy for Profitable Growth

Firstly, I would like to say thank you to every Spectris colleague reading this, for everything that you gave in 2021 to deliver the performance described in these pages. In 2022, we will continue to have to navigate supply chain and COVID-related challenges but we expect these to start to ease in the second half and I am very optimistic about the future for our business. This optimism is rooted in the commitment and dedication that I have seen from my colleagues right across the Group, both before and during the pandemic. My sincere thanks and admiration go out to you all.

We delivered good progress in our financial and operational performance and worked diligently to establish Spectris as a purpose-led, growth business, delivering value beyond measure for all of our stakeholders. After successfully managing the onset of the COVID-19 pandemic in 2020 through our balanced and socially responsible approach, our businesses and employees have demonstrated how well they have adapted to the changes in their operating environments.

Demand for our products and services recovered strongly in 2021, and we enter 2022 with a record order book across the Group. Supply chain challenges increased through the year and constrained our ability to translate

this very strong order intake to revenue in the fourth quarter, such that we were at the lower end of our organic growth guidance. However, the order book strength provides good momentum coming into 2022 and confidence for the growth outlook for our businesses. Indeed, orders and sales growth were both strong in January.

On a LFL basis, sales for the Group recovered to within 2% of 2019 levels and the improved operating margin demonstrates both the enhanced quality of the Group and the highly valued and important products and services we provide our customers. We are making good progress on our strategic evolution, having completed the disposal programme identified in 2019, and executing on our profit improvement programme. We are on track to returning Spectris to its previous margin highs, and through the deployment of our Spectris Business System ('SBS'), we look to enhance margins further beyond this level. With the improvement in our performance and supportive end markets, to underpin future growth and improvements in operating efficiency to deliver this margin enhancement, we will be further increasing our R&D spend and investing in new ERP systems at both Malvern Panalytical and HBK.

Purpose-led, sustainable growth

One of the strengths of Spectris has always been to foster entrepreneurial spirit and support the growth aspirations of our different businesses. At the same time, we have placed great emphasis on being a purpose-led business, focused on delivering value beyond measure for all our stakeholders. This means harnessing the power of precision measurement to equip our customers to make the world cleaner, healthier and more productive. I believe that by truly living our purpose we can optimise our performance and build the best possible long-term relationship with our customers, and all our stakeholders. Intrinsic to this is our sustainability strategy, which is focused on clear commitments to create a positive and lasting impact. I am pleased with our progress on delivering these priorities in 2021 as we set out in more detail below.

The COVID-19 pandemic has served to underscore the importance of a strong culture, which has helped us to navigate the many business challenges of this period. It has also helped us to come together in a much broader sense, in protecting the health, safety and wellbeing of our colleagues, their families, and the wider communities in which we operate. For the planet, we established clear and ambitious Net Zero targets that have been validated by the Science Based Targets initiative

('SBTi'). It has been pleasing to see how our people across the Group have united behind delivering our ambitious Net Zero plans. For our people, we have focused on building on the lessons learned during the pandemic to further our mental health and wellbeing provision. Talent development, diversity and inclusion are also key areas of focus and I look forward to strengthening these initiatives in 2022. In support of our communities, we have established a science, technology, engineering and maths ('STEM') strategy and I was delighted that the Spectris Foundation has now made its first donation to STEM learning ENTHUSE Partnerships for a two-year STEM Learning project.

Our aspiration is to be a leading sustainable business, setting the benchmark among our peers for the sustainability of our operations and our contribution to addressing global environmental challenges. In turn, this is how we will deliver enhanced returns for our shareholders. In 2022, we will look beyond the Strategy for Profitable Growth to the next phase of our development, and sustainability will be a key focus. Spectris has significant opportunities for future growth aligned to key sustainability themes, and with the right operational and financial support, united behind a clear purpose and our shared values, the future for the Group is very exciting.

Delivered a good financial performance

We delivered sales growth of 10% in 2021, on a like-for-like ('LFL') basis and adjusted operating profit of £209.4 million (2020: £173.6 million) increased 29% on a LFL basis. This resulted in an adjusted operating margin of 16.2% (2020: 13.0%), reflecting the growth in sales, measured cost control and the higher margin mix of the portfolio following divestments. The return to growth, alongside operational improvements achieved in the last two years and the underlying quality of the retained businesses, has materially improved the quality of the Group. We are broadly back to 2019 levels and have improved our operating margin.

On a statutory basis, reported sales declined 3%, operating profit was £154.9 million (2020 loss: £23.3 million) and operating margin was 12.0% (2020: 1.7%), with 2020 results reflecting the impairments in businesses disposed of in 2021, predominantly Millbrook.

Our cash conversion remains strong and, in combination with disposal proceeds, resulted in a net cash position at the year-end of £167.8 million. The strength of our balance sheet provides considerable optionality for our M&A ambitions, and we have been further building our pipeline of opportunities.

Our investment case

The expert in providing insight through precision measurement

1

Clear purpose, underpinned by sustainability/ Net Zero commitments, fundamental to a winning customer and employee proposition

2

Differentiated technology products and solutions, aligned with customer objectives and structural growth trends – cleaner, healthier and more productive

3

Global presence across attractive technology-driven, diversified and sustainable end markets provides strength and resilience

4

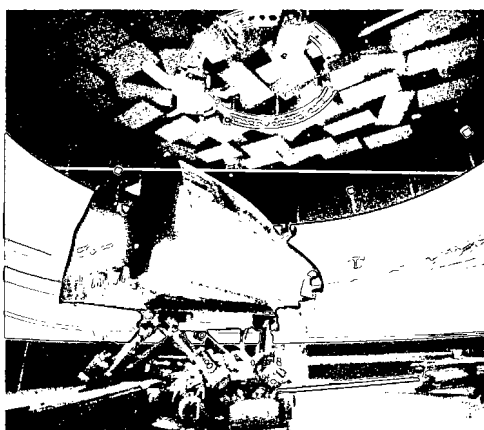
Attractive financial profile with asset-light model and high margins, resulting in strong cash conversion

5

Opportunity to accelerate organic growth and returns, through balance sheet strength and a robust capital allocation strategy, as well as through value enhancing M&A

Executing on our Strategy for Profitable Growth

Much has been achieved...



Setting the strategy

We refined our purpose and established our Strategy for Profitable Growth, simplifying the Group, and taking a more focused approach to portfolio composition, asset optimisation and capital allocation. Our profit improvement programme delivered £25.5 million of benefits, and we agreed our first divestments – BTG Group and the EMS Brüel & Kjær joint venture.



2020

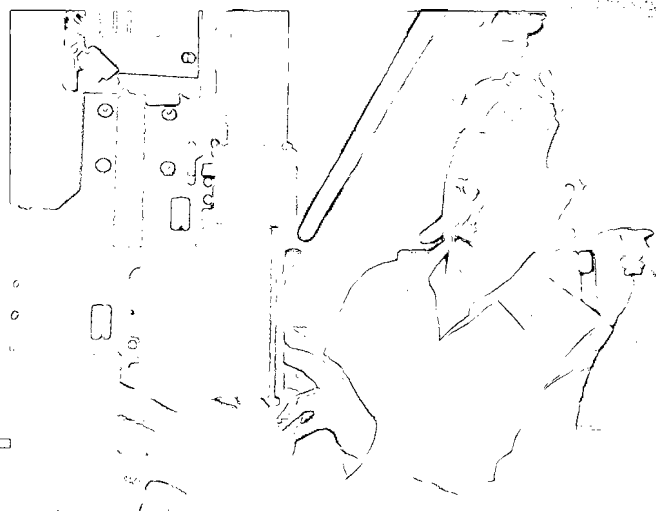
Delivering through the pandemic

In response to COVID-19, we took a balanced, socially responsible approach, consistent with our revised values. Investment in R&D and strategic growth initiatives was maintained. A new sustainability strategy was launched. We completed the profit improvement programme and took further cost actions, while safeguarding the welfare of our employees and supporting our customers. We announced the sale of Brüel & Kjær Vibro and Millbrook.

2021

Seeing the progress

We delivered growth and margin expansion as markets recovered, further supported by our strategic initiatives. We completed the sale of Brüel & Kjær Vibro and Millbrook and divested ESG Solutions and NDC Technologies, returning the Group to an asset-light business model. We further embedded sustainability into our processes and published our Net Zero targets. We launched Concurrent Real-Time, a new offering in 4HBK's simulation offering.





...and we continue to aim high

How our business is evolving

We have made good progress to date and have returned the portfolio to being asset-light and highly cash generative. We delivered improved margins in 2021, yet still have work to do to return the Group to its previous high of 18%, and beyond. This will be delivered by sales growth, our strategic growth initiatives and driving continuous improvement through the Spectris Business System. As we evolve our strategy, we will be focusing our efforts across a number of key sustainability themes, where we have advantaged positions aligned to our Purpose.

The Board is proposing to pay a final dividend of 48.8 pence per share, 5% growth year-on-year. When combined with the interim dividend of 23.0 pence per share, this gives a total dividend of 71.8 pence per share for the year. This is in line with our underlying policy of making progressive dividend payments based upon affordability and sustainability.

Delivering LFL sales growth, but constrained by supply chain challenges in the fourth quarter

We delivered good LFL sales growth in 2021. The introduction of new and enhanced products across our businesses helped deliver market share gains, as we outperformed the economic recovery across our end markets. After a strong first half, sales growth in the second half eased, reflecting both the tougher year-on-year comparator and the impact of supply chain challenges, particularly in the fourth quarter. These challenges and the on-set of the Omicron wave in December constrained our ability to convert the order book to revenue, resulting in some order fulfilment being pushed into 2022.

Consequently, full-year LFL sales growth was 10%. Although this was a frustrating end to the year, the continued very strong demand for our products and services, as evidenced by our record order book, has positioned us well coming into 2022.

Our businesses are all growing strongly, both above GDP and the market, supported by our strategic growth initiatives, with the introduction of new products and services. Malvern Panalytical has seen a strong rebound in demand, particularly in pharmaceutical and in Asia. All of HBM's main end markets have now returned to growth, with automotive recovering well in the second half of the year. Omega has delivered growth above that of US industrial production, benefiting from new management and the improved focus. The Industrial Solutions Division ('ISD') has seen strong demand from growth in pharmaceutical and semiconductor market investment. Asia posted the strongest regional growth and by end market, semiconductor, machine manufacturing and pharmaceutical were the strongest performers.

Transformation of Spectris business portfolio

Back in 2019, we set out to simplify and bring more focus to Spectris. At that time, the Group comprised 13 operating companies and lacked clarity in its strategic priorities and route to value creation. During 2021, we completed four further divestments that were contemplated as part of our Strategy for Profitable Growth. In total, the divestments – BTG, Brüel & Kjær Vibro, ESG Solutions, Millbrook and NDC Technologies – generated £685 million of proceeds, with attractive valuations, further strengthening our balance sheet and providing us with ample funds to grow and develop our businesses, both organically and by making targeted and disciplined acquisitions.

Scalable business for organic revenue growth

Spectris today is comprised of three scale, platform businesses in Malvern Panalytical, HBK and Omega, and a more focused Industrial Solutions Division, now centred around high precision in-line sensing and monitoring solutions, with a much-improved financial profile.

Our businesses are leaders in their fields, with strong brands, technology, products and services. They are aligned to end markets with attractive, long-term growth profiles. As a more focused, less complex, asset-light, highly cash generative business, we see significant opportunities to increase scale, both organically and through M&A, and further grow revenue and margins. First and foremost, this means investing in their organic growth strategies to drive market share. A large part of this has been our emphasis, across the Group, on innovation for growth – refreshing our product portfolios and focusing our R&D investments on more impactful product launches in areas where we see compelling growth opportunities.

Ensuring we continue to advance and evolve our product and service offering is central to our strategy to drive sustainable organic growth, and we have significantly strengthened our approach to R&D. We also look to complement our capabilities through M&A and continually seek out opportunities, from large scale acquisitions, through bolt-ons, to early-life technologies, as well as collaborations with third parties.

We have made a number of acquisitions which enhance our customer offering:

- HBK acquired Concurrent Real-Time ('Concurrent-RT'), a leading developer and supplier of real-time operating systems for high performance simulation applications. Combined with VI-grade's leading position in virtual testing, Concurrent-RT strengthens HBK's simulation offering and is a further step in building a position of scale in this high growth and exciting market, and also build a strong offering in the nascent, but rapidly developing, hardware-in-the-loop market;
- HBK also notably advanced its software strategy with a licence and asset purchase agreement with VIMANA. The transaction brings a best-in-class IoT and data management platform which HBK will use to create a new open architecture connectivity solution for its test and measurement customers;
- Malvern Panalytical acquired Creoptix AG in January 2022. Creoptix develops and manufactures analytic tools for kinetics measurements used in drug research and development. The acquisition strengthens Malvern Panalytical's pharmaceutical strategy in the affinity (drug binding) area where Creoptix's superior technology, in terms of speed and sensitivity, can be scaled up through Malvern Panalytical's extensive customer base.

Higher quality business portfolio supports margin expansion

The Group delivered an adjusted operating margin of 16.2% for 2021, reflecting the operational improvements that we have made in recent years, as well as the higher quality of the portfolio today. We are well on our way to returning Spectris to its previous margin highs, supported by our strategic growth initiatives and programme of continuous improvement through the deployment of our SBS.

We remain confident in our ability to enhance margins further, consistent with the highly specialised, premium products and services that we provide across the Group. As we invest to support future growth, the actions that we have taken, and will take, to reduce the cost base will strongly underpin operating leverage.

We continue to be able to demonstrate pricing power, with new product

launches also contributing to a net improvement in gross margin last year. Our ethos of continuous improvement and efficiency enhancement supported by implementation of the SBS tools, helps mitigate these cost pressures and supports us in continuing to drive margin expansion.

Focus on cash flow generation and enhanced returns

The final cornerstone of our Strategy for Profitable Growth has been to deliver enhanced returns and cash flow generation. Having returned the Group to an asset light model, we delivered strong adjusted cash flow conversion at 96% in 2021 and our return on gross capital employed improved to 13.2%. The full year dividend growth of 5% continues our long track record of consecutive dividend growth which now extends to 32 years. Since 2018 alone, we have returned £427 million to shareholders through dividends and the share buyback and we remain committed to our sustainable dividend growth policy.

The combination of disposal proceeds and the cash generated from our continuing businesses, has further strengthened the Group's balance sheet, providing us with significant scope to invest in M&A, and we have been further building our pipeline of opportunities on this front. In 2021, we invested £146 million on acquisitions and also completed a £200 million share buyback programme. As we look forward, we will maintain a disciplined approach to capital allocation and generating enhanced returns.

Leadership and Executive Committee changes

Since we launched the Strategy for Profitable Growth, we have assembled a terrific leadership team. I was very happy to welcome Mary Beth Siddons in February as President of ISD. Mary Beth has had a busy start and I am very pleased to see the work being done to move ISD towards a more cohesive, exciting future based on high precision in-line sensing and monitoring. It is testament to the quality of our team that in November, Joe Vorih, President of HBK, was asked to join Genuit plc as its Chief Executive Officer. Joe has been a great colleague and we wish him every success. I am delighted that we have replaced him internally and welcome Ben Bryson, who was previously Chief Operating Officer, HBK, as Joe's replacement.

Supporting and developing our people

Our people are at the heart of our business and this year we have focused on building on many of the lessons learned during the pandemic to further our mental health and wellbeing offering. A particular highlight of the year for me was our celebration of World Mental Health Day with 14 globally accessible mental health events over a week, with content tailored to the different challenges facing our employees as homeworkers, parents, carers and leaders; all part of our commitment to building a highly supportive Group-wide culture.

We also continue to leverage technology to bring our people together. The Executive Committee met virtually with the global leadership community on a monthly basis through last year to discuss shared challenges and build solutions. Spending time together on key topics such as lean, diversity and inclusion and talent development has supported open and progressive dialogue and strengthened the bonds across the leadership team. While maintaining our decentralised business model, sharing common challenges and solutions is driving more rapid progress across the Group. In 2021, we undertook our first Group-wide global employee engagement survey, using the Gallup Q12 methodology, to help us drive employee engagement in a consolidated and consistent way using a common measure and toolkit across the Group. Our first-time results highlighted many positives, but also areas where we need to improve and develop our talent more effectively. A key focus will continue to be to build management skills at all levels. We have made significant progress this year on talent development with the launch of the HBK Leadership 101 programme and the finalisation of the Spectris-wide Ascend leadership programme which launches in 2022.

STEM strategy underway

The attraction, retention and development of talented technical individuals and partners is a core growth enabler for the Group. Our STEM strategy is focused on ensuring that the Group is both an employer and partner of choice. The launch of the Spectris Foundation in 2021 provides an exciting opportunity to make a genuine difference to the STEM provision in the communities where the Group operates. The Foundation

has been established to champion equal opportunity for those with a passion for technology and a desire to engineer a better world. We are working with external institutes, organisations and charities to inform our funding strategy with a global community of employee volunteers formed to assess funding proposals. The Foundation has now made its first grant – a £100,000 donation to STEM Learning ENTHUSE Partnerships for a two-year STEM Learning project, funding five partnerships in disadvantaged communities across the UK. The project will provide comprehensive support to teacher development, improving resources, creating STEM ambassadors, a mentoring programme and opportunities for teachers and students to attend STEM placements. Beyond the Foundation, we have formed a successful partnership with the Young Professionals Network with Spectris employees sharing their knowledge and experience to date with over 4,000 students and parents looking at careers in STEM.

Sustainability focus embedded into our strategy and business model

Following the approval by the Board, in October 2020, of our Group-wide sustainability strategy, over the past year we have pressed forward with its roll-out and implementation, tying together all the various strands of sustainability work from across our businesses and embedding the strategy into our corporate DNA. Our aspiration is to be a leader in this field, setting the benchmark among our peers for the sustainability of our operations and our contribution to addressing global environmental challenges.

Our opportunity is wholly consistent with our purpose: to harness the power of precision measurement to equip our customers to make the world cleaner, healthier and more productive. Our sustainability strategy will continue to differentiate Spectris for customers as we help them address complex challenges in ways that deliver better outcomes for them and for the planet. We are playing an important role in many sectors that are transforming rapidly – such as pharmaceutical, energy, transportation – and where customers want to work with partners that have the capabilities and the capacity for innovation to help them address these new challenges.

During 2021, we conducted an in-depth review of our operations and assessed our activities and growth prospects across a range of key sustainability themes: the transformation of mobility, the energy transition, responsibility in sourcing and production, the transition to the circular economy, environmental protection, the evolution of food production and precision agriculture, and advancements in health. Spectris has advantaged positions in these areas today and we see exciting opportunities to accelerate our growth along these avenues over the coming years, both in our organic development and in targeted M&A activity, closely aligned to our purpose. This will be a key focus for the business and something we will be talking more about this year as we articulate the next chapter for the business that will take us beyond the Strategy for Profitable Growth.

Ambitious Net Zero targets validated by SBTi

In November, COP26 was a key moment in the effort to align the world's nations behind plans to address the climate crisis and recognising the importance of improving the sustainability of our own operations. In July, we announced our own Net Zero ambition with our targets and roadmap subsequently validated by the SBTi against a 1.5°C warming scenario. Through this ambition, we have clearly demonstrated our commitment to taking a leading role in minimising the emissions footprint of our own activity, and the activity across our value chain.

Net Zero at Spectris encompasses our entire value chain, including all Scope 1, 2 and 3 emissions, covering the electricity used in our manufacturing processes to goods and services purchased, as well as the efficiency of our products. We have committed to reducing absolute Scope 1 and 2 emissions by 85% by 2030 from 2020 levels and achieving Net Zero by 2030; and to reduce absolute Scope 3 emissions by 42% by 2030 from 2020 levels and achieving Net Zero by 2040. We have a clear roadmap to achieve these targets and I have been really encouraged by the employee engagement that has accompanied the setting of our Net Zero ambition, and we are harnessing this engagement to make early progress against our roadmap.

Beyond this ambition, we recognise that the greatest difference Spectris can make to a Net Zero world is through our products and solutions. Accelerating our focus on product efficiency and product circularity is core to our strategy and something that we will be showcasing more in the months and years to come. Another key focus this year has been the development of a clear understanding of the potential risks and opportunities present for the Group in climate change in light of the detailed climate scenarios analysis undertaken in support of the Task Force on Climate-related Financial Disclosures ('TCFD'). It is clear that we have a significant opportunity to further develop our product and service offering to support the many challenges our customers will face due to climate change and this opportunity is central to our strategy. Beyond this opportunity, the risks presented through climate change, particularly around the transition to a low carbon economy will require active management and this will be the subject of ongoing focus for the Group. Recognising the importance of both the risk and the opportunity present, climate change has been elevated to become a Group Principal Risk.

Looking forward to 2022 with confidence, opportunity and momentum

We delivered a good financial performance in 2021 and have made significant progress in executing our Strategy for Profitable Growth, thanks to the hard work of the whole Spectris team. Demand for our products and services has been strong, and although supply chain and COVID challenges somewhat constrained our ability to maximise sales in the fourth quarter, we entered 2022 with a record order book, and a strong start to the year. This gives us confidence in our ability to deliver continued good sales growth this year, noting the ongoing supply chain challenges. We are making good progress in returning the Group to its previous adjusted operating margin highs of 18%, and ultimately exceeding them over the longer term.

I am really pleased with the progress made in executing our strategy. We are creating a Spectris that is more focused, higher quality, more profitable and more resilient, and supported by a very strong balance sheet. We have demonstrated our ability to reduce costs responsibly, drive organic growth,

expand margins, allocate capital with discipline for attractive returns, and have made several synergistic acquisitions to enhance our customer offering.

Looking forward, we will build on this progress, investing in our businesses to take advantage of new growth opportunities, strongly aligned to our purpose and to our focus on sustainability. We will continue to aim high and be bold in our pursuit of enhancing value for all our stakeholders.

Andrew Heath
Chief Executive
23 February 2022



Spectris Foundation



Spectris Foundation is a newly registered UK charity set up to champion equal opportunities for those with a passion for technology and a desire to engineer a better world.

The Foundation was launched in July with a one-off investment of £15 million from Spectris. Its purpose is to improve access to, and support quality education in science, technology, engineering and mathematics ('STEM'). The Foundation believes that every person should have an equal right to quality education; and works to remove barriers and create opportunities for every student to fulfil their potential by collaborating with like-minded partners.

The Foundation operates by delivering two funding objectives. The priority is to remove barriers and give access to STEM education in the form of distributing four to six large grants every year. The secondary objective is to multiply its reach by engaging with Spectris employees who nominate local good causes and charitable projects, which are meaningful to them. 20% of Spectris Foundation's annual spend is allocated to local projects.

The Foundation's global reach is reflected in the Spectris Foundation Engagement Team ('SFET'). SFET is a small group of Spectris employees who are located around the world, champion the Foundation and volunteer their time to research, review and shortlist proposals. Their professional opinion allows the Foundation to confidently present exciting and innovative projects to the Spectris Foundation Board, who meet up to four times a year to make funding decisions.

The Foundation is delighted to have awarded its first STEM grant. £100,000 is being donated to ENTHUSE Partnerships for a two-year STEM education project. ENTHUSE Partners share the foundation's passion for STEM education and believe that by combining knowledge-rich and effective teaching, with thinking, investigative, creative and practical skills, they will inspire students to have a lifelong love for STEM and motivate future talents to engineer bright futures.

Spectris Foundation is funding five partnerships located in close proximity to Spectris facilities and in disadvantaged communities across

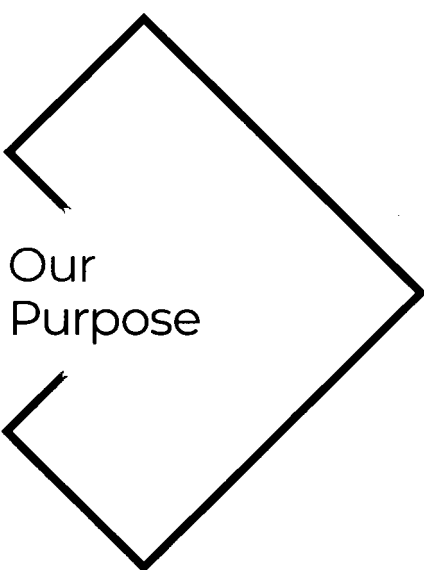
the UK. Each partnership consists of a cluster of between six to ten schools who work together in creating a sustainable improvement in STEM education. The project will support the transformation of STEM education across the five partnerships, by providing comprehensive support to teachers' professional development, improving resources, creating STEM ambassadors, a mentoring programme and opportunities for teachers and students to attend STEM placements. This exciting project could help over 22,500 young people and aims to reach over 200 teachers. What a fantastic impact for the Foundation's first grant.

The Foundation has also awarded the first employee nominated project. £3,000 has been donated to The Sheffield UTC Academy Trust to pay for a Year 9 group to design and make an environmentally friendly racing car. This car will compete in up to four races across the UK, and Spectris employees will have the opportunity to mentor the class. This inspiring project was nominated by a Spectris employee whose son is a key member of the Year 9 team. The Foundation can't wait to see what they create.

Our strategy is driven by our Purpose and built on our Values

Our Purpose to deliver value beyond measure defines our Strategy for Profitable Growth.

Our Values underpin how we deliver for our stakeholders.



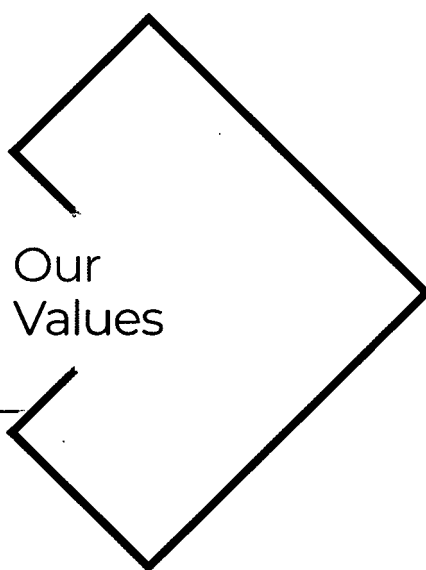
Our Purpose is to deliver value beyond measure.

Precision is at the heart of what we do. Spectris provides customers with specialist insight through our high-tech instruments and test equipment, augmented by the power of our software.

We enable our customers to work faster, smarter and more efficiently. We equip them with the ability to innovate, reduce time to market, improve processes, quality and yield.

In this way, our know-how creates value for wider society, as our customers manufacture and develop new products to make the world cleaner, healthier and more productive.

Delivering value beyond measure



Be true

We believe in absolute integrity.

It's how we win for stakeholders, the environment and each other.

Own it

We believe in teamwork and keeping our promises.

It's how we build our brands and businesses.

Aim high

We believe in being bold and positive.

It's how we perform at our best and achieve greater success.



People

The welfare and safety of our people comes first. They are highly skilled and we are committed to creating an environment where everyone feels included and engaged.



Customers

Customers are central to what we do. We strive to meet their current and future needs every day, and develop long-term relationships with them.



Suppliers

Relationships with our suppliers are integral to the delivery of our quality products to customers.



Shareholders

We act to work in the long-term interests of our shareholders.



Communities

We are committed to driving positive impacts within our communities, with a particular focus on support for STEM activities.

Section 172 statement
Pages 76 to 77

How we will achieve our strategy

What are – the goals

Our philosophy,
characteristics and focus

Group philosophy

- Scale platforms
- Tight financial control
- Drive increasing shareholder value
- Cyclically durable

Clear platform characteristics

- Scalable
- Attractive end markets
- High gross margins
- Asset light
- Strong capabilities and performance

Clear financial goals to create enhanced shareholder value

- Sales growth
- Operating margin expansion
- Cash conversion
- Free cash flow growth
- Return on gross capital employed

Group non-financial goals

- On-time delivery
- Quality
- Net promoter score
- Ethics and compliance
- Employee engagement
- Health, safety and environment
- Sustainability

KPIs: Pages 22 to 23
Operational review:
Pages 24 to 43

Where to play

Our position
and influence

Precision instrument-focused businesses

- High-tech instruments and test equipment
- Associated aftermarket service
- Synergistic software and service, where Spectris has the right to play and win

Focusing on sustainable attractive technology-driven end markets

- Defendable markets with barriers to entry
- Favourable growth trends in end markets:
 - pharmaceutical
 - automotive
 - electronics and semiconductors
 - primary and advanced materials
 - technology-led industrials

Global reach

- Optimising presence in each key region where relevant

Ensuring a beneficial social and environmental impact of our operations and the downstream value chain

Market overview:
Pages 6 to 7

How to win

Leveraging
our unique attributes

Clear, compelling customer value proposition

- Leading instrument/sensor technology
- Strong domain knowledge and customer intimacy
- Complementary software and service
- Generating superior insights

Digitally-enabled

Innovation focused on growth. Maintaining leadership positions and driving sustainable portfolio management

Group-wide focus on continuous performance improvement through:

- Spectris Business System
- Talent management
- Performance management
- Ethics and safety
- Sustainability

Ethical leadership

M&A strategy

- Synergistic acquisitions focused on existing and potential platforms

How to configure

Our capability

Core capabilities reside in the operating companies

- Customer intimacy and value selling
- Go-to-market
- Strong domain knowledge
- Application and technical expertise
- Commercial excellence
- R&D effectiveness
- G&A efficiency
- Acquisition integration
- ESG

Lean head office

- Group strategy
- Financial performance
- Target setting
- Capital allocation
- Portfolio transition
- Corporate governance and services

Operational review:
Pages 24 to 43

PMS – More productive

Driving next-gen technology by improving yield and productivity

Customer: Intel Corporation

Challenge

Intel's challenge is to continue to improve its manufacturing yields and productivity. In semiconductor manufacturing, the silicon wafer is in contact with water and water-based solutions throughout the production process. Minute amounts of particle contamination in the water can lead to reductions in manufacturing yields and device performance.

By measuring filter efficiency using industry-leading sensitivity particle counters, Intel's goal is to continually drive down particle counts in water to improve fab yields.

Benefit to customer

Using PMS' Ultra DI 20 liquid particle counter, with unsurpassed technology to count particles in ultra-pure water (UPW) down to 20 nm, Intel undertook statistical studies to understand filter efficiency and improve maintenance requirements.

This helped identify the optimal timing to change filters to ensure clean water, with a surprising insight that filters exceed the 20 nm baseline after just one month. The data helped improve filtration efficiency and increased yield.

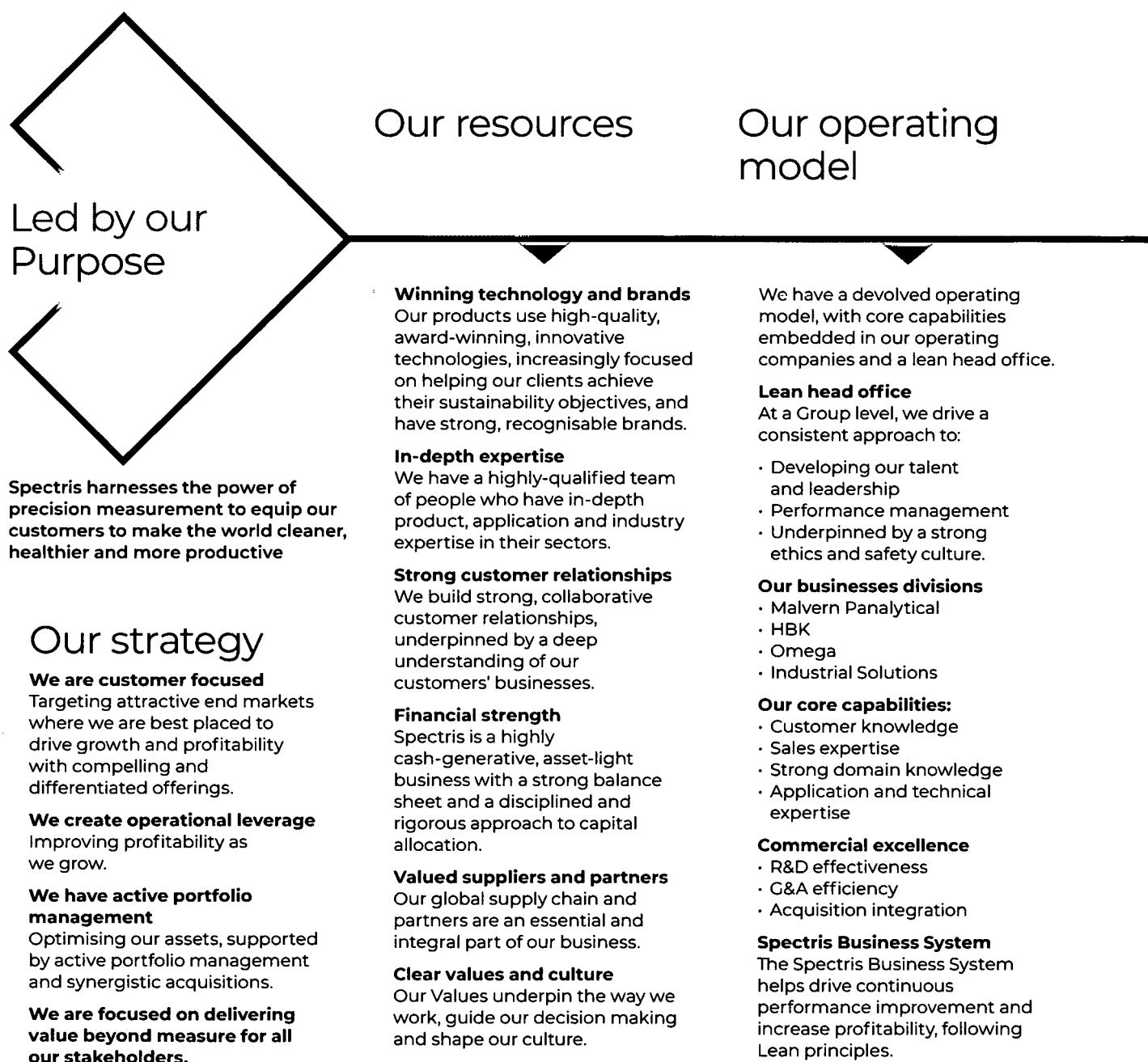
Implementing PMS' most advanced particle detection technology is aligned with Intel's data-based approach for maintaining their factory water purification systems which delivered cost savings and improved productivity.

In addition, Intel's engagement with PMS to technically evaluate equipment in advance of release and provide feedback, helps drive next generation technology, supporting PMS in providing a higher quality particle counter for the semiconductor industry.

"This study opens the door to countless opportunities to better understand and optimise our UPW water treatments."

Glen Slayter,
UPW Analytical
Development Engineer
at Intel Corporation

Continued focus on value creation



Our Purpose is driven by our commitment to being a sustainable business partner, investment proposition and employer

Our sustainability strategy

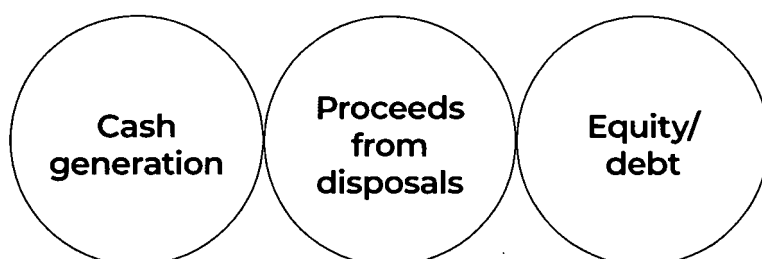
Our sustainability strategy sets a clear line of sight to key commitments around our people, the environment and our operations, to ensure that our strategy and operations align with our Values.

- Reflecting our Values in how we do business, taking a balanced, socially responsible approach
- Providing long-term, rewarding careers in a safe and inclusive working environment
- Taking our environmental responsibilities seriously

Our financial model

We are an asset-light, highly cash-generative business. We operate a rigorous and disciplined capital allocation process.

Sources of capital



How we use this capital

Appropriate capital structure

- Our target balance sheet leverage will be 1–2x EBITDA

1. Maintaining the business

- Maintenance capex
- Maintenance R&D (product refresh)

3. Growing the business inorganically

- Acquisitions

2. Growing the business organically

- Growth capex
- Growth R&D (new products and technology)
- Working capital

4. Returning surplus capital to shareholders

- Special dividends
- Share repurchases

Benefits to our stakeholders

People

We ensure that our culture openly reflects our values and meets the expectations of our people. We are committed to creating the best possible working environment and culture where our employees feel included, engaged and can thrive.

Customers

Our hardware, software, services and solutions allow our customers to manufacture and develop new products that make the world cleaner, healthier and more productive.

Suppliers

We believe that our suppliers should have the opportunity to benefit from their relationship with us, working together with a shared purpose and values.

Shareholders

We work to ensure the long-term success of the Group to deliver enhanced shareholder value through our financial performance and capital distributions.

Communities

We are committed to creating a positive legacy in our communities. The Spectris Foundation will enhance and improve our charitable giving to support them.

For our Section 172 statement, see pages 76 to 77

Our focus

Our focus is underpinned by a detailed materiality assessment that defines and prioritises the issues that matter most to our stakeholders. To support our focus, the Board has adopted three UN Sustainability Development Goals to inform our strategy, enable prioritisation and planning.



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

For more information on our approach to sustainable growth, see the Sustainability Report on pages 54 to 67

Measuring our performance

We monitor progress against the delivery of our strategic goals using both financial and non-financial key performance indicators ('KPIs').

The aim of our Strategy for Profitable Growth is to maintain growth and improve profitability over the medium to long term and therefore we show the KPIs for the last five years.

A number of the KPIs are adjusted operating metrics, as we believe these provide a view of our underlying performance because they exclude foreign exchange movements and the impact of acquisitions and disposals. See the appendix to the Consolidated Financial Statements, for a reconciliation between adjusted and statutory items.

Three of our KPIs are linked to remuneration – either the annual bonus or Long-Term Incentive Plan ('LTIP'). For further details, see the Directors' Remuneration Report page 90.

The Directors' Report (page 112) contains the statement on non-financial information and provides an index for where information relating to non-financial matters can be found.

Link to strategy

Customer focus	①
Operating leverage	②
Portfolio management	③
Perform and grow	④
Ethics, HSE and sustainability	⑤
Leadership and talent	⑥

Financial

Like-for-like sales growth (%)

2021	9.7	① ④
2020	-10.7	
2019	0.4	
2018	5.2	
2017	6.2	

Like-for-like ('LFL') sales growth

LFL sales growth is a measure of how our R&D and other investments help to grow our business organically, i.e. excluding the effects of currency translation and acquisitions or divestments.

Performance

In 2021, sales were £1,292.0 million, a 9.7% increase on a LFL basis compared with 2020, as our businesses benefited from the market recovery and the impact of our strategic initiatives. Asia posted the strongest regional growth and by end market, semiconductor, machine manufacturing and pharmaceutical were the strongest performers.

Link to strategy and objective

We are customer focused and target attractive end markets where we are best placed to drive growth and profitability. Our aim is to achieve year-on-year growth in LFL sales above that of GDP.

Adjusted operating margin (%)

2021	16.2	② ④
2020	13.0	
2019	15.8	
2018	15.5	
2017	15.7	

Adjusted operating margin

Adjusted operating margin is a measure of improving profitability in our business and is defined as adjusted operating profit as a percentage of sales.

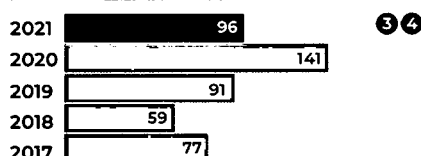
Performance

In 2021, the adjusted operating margin improved to 16.2%, an increase of 320 basis points ('bps') from 13.0% in 2020. This reflected the growth in sales, a higher gross margin year-on-year and a decrease in overhead costs.

On a LFL basis, the adjusted operating margin improved by 240bps.

Link to strategy and objective

Our aim is to deliver strong operational leverage and drive operating margin expansion, returning our adjusted operating margin to at least our previous highs of around 18%.

Cash conversion (%)**Cash conversion**

Cash conversion represents an effective measure of the quality of our earnings. Cash conversion is defined as adjusted cash flow as a percentage of adjusted operating profit.

Performance

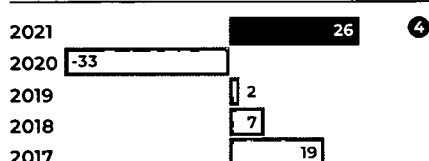
Cash conversion was 96% in 2021, a reduction compared to 2020, but at the higher end of our guidance range. There was an improvement in profitability but a negative working capital movement, mainly attributable to an increase in trade receivables and inventories and lower capital expenditure.

Link to strategy and objective

We have an asset-light model and our strong cash generation enables us to reinvest in our businesses. Our aim is to deliver a high level of cash conversion every year, in the range of 80–90%.

Link to remuneration

Cash conversion is one of the criteria for the annual bonus. See page 92 for more information.

Growth in adjusted EPS (%)**Adjusted earnings per share growth**

Adjusted earnings per share ('EPS') is the ratio of adjusted earnings for the year to the weighted average number of ordinary shares outstanding during the year, excluding certain items.

Performance

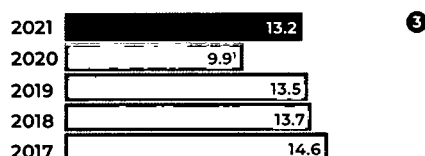
Adjusted EPS increased 26% to 140.7p, primarily reflecting an improvement in adjusted profit before tax, and as a result of the lower share count following the Group's £200 million share buyback programme.

Link to strategy and objective

We are focused on improving profitability as we grow. Our aim is to achieve year-on-year growth in adjusted EPS.

Link to remuneration

EPS performance is one of the criteria for the LTIP and the prior PSP award. See page 92 for more information.

Return on gross capital employed (%)**Return on gross capital employed ('ROGCE')**

ROGCE is adjusted operating profit divided by the average of opening and closing gross capital employed. Gross capital employed is net assets excluding net (cash)/debt and excluding accumulated amortisation and impairment of acquisition-related intangible assets including goodwill.

1. 2020 ROGCE has been restated for the impact of the Group's change in accounting policy for Software as a Service ('SaaS') arrangements. (See page 44)

Performance

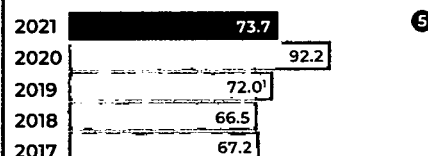
ROGCE was 13.2% in 2021, a notable increase from 9.9% in 2020, primarily reflecting the increase in adjusted operating profit, as well as a reduction in the Group's capital base as a result of the divestments.

Link to strategy and objective

ROGCE measures how efficiently we generate profits from investment in our businesses, both organically and via acquisition. Our aim is to improve ROGCE year-on-year.

Link to remuneration

ROGCE is one of the criteria for the LTIP. See page 92 for more information.

Non-financial**Energy efficiency (MWh per £m revenue)****Energy efficiency**

Energy efficiency makes a significant contribution to environmental sustainability and helps us to reduce our operating costs.

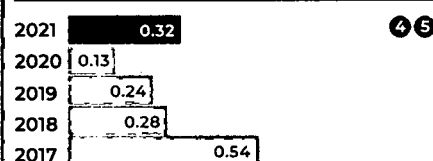
1. We intend to measure the evolution of the energy efficiency of the Group, including the impact of portfolio changes on our efficiency. To recognise this approach, 2019 has been restated.

Performance

Energy efficiency was 73.7 in 2021, compared with 92.2 in the prior year. The decrease is attributable to the initial impact of energy efficiency measures put in place at material operating sites in support of our Net Zero ambition, and the higher revenue.

Link to strategy and objective

Our sustainability strategy sets out key commitments around the environment. We monitor our use of key sources of energy with the aim of reducing our carbon emissions and improving our energy efficiency to support our Net Zero ambition – an 85% absolute reduction in Scope 1 and 2 emissions and a 42% absolute reduction in Scope 3 emissions by 2030.

Total recordable incident rate**Total recordable incident rate**

We are committed to ensuring the health, safety and wellbeing of our people. We have changed our metric to total recordable incident rate ('TRIR'), a standardised safety calculation defined by the US Occupational Safety and Health Administration ('OSHA') which better measures a company's safety performance.

Performance

In 2021, the TRIR was 0.32, an increase from 0.13 in 2020, which reflects remote working arrangements during the COVID-19 pandemic and the return of people to our facilities. There will be an increased focus on health and safety as more of our people return onsite.

Link to strategy and objective

High safety standards protects our people and helps drive sustainable growth through operational excellence. Our aim is to reduce accidents and injuries at our sites to as low a level as reasonably practical.

Malvern Panalytical – Healthier

Improving stability, supply and storage of vaccines across the world

Customer: Leukocare AG

Challenge

Leukocare AG is a German biotechnology company specialising in the field of biopharmaceutical formulation development. COVID-19 has led to the development of a number of vaccines targeting the virus. However, there is still a high need for improved stability, supply and storage conditions to enable widespread distribution.

Benefit to customer

Malvern Panalytical and Leukocare AG have been collaborating to help improve the availability of COVID-19 vaccines. Malvern Panalytical's technical solutions and expertise provide the complementary data required to drive formulation development. Its MicroCal Differential Scanning Calorimetry technology is a gold standard technique for assessing thermal stability and facilitating the selection of stable vaccine formulations.

Combining Leukocare's pioneering expertise in biopharmaceutical formulation development with Malvern Panalytical's extensive analytical know-how has helped understand how the stability of vaccines can be improved, thereby increasing production and simplifying distribution.

"Our collaboration with Malvern Panalytical will help us to work even better on our ongoing and future projects to achieve stability improvements for a range of vaccines."

Dr Andreas Seidl,
Chief Operating Officer
at Leukocare





Malvern Panalytical

Mark Fleiner
President, Malvern Panalytical



Sales (£m)

2021	401.2
2020	372.5
2019	448.2

Adjusted operating profit (£m)

2021	72.2
2020	54.9
2019	76.2

Adjusted operating margin (%)

2021	18.0
2020	14.7
2019	17.0

Statutory operating profit (£m)

2021	57.5
2020	44.6
2019	-17.7

Statutory operating margin (%)

2021	14.3
2020	12.0
2019	-3.9

Financial performance

On a statutory basis, reported sales increased 8% to £401.2 million, with operating profit improving to £57.5 million from £44.6 million, primarily reflecting the impact of the end market recovery on operational performance. The statutory operating margin was 14.3%.

A strong market recovery, with market share gains supported by the positive impact from recently launched products, helped Malvern Panalytical achieve a record order intake with 25% growth in LFL orders and an 11% increase in LFL sales.

All regions saw strong LFL sales growth, with Asia leading the way. A strong demand recovery continued in pharmaceutical, with equally strong demand from the advanced materials sector driven by semiconductor and energy technology-focused end markets. Primary materials sector growth was underpinned by a solid recovery in the metals, mining and building materials end markets. Increased supply chain constraints and the outbreak of Omicron limited the ability to translate the order book to revenue in the fourth quarter, with some sales being pushed out into 2022.

Adjusted operating profit of £72.2 million increased by 36% on a LFL basis and LFL adjusted operating margins rose 320bps, predominantly reflecting the volume increase and a favourable pricing and mix impact.

Compared with 2019, sales are 3% lower on a LFL basis and LFL adjusted operating profit was 2% lower.

Delivering the strategy

Continued execution of the strategy in 2021 further strengthened Malvern Panalytical as a leader in the advanced measurement and characterisation of materials. Investment was increased to both enhance the performance of existing products and develop new solutions, with software, services and analytics being key areas of focus. The recent launch of its new website

highlights how Malvern Panalytical delivers absolute precision in the measurement of the fundamental chemical, physical or structural make-up of materials, enabling customers to create a better world, through improving "everything from the energies that power us and the materials we build with, to the medicines that cure us and the foods we enjoy".

Enhanced versions of products launched in 2021 include an expanded version of the Aeris compact X-ray diffractometer, with capabilities previously only seen in much larger floor-standing systems, enabling a wider range of customers to carry out in-depth materials analysis and optimise their processes. The Epsilon X-ray fluorescence ('XRF') analyser platform was expanded to enable the analysis of low sulphur content in fuels to meet fuel specification standards for the petro-chemical industry. Hydro Insight, a dynamic imaging accessory for the Mastersizer 3000 particle sizing instrument was also launched, providing more comprehensive insights, combining particle shape with particle sizing, accelerating method development and increasing confidence in material production processes.

To support customers in digitally transforming their laboratory workflows and quality control processes, Malvern Panalytical launched its real-time, remote, monitoring service. Smart Manager is a cloud based 'control room' that connects and monitors its Zetium and Axios-mAX XRF systems providing customers a clear picture of both the real-time utilisation and health of the instruments, wherever they are located in the world. The additional information and deeper insights have been well received by customers.

Recent product introductions, launched in the last two years, have outperformed expectations. These include OmniTrust, a suite of data

integrity solutions and software which provides controlled and trailed access, audit and validation services for Zetasizer dynamic light scattering systems, and Empyrean and Aeris X-ray diffraction analysers used in the regulated pharmaceutical development and manufacturing environment.

Also of note, are enhanced capabilities for Zetasizer Advance, which has seen rapid growth, particularly in applications linked to nano delivery systems for both drugs and gene therapies, as well as viral vaccine development.

The strategic focus placed on the pharmaceutical industry has increased sales by £35 million (34%) over the past three years and this sector now represents 27% of Malvern Panalytical's revenue. Malvern Panalytical is a leading provider of precision instruments in measuring the structure (arrangement), stability (long term quality) and affinity (drug binding) of drug substances and drug product formulations as part of research, discovery, manufacturing, and quality control for drug development.

In January 2022, Creoptix AG was acquired to further strengthen and expand our offering in the affinity area. Creoptix develops and manufactures analytical tools, software and consumables for kinetics measurements. The combination provides an exciting opportunity to quickly scale Creoptix's superior technology, in terms of speed and sensitivity, by leveraging Malvern Panalytical's extensive customer base.

As we look to drive further efficiencies in our operating model in Malvern Panalytical, a programme to simplify, standardise and automate ways of working across the organisation has been launched, which includes an enterprise-wide ERP solution.

Looking further forward, we expect a number of sustainability themes to drive further demand for Malvern Panalytical. The transformation of mobility and energy transition is driving significant investment in new battery materials and new, greener technologies and fuels are also being explored for many forms of transport, as well as for changing the energy mix. Major mining companies, in particular, are committing to reduce their environmental impact and are increasingly analysing waste and water contamination. With material use set to double by 2060, we also see an opportunity to improve the circularity of our own products in addition to developing recycling solutions in support of transforming waste materials to new product. These are all in addition to building on our position in pharmaceuticals and food.

Market trends and outlook Pharmaceutical and food

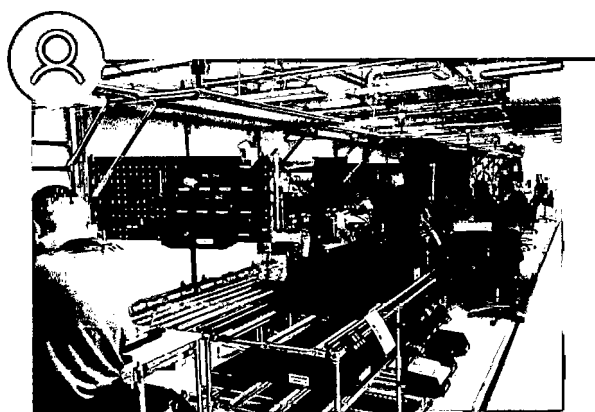
Demand remained robust in the pharmaceutical sector throughout 2021, building on the recovery seen in the second half of the prior year, and resulting in record order intake. LFL sales to the pharmaceutical sector saw strong growth in all regions, with some products, such as the Zetasizer and Mastersizer, in particular, seeing very good order growth. After a strong first

half recovery, growth eased in the second half resulting from supply chain issues and given the tougher comparator.

The development of COVID treatments and vaccines continues to support high demand for vaccine and viral vector development, and manufacturing solutions in new areas such as immunotherapies and gene therapies are also seeing high levels of investment. This is supporting strong growth for analytical instrumentation and further investment in analytical capabilities or partnership development (such as our partnership with Leukocare), underpinning the robust opportunity pipeline for Malvern Panalytical's life sciences solutions.

Demand has been further supported by an increase in onshoring, prompting investment in pharmaceutical facilities as customers look to increase the robustness of supply chains and also engage service partners to reduce risk.

Good sales performance in the food sector was supported by the continued focus on sustainable sourcing and manufacture, food quality and safety. A thorough understanding of food properties at every stage of the food production chain is essential for the efficient production of safe and sustainable food and presents opportunities relevant to our solution portfolio, from assessing soil fertility and analysing crop nutrients to food formulation and measuring post production quality attributes such as calories, protein and moisture.



Empowering our people to help drive efficiency improvements

Our Section 172 statement is on pages 76 to 77

In 2021, the Malvern Panalytical Business Excellence Team delivered enhanced Spectris Business System ('SBS') training for its team in techniques such as value stream mapping, waste identification and lean flow. With the key concepts from this training, they implemented best practice in lean deployment by designing a model production line for the Mastersizer 3000 particle size analyser which became the benchmark for other production lines. This new approach delivered excellent results:

- Earlier visual identification and resolution of quality problems, leading to a 11% quality yield improvement;
- Higher productivity of 18% per person; and
- Better product flow and ergonomics for the team, improving employee satisfaction.

This demonstrates how utilising SBS tools is helping our people operate more efficiently, directly bringing financial benefits to our businesses.

Primary materials

LFL sales were notably higher year-on-year, with Asia posting the strongest regional performance, and growth evenly split between systems and aftersales revenues. We booked the first revenues from our new digital, connected instrument solution offering, as a prelude to driving additional service revenues through our extensive installed base.

The mining market outlook has become more optimistic with improved metal prices helping increase exploration budgets. The economic recovery has supported strong order and sales growth, led by China, south-east Asia and Latin America.

In oil and chemicals, performance has been more variable. Asia and China remain growth areas. However, while the oil price outlook is stronger and activity levels improved, growth for new capex projects has slowed with companies continuing to concentrate on product maximisation, productivity and cost constraint.

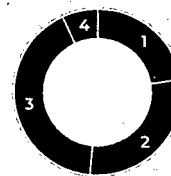
Our strength in process automation and digital solutions, to help improve quality and yield, while reducing risk and improving safety, is helping drive demand in these markets. Additionally, the increasing focus by customers on sustainable practices and environmental matters is further underpinning growth prospects.

Advanced materials

LFL sales in advanced materials improved notably across all regions, as research institutes re-opened and new technology developments and applications continue in areas such as semiconductor, additive manufacturing and new energy technologies. Order growth resulted in increased demand for both our X-ray systems and laser diffraction instruments, with the Mastersizer 3000 particle size analyser selling particularly well.

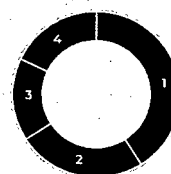
Within additive manufacturing, we expect investment to expand with various customers and industry participants announcing expanded capabilities along with new manufacturing facilities. Demand for emerging battery technologies, electric vehicles and other new applications is supporting additional capital investment. Alongside batteries, we expect fuel cell and green hydrogen technology to be an element of smart energy infrastructure, within energy and transportation, providing localised energy generation for both stationary and mobile applications. Also, the expansion and onshoring of semiconductor manufacturing facilities will continue as digitalisation trends will drive the increased supply of semiconductors.

Sales by location (%)

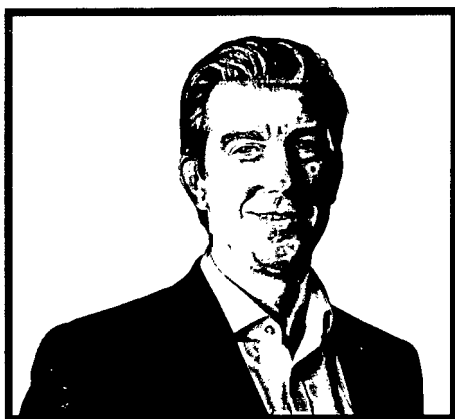


1 North America	23
2 Europe	29
3 Asia	42
4 Rest of the world	7

Sales by end-user market (%)



1 Pharmaceuticals & fine chemicals	41
2 Metals, minerals & mining	25
3 Academic research	16
4 Other	18



HBK

Ben Bryson
President, HBK



Sales (£m)

2021	425.5
2020	392.6
2019	429.0

Adjusted operating profit (£m)

2021	65.0
2020	49.1
2019	60.4

Adjusted operating margin (%)

2021	15.3
2020	12.5
2019	14.1

Statutory operating profit (£m)

2021	41.1
2020	14.2
2019	18.1

Statutory operating margin (%)

2021	9.7
2020	3.6
2019	4.2

Financial performance

Statutory reported sales at HBK increased 8% to £425.5 million and statutory operating profit improved to £41.1 million from £14.2 million, primarily reflecting the impact of the end market recovery on operational performance, as well as a lower level of restructuring and transaction-related costs. The statutory operating margin was 9.7%.

End market recovery, along with share gains and the impact of new solutions, delivered a record order book, with a 16% increase in LFL orders. LFL sales grew 8% with increases seen across all regions, especially in Asia. Robust demand continued in machine manufacturing, supported by strong demand for our weighing technologies, and with a steadily improving automotive market. Order growth was notably ahead of the growth in sales, reflecting supply chain issues, longer lead times and a planned higher weighting of OEM orders where order phasing is longer.

Adjusted operating profit of £65.0 million increased by 32% on a LFL basis, while LFL adjusted operating margins rose 280bps. This was mainly driven by the higher top line drop through and efficiency improvements, partly offset by higher overheads to support order growth.

Compared with 2019, HBK sales are 2% lower on a LFL basis while LFL adjusted operating profit is 4% higher, reflecting the operational improvements and merger benefits that continue to be delivered.

Delivering the strategy

HBK's strategic objectives further support its role in providing differentiated sensing, testing, modelling and simulation solutions to help customers accelerate product development, improve production and optimise assets. Its strategic initiatives encompass investments in organic growth projects aligned to the strongest market opportunities, such as electrification, simulation, smart manufacturing and digitisation, where customers value its domain expertise and completeness of offering. HBK differentiates itself from competitors with the breadth and quality of its solutions, providing a complete simulation, test and measurement offering, including simulation systems, design optimisation software solutions, data acquisition hardware and software, production test systems, high precision and smart sensor solutions, as well as services and support.

The strategic growth drivers are focused on expanding our offerings in: virtual testing and simulation; software; physical testing (including electric

power testing development); and smart and OEM sensors. New product and solution launches in 2021, alongside acquisitions made during the year, have further reinforced HBK's market position.

Concurrent Real-Time ('Concurrent-RT') was acquired in July to further strengthen our virtual test offering. It is being integrated into HBK's Virtual Test Division alongside VI-grade's simulation and software business, IMTEC Engineering's mechatronics and automation activities, plus legacy sound and vibration simulation software and hardware. Concurrent-RT broadens our exposure in aerospace and defence, and in particular in North America. It also creates the opportunity to build a strong and differentiated offering in the nascent and fast growing, hardware-in-the-loop ('HiL') simulation market, integrating our driver-in-the-loop and HiL capabilities into a single simulator offering.

New simulation products were also launched, including NVH Simulator 2021.0 software, incorporating significant new features and capabilities to give customers a highly accurate experience of sound and vibration data, and usability enhancements were released for

the real-time vehicle simulation environments and driving simulator platform to enhance the user experience. These advancements help companies accelerate innovation and reduce time-to-market, at lower cost and risk.

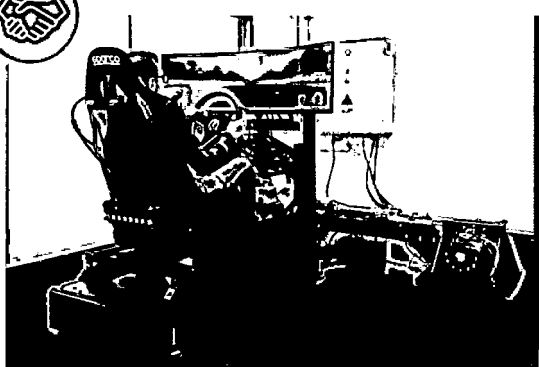
HBK notably enhanced its software strategy with a licence and asset purchase agreement with VIMANA, a provider of software and services for smart manufacturing. The transaction brings data platform technology and software to HBK and will form the basis for a new engineering centre of excellence focused on data management and connectivity. Its reliable IIoT data integration and analytics provide an open architecture approach to easily integrate test automation and acquired data acquisition into customer networks, significantly simplifying the data integration challenge for customers. The first product will be launched alongside HBK's new data acquisition system during 2022.

Two significant software upgrades were released in 2021 – the latest version of the Tescia Repetitive Testing data acquisition software system, to enable faster testing, improved product quality and time to market, and nCode 2021, with key improvements in functionality and performance for this highly regarded fatigue and durability engineering software solution.

In physical testing, HBK added new technology to its QuantumX data acquisition systems. The latest version of the MXFS optical interrogator module was also released, combining mechanical, electrical and fibre-optic measurements in one system, simplifying complex measurement solutions in battery electric drive-trains, hydrogen fuel applications and structural health monitoring. Additionally, HBK launched a new robust force sensor, to provide long-term stability and exceptionally precise measurement results, even in harsh applications and difficult environments.

Alongside product developments, initiatives to further strengthen and develop the organisation are being implemented, with simpler and faster processes providing even greater customer focus.

In 2021, HBK moved to a new site near Copenhagen, with updated manufacturing processes to better serve customer demands and a much improved working experience adapted to post-pandemic requirements. A new go-to-market model and CRM system are being rolled out during 2022, starting in central Europe, enhancing the sales and marketing effort to further drive growth and strengthen customer relationships, along with a new, unified website which will go live in early 2022. HBK has embarked on a



Enhancing our offering to better support our customers

Our Section 172 statement is on pages 76 to 77

In 2021, Spectris acquired Concurrent-RT, a leading developer and supplier of real-time operating systems ('RTOS') for hardware-in-the-loop ('HiL') simulation applications, especially for automotive, aerospace and defence customers. It is being integrated into HBK's Virtual Test Division, alongside VI-grade, adding industry diversification, especially in aerospace and defence, and allowing greater market expansion into automotive HiL business, meeting a currently unmet customer requirement.

Concurrent-RT's RTOS hardware and software solutions are used to power VI-grade simulators. In combination, the simulators and Concurrent-RT's hard real-time technology constitute a comprehensive testing solution that let automotive components, such as steering and braking, be tested under real-life conditions, as if they were in a real prototype. These real-time simulation solutions help customers accelerate innovation, reduce time to market and improve their competitive advantage in a sustainable way.

business process improvement journey that will result in a simplified business model running standard processes across the entire enterprise. This transition will result in the deployment of one common ERP platform.

Looking further forward, we expect a number of sustainability themes to drive demand for HBK's products and solutions. We expect the pace of electrification of transportation to increase, driving increased R&D and capital investment in new vehicles, battery technologies and EV infrastructure, and also rise in non-automotive areas. In turn, this will drive greater focus on reduced cost and time to market, accelerating the adoption of simulation and virtual testing as well as demand for HBK's extensive physical testing offering. Equally, increased automation and connectivity will drive the need for smart, precision sensors across a broad range of machine manufacturing sustainability-led areas such as precision agriculture equipment and med-tech.

Market trends and outlook

Automotive

Through the course of 2021, the automotive industry saw a continual recovery. This was reflected in our orders, which increased steadily through the year, with LFL sales up slightly year-on-year. In the first half, COVID-19 access restrictions limited customer access to VI-grade's SIM-centres, delaying large simulator sales, although software, services and small simulators performed well. In the physical test space, growth has come from our OEM sensors being used in off-road/precision agricultural applications, as well as torque transducers for vehicle test stands, including electric vehicles ('EVs'), railway testing and powertrain production testing systems, including electric drivetrains.

With all major automotive OEMs committing to increased development and production of EVs, and newcomers continuing to enter this market, R&D budgets in this area remain resilient. Competition in the automotive industry and the speed of development in pure EV and hybrid

drive technologies are prompting manufacturers to increase investment in the research and development of batteries, where HBK's battery testing solutions for mechanical vibration, and electrical testing are particularly relevant for automotive customers.

Machine manufacturing

Demand from machine manufacturers remained strong in 2021, reflecting the very positive outlook and the strong fit of our sensor applications for food production, medical equipment and semiconductor manufacturing. As a result, LFL sales to this sector rose notably, continuing the buoyant performance seen in 2020. Sales were particularly strong into China, North America, and Germany with sales of OEM sensors, accelerometers and weighing electronics showing marked increases. HBK's focus on selected high value asset markets has driven demand for its weighing technologies overall, and specifically for OEM-type solutions in medical and healthcare applications.

Aerospace and defence

LFL sales have continued to improve through the year, with strong growth in Asia and Europe. This has been driven by large transducer and data acquisition orders, especially for helicopter monitoring and aircraft subsystem testing, and shaker systems, especially for space testing.

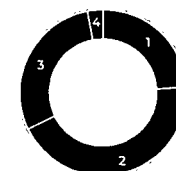
Although commercial aerospace has been heavily impacted by the pandemic, HBK's exposure here is limited and aerospace firms have continued to invest in both airframe and gas turbine engine development using our equipment.

In defence and satellite/space markets, spending has been more resilient. Key orders included a very large vibration test system for spacecraft in North America and sensors for a helicopter monitoring programme in Europe.

Consumer electronics and telecoms

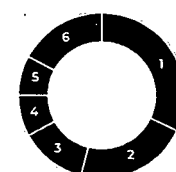
Demand for high quality, smart consumer electronics products continues to rise supporting strong LFL sales growth in all regions. Greater consumer desire for high-performing voice recognition technologies is supporting demand for HBK's market-leading mouth and ear simulators, and precision microphones.

Sales by location (%)



1 North America	24
2 Europe	44
3 Asia	29
4 Rest of the world	3

Sales by end-user market (%)



1 Automotive	32
2 Machine manufacturing	22
3 Aerospace & defence	13
4 Electronics, semiconductors & telecoms	8
5 Academic research	8
6 Other	17

HBK – Cleaner

Delivering high performance measurement systems on a world-first energy project

Customer: ITER

Challenge

ITER is one of the most ambitious energy projects in the world today. 35 nations are collaborating to build the world's largest Tokamak, a magnetic fusion device designed to prove the feasibility of fusion as a large-scale, sustainable and carbon-free, clean source of energy.

This engineering challenge involves extreme environments (hard vacuum, cryogenic to high temperature, huge electro-magnetic fields, gamma and neutron radiation) with large instrumentation necessities. It being experimental, everything is first of a kind and requires highly specialised materials, manufacturing and assembling processes, as well as precise measurement instrumentation.

Benefit to customer

HBK provided measurement solutions for several of ITER's critical sub-systems, namely the superconducting magnets, vacuum vessel, compression rings and current lead. More recently, HBK has been contracted to provide temperature, strain, displacement and acceleration measurement systems to the cryostat, the largest stainless steel high-vacuum pressure chamber ever built, which provides the high vacuum, ultra-cool environment for the ITER vacuum vessel and the super-conducting magnets. HBK was selected because of its unique capability and expertise in delivering high performance measurement systems based on both optical and electrical technologies.

"In HBK, ITER found a partner providing sensors, amplifiers and software. Furthermore, HBK has a lot of expertise and could easily modify standard parts and build complete customised solutions to meet ITER's specific requirements, which often reach the physical limits."
Stephanie Panayotis
ITER



Omega

Amit Agarwal
President, Omega



Sales (£m)

2021	129.0
2020	119.2
2019	138.3

Adjusted operating profit (£m)

2021	15.0
2020	8.7
2019	16.9

Adjusted operating margin (%)

2021	11.6
2020	7.3
2019	12.2

Statutory operating profit (£m)

2021	8.3
2020	1.2
2019	12.0

Statutory operating margin (%)

2021	6.4
2020	1.0
2019	8.7

Financial performance

Statutory reported sales increased 8% to £129.0 million and statutory operating profit improved to £8.3 million from £1.2 million, resulting in a statutory operating margin of 6.4%, primarily reflecting the impact of the end market recovery and implementation of the strategic initiatives on operational performance.

Omega posted above market growth, with strong demand from its strategic accounts, new business wins and other share gains, with orders up 23% on a LFL basis, and above the 2019 order intake. The largest growth came from semiconductor customers, as well as through key channel partners.

LFL sales increased 14%, with strong growth in both its main market, North America, as well as Asia.

Adjusted operating profit of £15.0 million increased by 82% on a LFL basis and LFL operating margins rose 430bps. This resulted from leverage on the higher sales volume, price gains, and controls on overheads, despite being higher year-on-year.

Compared with 2019, Omega sales are 1% lower on a LFL basis and LFL adjusted operating profit is 6% lower.

Delivering the strategy

Achieving greater scale through organic sales growth has been the key requirement for the performance recovery at Omega. The revised strategic initiatives to drive above market growth and in turn, improve margin comprise expanding the sales/distribution channels; international expansion; focused sales and marketing; and enhancing the customer experience, including improving operational performance, and product innovation. Omega has made good progress across each of these areas during 2021 which has delivered above market growth during the year, and better positioned the business for future growth.

Omega's sales channel expansion strategy has had notable success through its partnership with Newark in North America, where sales have increased more than 50% year-over-year. Omega is in the process of extending this relationship to a global account, expanding its reach in Europe and Asia. It is adding other distributors that have a similar strategic fit and can help drive growth in these regions. In particular, Omega is looking to increase its Asia exposure, with a focus on opportunities in China.

A more pro-active sales and marketing approach is also being implemented to attract new customers, as well as cross-sell to existing customers. Alongside this, sales to strategic key accounts have been increasing, especially into semiconductor customers.

Refinements to the digital platform to simplify and enhance the customer experience and improve the search functionality have had a positive impact, driving good improvements in key metrics. Omega achieved its highest ever digital experience score, and web orders and the conversion rate have both returned to 2018 levels. In addition, record average order values have been sustained through the course of 2021. Continued improvements to processing activities, for example through automation and Lean transformation, will further help to enhance the customer experience.

Investment in new products remains a key strategic aim, targeting both customer requirements, as well as emerging technologies. In addition to increasing its engagement with customers to understand their challenges, Omega is also expanding its network of university and research lab contacts, to further enhance the new product development pipeline and is also enhancing its own R&D capability. The product innovation strategy will deliver fewer, but more impactful launches in key growth areas.

A key milestone in this regard was the launch of Omega's new, innovative high accuracy non-invasive temperature sensor ('HANI™') in the first half of the year, which has received highly positive reviews from the market. This clamp-on sensor achieves the same accuracy and fast response times as state-of-the-art invasive in-pipe temperature sensors in sanitary metal pipes, without the cost and risk, and at a significantly lower price point to current equivalent offerings. Food and beverage has been a key initial target end market and an early customer, US brewer Saucy Brew Works, has benefited from improving its monitoring capability across the brewing process. Reflecting this functionality, HANI was a winner of the 2021 Innovation Showcase competition at the Process Expo 2021 trade fair, a competition which recognises the top technological innovations in processing for all industry segments in food and beverage. Other applications for the technology are being planned for additional end markets, such as life sciences and semiconductor manufacturing for the measurement of temperature in plastic pipes.

Similarly, Omega's Layer N products for IIoT solutions are well positioned to access further opportunities in the growing wireless sensing market. These products sense, store and process data via a fully customised wireless solution, helping customers turn their real-time data into actionable insights. The product suite is being expanded with new upcoming product launches in 2022 in areas such as environmental and process monitoring.

Market trends and outlook

In general, Omega's products help customers improve their process efficiency and productivity. We see future demand being progressively driven by customers increasing their focus on their own sustainability journeys; using resources more efficiently and minimising waste, to improve yield and reduce their environmental impact.

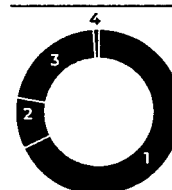
The strength of the order book provides strong tailwinds into the first quarter of 2022, with visibility significantly ahead of the historic average.

In North America, LFL sales were up strongly reflecting the recovery in US industrial production, the distribution relationship with Newark and success in winning large project orders. Omega has also seen strength with key customers in semiconductor, aerospace, defence and R&D.

In Asia, LFL sales were up significantly, led by China, South Korea and Singapore, with a notably strong first half performance. Here too, Omega's distribution expansion strategy helped drive growth as well as the strong demand from semiconductor customers.

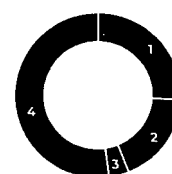
After a flat first half, the recovery in Europe gathered momentum, especially in the fourth quarter, resulting in full-year LFL sales growth, led by the UK.

Sales by location (%)



1	North America	68
2	Europe	10
3	Asia	21
4	Rest of the world	1

Sales by end-user market (%)



1	Electronics, semiconductors & telecoms	26
2	Distribution	18
3	Metals, minerals & mining	4
4	Other	52



Building relationships with our local communities

Our Section 172 statement is on pages 76 to 77

Building long-term connections with the communities in which we operate is key to our sustainability strategy. In 2021, at Omega, this has encompassed activities such as:

– Participating in Giving Tuesday, by partnering with Cheeriodicals to assemble more than 100 gift boxes for residents of a local nursing home and donating Omega-branded blankets to families at a local community centre;

– Encouraging our employees to give back to their local

communities with volunteering time off days and matching gifts programmes up to 10k annually; and

– Supporting STEM careers at Penn State University and the Society for Hispanic Engineers National Conference, alongside HBK.

Involving our employees in such initiatives brings them together and further embeds a sense of purpose in our culture, while actively supporting and contributing to our local communities.

Omega – More productive

Enabling high-accuracy data collection within seconds for the food industry

Customer: The Food Innovation Center

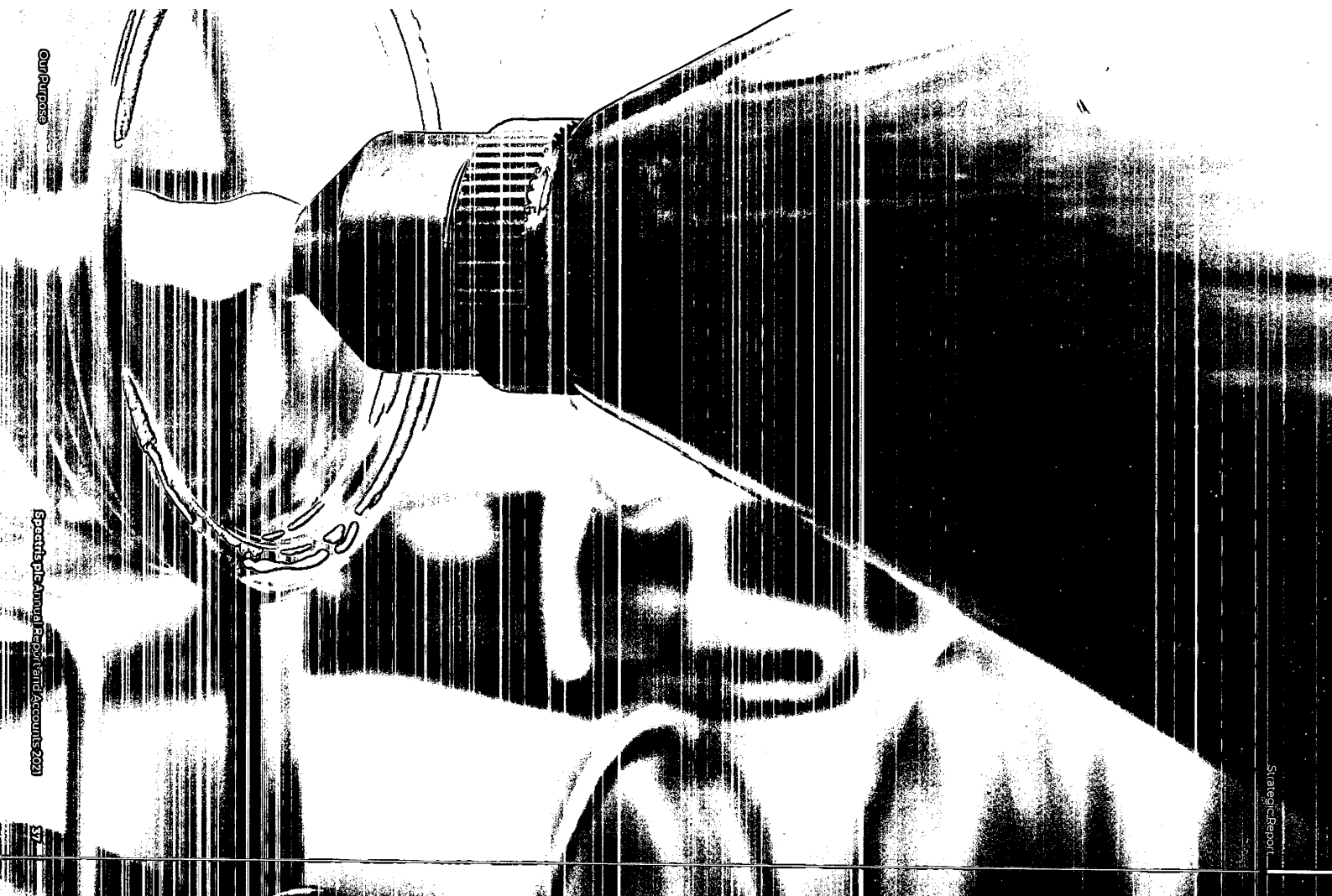
Challenge

The Food Innovation Center ("FIC") at Rutgers University, USA, is a food business Incubator and accelerator that supports food companies from concept to commercialisation. Temperature control is a critical process in the food and beverage industry to ensure product integrity and quality, for example measuring the temperature of a fluid moving through a pipe during manufacture. The FIC needed to move the location of a temperature sensor to get a more accurate reading. This would normally involve a two-day shutdown and the need to bring in a contractor to cut and weld the pipe in order to move the fitting to the new location.

Benefit to customer

Using Omega's new high-accuracy non-invasive clamp temperature sensor or 'HANI™', the FIC achieved the same outcome in seconds. The HANI is easily installed by clamping it externally to the pipe where it delivers immediate high-accuracy temperature readings without the costly installation and downtime. Also, by being non-invasive and non-contact, it avoids the risk of contamination, which can affect product integrity. It allows easy connectivity and data collection and gives the manufacturer the flexibility to easily change up their temperature monitoring system around the facility.

"This Omega sensor is on the outside of the pipe, zero contact to the product, zero chance of cross-contamination"
Stephen Baughman,
Senior Maintenance
Mechanic for Rutgers
Food Innovation Center



Servomex – Cleaner

Optimising
efficiency and
safety whilst
minimising
environmental
impact

Customer: A leading petrochemical company

Challenge

A leading petrochemical company wanted to increase efficiency and reduce emissions at one of its ethylene plants. The plant has been in operation for more than 20 years, and the company was upgrading the 14 dual-fired furnaces on its ethylene cracker units to improve efficiency and safety. They were committed to using innovative technology to operate sustainably and minimise its impact on the environment.

Benefit to customer

Servomex delivered a system of 56 analysers to measure oxygen and carbon monoxide. Unlike single-point analysis techniques, they have been installed across the stack, providing an average measurement, much more effective for safety monitoring. By delivering fast and accurate measurements of both oxygen and carbon monoxide, the analysers help provide better control of the cracking process allowing the combustion reaction to be optimised and thereby improving efficiency, reducing emissions and limiting pollution. The upgrade plans will also prepare the site for any future moves towards using hydrogen off-gas instead of natural gas, increasing its commitment to clean air even further.

“Our customer has a strong commitment to corporate responsibility and protecting the world around it. This corresponds perfectly with Servomex’s own desire to support clean air strategies in industry by the expert application of gas analysis solutions.”

Dr Stephen Firth,
Servomex Global Business
Development Manager



Industrial Solutions

Mary Beth
President, ISD

Particle Measuring Systems
Red Lion Controls
Servomex

(Brüel & Kjær Vibro, ESG Solutions, Millbrook and NDC Technologies were divested in 2021)

Sales (£m)

2021	336.3
2020	451.9
2019	616.5

Adjusted operating profit (£m)

2021	57.2
2020	60.9
2019	104.6

Adjusted operating margin (%)

2021	17.0
2020	13.5
2019	17.0

Statutory operating profit (£m)

2021	48.0
2020	-83.3
2019	71.9

Statutory operating margin (%)

2021	14.3
2020	-18.4
2019	11.7

Financial performance

Statutory reported sales decreased 26% to £336.3 million, primarily reflecting a 28% decrease from the divestments of B&K Vibro, ESG, Millbrook and NDC Technologies. Statutory operating profit increased to £48.0 million from a £83.3 million loss, with the statutory operating margin improving to 14.3%. 2020 included a £125.9 million impairment of goodwill, other acquisition-related intangible assets and other property, plant and equipment at Millbrook.

Strong demand from semiconductor and pharmaceutical customers, in particular, helped deliver a record order book, with LFL orders up 15%. LFL sales increased 8%. PMS had the strongest performance given its exposure to the semiconductor and pharmaceutical markets. LFL sales increased in all regions, with a very strong performance in Asia. LFL sales into energy and utilities were lower, although the second half saw growth and orders into this sector demonstrate the market is recovering. Order growth overall was particularly strong, although with supply chain issues limited sales growth to some degree, but this provides good momentum into 2022.

Adjusted operating profit of £57.2 million increased by 10% on a LFL basis and LFL adjusted operating margins increased 30bps. This primarily resulted from the sales increase and a higher gross margin, reflecting the higher volume, pricing and some mix effects, partially offset by higher overheads, to support the order book expansion and growth initiatives. It also reflected the impact of the disposals which enhanced the Division's margin.

Compared with 2019, ISD sales are 1% lower and adjusted operating profit is 4% lower on a LFL basis.

Delivering the strategy

The divestments of B&K Vibro, ESG Solutions, Millbrook and NDC Technologies were completed in 2021, generating sales proceeds of

£410.3 million. ISD is now made up of three, high quality, specialist businesses and the strategic direction is centred around being a leading provider of high precision, in-line sensing and monitoring solutions, based around PMS, Servomex and Red Lion. They are aligned with the Spectris purpose, are focused on attractive end markets with good growth drivers and differentiate themselves through their product quality, deep application knowledge and service. Our strategy remains to invest organically to grow these businesses, and also pursue M&A to compound growth and build scale.

ISD will be run as a more integrated division, retaining the business units and brands, while looking for opportunities to leverage the existing infrastructure and drive efficiencies. This will involve some restructuring; including leveraging common channels to market where they exist and make sense across PMS and Servomex; leveraging our service infrastructure; building service as a key competitive advantage across the businesses; and strengthening the deployment of SBS in back office and manufacturing processes. Each of the businesses will continue their customer-oriented strategic initiatives and product development strategies to drive organic growth.

In 2021, PMS launched the new Lasair Pro Airborne Particle Counter, leveraging the capabilities of its existing flagship Lasair III particle counter, and the new IsoAir Pro-Plus, another option in its customisable cleanroom monitoring solutions. Servomex has been capitalising on the new range of gas purity analysers it launched in 2020, the Ultra Oxygen and Moisture range, which has driven order growth above that of the market in semiconductor. At Red Lion, the product refresh programme has made good progress, with its new products, especially the FlexEdge Intelligent Edge Automation Platform, which enables simple connectivity and networking capability, seeing robust

demand. Its next-generation indication platform, PM-50 Graphical Panel Meter, was launched in January 2022. Its smart-device connectivity enables customers to remotely gather the workflow and process insights they need to increase productivity.

Looking further forward, each of the ISD business has exposure to a number of sustainability trends. At Servomex, increasingly strict regulations around environmental protection offers near-term opportunities while new energy technologies such as clean hydrogen and carbon capture provide longer term support for their solutions. A focus on the circular economy also provides opportunities for gas analyser use in safety and quality control. At PMS, sustainability related opportunities include improving waste management and water stewardship in semiconductor manufacturing and the advancement in life sciences supports demand for its microbial detection solutions. At Red Lion, the process optimisation and efficiency improvements its products bring, supports improved resource use and waste reductions, similar to Omega.

Market trends and outlook

Semiconductor and electronics

Sales into semiconductor customers increased notably, with strong demand for PMS' liquids instruments, and Servomex's new purity range. PMS' performance particularly reflects an increase in the demand in Asia, especially Taiwan, Korea and China, market share gains and the strong backlog it had entering 2021. Its sales pipeline funnel has continued to expand, underpinning the outlook into 2022, driven by investment

programmes from its global key accounts with major semiconductor manufacturers, especially for its Chem-20 and Ultra-DI 20 products. In electronics, the development of new consumer 'smart' electronic products, cloud computing and 5G infrastructure roll-out drove demand such that LFL sales were also up, after a robust 2020 performance, with orders faring even better and the pipeline continuing to strengthen.

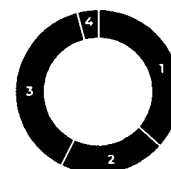
Pharmaceutical and life sciences

Demand also remained robust in the pharmaceutical and life sciences sectors, continuing the strong performance in 2020 and resulting in good LFL sales growth, up notably at PMS. Investment in COVID vaccine and treatment production is supporting further demand for our products, although after a strong 2020 and first half, orders for Servomex oxygen sensors have started to decline given the reducing demand for ventilators. At PMS, its OEM-focused strategy has also driven the growth in sales, with notable orders coming directly from filling-machine and isolator manufacturers. This helps them provide a fully integrated solution to manufacturers of life sciences products, reducing risk, by ensuring product quality and safety, as well as regulatory compliance.

Energy and utilities

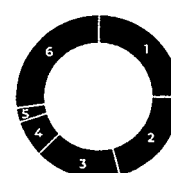
There has been a slower recovery in the hydrocarbon sector, although there has been a general upward trend through the year as markets improve. As a result, LFL sales to energy customers at Servomex were flat year-on-year, also reflecting the lower order book coming into 2021. There was growth in the second half as a result

Sales by location (%)



1	North America	37
2	Europe	21
3	Asia	39
4	Rest of the world	4

Sales by end-user market (%)



1	Pharmaceutical	25
2	Electronics, semiconductors & telecoms	21
3	Energy & utilities	17
4	Web, print, converting, packaging	7
5	Metals, minerals & mining	3
6	Other	27

and orders have fared better, supported by strong growth in Asia, especially China. For Red Lion, there has been recent high demand for automation products driving additional opportunities for its HMI products. With regulatory compliance, environmental concerns and the energy transition becoming higher on customers' agendas, Servomex is well placed to deliver effective solutions for process control, safety and quality in a wide range of midstream and downstream applications.

spec̄ris

High precision in-line sensing and monitoring solutions

Our vision:

To be a leading provider of high-precision inline sensing and monitoring solutions, focused on attractive end markets, differentiated by our product quality, application knowledge and service

PARTICLE MEASURING SYSTEMS

The leader in micro contamination monitoring solutions for ultra-clean manufacturers

- Industry-leading technologies
- Deep applications expertise
- Global businesses with local presence
- c. 7,000 customers
- > 1,300 employees in 21 countries
- > 475 sales and service employees
- > 200 engineers
- R&D spend > 7% of sales

SERVOMEX

Global expert in specialist premium gas and moisture analysis solutions

RED LION

Provides solutions to connect, monitor and control disparate assets within industrial automation

Providing our shareholders with greater insight into our businesses

Our Section 172 statement is on pages 76 to 77

In December, we hosted a presentation to investors to provide a greater insight into the ISD companies, their strategy and market outlook and pro-forma financials. The presentation highlighted that ISD has more focus and a significantly improved financial profile following the divestment programme. It comprises three high quality companies closely aligned to our purpose.

• PMS – the leader in micro contamination monitoring solutions for ultra-clean

manufacturers

- Servomex – a global expert in specialist premium gas and moisture analysis solutions;
- Red Lion Controls – provides solutions to connect, monitor and control disparate assets within industrial automation.

Feedback on the presentation was positive and by giving a greater insight into the quality of the ISD businesses, it enables investors to better understand them, and therefore value them appropriately.

Red Lion – More productive

Digitising real-time data to dramatically improve production at every stage

Customer: Koch Werkzeugbau GmbH

Challenge

Koch Werkzeugbau GmbH (Koch) is a German family-owned tool manufacturer. Its production data on the plant floor was being manually recorded, which meant data was not being evaluated until days later. Koch was looking for a solution to digitise production data for its decorative elements manufacturing process. It was hoping to increase productivity by identifying production delays, analysing the reasons for them and feeding the findings back into the production process.

Activities such as duration, reason and frequency of downtimes needed to be recorded in real-time from multiple interfaces, captured and displayed via a web server and evaluated over the timeframe of a single shift. Koch also wanted to display the KPIs on the factory floor to visualise performance.

Benefit to customer

Red Lion devised a solution with a suite of networking products centred on its Grimson automation software, which offers data collection, data processing and visualisation. Data is now visible for all employees so that immediate direct counter measurements can be taken on the plant floor. This collection and analysis of data led to a 10-12% increase in production. The flexibility of the Grimson software also allows a dynamic adaptation of production for any future upgrades Koch might decide to pursue.

“Red Lion’s automation solution has led to an immediate production increase of 10-12% in our decorative element production line. Our potential for improvement was quickly realised with these changes.”
Benjamin Koch,
Operational Director for
Koch Werkzeugbau GmbH





Derek Harding
Chief Financial Officer

A resilient performance

Financial performance

Statutory reported sales decreased by 3% or £44.2 million to £1,292.0 million (2020: £1,336.2 million). LFL sales increased by £117.9 million (10%), with the impact of disposals, net of acquisitions, reducing sales by £107.5 million ((8%)) and foreign exchange movements reducing sales by £54.6 million ((5%)).

The statutory operating profit was £154.9 million, an increase of £178.2 million compared to the 2020 statutory operating loss of £23.3 million. Statutory operating margins of 12% were 1,370bps higher than 2020 ((1.7%)). The improved profit results from a £2.4 million volume and price driven gross profit increase and a £175.8 million decrease in SG&A expenses. 2020 included £125.9 million of Millbrook-related impairments, there are no impairments in 2021.

Restructuring costs in the year were £10.2 million, consisting of £8.8 million of employee-related costs, including redundancy and related costs, and £1.4 million of other costs.

Net transaction-related costs and fair value adjustments were £19.5 million including the £15.0 million donation to the Spectris Foundation.

In April 2021, a new IFRIC interpretation was issued relating to the capitalisation of costs of configuring or customising application software under 'Software as a Service' ('SaaS') arrangements.

Operating profit/(loss)

	2021 £m	2020 £m
Statutory operating profit/(loss)	154.9	(23.3)
Restructuring costs	10.2	19.5
Net transaction-related costs and fair value adjustments	19.5	19.4
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2	0.7
Configuration and customisation costs carried out by third parties on material SaaS projects	5.2	-
Impairment of goodwill	-	58.4
Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment	19.4	98.9
Adjusted operating profit	209.4	173.6

As a result, the Group has amended its accounting policy and identified SaaS arrangements where it does not have control of the software and has derecognised the intangible assets previously capitalised and recognised the expense within the Consolidated Income Statement. To ensure a consistent understanding of trading performance, the Group has determined that material SaaS projects which would have previously been capitalised will now be excluded from adjusted operating profit as a new alternative performance measure line "Configuration and customisation costs carried out by third parties on

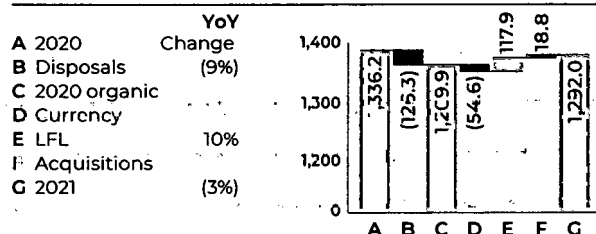
material SaaS projects". These projects incurred a net P&L impact of £5.2 million in the year.

The Group incurred £19.4 million of ongoing amortisation of acquisition-related intangible assets in the year.

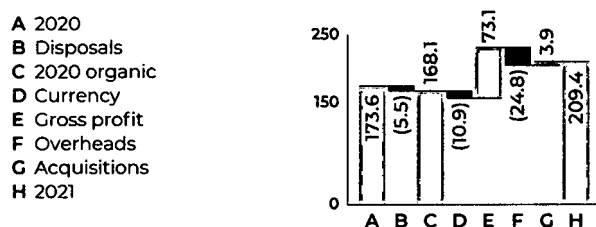
Adjusted operating profit increased by 21% or £35.8 million to £209.4 million on a reported basis (2020: £173.6 million). LFL adjusted operating profit increased by £48.3 million (29%), with the impact of disposals, net of acquisitions, reducing adjusted operating profit by £1.6 million ((1%)), and foreign exchange movements reducing adjusted operating profit by £10.9 million ((6%)).

Financial highlights

Sales (£m)



Adjusted operating profit (£m)



Operating performance

	2021	2020	Change	Like-for-like change vs 2020	Like-for-like change vs 2019
Adjusted					
Sales (£m)	1,292.0	1,336.2	(3%)	10%	(2%)
Operating profit (£m)	209.4	173.6	21%	29%	(1%)
Operating margin (%)	16.2%	13.0%	320bps	240bps	20bps
Statutory					
Sales (£m)	1,292.0	1,336.2	(3%)		
Operating profit/(loss) (£m)	154.9	(23.3)	n/a		
Operating margin (%)	12.0%	(1.7%)	1,370bps		

Adjusted operating margins increased by 320bps, with LFL adjusted operating margins up 240bps compared to 2020. The improvement in the LFL operating margin was due to a 50bps increase in LFL gross margins at 57.1% (2020: 56.6%), reflecting the incremental volume and favourable pricing offset by inflationary cost pressures. There was an expected 4.8% increase in LFL overheads, with the reversal of certain temporary savings, such as a net £9 million prior year COVID-19 overseas government subsidies, investments for growth, and salary inflation, impacting the cost base.

Investment in our R&D programmes amounted to £87.0 million or 6.7% of sales (2020: £92.0 million or 6.9% of sales). R&D investment has increased by £2.1 million (2.4%) on a like-for-like basis.

Statutory profit before tax of £388.6 million (2020: £4.1 million loss before tax) is calculated after a £226.5 million profit on disposal of businesses, which predominantly arose on the disposal of Brüel & Kjær Vibro in the first half of the year and NDC Technologies in early November, and a net finance credit of £7.2 million (2020: £8.4 million charge), which includes £7.2 million foreign exchange gains (2020: £0.8 million charge) and a £5.1 million interest credit on release of a provision on settlement of an EU dividends tax claim.

In June 2021, the Group agreed a formal settlement with HMRC to resolve its dispute in relation to the taxation of dividends received from EU-based subsidiaries prior to 2009. The outstanding liability agreed with HMRC of £0.3 million of tax and £0.2 million of interest was paid in June 2021. As a result, £8 million of provision for current tax liabilities, a £5.1 million accrued interest liability and a deferred tax asset of £1 million related to accrued interest liabilities were released to the Consolidated Income Statement in 2021.

The effective tax rate on adjusted profit before tax for 2021 was 21.7% (2020: 21.8%).

Disposals

On 5 January 2021, the Group disposed of Concept Life Sciences' legacy food testing business, based in Cambridge, which formed part of the Malvern Panalytical segment. The consideration received was £6.2 million, settled in cash received.

On 2 February 2021, the Group disposed of its Millbrook business. The consideration received was £119.2 million, consisting of £71.2 million of cash received, €27.5 million (£25.0 million) of investment units in EZ Ring FPCI (the fund holding the combined UTAC-Millbrook group) and a £23.0 million Vendor Loan Note Receivable.

On 1 March 2021, the Group disposed of its Brüel & Kjær Vibro business. The consideration received was £154.7 million, settled in cash received.

On 3 May 2021, the Group disposed of its ESG business. The consideration received was £3.4 million, settled by £3.4 million cash received.

On 1 November 2021, the Group disposed of its NDC Technologies business. The consideration received was £133.0 million, settled by £135.4 million cash received less £2.4 million estimated accounts true-up.

Millbrook, Brüel & Kjær Vibro, ESG and NDC Technologies formed part of the Industrial Solutions reportable segment.

Further details of the £226.5 million profit on disposal and the £333.7 million net proceeds from disposals recognised in the Consolidated Statement of Cash Flows is provided in note 24 of the Consolidated Financial Statements.

Cash flow

Adjusted cash flow decreased by £43.8 million to £200.7 million during the year, resulting in an adjusted cash flow conversion rate of 96% (2020: 141%).

The decrease principally resulted from a negative working capital movement mainly attributable to an increase in trade receivables due to higher levels of sales recorded in the final month of the year, an increase in inventories due to the high order backlog and lower capital expenditure from timing of planned projects.

Capital expenditure (net of grants related to capital expenditure) on property, plant and equipment and intangible assets during the year of £35.3 million (2020: £42.9 million) equated to 2.7% of revenue (2020: 3.2%) and was 95% of adjusted depreciation and software amortisation (2020: 71%).

During the year, 5,596,739 ordinary shares were repurchased and cancelled by the Group as part of the £200 million share buyback programme announced on 25 February 2021, resulting in a cash outflow of £201.3 million (2020: nil), including transaction fees of £1.3 million (2020: nil).

The Group received £38.3 million from the sale of a stake in a US-listed company following its acquisition by a third-party in April 2021 (2020: nil). The investment balance was valued at £38.3 million at the start of 2021 and therefore there was no 2021 income statement impact from this transaction. Transaction-related costs paid includes the £15 million donation to the Spectris Foundation.

Financing and treasury

The Group finances its operations from retained earnings and, where appropriate, from third-party borrowings. The 31 December 2021 total borrowings were nil (2020: £119.8 million).

During the year, the Group repaid, in full, a seven-year €116.2 million (£99.8 million) term loan which was due to mature in September 2022. The Group reduced its \$800 million committed facility in size to \$500 million and reduced the number of relationship banks from ten to eight during the third quarter. As at 31 December 2021, the Group had £370.3 million of committed facilities, consisting entirely of a \$500 million multi-currency revolving credit facility ('RCF')

Adjusted cash flow

	2021 £m	2020 £m
Adjusted operating profit	209.4	173.6
Adjusted depreciation and software amortisation ¹	37.3	60.7
Working capital and other non-cash movements	(10.7)	53.1
Capital expenditure, net of government grants	(35.3)	(42.9)
Adjusted cash flow	200.7	244.5
Adjusted cash flow conversion	96%	141%

Other cash flows and foreign exchange

	2021 £m	2020 £m
Tax paid	(32.2)	(28.6)
Net interest paid on cash and borrowings	(2.9)	(4.5)
Dividends paid	(79.0)	(75.7)
Share buyback	(201.3)	-
Acquisition of businesses, net of cash acquired	(135.5)	(10.9)
Transaction-related costs paid	(26.5)	(13.6)
Proceeds from disposal/(Purchase of) equity investments	38.3	(15.2)
Proceeds from disposal of businesses, net of tax paid of £nil (2020: £2.3 million)	333.7	20.6
Loan repaid by joint venture	-	3.0
SaaS-related cash expenditure	(5.9)	-
Lease payments and associated interest	(14.8)	(21.6)
Restructuring costs paid	(11.9)	(15.1)
Net proceeds from exercise of share options	0.3	0.3
Total other cash flows	(137.7)	(161.3)
Adjusted cash flow	200.7	244.5
Foreign exchange	(1.3)	(10.6)
Increase in net cash	61.7	72.6

1. Adjusted depreciation and software amortisation represents depreciation of property, plant and equipment, software and internal development amortisation, adjusted for depreciation of acquisition-related fair value adjustments to property, plant and equipment.

Further details on the reconciliation of net cash inflow from operating activities to adjusted cash flow are provided in the appendix to the Consolidated Financial Statements.

maturing in July 2025. The RCF was undrawn at 31 December 2021 (2020: \$800 million undrawn).

The RCF has a leverage (covenant defined net debt/EBITDA) of up to 3.5x. The Group regularly monitors its financial position to ensure that it remains within the terms of its banking covenants. At 31 December 2021, interest cover (covenant defined earnings before interest, tax and amortisation divided by net finance charges) was 67 times (31 December 2020: 42 times), against a minimum requirement of 3.75 times. Leverage (covenant defined earnings before interest, tax, depreciation and

amortisation divided by net cash) was less than zero (31 December 2020: less than zero), due to the Group's net cash position, against a maximum permitted leverage of 3.5 times.

In addition to the above, at 31 December 2021, the Group had a cash and cash equivalents balance of £167.8 million. The Group also had various uncommitted facilities and bank overdraft facilities available, all of which were undrawn, resulting in a net cash position of £167.8 million, an increase of £61.7 million from £106.1 million at 31 December 2020.

	2021 (average)	2020 (average)	Change
US Dollar (USD)	1.38	1.28	8%
Euro (EUR)	1.16	1.12	4%
Chinese Yuan Renminbi (CNY)	8.87	8.85	-

	2021 (closing)	2020 (closing)	Change
US Dollar (USD)	1.35	1.37	(1%)
Euro (EUR)	1.19	1.11	7%
Chinese Yuan Renminbi (CNY)	8.57	8.92	(4%)

The Group has prepared and reviewed cash flow forecasts for the period to 31 December 2023, which reflect forecasted changes in revenue across its business and performed a reverse stress test of the forecasts to determine the extent of downturn which would result in a breach of covenants. Revenue would have to reduce by 35% over the period under review for the Group to breach the leverage covenant under the terms of its debt facility. The reverse stress test does not take into account further mitigating actions which the Group would implement in the event of a severe and extended revenue decline, such as cancelling the dividend or reducing capital expenditure. This assessment indicates that the Group can operate within the level of its current facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

Following this assessment, the Board of Directors are satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in relation to this conclusion and preparing the Consolidated Financial Statements.

Currency

The Group has both translational and transactional currency exposures. Translational exposures arise on the consolidation of overseas company results into Sterling. Transactional exposures arise where the currency of sale or purchase invoices differs from the functional currency in which each company prepares its local accounts. The transactional exposures include situations where foreign currency denominated trade receivables, trade payables and cash balances are held.

After matching the currency of revenue with the currency of costs, wherever practical, forward exchange contracts are used to hedge a proportion of the remaining forecast net transaction cash flows where there is reasonable certainty of an exposure. At 31 December 2021, approximately 66% of the estimated transactional exposures for 2022 of £145.3 million were hedged using forward exchange contracts, mainly against Sterling, the Euro, US Dollar and Danish Krone.

The largest translational exposures during the year were to the US Dollar, Euro and Chinese Yuan Renminbi. Translational exposures are not hedged. The table below shows the average and closing key exchange rates compared to Sterling.

During the year, currency translation effects resulted in adjusted operating profit being £11.0 million lower (2020: £0.8 million higher) than it would have been if calculated using prior year exchange rates.

Post recovery strength

The Group has made a strong recovery and, on a like-for-like, basis is broadly back to 2019 levels in terms of sales and adjusted operating profit, with a slightly higher adjusted operating margin.

Alongside an improving margin, the Group delivered strong adjusted cash flow conversion of 96% and together with the proceeds from four divestments completed in 2021, ended the year with net cash of £167.8 million, providing ample funds to grow and develop our businesses, both organically and by making targeted and disciplined acquisitions.

Investment through R&D to deliver new products and technology is key to driving future organic growth, and acquisitions should further enhance this growth.

Recent acquisitions at HBK and Malvern Panalytical are currently being integrated and are already contributing positively to the Group.

The balance sheet strength also enabled us to return capital to our shareholders and in 2021, we completed a £200 million share buyback programme and have increased the full-year dividend by 5%, a 32 year track record of dividend growth.

Transactional foreign exchange losses of £0.3 million (2020: £1.1 million losses) were included in administrative expenses, whilst sales include a gain of £2.1 million (2020: £0.2 million gain) arising on forward exchange contracts taken out to hedge transactional exposures in respect of sales.

Derek Harding
Chief Financial Officer
23 February 2022

Our approach

We recognise that effective management of risk is essential to the successful delivery of our strategic objectives. As such, risk management is built into our day-to-day activities and forms an integral part of how we operate.

The Group has a well-established process, which delivers visibility and accountability for risk management across our businesses. This process forms part of the Group's overall internal control framework, as described on page 87.

Risk management process

Our approach to risk management combines a granular bottom-up assessment of day-to-day operational risk (managed by the businesses) with a top-down assessment of those risks that are most significant at the Group level (managed by the Executive Risk Committee and reviewed by the Audit and Risk Committee).

Business unit risk management

Each business undertakes a detailed assessment of risk across their markets, processes and operations, including a consolidation of any emerging risks that should be formally evaluated. In 2020, we established Platform Audit and Risk Committees for each of our businesses. These Committees represent a further strengthening of the second line of risk management (see page 49) in respect of Internal and External Audit matters, internal control, risk management, and other areas of compliance.

A formal risk register is reviewed and finalised in each respective Platform Audit and Risk Committee and submitted to the Group, with each risk assessed in terms of gross and net impact and likelihood. Key mitigations, both planned and existing, have formal owners and are subject to regular operational review as well as independent assurance where appropriate.

Group risk management

In 2021, Group oversight was further strengthened by the establishment of an Executive Risk Committee and the creation of a separate Risk and Control function. The purpose of the Executive Risk Committee is to ensure appropriate management of the Group Principal Risks and to oversee the operation of the Group's Enterprise Risk Management framework. The Risk and Control function enables the risk management process and acts as a centre of excellence as part of the Group's second line activities, consistent with the four lines of risk management model described on the following page.

The Executive Risk Committee, together with the Audit and Risk Committee, performs a continuous top-down assessment of risk throughout the year, informed by the approach established at each of the businesses. The aim of this process is to identify those Group Principal Risks that represent the most significant threat to the achievement of the Group's performance against its strategic objectives and/or those risks that are more suitably assessed, monitored and mitigated centrally. In addition, the Board carries out a robust assessment of the Group's principal and emerging risks on an annual basis.

An Executive owner is assigned to each Group Principal Risk, which is formally assessed in terms of its gross and net severity, a risk appetite is defined, and mitigations are identified within the four lines of defence framework. Each risk is subject to a formal assessment by the Executive Risk Committee during the year and the suite of Group Principal Risks is reviewed twice yearly by the Audit and Risk Committee.

Our risk management approach includes the consideration of emerging risks, whether they be operation-specific or broader in scope, such as climate change and environmental matters.

In recognition of the importance of climate change and our increased understanding of climate impacts on the Group's operations, climate change was identified as an emerging risk in 2020. As set out on page 65, during 2021 the Group carried out an extensive programme of work to assess the potential impact of climate change on each business and the cumulative impact of this risk at a Group level in line with the framework established by the Task Force on Climate Related Financial Disclosures ('TCFD'). This work has highlighted that climate change, without any mitigating actions, represents a risk to the Group's ability to achieve its strategic growth agenda over the medium to long term and, in view of this, climate change has been added as an additional Group Principal Risk in 2021. Further details on how climate-related risks will be managed on an ongoing basis are described on page 65.

The COVID-19 pandemic

The COVID-19 pandemic has driven a near-term increase in business disruption risk and a medium/long-term increase in market/financial shock risk. Both risks are existing Group Principal Risks, and therefore have been subject to Executive oversight and formal assessment prior to and during the pandemic. Consequently, many of the mitigations already in place have proven to be effective from the outset or have informed a refined/enhanced approach to risk mitigation since the beginning of the pandemic in 2020. As a result the economic/disruption impact has been limited to an appropriately managed net exposure.

Four lines of risk management

The Group has in place a four lines risk management model.

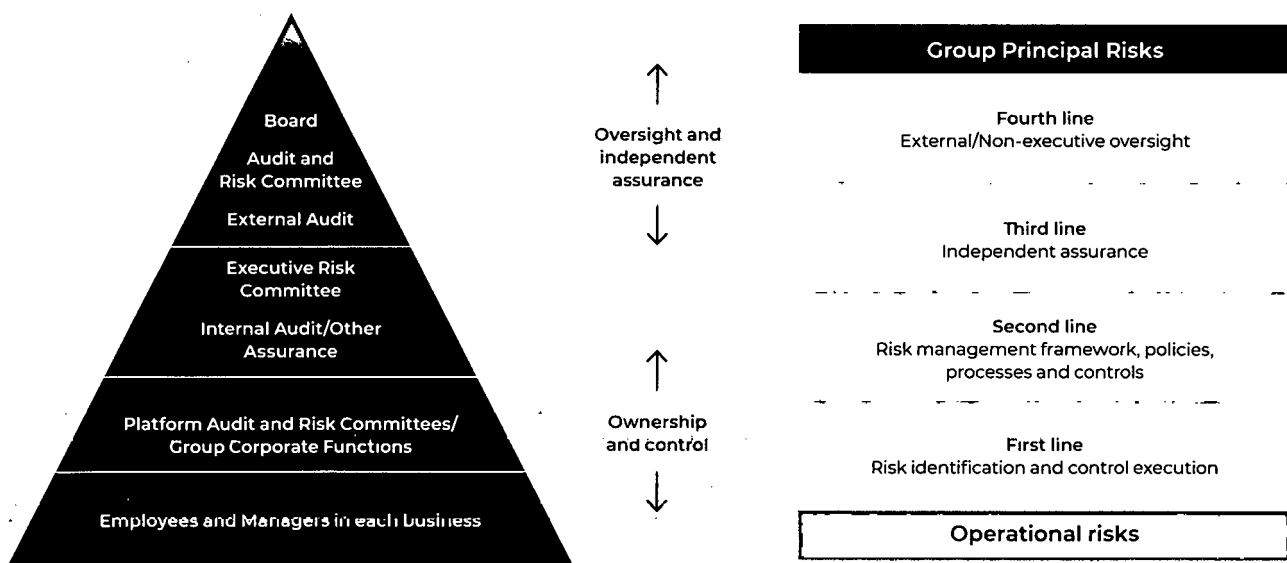
The **first line** is responsible for the identification of all risks in the 'risk universe' of each business unit. This risk awareness informs the control environment (the first line is primarily responsible for the execution of key controls), specific mitigations and is a key consideration in driving business decisions.

The second line is responsible for the risk management framework that the first line operates within. This includes the development of a standardised approach to identifying and reporting risk, an internal control framework

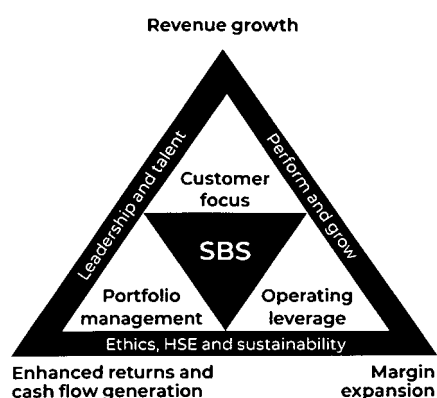
aligned to those risks, and a suite of policies to ensure the consistent application of business processes and controls. The second line is also responsible for monitoring the performance of first line activities and for taking a holistic view of risk, to determine which risks are of principal importance to the Group.

The third line is responsible for providing assurance over the effectiveness of the Group's risk management and internal control framework. This is most commonly undertaken by Internal Audit on behalf of the Audit and Risk Committee and Board of Directors.

The **fourth line** is the Audit and Risk Committee, Board of Directors and External Audit, providing independent, external, and/or non-executive oversight across the entire risk management framework, holding accountable those responsible for all activities within the three lines of defence.



Managing our principal risks



Strategic transformation

Definition

Failure to successfully deliver the Group strategy, including business transformation and key mergers, acquisitions and divestments activity.

Link to strategy

- Customer focus
- Operating leverage
- Portfolio management
- Spectris Business System ('SBS')
- Perform and grow

Risk assessment

Moderate

Change in rating



Risk appetite

Balanced



Cyber threat

Definition

Failure to appropriately protect critical information and other assets from cyber threats, including external hacking, cyber fraud, demands for ransom payments and inadvertent/intentional electronic leakage of critical data.

Link to strategy

- Customer focus
- Operating leverage
- Ethics, HSE and sustainability

Risk assessment

High

Change in rating



Risk appetite

Cautious

Risk assessment scale*

Very low

Low

Moderate

High

Very high

* The combined impact and likelihood of a risk occurring, net of mitigation activities

Change in rating

Increase



No change



Decrease



New risk



Risk appetite

Highly cautious

Cautious

Balanced

Opportunistic

Highly opportunistic

Impact

Our day-to-day activities are inherently aligned to the successful achievement of the Group's strategic objectives. Nevertheless, we recognise the importance of specifically managing some of the more transformative elements of strategic execution as a Principal Risk. These elements include mergers, divestments and acquisitions, growth initiatives including capital investment, R&D, technology and digitising our offering.

Our businesses face both internal and external information security risks, the nature and complexity of which are constantly changing, becoming more sophisticated and unpredictable. With the introduction of data privacy regulatory requirements, and a continuing trend of high-profile information security breaches occurring across a wide range of businesses, the Group takes a necessarily proactive and cautious approach to safeguarding its information assets.

Mitigation

- Remuneration policy aligned to incentivise delivery of the strategy
- Deployment of the SBS
- Continued review of acquisition/merger pipeline, integration processes and capability
- Regular reviews to track strategy execution
- Platform Audit and Risk Committees
- Information security and data privacy policies and controls
- Cyber risk assurance undertaken by Internal Audit
- Online and face-to-face awareness and 'cyber fitness' training
- Regular Board and Audit and Risk Committee reviews on cyber threat
- Continued strengthening of IT systems
- Cyber attack simulation exercise undertaken at the Executive level



Compliance

Definition

Failure to comply with laws and regulations, leading to reputational damage, substantial fines and potential market exclusion.

Link to strategy

- Ethics, HSE and sustainability
- Customer focus

Risk assessment

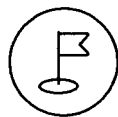
High

Change in rating



Risk appetite

Highly cautious



Political

Definition

Material adverse changes in the geopolitical environment putting at risk our ability to execute our strategy. Includes trade protectionism, punitive tax/regulatory regimes, and general heightened tension between trading parties or blocs.

Link to strategy

- Customer focus
- Operating leverage
- Perform and grow
- Ethics, HSE and sustainability

Risk assessment

Moderate

Change in rating



Risk appetite

Balanced



Market/financial shock

Definition

Material adverse changes in market conditions, such as economic recession, inflation, sudden negative investor sentiment and currency fluctuation.

Link to strategy

- Customer focus
- Operating leverage

Risk assessment

High

Change in rating



Risk appetite

Balanced

Impact

We operate in many jurisdictions and, as a consequence, are subject to wide-ranging laws and regulations, including export controls, data privacy, fair competition and anti-bribery and corruption. Any compliance failure by the Group or its representatives could result in civil or criminal liabilities, leading to significant fines and penalties or the disqualification of the Group from participation in government-related contracts or entire markets.

We operate in a range of end markets around the world and may be affected by political or regulatory developments in any of these countries. Material adverse changes in the political environment in the countries in which we operate have the potential to put at risk our ability to execute our strategy. We continually monitor the geopolitical landscape and develop response plans accordingly.

As a public company, and one that conducts business in a large number of markets, we recognise the global or local impact that a recession or period of instability could have on the Group. As with political risk, we are limited in our ability to reduce the likelihood of such events, but with careful monitoring and response planning we can ensure that the potential impact is restricted.

Mitigation

- Strong cultural alignment to the Spectris value of 'Be true'
- Global implementation of new Code of Business Ethics
- Formal compliance programme including policies, procedures and training
- Contract review and approval processes
- Investment in experienced compliance professionals
- Event monitoring and horizon scanning
- Working groups and sub-committees to limit the impact of materialising risks, including Executive Export Controls Committee
- Operate in a broad spread of geographical markets and end users
- Response planning
- Maintain a strong balance sheet
- Market monitoring and horizon scanning
- Maintain a strong balance sheet
- Operate in a broad spread of geographical markets and end users
- Response planning
- Cost saving opportunities identified by SBS and regular review of pricing to mitigate impacts of cost inflation



Talent and capabilities

Definition

Failure to attract, retain, and deploy the necessary talent to deliver Group strategy.

Link to strategy

- Leadership and talent

Risk assessment

Moderate

Change in rating



Risk appetite

Balanced



Business disruption

Definition

Failure to appropriately prepare for and respond to a crisis or major disruption to key operations either across the Group, in a key region/location, or via a critical supplier.

Link to strategy

- Customer focus
- Operating leverage
- Perform and grow

Risk assessment

Low

Change in rating



Risk appetite

Cautious



Climate change

Definition

Failure to respond appropriately, and sufficiently, to climate change risks or failure to identify the associated potential opportunities in assisting others manage their climate agendas.

Link to strategy

- Ethics, HSE and sustainability
- Customer focus
- Perform and grow

Risk assessment

Moderate

Change in rating



Risk appetite

Balanced

Impact

The Group needs to attract, develop, motivate and retain the right people to achieve our operational and strategic targets. Effective talent management is essential to successfully delivering our current business requirements and strategic goals, and to realising the full potential of our businesses. Therefore, failure to leverage talent and capabilities could significantly impact the successful execution of our strategy. The three broad areas of focus are leadership, engineering and entry level roles.

The nature of our geographically diverse and segmented businesses provides a degree of natural hedging from Group-wide disruption arising from a major event, be it a physical disaster at a major site, or a global external event, such as the COVID-19 pandemic. However, we acknowledge the importance of proactively ensuring a consistent and effective business continuity management process across the Group.

The transition and physical risks present in climate change have the potential to impact the medium and long-term success of our business through market regulation and additional taxes, the changing macroeconomic landscape and the potential physical impact on our operations. We see the potential for additional sales opportunities as well as increased costs and investment.

Mitigation

- Structured recruitment and succession processes for senior Group talent
- Full deployment of Workday HR system with recruitment, performance and talent management processes
- Annual organisation capability review process
- Appropriate incentives with benchmarking at all levels
- Global employee engagement programme
- Leadership development programmes for senior and middle management and high potentials

- Common policy and enhanced standard for business continuity planning across the Group in progress
- IT disaster recovery plans
- Testing plans
- Risk identification and monitoring
- Effective internal and external communications

- Agreed action plan to meet Net Zero targets validated by the Science Based Targets initiative
- Head of Sustainability appointed to Executive to coordinate sustainability activity globally
- Board and Executive oversight of sustainability performance as well as progress against Net Zero roadmap
- Geographical diversity of businesses and supply chain
- Climate physical risks monitored and reported by each business
- Aligning strategy with current and emerging sustainability thematic

Viability statement

Longer-term viability of the Group

In accordance with section 4, provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the viability of the Company over a three-year period, taking into account the Group's current position and the assessment of the Principal Risks and Uncertainties as set out on pages 50 to 52. The assessment considers both the Company's long-term prospects and also the viability of the Company over a three-year period.

Analysis of business prospects

The Board has considered the long-term prospects of the Company based on the strategy, markets and business model as outlined previously within this report. In the strategic review of the Company, the Board highlights a number of factors that underpin its long-term prospects and viability. These include:

- Key addressable markets which have attractive, structural demand drivers underpinning long-term growth;
- Leading technologies and continued investment in R&D;
- The implementation of our new sustainability strategy; and
- Our financial model which is asset light, highly cash generative with a clear capital allocation process and access to funding.

Assessment of viability

In determining the appropriate period over which to assess viability the Board has considered budgeting, forecasting and strategic planning cycles, the timeframe within which we assess our risks, the maturation of the Group's credit facilities and the approach taken by our peers. The Board continues to be of the view that a three-year period is appropriate, taking into account the reliability of data as well as the predictability of each event.

The Directors carried out a robust assessment of the Principal Risks facing the Group, including the new Principal Risk of climate change, considering those that could threaten its business model, future performance, solvency or liquidity. In assessing the viability of the Group, the Board has reviewed the future prospects of the business as outlined by the Group's strategy and considered the financial/liquidity impact that a number of scenarios might have on those prospects

Scenario modelled

Link to Principal Risks

Scenario 1: Reduction in sales

The Board considered a number of events that could notably impact planned sales performance, either in a specific country or across the entire Group. This included global disruption events similar to but more severe than the impact of the COVID-19 pandemic.

- Strategic transformation
- Political
- Market/financial shock
- Compliance
- Cyber threat
- Climate change

Scenario 2: Significant costs or expenses

Large, one-time or recurring costs or expenses were considered, including the impact of inflation where cost increases cannot be passed on to customers, a significant acquisition which fails to deliver anticipated benefits, or fines arising from a breach of export control or data privacy laws and regulations.

- Strategic transformation
- Compliance
- Political
- Market/financial shock
- Cyber threat
- Talent and capabilities
- Climate change

Scenario 3: Trading disruption/exclusion from market

The Board considered certain instances in which the Group or its operating companies might be debarred from or otherwise excluded from a particular market, as well as a major disruption in a critical operation caused by, for example, a critical system outage.

- Compliance
- Cyber threat
- Political

As part of their assessment, the Directors have considered the natural hedging that occurs across the broad spread of markets, products and customers maintained by the Group. Assumptions have also been made in terms of the Group's ongoing ability to raise finance, deploy capital, and re-finance debt in order to maintain sufficient headroom. In certain instances, the Directors have included mitigation actions as part of the assessment, including cost reduction, reduced capital expenditure, and tactical recovery processes following from a major disruption.

Reverse stress testing has also been applied to determine the level of fall in sales that would be required before the Group would be at risk of breaching its existing financial covenants or current liquidity headroom during the assessment period. The reverse stress test was conducted on the basis that mitigating actions would be undertaken to reduce overheads during the period as sales declined and, on that basis, a fall in forecast sales of 35% (applied uniformly across the three-year assessment period) would be required before such a breach occurred. The Board considers the possibility of such a scenario to be

remote and further mitigation, such as suspension of dividend payments or a reduction in planned capital expenditure, should be available if future trading conditions indicated that such an outcome were possible.

Viability Statement

Based on the outcomes of the viability assessment, the Board has a reasonable expectation that the Group would be able to withstand the impact of each of these scenarios, in isolation and in a number of plausible combinations, should they occur in the course of the three-year assessment period. In each event the Group would continue to operate and meet its obligations and liabilities as they fall due over the period to 31 December 2024.

A Sustainable Business



Sustainability is at the heart of our Purpose. We are equipping our customers to make the world cleaner, healthier and more productive.

Rebecca Dunn
Head of Sustainability

In bringing our Purpose to life, we have made a clear commitment to our own sustainability as a business, ensuring that our strategy and the way we do business clearly reflects our Values.

In 2021, we have accelerated our sustainability journey, making strong progress in delivering on the strategy set in 2020 and continuing to build our collective understanding of what it means to become a more sustainable business partner, employer, supplier and investment proposition. Our stakeholders are recognising our progress and we are enjoying richer conversations with our people, our customers and our investors on the risks and opportunities presented by sustainability.

Our people are at the heart of our sustainability strategy, driving our progress through the Sustainability Steering Group. By empowering our people we are delivering meaningful change at all levels of the organisation. On pages 56 and 57 you will hear directly from the people leading the change within our business and pages 76 and 77 set out how the Board oversees our sustainability journey.

I am particularly proud of the progress we have made this year on our environmental strategy. In August, we published our ambition to reach Net Zero across our own operations (Scopes 1 and 2) by 2030 and across our value chain (Scope 3) by 2040 in line with a 1.5°C warming scenario. Our ambition and roadmap were validated by the Science Based Targets initiative in September, and we joined the Race to Zero campaign as part of the Business Ambition for 1.5°C pledge ahead of COP 26. We have made early and considered progress against our roadmap and this is set out on page 64 and in our first annual Net Zero update available at www.spectris.com.

This year, we have also made significant progress in our assessment of climate risk through the detailed analysis and modelling of the physical and transitional risks relevant to our business under the TCFD framework. Further details are set out on page 65 of this report. This work has also supported the elevation of climate change to become a Group Principal Risk as detailed on page 52.

Beyond our environmental progress, we have worked hard to continue to focus on the wellbeing of our employees, building on conversations that accelerated during the COVID-19 Pandemic. Wellbeing is a global issue and we are committed to supporting all our employees wherever they are in

the world to have access to help and support, not just in moments of crisis but also to support their resilience and optimal mental health every day. In celebration of World Mental Health Day we ran a series of events focused on all aspects of mental health for all our global locations, underlining our commitment to making mental wellbeing an open conversation at work.

I hope you find our report insightful and should you have any feedback or if you would like to find out more about our approach to sustainability, please do get in touch at sustainability@spectris.com.

Our approach to Sustainability

Our strategy is focused on embedding sustainable thinking into our strategy and business model – sustainability being not only what we do, but how we do it. This approach is allowing us to capture the opportunities arising from changing regulation and evolving stakeholder expectations. By listening to our stakeholders and partnering with them to prioritise sustainability, we will further support the Group's Strategy for Profitable Growth. By so doing, the Group will attract and retain world-class talent, secure investment and build on existing and new partnerships with our customers.



Our Purpose

We equip our customers to make the world cleaner, healthier and more productive

Aligned to the UN Sustainable Development Goals



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Embedding sustainable thinking into how we do business
Performance improvement on material ESG topics



Accelerating our offering underpinned by sustainability trends
Growing our business through participation in long-term sustainable markets



Integrated sustainability roadmap, setting clear milestones and assigning ownership at a business level

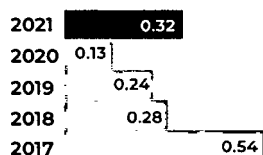


Operating model and governance mechanisms in place to monitor, report and assure progression

Measuring our progress

Health and Safety

Total Recordable Incident Rate



Safety Observations

5,243

We monitor and record safety observations as a leading indicator of health and safety risk at a site level and by business. We will track and report this number annually

Ethics

Number of helpline reports received

2021	2020	2019	2018	2017
40	37	54	25	24

Diversity

Gender diversity in leadership population

22.2%

2020: 21.09%

Mental Health

We are committed to all employees having access to an employee assistance programme within the next two years. Employees with access in 2021

>75%

Financial wellbeing seminars held in 2021

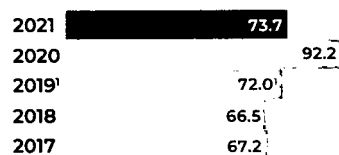
9

Employees taking part in VP GO physical and mental health challenge in our first global launch

1,282

Energy

Energy efficiency (MWh per £m revenue)



1. We intend to measure the evolution of the energy efficiency of the Group, including the impact of portfolio changes on our efficiency. To recognise this approach, 2019 has been restated.

Renewables

UK Sites powered by renewable energy on 31 December 2021

>95%

Total global renewable electricity use

18.5%

Environmental Performance Summary

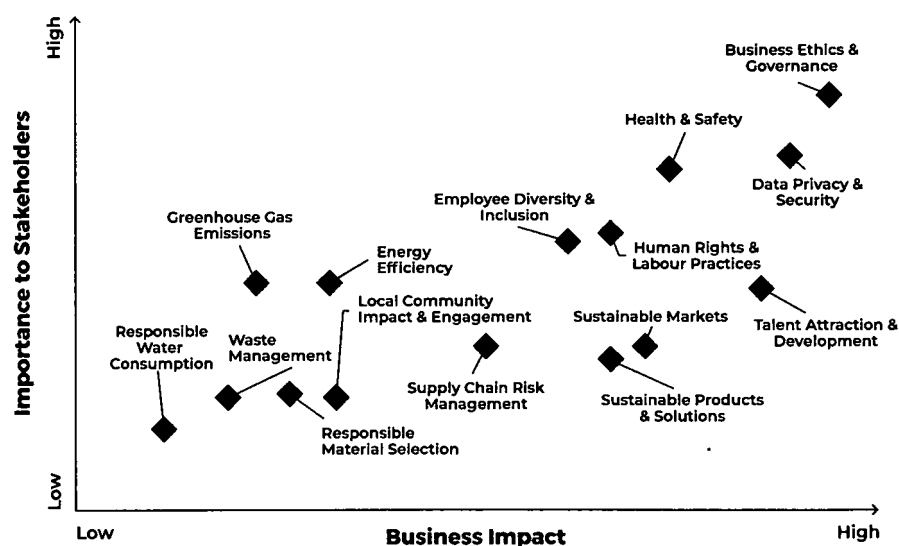
Environmental Performance summary (Absolute)²

Indicator	2021	2020	2019
Energy consumption (absolute) (MWh)	95,229.9	123,205	117,984
Energy efficiency (MWh per £m revenue)	73.7	92.2	72
Greenhouse gas emissions (tonnes CO ₂ e) ³	31,703	43,111	52,740
Total carbon emissions (tonnes CO ₂ e per £m revenue) ³	24.5	32.3	32.3

2. Numbers stated reflect in-year reported emissions, to measure the evolution of the energy efficiency of the Group, including the impact of portfolio changes on our efficiency.
3. Scope 1 and 2 (market-based) emissions.

Spectris materiality matrix

The materiality assessment we undertook in 2020 defined and prioritised the issues that matter most to our stakeholders. A detailed overview of the materiality process and the resulting matrix is available at www.spectris.com.



The people driving our strategy

We are empowering our people to drive our sustainability strategy, delivering meaningful change for all our stakeholders.



Tanneke Reinders

Vice President of Marketing & Strategy Malvern Panalytical

Tanneke joined the Malvern Panalytical Executive Team in May 2018 as the Vice President of Marketing. Tanneke leads the Malvern Panalytical Strategy, Vision and Purpose ('SVP') workstream.

"Embedding sustainability as a core pillar in our global SVP initiative and linking it so closely to our purpose as a business is accelerating our employee engagement. Our employees are already seeing more prominence in sustainability and environmental issues in their day-to-day work and are passionate about many different sustainability issues. Since publishing our Net Zero roadmap, more and more of our employees are eager to get involved and are proud that we are not only embedding sustainability and talking about it within the business, but that we have now made a clear commitment to our Net Zero targets. It is inspiring to see our teams coming forward and applying their specialist skills to engage in different workstreams on both a local and global level and driving our sustainable impact from the bottom-up. This year we are proud to have launched our first active sustainability steering group. This group is supported by local green teams and together they are putting in place a structure and framework to be applied across our business to drive further engagement into 2022 – it is an exciting time for us and very inspiring to see how our employees have embraced our sustainability strategy."



Nina Morton

Global Marketing Manager Particle Measuring Systems ('PMS')

Nina first joined Particle Measuring Systems from 2001 to 2008 and then re-joined in September 2015 as the Global Marketing and Communications Manager.

"In 2021 we made solid progress towards the sustainability roadmap goals at PMS, with strong gains towards our scope 1 and scope 2 emission targets. We were able to transition all PMS offices to renewable energy and start the process of rolling out our electric fleet. There are now charging stations at most PMS offices and we anticipate our first electric vehicles to be delivered in Spring 2022. We are also focused on zero waste to landfill (by 2030) and made strong progress by implementing paperless by digitising our product manuals and reporting. The benefits have not only been for the environment, but also in providing improved solutions for our customers with long-term cost, time, and space savings to us. In 2022, we are excited to focus on the challenge of shipping our high sensitivity instruments using sustainable packaging materials which are a key source of landfill for us. As a company with offices throughout the world, our milestones have been reached thanks to the vision and hard work of our teams who have investigated and implemented options suitable for their locality, our customers, and our instruments. This has combined with strong support and drive from our leadership team. Sustainability is a team effort."



Mike Proctor

Business Unit Director (Purity & Specialty) Servomex

Mike joined Servomex in July 2007 and has held many roles including Engineering and Marketing Director, General Manager and now Business Unit Director.

"As we embed sustainability throughout the whole business, it is becoming more and more clear that our key customers are also putting sustainability front and centre in their own operational strategies. It is important that we can fully support them in achieving their goals by partnering with them and making sure that our sustainability strategies are fully aligned. The work we have undertaken on sustainable products is helping us to minimise the environmental impact of our products from cradle to grave. This includes understanding and minimising the amount of water and electricity our products consume during both manufacture and deployment within our customer's applications – being able to demonstrate avoidance of the use of conflict minerals and unethical work practices within our upstream supply chain; whilst maximising the re-usability and re-cyclability of component parts and packaging and finally making sure that our products have a long life-cycle and require minimum field maintenance. I'm proud of how we have been able to develop analysis models to help us identify the big sustainability levers we can pull within the design philosophy of our products. This is helping us to improve the sustainability of our existing product portfolio, and to ensure that every future new product we develop will be more sustainable than the last."



Jen Prisco

**Vice President and Chief Counsel
Red Lion**

Jen Prisco joined the Red Lion Leadership Team in July 2018 as the Vice President and Chief Counsel.

"At Red Lion, sustainability has always been a huge part of our business. Our products help our clients become more sustainable because they are designed to improve productivity, reduce waste and save time, money and resources, which includes reducing power consumption. We view our Net Zero approach as multifaceted and we are looking at the investments we need to make to reach our targets. This year, we have focused on packaging reduction where we undertook a very successful Kaizen event which identified a considerable amount of cost savings and reduction of our environmental footprint. This included the annual elimination of paper products equal to 288 trees, 350,000 plastic bags and 19 tCO₂e. By streamlining our packaging, we have established a new internal mindset focusing on our impact reduction and created a packaging methodology that can now be extrapolated and applied across all of our manufacturing cells and production areas. Sustainability has been really cemented into our strategic plan for 2022 and we are looking forward to working on creating a more sustainable and resilient supply as a key focus area for next year."



Ben Bryson

**President
HBK**

Ben joined HBK in January 2020 as the Chief Operating Officer of HBK and has recently been promoted to President.

"At HBK, we view sustainability across four pillars – the way we develop our products, the way we manufacture our products, how we manage and maintain our suppliers and the way that we serve our customers. We are committed to being stewards of the environment and we have made commitments to our key customers to align with their sustainability policies through developing strategies to capture and meet our Net Zero commitment as early as possible. A great example of sustainability being embedded into our operations is in our new manufacturing and office site in Virum, which is a re-purposed building that has now been converted into a new state of the art facility. The site has solar panels which will help contribute to our own electricity generation and we source 100% of our additional electricity needs from renewables. The insulation has been modernised to support the recovery of 50–60% of our energy generation, we have electric car charging stations, new LED lighting to reduce consumption and world class chemical management systems to protect the surrounding environment. Moving into 2022, we are continuing to build on the exciting progress we have made this year by leveraging our learnings, while growing with our customers to become a more sustainable company."



Hans Wirds

**Director Global Procurement
Malvern Panalytical**

Hans joined Malvern Panalytical in December 2013 as Procurement Director and was promoted to Global Procurement Director in 2015.

"Supply chain is the key to our sustainability aims. When we calculated our emissions footprint, our biggest environmental impact was embedded within our supply chain, and supply chain practices are one of the biggest challenges to improving sustainability performance. For us to be able to reach our Net Zero targets, we must take responsibility for our Scope 3 emissions and focus on supplier engagement to enable us to achieve a more sustainable supply chain. This is why we have partnered with EcoVadis, who are helping us to collaborate with our suppliers on a large range of ESG issues. Their assessments enable us to understand a holistic view across reliable sustainable performance indicators within our supply chain by verifying data, providing ratings and identifying opportunities to drive change, save time and effort, benchmark and improve performance for both us and our suppliers. Sustainability is now a major pillar in the management of our supply chain and is embedded within our DNA – it is an exciting time to be involved in the shift as we all work together to ensure that we are all operating in a responsible, ethical and sustainable manner."

Our People

The long-term success and sustainability of our Group relies on the engagement, ambition and expertise of our people.

Our Values

Our Values – Be true, Own it and Aim high, are the foundations of our culture; of how our people act and what they expect from their colleagues. We recognise that the sustainable success of our Group relies on the ambition, expertise and engagement of our people. We are committed to creating an environment where all our people feel they belong, where they can grow and enjoy rewarding careers.

In 2021, we maintained our focus on health and wellbeing and accelerated our approach to employee engagement, talent development and diversity, equity, inclusion and belonging.

Employee Engagement

In April, we undertook our first Group-wide global all-employee engagement survey. Employee engagement remains the accountability of each operating company aligned to our decentralised business model. However, the introduction of a Group-wide engagement survey will help us drive employee engagement in a consolidated and consistent way using a common measure and toolkit across the Group.

The survey followed the Gallup Q12 methodology. The Gallup measure of engagement was chosen as we believe

it provides the most rigorous and arguably truer measure of engagement, providing an accurate baseline from which we can drive improvement. The Q12 methodology focuses on the 12 items that research has shown to be key drivers of performance. In addition, we included four questions on ethics, diversity, equity, inclusion and belonging and the Group's Values aligned to key Group-wide priorities. We will ask the same questions annually in order to track improvement in a consistent manner.

The engagement scores received from the pilot were reviewed in-depth by each operating company management team, supported by Gallup, to ensure that underlying themes were understood, and appropriate action plans created. Group-wide outcomes were also subject to a deep-dive review by the Executive Committee and the Nomination Committee. Our first-time results highlighted many positives, but also areas where we need to improve to ensure a highly engaged, motivated and high-performing workforce.

Following the review of the results of the pilot survey, a key focus across the Group will continue to build management skills at all levels. For leaders, this capability will be enhanced by the Ascend leadership

programme. Each operating company is also focused on developing appropriate training and support for managers. One early example of this in action is the HBK Leadership 101 programme (see opposite).

Leadership Model

We recognise the positive impact that strong leadership and people management capability has on employee engagement. Across the Group, we are enhancing development opportunities for employees at all levels.

To develop our leadership model, we held a series of listening sessions across the Group, incorporating views from employees at all stages of their careers, to support the design of a leadership model that is aligned with our Values and defines what it means to be a successful leader at Spectris. The model was finalised with the leadership community in late 2021 and will inform our selection, development and performance management processes to help us build a leadership population with the right skills for the future.

In alignment with our Values, our leadership model has been designed to be simple, memorable and impactful. Our leaders will be measured against tangible outcomes linked to aspects of the model.

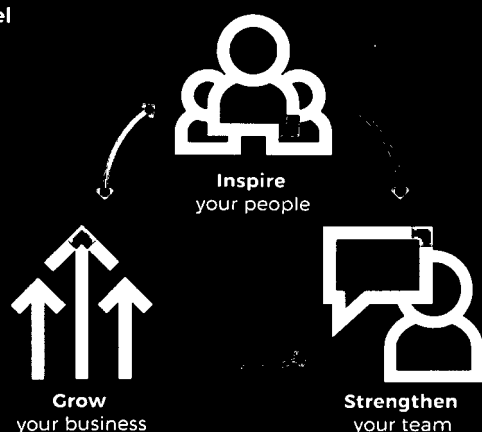
Ascend Programme

To further strengthen our culture and bring our Values and leadership model to life, the Group's Ascend leadership programme will welcome its first cohort in early 2022.

The programme has been designed to reflect the Group's new leadership model and is intended to develop our leaders of today, and tomorrow, and to increase engagement and inclusion across the Group.

As a reflection of new ways of working in a post-COVID-19 world and to minimise our carbon footprint, the format will focus on intense bursts of virtual learning with one extended

Leadership Model



"The programme unites our leaders with a common definition of great leadership, practical skills and techniques that will bring about a step change in the way we manage our people and grow our business."

Ruth Bastian, HR Director, HBK

HBK Leadership 101 Programme

In 2021, HBK launched a new programme to support employees with leadership responsibilities to develop a progressive leadership state of mind. The programme focuses on developing a coordinated and consistent approach to leadership, with a core focus on self-awareness, emotional intelligence, and the application of our Values to people processes. Participants will receive support and advice to develop their ability to motivate and engage others, to be confident in managing

performance and in facilitating change.

The Leadership 101 programme is a four-month process of self-organised learning on a digital platform, whereby the participant develops their knowledge and leadership skills, interspersed with a series of six coach-facilitated, virtual sessions where peer cohorts reflect, share experiences and practice using new skills and models. In 2021, 50 employees took part in the programme, with 100 more due to take part in 2022.

in-person event. The programme has been designed to elevate our thinking, with world-class external speakers and our own internal experts leading the sessions. Coaching will be an integral part of the programme, with each participant receiving ongoing tailored coaching based on the StrengthsFinder methodology and 360-degree feedback.

Diversity and Inclusion

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

Wherever possible, we offer flexible working options to support inclusion and if an employee should become disabled, we make every effort to retain them, offering retraining or adjustments to the working environment where necessary.

In 2021, with the support of Wondrous, we undertook a series of global workshops to understand the experience of working within the Group as a diverse employee. This provided a clearer understanding of what more we can do as a business to ensure that everyone can feel like they belong within the Group. The feedback from these workshops and accompanying action plan was reviewed by both the Board Nomination Committee and the Executive Committee. A two-hour workshop was also held with the global leadership community to review the findings and consider the tools that support belonging at work.

Employees by gender and role as at 31 December 2021

	Male	Female	Total
Board ¹	7	3	10
Executive Committee (excl. Executive Directors)	5	3	8
Leadership community	54	11	65
Wider employee population	5,048	2,657	7,705
Total	5,114	2,674	7,788
% of total	65.67%	34.33%	

1. As at 1 January 2022 the Board comprises 6 male directors and 3 female directors.

Employee turnover

2021	2020	2019	2018	2017
15.6% ¹	13.6%	11.4%	14.2%	7.6%

1. Of this 15.6% total labour turnover, 8.7% were resignations.

Gender Pay Gap Reporting

For the year ended 31 December 2021

Bonus Pay Gap – Mean

42.5%

2020: 40.9%

Bonus Pay Gap – Median

19.9%

2020: 13.5%

Further detail is set out in the Remuneration Report on page 109.

Each member of the Executive Committee received individual support from a diversity and inclusion coach to better understand their own role in delivering change within the organisation.

Gender Pay Gap – Mean

23.2%

2020: 21.6%

Gender Pay Gap – Median

19.0%

2020: 22.1%

The findings of the workshops and the feedback from leaders will form the basis of a coordinated workstream to develop the Group's approach to diversity, equity, inclusion and belonging during 2022.

Our Communities

Building long-term and purposeful connections with the communities surrounding our businesses is pivotal to our sustainability strategy.

STEM Leadership

Having great technical people is fundamental to the sustainable growth of our businesses. The attraction, retention and development of talented technical individuals and partners is a core growth enabler for the Group. The purpose of our Science, Technology, Engineering and Math ('STEM') strategy is to elevate the Group to be employer and partner of choice in STEM.

There is fierce competition for STEM talent, and to successfully compete, we are embracing new approaches and broadening our searches to reach a more diverse audience. Collaboration across our businesses offers an exciting opportunity to present our brands to the next generation of technologists, strengthening our talent pipeline for the future.

Young Professionals

Young Professionals is one of the UK's largest school engagement, attraction and recruitment partners, helping thousands of students to accelerate their careers through apprenticeships and work experience programmes. In 2021, we became a partner of Young Professionals and through our partnership we have connected with over 4,000 students and parents. Events often support diversity and widening participation with themes such as 'Tech the Future', 'Black Heritage' and 'Your Child their Future'.

In 2022, we plan to further develop our partnership with Young Professionals as we expand our apprenticeships and virtual work experience programmes.

University Outreach

In September 2021, with the support of Spectris, HBK and Omega attended their first joint recruitment event at Penn State University. As one of the top-ranked Universities in the US, many of our employees are Penn State alumni and the University's leading research groups are important customers and collaborators for

Spectris businesses. As part of building a wider strategic partnership with Penn State, the careers fair was a great opportunity to build the pipeline of our future workforce, as well as building brand awareness. As a result of the event, we have offered Penn State Co-op/internship opportunities as well as jobs to new graduates in 2022. It was also an opportunity to build internal partnerships between our businesses supporting our talent agenda and the future growth of our businesses.

STEM Ambassador programme

In 2021, we formed a new working partnership with STEM Learning UK. STEM learning manages the STEM ambassador program, helping employers connect with young people, inspiring them to become the next generation of STEM professionals. We already have a number of committed ambassadors within our businesses. Building on their commitment, we invited the STEM learning team to join an open invite session offering employees the chance to sign up and to better understand what support we would need to provide as a Group to maximise employee participation. The event was attended by over 130 employees, and we are now working

with those employees to build opportunities to take part in STEM Learning activities as part of our Giving Day and into the Malvern Panalytical Values day offerings.

Women in Engineering Day

As part of our broader STEM and diversity strategy, we were proud to be an official sponsor of International Women In Engineering Day 2021 ('INWED') in June. INWED is an international awareness campaign by the Women's Engineering Society which raises the profile of women in engineering and focuses attention on the amazing career opportunities available to women and girls in this exciting industry.

As an official sponsor of INWED, we were proud to support the events hosted by the Women's Engineering Society. To celebrate the day with our employees, we also held a Q&A session with three of our own experienced and inspiring women leaders. The conversation covered topics spanning navigating careers in a male-dominated industry, work-life balance, imposter syndrome, how to return to work after career break and much more. The session has now been viewed over 1,000 times by employees.

"I became a member of the Society of Hispanic Professional Engineers ('SHPE') at the age of 18, when I was invited to a pre-college conference that was put together by SHPE students at the University of Illinois to prepare the incoming class for what to expect and how to succeed in university. I immediately made a new family and have been involved with the organisation ever since.

Following graduation, I was invited to help plan and execute the annual conventions hosted by SHPE, which take place in different cities each year. My role is to organise the Tech Talks and I also get the chance to have inspiring conversations with students and professionals at these conferences.

I look forward to continuing to give back to the Society of Hispanic Professional Engineers; with the support of Spectris and HBK, we will make a significant difference in the lives of students with rising identities."

Michael Hernandez, R&D Testing Consultant at HBK



Teams from Spectris, Malvern Panalytical and Omega taking part in volunteering activities benefiting the local community. Activities shown include volunteering at Stanwell Foodbank, UK, packing Cheeriodical gift kits in Norwalk, CT and transforming school gardens in Malvern, UK.

Wider communities

The Washing Machine Project

As part of Malvern Panalytical's Global Values Initiative, we worked with The Washing Machine Project charity. The mission of the Washing Machine Project is to provide displaced and low-income communities with an accessible, off-grid washing solution. We are very proud of our volunteers who gave up their time to help manufacture and assemble 30 manual washing machines, which were then sent to Mamrashan Refugee Camp in Iraq in August.

A special mention to Michael Randle and Steve McGowan, who dedicated around 150 hours of their own time to machining all 600 of the parts that go into the washing machines, to make sure they were ready in time for shipment. All of the scrap metal from the project was taken to a scrap metal facility and the proceeds were donated back to the project.

Giving Day

Giving Day (or Giving Tuesday) is a globally recognised day of giving where people come together to support the causes and communities that mean something to them. In recognition of Giving Day and building on a tradition that our platform business, Omega, have participated in for several years, our teams from across

the globe came together to give back to the local communities in which our businesses operate.

Omega employees gathered to assemble 104 Cheeriodical gift kits that they shared with the residents of Casena Care in Norwalk CT. The teams were lucky enough to go inside the facility in Norwalk and hand deliver boxes to some of the residents. A great time was had by all and the recipients were very grateful for the gifts!

Our Spectris UK head office assembled teams spread over three days to volunteer at one of our local foodbank charities, Stanwell Foodbank, where we provided helping hands with wrapping children's Christmas presents, sorting donations, packing Christmas hampers and organising food box deliveries. We are also proud to have raised £1,000 among our employees, which will be donated back to the foodbank.

Teams from Malvern Panalytical organised several community activities through the month of November, which include ongoing foodbank donations across many worldwide locations, organising homeless donations in Mexico, helping local schools transform their gardens, sorting Christmas boxes and food hampers for the homeless and writing Christmas cards for local care homes in the UK.

It was inspiring to see our teams across the Group join in the celebration of generosity by participating in Giving Day activities and to see the impact we have made on our local communities. Giving Day has transformed the way we engage our employees in charitable giving and it will become an annual event. We are looking forward to continuing to embed volunteering and involvement in community initiatives into our culture.



Our Approach

We are committed to holding ourselves to the highest standards of responsible conduct throughout our operations and across our supply chain.

Human Rights

We believe human rights to be of the upmost importance. Our human rights policy is consistent with the Core Conventions of the International Labour Organization and requires that we comply with internationally recognised human rights standards. It sets out our position on non-discrimination, harassment and forced labour. Training on modern slavery and human trafficking is available to all employees and is mandatory for employees who have direct interaction with our supply chain. Human rights considerations are also a key element of our M&A due diligence processes.

Health and Safety

We are committed to the highest standards of health and safety, and the maintenance of a positive safety culture. We comply with all relevant laws and regulations governing safe working and often go beyond local legal requirements. There were no work-related fatalities of employees or contractors in 2021. Further health and safety metrics are set out on page 55.

The Spectris Business System monitors and records safety observations as a leading indicator of safety risks, holding our businesses accountable for improving performance to drive down incident rates. Our key lagging indicator is Total Recordable Incident Rate ('TRIR') as defined by the US Occupational Safety and Health Administration. The TRIR increased in 2021 to 0.32. This increase was primarily due to the increased effectiveness of our reporting structures. However, further investigation of key themes is ongoing.

The Spectris Health and Safety Committee is a global community of experts who support ongoing safety best practice. The Committee meets regularly to discuss key themes, policies and challenges. During 2021, the Committee oversaw the transition to consistent safety metrics across the Group and began implementation of the global use of the Benchmark Safety System. This system will streamline

processes and provide consistent standards and enhanced tools to further improve our performance.

Ethics

We recognise that the way we conduct business and how we treat all our stakeholders is determined by the culture of the Group. We demand the highest ethical standards from our employees, partners and suppliers. The Board and Executive set the tone for the Group's ethics and compliance programme and undertake regular reviews of the efficacy of our approach. Further details are set out on page 87.

In 2020, the Group rolled-out a refreshed Code of Business Ethics. This was supported by behavioural-based training for all employees. In 2021, the revised Code was made available in 12 languages and communicated using digital and traditional programmes.

To better understand the Group's ethical culture and climate, a Group-wide anonymous survey was undertaken in 2021. The survey was a standard diagnostic tool by Gartner and was completed by 49% of employees. A key objective of the survey was to help determine the effectiveness of the launch of the updated Code. For the Group as a whole, 91% of staff responded positively to the question "I understand my company's code or standards of business conduct" showing that the launch of the refreshed Code was effective and reached a high proportion of employees.

Following a review of all the Group's third-party distributors and sales representatives in 2020, key learnings have been built into a revised suite of policies and procedures launched in 2021, covering Anti-Bribery and Corruption, Export Controls and Fair Competition with supporting procedures, training and tools approved by the Executive Committee and Board. Key amongst the processes introduced in 2021, was a revised Group-wide mandated policy for the appointment of sales channel partners

and other third parties, which included enhanced support by a software tool provided by Exiger. This due diligence process is complemented by revised mandated screening procedures for Export Controls and sanctions. The progress of these due diligence and screening processes is being overseen by the Board and Executive Committee.

Speak Up

We are committed to encouraging an open 'speak up' culture and recognise the importance of making sure those speaking up feel supported and comfortable to report wrongdoing or concerns in good faith, with the knowledge that managers and ethics officers are trained and confident in discussing such issues.

We have a confidential, independent helpline (www.spectrishelpline.com) that employees and stakeholders can use to raise questions and concerns, anonymously if they wish. Our helpline reporting processes are regularly reviewed to ensure they remain effective. Reports are assessed and appropriate investigations are carried out. There is a commitment to address all concerns made in good faith. The Audit and Risk Committee receives regular updates on cases with the Board undertaking an annual review.

Following the conclusion of any investigation process, additional guidance, training, or disciplinary action may be taken as appropriate, and the impact of any actions is closely monitored by senior management. Root causes are identified and addressed. During 2021, the total number of reports received by the Spectris Helpline was 40 (2020: 37) and, after investigation, 18 of the reports were substantiated. Disciplinary action was taken against 17 individuals based on the severity of the misconduct identified: verbal feedback (4 people); verbal warning (4 people); written warning (3 people); resignation in lieu of notice (4 people) and termination with cause (2 people).

Our Environmental Impact

As a responsible business, we recognise our role in tackling climate change through both our products and services and the active management and mitigation of the environmental impact of our operations.

In 2021, we made significant progress in delivering on the five-point plan approved by the Board in October 2020 to accelerate the Group's management of the environmental impact of our own operations as part of our wider sustainability strategy.

In August, we published our ambition to reach Net Zero across our own operations (Scopes 1 and 2) by 2030 and across our value chain (Scope 3) by 2040 in line with a 1.5°C warming scenario. Our ambition and roadmap have been validated by the Science Based Targets initiative. We have made early and considered progress against our roadmap and further details are set out on page 64 and in our first annual Net Zero update available at www.spectris.com/sustainability.

This year, we have also made significant progress in our assessment of climate risk through the detailed analysis and modelling of the physical and transitional risks relevant to our business under the TCFD framework. Further details are set out on page 65 of this report with a comprehensive TCFD report available at www.spectris.com/sustainability.

We are confident in the systems that we have in place to measure, monitor

and report our energy use. The transition to the Envizi energy platform completed this year has been fundamental to enhancing our understanding of our environmental impact at a site level. This clear overview is being used to target energy abatement activity at sites with material emissions. In 2021, we began work with Schneider Electric on a series of energy efficiency audits at key sites across the Group to identify abatement opportunities. This work will be completed in 2022 and key findings will be implemented locally, with common findings used to form a Group-wide standard for the environmental efficiency of all our sites.

Delivering on our commitment to transparency in our environmental transition, the emissions reporting on pages 66 to 67 has been enhanced to include both local and market data for Scope 1 and 2 and to include annual reporting against all relevant Scope 3 emissions. For the first year, we have also provided reporting against the Global Reporting Initiative ('GRI') and Sustainability Accounting Standards Board ('SASB') which is available at www.spectris.com/sustainability.

What we achieved in 2021

Published our Net Zero ambition across our Scope 1, 2 and 3 emissions – aligned to a 1.5°C warming scenario and validated by the Science Based Targets initiative.

Achieved >95% renewable electricity across our UK operations.

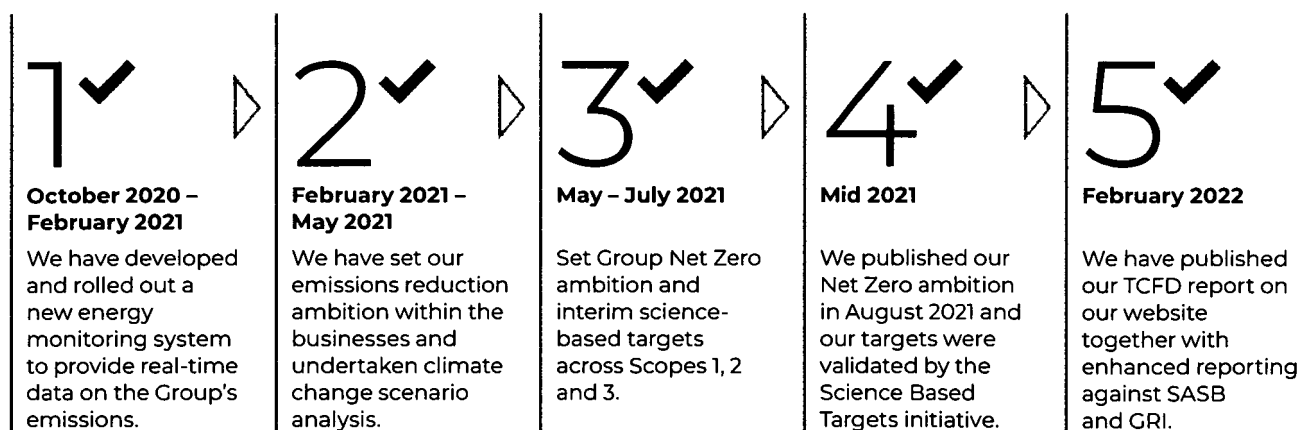
Extended our annual reporting to cover all relevant Scope 3 categories.

Reported publicly for the first time against the SASB and GRI reporting frameworks.

Achieved a 'Management' rating from CDP demonstrating our coordinated action on climate change.

Undertook detailed climate scenario analysis across each Platform aligned to the TCFD framework to better understand the potential impact of the physical and transition risks of climate change on our business.

We have completed our five-point plan to build our environmental strategy



Reaching Net Zero

We have set an ambitious Net Zero commitment which has been validated by the Science Based Targets initiative against a 1.5°C warming scenario. This ambition is supported by a detailed and transparent roadmap.

In July 2021, we published our Net Zero ambition. This ambition was the culmination of eight months of coordinated work across the Group.

We harnessed our ethos of clarity, precision and measurement to set our target. Supported by EcoAct, an Atos company, we measured our current emissions footprint across our value chain and modelled the reduction levers available to us. This approach allowed us to set robust targets, which are stretching but achievable.

2020 is the baseline year for our ambition. This is a challenging baseline due to lower emission-generating activity taking place in 2020 as a result of the COVID-19 pandemic and demonstrates our commitment to delivering genuine progress.

Our detailed Net Zero roadmap explains how we will reach our targets across Scopes 1, 2 and 3. To coordinate our activity and build engagement we have also set core targets and metrics by 2030:

- Electricity – we have committed to 100% renewable electricity across our operations.
- Emissions – we have committed to a 20% reduction in emissions at our manufacturing sites through energy efficiency.
- Waste – we will send zero waste to landfill.
- Freight – we will reduce air-freight by 50%.
- Supply chain – we will reduce raw-material related emissions by 60%.

Metrics for each target are set out on pages 66–67. A suitable metric to measure progress against our supply chain target is in development.

Beyond our Net Zero ambition, we will continue to prioritise our strategy of developing products and services that support our customers on their own decarbonisation journey as part of our wider Purpose to make the world cleaner, healthier and more productive.

Our early progress

While our core focus in 2021 was setting our ambition and agreeing our roadmap, we also started our Net Zero journey and made early and considered progress across the Group.

Red Lion Packaging Kaizen

A successful kaizen on packaging led to the permanent reduction of paper products equal to 288 trees, the elimination of 350,000 plastic bags and 19 tCO₂e per year. Learnings taken will build a packaging methodology to be extrapolated across the Group.

HBK Virum Site

In 2021, HBK opened their new site in Copenhagen. Fully powered by solar and other renewable energy, the insulation of the site also supports a c.60% recovery of energy generation.

UK Renewable Electricity

In 2021, >95% of UK sites were powered by renewable electricity.

Servomex Products

Servomex has applied life-cycle management to key products creating a sustainable product taxonomy. This taxonomy will assess and improve the sustainability of our products. Work will continue at Servomex in 2022 to apply the taxonomy across the Group.

Supply Chain Engagement at Malvern Panalytical

Malvern Panalytical have begun work with EcoVadis to review sustainable performance across their supply chain. In 2021, they approached the top 20% of their suppliers. This approach will be extended in 2022 and replicated across the IS Division.

Giki

As part of our commitment to building employee engagement, we have provided employees with the Giki Zero app to emphasise the role we can all play in lowering our carbon footprint. We have also partnered with Giki to make their app available in French and Dutch to widen their impact.



NET ZERO COMMITMENT

We have set a clear ambition

Spectris operations:

Net Zero by 2030
(Scope 1 and 2 emissions)

Our value chain:

Net Zero by 2040
(Scope 3 emissions)



SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Our science-based targets support this ambition

The 85% absolute reduction in Scope 1 and 2 emissions by 2030

The 42% absolute reduction in Scope 3 emissions by 2030

Our Net Zero Roadmap

Further details on our Net Zero ambition, including our full Net Zero roadmap across Scopes 1, 2 and 3 are available at www.spectris.com.



TCFD – Understanding Climate Change

During 2021, we have followed the structure of the four TCFD pillars: Governance, Strategy, Risk Management, and Metrics and Targets to understand how climate change may impact our businesses.

In 2021, we undertook a comprehensive programme of work to support our considered review of the risks and opportunities present in climate change aligned to the TCFD framework. Our full TCFD disclosure is presented in an online report available at www.spectris.com/sustainability. We have complied with all recommended disclosures in compliance with Listing Rule 9.8.6R. This approach reflects the scale and scope of work undertaken and provides stakeholders with a comprehensive overview of our approach. This page summarises our approach and highlights work undertaken during the year.

Governance

The Board oversees the Group's sustainability strategy, a key priority of which is the management of climate-related risks and opportunities. During 2021, the Board considered climate-related matters at five planned Board meetings. This was an increase on prior years and is indicative of expected future focus. Discussions related to the Group's strategy, business model and objectives, including setting our Net Zero ambition and the outcomes of the climate scenario analysis work undertaken as part of the TCFD workstream. The Board is supported in the oversight of climate-related risks and opportunities by the Audit & Risk Committee from a risk management perspective and the Remuneration Committee from a reward perspective.

The Chief Executive is responsible for implementation of the Group's sustainability strategy and is supported by the Head of Sustainability. The Group Executive Committee reviews climate related risk as part of both the ongoing oversight of the Group's strategy and as a Group Principal Risk through the Executive Risk Committee.

Strategy

We have undertaken detailed climate risk scenario modelling at a business level to consider the impact of both physical and transition risks and opportunities relating to climate change. Our portfolio and value chain

were modelled using the same data used to set our Net Zero ambition and the impact of that ambition was considered as part of the assessment of our vulnerability. The modelling incorporated each Platform's physical and commercial footprint as well as physical data including volumes and sourcing locations of raw material, facility locations, production volumes and distribution of finished goods – commercial data included sales and profit by market. Qualitative input was received from site leads and leaders responsible for supply chain, technology, procurement and marketing.

The material chronic and acute physical risks identified were modelled against Representative Concentration Pathways ('RCPs') 8.5 (4°C) and 2.6 (below 2°C). The transition risks identified were modelled against RCP 1.9 (below 1.5°C) and RCP 8.5. Three time frames were considered: short-term (three years – in line with our viability statement), to 2030 (medium-term) and to 2050 (long-term). Our risk and opportunity identification and mitigation focused on 2030 (medium term). Beyond this timeframe, it is considered that projections are highly uncertain and unpredictable.

The different RCP scenarios amplify some risks and lessen others. In RCP 1.9 there is less likelihood of physical risks impacting sites. However, there is greater risk to our business model from transition risks. Whereas, in the RCP 8.5 scenario, some key manufacturing sites are challenged by physical risks, but less pressure on carbon pricing means that the cost of materials, freight and our existing operating model remains closer to current levels.

Risk Management

The findings of this detailed modelling were received by each Platform Risk Committee, the Executive Risk Committee and the Audit & Risk Committee and led to the designation of climate change as a Group Principal Risk. This designation recognises the ongoing strategic importance of the Group's role in the transition to a low

carbon economy. Further details are set out in the Principal Risks and Uncertainties section on page 52.

The risks identified have been built into the Group's existing risk management framework. Using knowledge gained from the scenario modelling, physical risks will continue to be managed by the Platform Risk Committees, with strategic and financial planning led by each business, set against other key risks. Transition risks will be further explored by a coordinated working group reporting to the Executive Risk Committee, with the findings fed into the Group's strategy review and accompanying budget. As a Group Principal Risk, climate change will also be subject to deep dive review by the Audit and Risk Committee in 2022.

Metrics and Targets

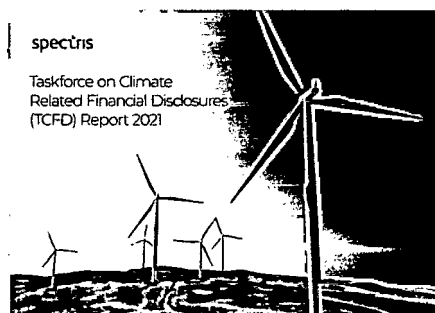
We will continually review our metrics and targets to ensure they remain meaningful, aligned to our strategy and provide the information our business and stakeholders need to effectively monitor our performance. While our primary mitigation and focus is the targets and metrics in our Net Zero roadmap (page 64), we will review the guidance on metrics and targets issued by TCFD. Details of our 2021 emissions are set out on pages 66–67. The related risks are detailed on page 5 of our full TCFD report.

Our full TCFD Report

A detailed report on our approach to TCFD is available to view at www.spectris.com/sustainability.

spectris

Taskforce on Climate
Related Financial Disclosures
(TCFD) Report 2021



Environmental Reporting

We have enhanced our annual environmental reporting to deliver on our commitment to transparency in our environmental transition.

Restatement of 2020 environmental data

Comparative data disclosed on pages 66 and 67 has been restated to reflect the following changes:

- Removal of data relating to the divestments of Millbrook, ESG and Bruel & Kjaer Vibro which took place during 2021 to support a fair comparison of the Group's in-year environmental performance. This consistent approach, which is in line with GHG protocol guidelines is consistent with reporting in 2020 and will be followed for all future material acquisitions and divestments; and
- Replacing estimated data with actual data where made available for prior years.

Scope 1 emissions

Scope 1 emissions have decreased by 9% during 2021. This is mainly due to decreasing vehicle activity year-on-year and the lower replenishment of refrigerant gases at manufacturing sites, which is likely to reflect decreased operations in 2020 leading to less leakage. The significant increase in percentage of 'other fuels' reflects the under reporting of Liquid Propane use at one site in previous years.

Scope 2 emissions

Market-based Scope 2 emissions have increased during the period by 7%. This is primarily due to the return to higher production rates at sites as our manufacturing operations returned

to full capacity with the easing of COVID-19 restrictions.

Scope 3 emissions

This is the first year of reporting against all relevant Scope 3 categories. Data for 2021 is provided alongside the 2020 data set which formed the base of our Net Zero ambition. Increases are due to increased sales across our businesses in 2021, with some further decreases to business travel resulting from continued restrictions relating to the COVID-19 pandemic.

Streamlined Energy and Carbon Reporting ('SECR')

This is our second year of reporting in compliance with the SECR regulations which are designed to increase

awareness of energy costs and provide data to inform the adoption of energy efficiency measures. In 2021, 5.2% of our CO₂e emissions were generated in the UK.

Energy saving opportunities

In 2020, we formed a Group-wide Sustainability Steering Group to drive our sustainability programme and oversee the agreement of the Group's Net Zero ambition and delivery against that ambition. Following approval of the ambition in July 2021, three key group-wide efficiency workstreams have been launched. The first workstream is being developed with the support of Schneider Electric to determine energy efficiencies available at key sites and to create a global energy efficiency protocol for all sites. The second is the global launch of the Giki Pro app to all employees to support a collective growth in understanding of our individual carbon footprint. The third is the development of a sustainable products workstream to minimize the environmental impact of our products through their life cycle, including minimising the amount of energy consumed by products during both manufacture and deployment.

Energy consumption*

Unit of measurement – MWh	Change	2021	2020	2019
Electricity	5.1%	48,629.6	46,282.9	51,010.1
– of which renewable	279%	8,995.3	2,373.8	8.91
Natural gas	8.2%	11,830.9	10,938.2	11,516.5
Fuel oil	1.5%	43.4	42.8	30.7
Steam and other imported energy	20.8%	16,666.3	13,801.7	15,526
Other fuels	479.6%	373.0	64.4	31.8
Vehicle energy	(2.6%)	17,686.7	18,162.7	36,719.6
Total energy	6.7%	95,229.9	89,292.7	114,834.6
– of which UK	4.5%	12,965.5	12,410.4	31,787.1

* See data assurance and methodology box out.

Data assurance and methodology

Deloitte have provided independent third-party limited assurance in accordance with the International Standard for Assurance Engagements 3000 ('ISAE 3000') and Assurance Engagements on Greenhouse Gas Statements ('ISAE 3410') issued by the International Auditing and Assurance Standards Board ('IAASB') over selected metrics, identified with *, within Spectris' energy consumption and greenhouse gas ('GHG') emission disclosure. Management is responsible for preparing the GHG disclosure and for the collection and presentation of information within it. Deloitte's responsibility is to express conclusions on the selected metrics. The reliability of the reported information and data is subject to inherent uncertainties given the available methods for determining, calculating or estimating the GHG emissions. Deloitte's full unqualified assurance opinion, which includes details of the metrics assured, can be found at www.spectris.com/environment.

Greenhouse gas emissions (tonnes CO₂e)

Unit of measurement – tonnes CO ₂ e	Change	2021	2020	2019
Scope 1*	(9.5%)	6,963.9	7,693.7	11,465.9
Scope 2 – Location based ¹ *	9.2%	26,660.1	24,410.6	26,960.9
Scope 2 – Market based ¹ *	2.4%	24,739.5	24,165.9	26,957.8
Scope 1&2 (Location) total*	4.7%	33,624.0	32,104.3	38,426.9
– of which UK*	(5.6%)	2,875.0	3,045.9	7,708.0
Scope 1&2 (Market) total*	(0.49%)	31,703.4	31,859.6	38,423.8
– of which UK*	(45.4%)	1,651.6	3,024.7	7,708.0

Scope 3 ^{1,2}	Change	2021	2020	2019
Category 1 – Purchased goods and services	22.7%	222,528.3	181,326.6	–
Category 2 – Capital goods		(Included in Category 1)		
Category 3 – Fuel & energy related activities*	3.6%	2,335.2	2,255.0	–
Category 4 – Upstream trans/dist*	(15.2%)	18,766.4	22,139.6	–
– of which air freight	(5.2%)	18,249.4	19,254.0	–
Category 5 – Waste	(6.6%)	1,403.3	1,502.7	–
Category 6 – Business travel*	(30.6%)	2,549.7	3,672.8	18,374.6
Category 7 – Employee commuting	13.1%	13,338.2	11,792.2	–
Category 9 – Downstream trans/dist		(Included in Category 4)		
Category 11 – Use of sold products	10.3%	234,657.1	212,791.0	–
Category 12 – End-of-life treatment	11.3%	56.6	50.9	–
Total Scope 3 ³	13.8%	495,634.8	435,530.9	18,374.6
Total gross emissions (Market-based)	12.8%	527,338.2	467,390.5	56,798.4
Total (all scopes) carbon emissions per £m revenue Like-for-like	16.7%	408.2	349.8	–

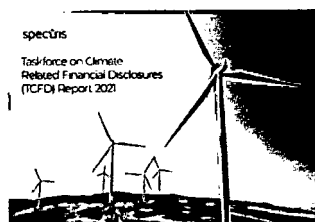
1. 2020 and 2019 have been restated to account for divestment of ESG, Millbrook and Bruel & Kjaer Vibro.
2. Scope 3 categories 8,10,13,14,15 are not included as not relevant to the Group's business model.
3. In 2021 we have increased our breadth and depth of Scope 3 reporting to cover all relevant categories and publish our 2020 comparative data for the first time.

Waste data

	2021 ¹	2020
Total waste captured (tonnes)	6001.3	6462.9
– of which landfill	2913.4	3177.2
Waste recycling rate ²	28.99%	n/a ³
Waste diversion rate ⁴	32.19%	n/a ³

1. Waste data for 2020 has been assumed to be equivalent to 2021 information in line with GHG protocol guidance on recalculation and restatement. This is due to improving data quality year-on-year.
2. Total waste recycled into alternative materials.
3. This is the first year of disclosing total waste data across the Group and therefore comparable data is not available.
4. Refers to the proportion of waste diverted from landfill through recycling, energy recovery (incineration), composting or anaerobic digestion.

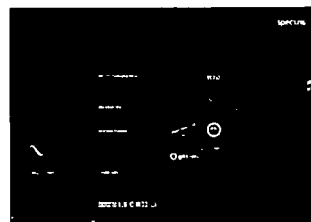
More information on our approach to sustainability can be found at www.spectris.com/sustainability



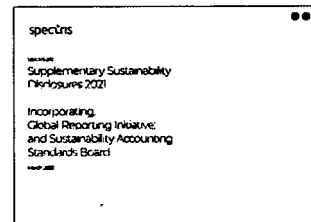
Our approach to TCFD



Our clear roadmap to Net Zero



Our Net Zero progress in 2021



Supplementary reporting covering GRI and SASB disclosures

The Strategic Report was approved by the Board on 23 February 2022.

By order of the Board

Mark Serfözö
General Counsel and Company Secretary
23 February 2022

Board of Directors



N

Mark Williamson (64)

Chairman

Appointed: May 2017

Nationality: British

Skills and expertise

Mark Williamson is a qualified accountant with a strong financial background combined with considerable managerial experience. He was chief financial officer of International Power plc until 2012 and is experienced in managing relationships with the investor and financial communities. He is a former senior independent non-executive director and chairman of the audit committee of Alent plc. Until 1 January 2020, Mark was chairman of Imperial Brands plc and until December 2021, Mark was also senior independent director of National Grid plc.

Other appointments

None.



E D

Andrew Heath (58)

Chief Executive

Appointed: September 2018

Nationality: British

Skills and expertise

Andrew brings a wide range of executive and leadership expertise to Spectris, with proven experience in technology-enabled businesses and a track record of delivering shareholder value. He previously served as CEO of Imagination Technologies Group plc from 2016 to 2018 and before that was CEO of Alent plc.

Prior to this, Andrew had a 30-year career with Rolls-Royce where he held a number of international and senior management roles, latterly serving as the President of Energy from 2010 to 2015.

Andrew has a BSc in engineering from Imperial College London and an MBA from Loughborough University.

Other appointments

None.



E D

Derek Harding (48)

Chief Financial Officer

Appointed: March 2019

Nationality: British

Skills and expertise

Derek brings a wide range of financial leadership and industrial expertise to Spectris. In addition to his responsibility for Group finance operations worldwide, he also leads the operational management of Spectris Asia; Group Risk Management; Investor Relations; Group IT; and the Group's Capital Allocation process.

He most recently served as group finance director at Shop Direct. Derek was CFO at Senior plc from 2013 to 2017 and before that, he was at Wolseley plc for 11 years in a number of financial leadership roles, most recently as finance director of Wolseley UK. He previously held a number of group roles, including group financial controller, director of group strategy and investor relations, and head of mergers and acquisitions. Derek qualified as a chartered accountant with PwC.

Other appointments

Derek was appointed as a non-executive director of The Sage Group plc in March 2021.

Committee membership key¹

Audit and Risk	A
Nomination	N
Remuneration	R
Disclosure	D
Executive	E
Chairman of a committee	●

1 As at 1 January 2022



A N

Bill Seeger (70)

Non-executive Director, Senior Independent Director and Audit and Risk Committee Chairman

Appointed: January 2015

Nationality: American

Skills and expertise

Bill Seeger has significant corporate finance and accounting experience. Bill was group finance director of GKN plc and, prior to that, president and CEO of the propulsion systems and special products division and CFO in the aerospace division of GKN. He spent most of his career at TRW, latterly in senior finance roles, including as vice-president, financial planning and analysis, and vice-president, finance, of TRW Automotive.

Other appointments

Bill is senior independent non-executive director and chair of the remuneration committee of Smiths Group plc and lecturer at UCLA Anderson School of Management.



R N

Cathy Turner (58)

Non-executive Director and Chairman of the Remuneration Committee

Appointed: September 2019

Nationality: British

Skills and expertise

Cathy Turner is an experienced non-executive director with significant business leadership experience plus a deep knowledge of HR and remuneration matters. Her executive career at Executive Committee level at Barclays PLC and Lloyds Banking Group PLC, has included responsibility for strategy, investor relations, HR, corporate affairs, legal, internal audit, brand and marketing.

Other appointments

Cathy is a non-executive director and chair of the remuneration committee at Aldermore Bank plc and Rentokil Initial plc and is a partner at the senior advisory organisation, Manchester Square Partners. Cathy is also a Trustee of the Gurkha Welfare Trust.



ARN

Kjersti Wiklund (59)

Non-executive Director and Workforce Engagement Director

Appointed: January 2017
Nationality: Norwegian

Skills and expertise

Kjersti Wiklund brings significant knowledge of the international telecommunications sector. Kjersti has held a series of senior global roles, including: director, group technology operations at Vodafone; chief operating officer of VimpelCom Russia; deputy chief executive officer and chief technology officer of Kyivstar in Ukraine; executive vice-president and chief technology officer of Digi Telecommunications in Malaysia; and executive vice-president and chief information officer at Telenor in Norway. Kjersti was previously a non-executive director of Laird plc (UK), Cxense ASA and Fast Search & Transfer ASA (Norway) and Telesience Inc (USA).

Other appointments

Kjersti is a non-executive director and chair of the remuneration committee at both Babcock International Group plc and at Trainline plc. She is also a non-executive director at Zegona Communications plc and was recently nominated as a non-executive director at Nordea Bank Abp, subject to shareholder approval in March.



ARN

Ulf Quellmann (56)

Non-executive Director

Appointed: January 2015
Nationality: German

Skills and expertise

Ulf Quellmann has broad general management experience and considerable knowledge of the metals, minerals and mining industry, having worked in the sector for more than 16 years. He was vice president, strategic projects of the copper and diamonds product group at Rio Tinto plc and, before that, chief financial officer of the copper and diamonds product group. He was also group treasurer from 2008 to 2016. He has held senior positions at Alcan Inc. including vice president, investor relations and media relations, and chief pension investment officer and assistant treasurer, and senior management positions at General Motors, in both the USA and the UK. Ulf was chief executive officer of Turquoise Hill Resources Limited (a company listed on the Toronto and New York Stock Exchanges) until March 2021.

Other appointments

None.



AN

Alison Henwood (56)

Non-executive Director

Appointed: September 2021
Nationality: British

Skills and expertise

Alison Henwood has broad technical experience in key finance areas, including treasury, risk management, internal control and audit across regional, divisional and global functional roles. Alison will be Executive Vice President of Finance, Trading and Supply at Royal Dutch Shell plc ('Shell'), until 30 April 2022 leading finance for one of the largest energy-trading business in the world. She has held a wide variety of roles across Shell throughout her career, contributing to finance transformation, culture change, digitisation and Shell's move towards zero carbon.

Other appointments

Alison is currently a non-executive director and audit committee chair at the United Kingdom's Hydrographic Office, a world-leading centre for hydrography, specialising in marine geospatial data to support safe, secure and thriving oceans.



RN

Ravi Gopinath (56)

Non-executive Director

Appointed: June 2021
Nationality: Singaporean

Skills and expertise

Ravi Gopinath is a highly experienced business leader, with over 25 years of diverse, global engineering and software experience, with a proven track record in setting up, scaling and transforming high-growth and profitable technology businesses. Ravi is currently Chief Strategy Officer and Chief Cloud Officer at AVEVA plc, having previously been Executive Vice President of the Schneider Electric Software Business which was merged with AVEVA in 2018. He previously held roles at Invenys plc as President, Software and President, Asia Pacific, Operations Management and prior to that, was CEO and Managing Director of Geometric Limited.

Other appointments

Ravi is Chief Strategy Officer and Chief Cloud Officer at AVEVA plc and is also a non-executive director at Thermax Ltd.



ED

Mark Serfözö

General Counsel and Company Secretary

Appointed: October 2017

Mark joined Spectris in 2017 from Rolls-Royce plc, where he served as director of risk for four years. Before that he spent 18 years at BAE Systems plc where he held a number of senior legal positions, including latterly the role of group chief counsel compliance and regulation. Mark has considerable experience in leading behavioural change programmes, M&A, managing large-scale criminal and regulatory investigations, compliance and regulatory affairs, risk management and governance.

Mark qualified as a solicitor in 1990 and is a member of the University College London Centre for Ethics and Law Advisory Board.

Karim Bitar (57)

RN

Non-executive Director

Karim stepped down from the Board on 31 December 2021 and therefore will not stand for re-election at the 2022 AGM.

Karim has extensive experience of leading international, technology-focused organisations. He was appointed as chief executive officer of ConvaTec Group plc, a leading global medical technology company, in September 2019. Prior to this, he was the chief executive of Genus plc, an agricultural biotechnology company. Karim is chief executive of ConvaTec Group plc and a member of the University of Michigan Ross School of Business Advisory Board.

Board and Executive Committee structure

Board and Executive Committee structure

The Board and a series of its committees oversee and manage the governance of the Group. These bodies provide a mechanism to approve, review, challenge and monitor the strategies and policies under which the Group operates. The Matters Reserved to the Board, the Committees terms of reference and the role profiles for the Chairman, Chief Executive, Senior Independent Director and Workforce Engagement Director can all be found at www.spectris.com.

The structure and responsibilities of the Board and these management committees, and a summary of their responsibilities, are illustrated in the diagram below:

The Board

Responsible for defining the Company's purpose, setting a strategy to deliver it, and overseeing values and behaviours that shape the Group's culture and the way it conducts its business. The Board has several matters reserved specifically for its consideration and delegates other responsibilities to the Board and Management Committees as appropriate.



Board Committees

Audit and Risk

Responsible for overseeing the financial reporting process, significant accounting judgements and estimates, the Group's ethics and compliance programme, financial and compliance controls and risk management

Nomination

Responsible for advising on succession matters and talent management for the Board, Group Executive and senior management

Remuneration

Responsible for recommending the policy for the remuneration of the Chairman, the Executive Directors and the Executive Committee members, in the context of considering the pay and conditions of the wider workforce

Management Committees

Executive

Responsible for the day-to-day management of the Group's operations with support from specific forums on SBS, Health & Safety, Risk Management, Export Controls and Sustainability

Disclosure

Responsible for the identification and disclosure of inside information and for ensuring that announcements comply with applicable regulatory requirements

Board and Committee attendance

	Board (scheduled)	Board (ad hoc) ⁴	Audit and Risk Committee	Nomination Committee	Remuneration Committee	AGM ⁵
Karim Bitar ¹	7/8	1/2	n/a	1/3	4/4	n/a
Ravi Gopinath ²	4/4	n/a	n/a	2/2	2/2	n/a
Derek Harding	8/8	2/2	n/a	n/a	n/a	Y
Andrew Heath	8/8	2/2	n/a	n/a	n/a	Y
Alison Henwood ²	3/3	n/a	1/1	2/2	n/a	n/a
Ulf Quellmann	8/8	2/2	3/3	3/3	4/4	n/a
Bill Seeger	8/8	2/2	3/3	3/3	n/a	n/a
Cathy Turner	8/8	2/2	n/a	3/3	4/4	n/a
Kjersti Wiklund	8/8	2/2	3/3	3/3	4/4	n/a
Mark Williamson	8/8	2/2	n/a	3/3	n/a	Y
Martha Wyrsh ³	4/4	3/3	n/a	1/1	2/2	n/a

1. Due to a number of commitments relating to his executive position, Karim Bitar was unable to attend some of the meetings held during 2021. Karim did not attend Nomination Committee meetings where the meeting discussed his retirement. Karim stepped down from the Board on 31 December 2021.

2. Ravi Gopinath was appointed as a Director on 1 June 2021. Alison Henwood was appointed as a Director on 1 September 2021.

3. Martha Wyrsh retired as a Director on 14 May 2021.

4. Two ad hoc meetings were held during 2021 to discuss various M&A transactions.

5. Due to the restrictions in place by the UK government in response to the COVID-19 pandemic, the Company held its AGM at its registered office and encouraged shareholders to attend via the live webcast. Shareholders were also encouraged to submit questions in advance of the meeting to enable engagement. Mark Williamson chaired the meeting, and Andrew Heath and Derek Harding were in attendance.

Executive Committee and the Board

Executive Committee

The diagram on page 70 sets out the working relationship between the Board and the Executive Committee. The full biographies of the Executive Committee can be found at www.spectris.com

Following the measures put in place during 2020 to ensure effective communication channels between management and the Board during the COVID-19 pandemic, it has been pleasing to see the strength of the relationships that continue to be built, allowing the business to operate effectively, even during times of intense external pressures.

Board and Executive engagement

- **October strategy days** – the Board was pleased to be able to meet face-to-face with the Executive Committee in October with the majority of the Board present in person (with those who had difficulties with travel joining over videoconference). This provided the Board with the opportunity to meet the newest members of the Executive Committee and discuss the Group's strategic direction in depth.
- **Induction programmes for new Non-executive Directors** – the induction programmes for Ravi Gopinath and Alison Henwood have included sessions with each member of the Executive Committee along with other individuals from senior management to begin to build their knowledge of the Spectris Group. In person site visits will be coordinated to the different operating companies as and when safe and possible to do so.

Moving through Reset

All of our businesses have adjusted well to the implications of the pandemic and have embedded the lessons learnt and many of the measures into our daily operations, completing the final reset phases of our crisis management approach.

With the COVID-19 pandemic continuing, measures remain in place to protect and ensure the safety and wellbeing of employees and their families – including work-from-home policies, enhanced cleaning and disinfection processes and where necessary, personal protective equipment, social distancing and split shift working. In some geographies, we have also supported employees with access to vaccination programmes.

Business continuity plans for the Group have been reinforced with dashboards and used to assess the status of each business and how the pandemic and wider macroeconomic environment may continue to impact upon them.

Regular, virtual 'all-hands' calls, introduced last year to ensure open channels of communication, have continued to provide a way for employees to connect and have direct discussion with the Executive. Additional leadership calls have also remained, addressing subjects including strategy, business performance, ethics, leadership development and the operating model.

Consistent with our strategy, the businesses continue to innovate and adapt the ways in which they interact with customers. The Board heard first hand from customers in its meetings as to how this had worked in practice and was pleased to see positive examples of increased digital engagement, virtual training, remote product installation, webinars and online demonstrations.

Presentations and discussions to the Board

During the year, the Executive Committee has coordinated a number of topical presentations and discussions for the Board. Some of these are set out in more detail in the following paragraphs.

In light of the setting of the Group's Net Zero strategy, the Board received a number of updates from the Head of

Sustainability and the Sustainability Steering Group. This provided a way for the Board to hear directly from the people leading the change within our business and provided a framework for how the Board would continue to oversee the Group's sustainability journey. The updates included a dedicated session to discuss the setting of the Net Zero strategy which allowed the Board an early opportunity to engage and provide direction on the work being undertaken. A presentation was given by EcoAct, who have partnered with Spectris to support the creation of this ambition.

In addition, at its meeting in December, the Board received two externally-led presentations. The first, by Bain & Co, provided an overview of a review carried out in coordination with the businesses within the Group to consider the potential impact of sustainability-linked trends that may affect the Spectris business and how these may offer opportunities for growth.

The second presentation was led by Gartner in coordination with the Group Head of HR and focused on the future demands of the workforce. Topics discussed included the ways that working patterns had changed in response to the pandemic, and how generational differences between employees required active engagement by managers to support career development for individuals working flexibly and remotely.

Executive sub-committees

The sub-committees of the Executive continue to play an important role, and cover Health & Safety, Sustainability, the Spectris Business System ('SBS') and Export Controls. These sub-committees support the work of the Executive Committee, create the opportunity for feedback from the businesses and embed the Group's approach in these key areas.

Chairman's introduction

"The Group's stakeholders are integral to the Board's decisions. The Board is committed to ensuring the Group continues to deliver value beyond measure for all stakeholders."

Mark Williamson
Chairman

I am pleased to present the Corporate Governance Report to shareholders for 2021. As the Group and the wider world continues to move through the pandemic, new ways of working have been integrated into our day-to-day operations. Different geographies and time zones are no longer the barriers they once seemed, and in many ways this has offered an opportunity for our people and customers to connect and engage wherever they are. We continue to invest and leverage technology to communicate effectively both internally and externally.

Our focus as a Company during 2021 has been to build upon our 'respond, react and reset' philosophy which successfully guided the Company through the challenges it faced during 2020. As always, the creation of long-term sustainable value for shareholders and other stakeholders is placed at the centre of the Board's work. The objective remains to place the Group in a position of strength and execute our strategy, despite the challenges that are faced.

The Group's stakeholders are integral to the Board's decisions and the Board is committed to ensuring the Group continues to deliver value beyond measure to all stakeholders. Our section 172 statement on pages 76 to 77 sets out some examples of the areas in which we have engaged and considered our stakeholders whilst making decisions, and below I have highlighted some of these examples.

Our shareholders

The Board recognises the importance of its duty to shareholders and that returns from capital invested are a key element to its investment case. During 2021, it was pleasing to note that the strength of the Group's balance sheet has allowed a return to its traditional dividend timing of both an interim and a final dividend. The interim dividend of 23.0p per share was paid in November 2021, and the final dividend proposed for the year ended 31 December 2021 is 48.8 pence per share. Details of the dividend timetable can be found in the financial calendar on page 203.

In addition, as announced alongside the 2020 Full Year results in February 2021, a £200 million share buyback programme provided a further shareholder return during 2021.

Our people

We have continued to place the health, safety and wellbeing of our employees at the centre of the decisions made by both the Board and by management. As the COVID-19 pandemic progressed, ensuring the ongoing protection of our people in the workplace has been critical as the different geographies have moved through varying severities of case levels of COVID-19. During 2021, measures have remained in place to support home and flexible working, limiting travel (both national and international) unless considered safe to do so, supporting safe workplace practices such as social distancing and mask wearing, and continuing to monitor

advice from the World Health Organisation, and relevant regional and national governments and health authorities. The Chief Executive and CFO, along with our Workforce Engagement Director and Group HR Director, have provided the Board with regular updates to ensure that feedback from employees is considered at our Board meetings. This has included general updates on employee engagement, the Diversity Equity Inclusion and Belonging Employee Working Group, Green Teams in each business focused on sustainability and feedback from one-to-one sessions held by the Workforce Engagement Director.

The Board is pleased by the response to the Spectris Values and how they are being embraced by employees across the organisation. Along with the Code of Business Ethics, revised in 2020, the Board is reassured that the Group's culture has a strong foundation on which to build. We continue to use the Spectris Values and Code of Business Ethics to encourage the right behaviour and place the wellbeing of our people at the heart of the organisation.

Despite best efforts, it has not yet been possible for the Board to carry out an in-person site visit since the beginning of the pandemic. We hope to resume these when it is safe to do so.

Our customers

We were pleased to welcome three customers to our Board meetings, virtually. This allowed us the opportunity to hear from customers directly as to how our businesses adapted and supported them. Our businesses have demonstrated their adaptability as they have continued to develop innovative solutions to meet our customer's needs. Despite challenges to balance protecting our people and adapting to new ways of working, we have been pleased that our customers have remained satisfied with the level of service and assistance that we have provided. Some examples of the work the Group has carried out with its customers can be found in the case studies on pages 19 to 43. The Board intends that customers will continue to be invited to Board meetings as this provides a valuable channel of communication for the successes to be celebrated and areas of improvement to be considered in future product and strategic decisions.

Our community

The Group has continued to build on the work it carries out for the communities it impacts, and during 2021, this work has included the setting of the Sustainability Strategy and Net Zero ambitions, and the establishment of the Spectris Foundation. In recognition of World Giving Day, teams across the business volunteered their time to give back to their local communities. More details on our involvement in the communities around us and updates from those leading the implementation of the Group's sustainability strategy can be found throughout our Sustainability Report on pages 54 to 67. The Spectris Foundation provides a standalone vehicle to support our work within communities and will primarily focus on donations to promote Science, Technology, Engineering and Mathematics subjects, as well as a portion of the funds for broader causes. The work that the Foundation has carried out to date is summarised on page 15.

Changes to the Group

There have been four divestments during 2021 – ESG Solutions, NDC Technologies and we also completed the Millbrook and Brüel & Kjær Vibro divestments during 2021. Both of these divestments are in line with the strategy to

simplify and focus the portfolio and were the last of those identified in 2019 as part of the Strategy for Profitable Growth. In addition, the Board was pleased to approve the acquisition of Concurrent Real-Time, which was acquired in July 2021. Further details of this acquisition are set out on page 30.

The Board carefully considered all its stakeholders during these transactions, further details of which can be found in our section 172 statement on pages 76 to 77.

Board changes and succession planning

As I mentioned in last year's report, Martha Wyrsh retired in May 2021 and I thank her for her time on the Board. In addition, Karim Bitar stepped down from the Board with effect from 31 December 2021 and the Board has welcomed two new directors, Ravi Gopinath and Alison Henwood. We continue to develop our succession plans for the medium and long term, more details of which are contained within the Nomination Committee report on pages 81 to 82.

On behalf of the Board, I would like to thank Karim for his contribution during his tenure as a non-executive director and wish him the best in the future.

Director re-election

All current Directors will be standing for election or re-election at the 2022 AGM, and we look forward to the continued support from our shareholders.

I welcome your comments on this Corporate Governance Report and the 2021 Annual Report and Accounts as a whole.

Mark Williamson
Chairman

23 February 2022

Reporting in accordance with the 2018 UK Corporate Governance Code

The 2018 UK Corporate Governance Code (the 'Code') sets out the Company's approach to governance. This table shows where shareholders can evaluate how the Company has applied the principles of the Code and where key content can be found in this report.

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Corporate Governance Code Statement of Compliance

As a UK premium listed company, Spectris plc is expected to comply or explain any non-compliance with the 2018 UK Corporate Governance Code, published by the FRC and available on its website, www.frc.org.uk.

The Board considers that the Company complied fully with the provisions and principles as set out in the Code throughout the year ended 31 December 2021, with the exception of Provision 38. In line with the Code requirements, in instances that are considered not compliant with the provision or principle in the Code, the Company is required to provide an explanation where it has not complied with a provision:

Provision no.	Extract from the Code	Explanation
38	The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce.	Under the 2020 Remuneration Policy, the pension entitlement for new Executive Directors was aligned to the majority of the wider UK workforce, which is currently 6%. Following careful consideration by the Remuneration Committee, it was agreed that an approach would be developed to bring the incumbent Executive Director and senior management pension arrangements in line with the workforce by the end of 2022.

Board activity

Other key areas of focus

Topic	2021 Activities	Stakeholders considered
Strategy	- Received regular updates from the Chief Executive on progress executing the Group's Strategy, including reviews of the market and updates on investor relations - Review of the strategy for the business within China in light of the trade tensions - Dedicated teach-in session on Net Zero in advance of setting the Group's Net Zero ambitions in the context of the sustainability strategy	- Considered the Group's approach to sustainability within its businesses and in the context of its strategy - Reviewed progress against the 2021–24 Financial Plan - Carried out detailed strategy reviews of the businesses within the Group  - People - Shareholders - Community
M&A	- Received updates on the progress made with the divestment strategy and ensured that the Group's stakeholders were considered during the process - Received updates on the ongoing M&A activities and the Group's pipeline of opportunities	- Considered and assessed each of the M&A activities where Board approval was required, including the divestment of NDC Technologies, and the acquisition of Concurrent Real-Time  - People - Customers - Shareholders - Suppliers and partners
Operations and risk	- Received presentations from members of the leadership team on health and safety, cyber security and the ethics and compliance programme - Carried out deep dive reviews of a principal risk at each meeting to ensure continued alignment with the strategy, including cyber risk and the strategic transformation risk	- Annual session to consider the Group's takeover defence approach - Carried out in-depth sessions with each of the businesses to discuss strategic direction and understand the risks and challenges they were facing  - People - Customers - Shareholders
Leadership and people	- Received detailed business updates for each of the companies within the Group - Continued to focus on employee wellbeing - Reviewed the results of employee engagement surveys and continued to develop the role of the Workforce Engagement Director	- Supported management with the development of a Group-wide diversity and inclusion programme - Succession planning for the Board, the Executive and the senior management population  - People - Shareholders
Finance	- Considered and approved the 2022 budget following review of progress against the 2021 budget - Approved the Annual Report, interim results and full/half year results presentation - Considered and approved the Group's going concern and viability statements	- Considered and assessed the efficacy of the Group's capital allocation model - Dividend considerations  - Suppliers and partners - Shareholders - Community
Governance and ethics	- Monitored progress against the evaluation actions from the 2020 internal Board evaluation - Received updates on the Ethics and Compliance programme, including the recent Ethics and Compliance survey, the associated training modules and monitoring tools	- Reviewed and approved the terms of reference for the Board Committees, the Matters Reserved to the Board and Board role profiles - Received updates on ongoing litigation matters, corporate governance and key legal and regulatory topics  - Community - Shareholders - People - Suppliers and partners

Monitoring the Group's culture

Our Purpose and our culture

The Board is committed to maintaining an open and ethical culture at Spectris and believes this is of significant importance to the success of the Group. The Code of Business Ethics and the Spectris Values – Be true, Own it and Aim high – provide the framework within which we expect all employees to operate ethically and with integrity.

Our Purpose is to deliver value beyond measure – going beyond just the measurement. The Spectris Values focus on encouraging the right behaviours to support Our Purpose.

'Be true' is about absolute integrity and how we focus on doing the right things in the right way, speaking up when necessary and showing care and respect for others. This supports our stakeholders, the environment and each other.

'Own it' provides a focus on teamwork, keeping our promises and how we build our brands and businesses.

'Aim high' encourages our people to be bold and positive, striving for greater success. This helps support a culture of continuous improvement, keeping an open mind, and helping others succeed.

Together, the Spectris Values support the commitments we make to customers in Our Purpose to enable them to work faster, smarter and more efficiently, encouraging innovation and creating value for wider society. Our products and expertise equips our customers to manufacture and develop new products to make the world cleaner, healthier and more productive.

A more detailed summary of Our Purpose can be found on page 1.

Culture and the Board

During 2021, the Board has continued to develop the ways in which it considers culture both as a standalone item and as an integral part of the business reviews that are carried out.

A Group-wide engagement survey has been introduced and will support the development of a consistent measure of engagement across the different businesses within the Group.

During 2021, Kjersti Wiklund, as the Board's Workforce Engagement Director, engaged with a number of the businesses HR leaders and colleagues and spent time discussing the importance of embracing individuality in cultures throughout the Group, whilst ensuring that the Spectris Values resonated with all employees. This has been further supported by embedding the Spectris Values within the annual performance reviews, with employees asked to identify how their actions have aligned with these values. This is an important step to reinforce the commitment of everyone living the values day to day and building an open and ethical culture. It also supports the alignment of our culture with Our Purpose.

During 2021, the Board also considered the results from the recent Ethics & Compliance Survey. Overall, the results showed that the Group had a good ethical culture and pleasingly the survey findings demonstrated that there was a low level of ethical pressure on employees. The survey also showed that the launch of the updated Code of Business Ethics reached a high proportion of the Group's employees and that the messages were resonating with the businesses. Some of the areas for future improvement included:

- More regular communications about the ethics and compliance programme, including an annual update to employees about cases dealt with via the Speak Up processes;
- Use of dilemma training to provide all employees with an opportunity to be involved in ethical discussions with their managers and other colleagues;
- Reinforcement of messaging on ethics and the importance of speaking up by the Group's leadership; and
- Development of a training programme to better equip managers to hold ethical discussions and manage ethical dilemmas.

The Board further discussed employee retention, development of the workforce and diversity and inclusion. Metrics are provided to inform the discussion, such as the levels of turnover within the businesses and results from the employee engagement survey. More details on these metrics can be found in the Sustainability Report on page 59. Feedback was also given from the employee engagement survey as to employee experiences of business culture, the progress made to improve diversity and inclusion within the businesses, including minimum requirements for recruitment processes, and the ways in which the Spectris Helpline supported the development of an open and honest culture within the Group.

Reporting from the confidential Spectris Helpline is considered at a detailed annual review through the Audit and Risk Committee, including consideration of the remediation actions taken for reports received through the Helpline.

Key customers have continued to be invited to Board meetings, which provides a valuable and unique insight into the relationships with our customers and how we can continue to meet and adapt to their needs.

Section 172(1) statement

Section 172 statement

The Board of Directors confirm that during the year ended 31 December 2021, it has acted to promote the long-term success of the Company for the benefit of shareholders, whilst having due regard to the matters set out in section 172(1) of the Companies Act 2006, being:

- (a) the likely consequences of any decision in the long term
- (b) the interests of the Company's employees
- (c) the need to foster the Company's business relationships with suppliers, customers and others
- (d) the impact of the Company's operations on the community and the environment
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct
- (f) the need to act fairly between members of the Company

Our stakeholders and material issues

The Board has identified the key stakeholders of Spectris and the areas they are interested in about the Spectris Group:

People



- culture, values, diversity and inclusion, operating in an open and ethical environment, health & safety, progression and personal development opportunities, remuneration and workforce engagement

Customers



- operational strength, ability to meet customer needs, remaining competitive with a strong differentiated value proposition, high-quality instruments and technical expertise and advice, ensuring service levels meet expectations and ensuring that our business practices and supply chain accord with their values.

Suppliers and partners



- ensuring that our supply chain reflects the Group's Values, potential supply chain disruption, competitiveness, financial performance, research and development investment.

Community



- economic and operational impact of Group businesses on local communities, environmental impact of operations (direct and indirect), demonstrate clear and sustainable policies which support our Values and how these are measured.

Shareholders



- financial performance of the Group, capital distributions, our Strategy for Profitable Growth, long-term viability and ensuring that the Group is a sustainable investment proposition.

Building on the Board's understanding of stakeholders

Some of the ways in which the Board continues to develop its understanding of the Group's stakeholders include:

- bringing the voice of stakeholders into the Boardroom through employee engagement surveys, deep dive sessions on the businesses, and customer meetings
- shareholder interactions including regular updates from the Head of Corporate Relations, a return to face-to-face investor meetings, feedback from a dedicated session on the ISD section of the business, regular feedback from the Executive Directors from their interactions with shareholders and non-holders.
- consideration and oversight of the setting of the Group's Net Zero ambitions, implementing the newly adopted sustainability strategy and how to ensure that this is an integral piece of the long-term sustainable success of the Group (the Company's Sustainability Report can be found on pages 54 to 67).
- feedback from the engagement activities carried out by the Workforce Engagement Director
- Employee engagement surveys and the recent Ethics and Compliance survey

Considering stakeholders in our meetings and principal decisions

Some of the key decisions that the Board has made during 2021 and how our stakeholders have been taken into consideration are included below.

• Divestments of businesses

The Board considers the impacts of the divestments on employees, customers and shareholders. Two examples from 2021 are the processes for ESG and NDC Technologies. The preparation for selling both businesses included proactive engagement with local specialist teams to consider the security of employment, service for customers and at a Group level, the impact on shareholder value following divestment. The impact of different possible buyers of the businesses was also considered when carrying out the due diligence for the transaction including considering the cultural fit of the business with the acquiring company. The papers prepared by management covered these topics and the Board challenged and queried approaches in respect of stakeholders during the discussions considering the transactions. The Board concluded that the work carried out helped to balance the views of stakeholders and informed the decision for the best owners for the businesses.

• Acquisition of Concurrent Real-Time

The primary stakeholder groups the Board focused on when considering the acquisition were shareholders and customers. This included discussing and ensuring that the acquisition was aligned with the Group's strategy to make synergistic acquisitions to build value for shareholders. In addition, management provided detail on how the acquisition could meet growing demand from customers for more realistic simulation. Before completion, there was a strong focus on minimising disruption for customers, suppliers and employees. Management provided regular updates to the Board on the acquisition and the ways in which stakeholder interests were taken into account during the planning phase of the transaction, including focused integration planning, tailored communications for employees, customers and other partners to seek to address any potential concerns and to provide the opportunity for questions to be asked. The development of a clear integration plan following the acquisition supported the Board's decision to approve the acquisition as it adequately addressed ways in which to mitigate possible disruption to customers and future employees of the Group.

• Employee wellbeing

The decisions made during the COVID-19 pandemic place the health and wellbeing of our people at the centre of our decision-making processes. As we have moved through the COVID-19 pandemic, we have retained much of the

support set up during the course of last year. This has meant for some employees a continuation of working from home, for others orchestrating a safe return to in-person working. Regular communications have been an integral part of this and the Board has also increased its connections with employees in the Group through a number of virtual, informal discussions held with individual non-executive directors on career development. Regular 'town-hall' style calls are held between the Executive Directors and the leadership community and the broader Head Office population, as well as similar set ups in each of the operating companies. The Board has also heard from business leaders about the wellbeing of employees; action plans to encourage higher employee engagement scores and regular discussion on adequate resourcing within teams. This feedback provides the Board with the right information to balance the needs of our people against our other stakeholders. More on workforce engagement can be found on page 78.

• Establishing the Spectris Foundation

The Board are proud to have established the Spectris Foundation. The Foundation is a standalone UK registered charity with a purpose of supporting education in Science, Technology, Engineering and Maths and will provide the means for Spectris to better connect with the communities in which it operates. It will also provide a means for the Foundation to provide meaningful donations to important causes. In particular when approving the creation of the Foundation, we considered the positive impact this could have on our communities, the ways in which it could help our people get involved in giving back and feeling proud to be a part of the Spectris Group. We considered that this would have a positive impact not only on our people and communities, but also on the overall culture within the Group.

• Customer engagement

The introduction of regular customer sessions held as part of the deep-dives on each of the businesses have ensured that the Board has remained connected with the views of customers throughout the year. As a result, this has meant that the strategic decisions we make during the year can be made in the context of and guided by feedback received during these sessions.

• Shareholder return

The Board understands the importance of its investment case to shareholders (more details of which are set out on page 9). Following a strong performance at the end of 2020 and, despite some market uncertainty as a result of the COVID-19 pandemic, the Board considered and approved a £200m share buyback programme (in addition to the interim and final dividend). We recognise the importance of capital returns to our shareholders and were pleased to be in a position to be able to make this decision. The Board also considered that the buyback would not have an adverse impact on any of its other stakeholders and that it had sufficient cash reserves available for the buyback programme.

• 2021 Annual General Meeting

During 2021, the Company held its first hybrid AGM to better enable shareholders to continue to attend and engage with the Board during a period of continued travel restrictions. Given the restrictions contained within the Company's articles of association, it was not possible for shareholders joining remotely to be able to vote or count towards the quorum of the meeting. Consequently,

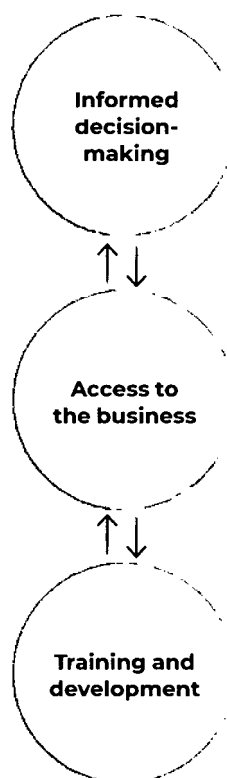
arrangements were made for questions to be submitted in advance of the meeting and have responses posted on the Company website before the proxy voting deadline. At the 2021 AGM, the Company's articles of association were also updated to allow shareholders to form part of the quorum and vote at future hybrid AGM meetings. The Board understands the importance of providing engagement opportunities for shareholders and used this to inform its decision to create better flexibility around future AGM arrangements.

Further information on the ways in which section 172 has become embedded in how the Company operates can be found throughout the report, some of which are indicated below:

s172 Factor	Page reference	Relevant section of the Report
The long term	page 1 pages 16–17 pages 20–21	Our Purpose Strategy for Profitable Growth Business model
Employees	pages 58 page 112 page 78 page 71 page 72 page 27	Sustainability Report – Our People Non-financial reporting table Workforce engagement Moving through Reset Chairman's introduction to governance – Our people Malvern Panalytical – Empowering our people
Business relationships – suppliers and customer	pages 13 page 19, 24, 32, 36, 39, 42 page 72 page 30	Chief Executive's Review Case studies Chairman's introduction to governance – Our customers HBK – Enhancing our offering
Community and environment	page 9 page 60–61 page 63–67 page 71 page 15 page 72 page 35	Chief Executive's Review Sustainability Report – Our Communities Sustainability Report – Our Environmental Impact Presentations and discussions to the Board – Net Zero presentation Spectris Foundation Chairman's introduction to governance – Our community Omega – Building relationships
High standards of business conduct	page 62 page 75 page 87	Sustainability Report – Our Approach Monitoring the Group's Culture Audit and Risk Committee Report – Ethics & Compliance
Shareholders	page 9 page 72 page 11 page 41	Investment case Chairman's introduction to governance – Our shareholders Dividend decision ISD – Providing our shareholders with greater insight

Board effectiveness

The effectiveness of the Board is monitored through annual Board evaluation



Informed decision-making

The Chairman is supported by the General Counsel and Company Secretary in ensuring the dissemination of accurate, timely and clear information to the Board, allowing it to function effectively and efficiently. The General Counsel and Company Secretary is responsible for ensuring compliance with appropriate laws and regulations and is available to support all of the Directors. Directors may solicit independent, professional advice at the Company's expense where specific expertise may be required to effectively discharge their duties.

Access to the business

The Board undertakes a deep-dive review with the leadership of each of the businesses at least annually. Instead of the usual on-site visits during 2021, which were not possible due to the various travel restrictions in place, the Board met remotely with various management teams. The strategy review was held in person in October and the Board also

considered the Group's global strategic initiatives. Our Workforce Engagement Director has provided an important informal link to the wider business and the Board as a whole and more details on this work can be found below. Remote engagement has remained an effective way for the Board to remain connected to the business and will continue to form part of its engagement activities.

Training and development

New Directors receive a formal, tailored and comprehensive induction programme on joining the Board and further training and development needs are reviewed by the Chairman and agreed at least annually. Detailed technical updates in relation to corporate governance and other legal and regulatory topics from internal and external specialists also form part of the Board papers. External speakers are regularly invited to present to the Board on a variety of emerging topics.

Annual Board effectiveness review

Board effectiveness review

As set out in the 2020 Annual Report, the Board commenced an internally-conducted annual effectiveness review at the end of 2020. This review concluded in early 2021 and the Board has spent time considering the responses received and developing a comprehensive action plan to address these outcomes. Further details on the process the Board and its Committees went through, as well as some of the areas of focus for 2022 are set out on page 79.

Workforce engagement activities

Kjersti Wiklund has been the Workforce Engagement Director since 2019 and plays an integral role in maintaining the links between the workforce and the Board.

The Board values highly the role of the Workforce Engagement Director and is pleased with how it has improved communication between the Board and workforce since its introduction. The schedule for 2021 activity has been limited to remote sessions due to the continued challenges with travelling as a result of the COVID-19 pandemic and the Board remains confident that this engagement continues to be effective.

Kjersti Wiklund has met regularly with Andrew Harvey, Group Head of HR, and other key points of contact from the HR community around the Group. Other sessions that have been held between the Workforce Engagement Director and colleagues across the Group and the topics that have been discussed can be found on page 82 of the Nomination Committee Report.

During 2022, the engagement activities will be focused on:

- Site visits with the Group Head of HR when travel is possible, starting with the UK based sites;
- Continuing the series of interactive discussions between the Non-executive Directors on pertinent topics such as IT and Cyber, strategy and a session on HR Leadership.

The feedback from sessions conducted during 2021 have been positive and it is intended that the channels of communication between the Board and the workforce will continue to be broadened and provide further understanding for the Board of employee interests and better inform its decision-making processes.

Board evaluation

Our 2020 internal evaluation process and outcomes

1. Scope of evaluation

In December 2020, the Board and its Committees carried out an internal effectiveness review, which built on the outcomes from the externally facilitated review in 2019. The evaluation took into consideration the Board as a whole and its Committees.

2. The evaluation process

The process involved questionnaires being completed by individual Board members in respect of the topics covered in meetings, meeting arrangements, the quality of discussions and exposure to management. Individual evaluations were also carried out by the Chairman and Senior Independent Director for each of the Non-executive Directors, and the Chairman's performance was reviewed by the Non-executive Directors and led by the Senior Independent Director.

3. Responses analysed

The responses from the evaluation process were reviewed and considered by the Board at its meeting in February 2021. The outcomes were discussed and used to develop an action plan for the areas that were identified as needing further exploration or development

4. Findings and recommendations

It was concluded by the Board, that based on the findings of the evaluation process, the Board, its Committees, the Chairman and the other Directors continued to operate effectively. Areas that were identified for future focus and built into the Board's forward agenda are set out in more detail below.

2020 Recommendations and 2021 action plan

The responses from the internally conducted evaluation were used by the Board to develop an action plan to address during 2021. Three key areas that were identified included:

- Risk appetite and cumulative risk to be given greater focus with an increased understanding of the Group's principal risks and how these were managed;
- Workforce engagement, including access to management below Board level and meeting with key employees should continue to be developed; and
- The composition of the Board would benefit from a detailed review of skills and capabilities, including increasing the Board's experience (either through training or new appointments) of the Asia Pacific markets, industrial manufacturing and research and development experience.

The action plan set out specific actions to address these topics throughout the forward agenda and was approved by the Board at its meeting in February 2021.

Examples of the ways in which the Board addressed some of these actions from the evaluation are set out below.

- **Risk appetite, cumulative risk and increased focus on the Group's principal risks**
Built in regular updates to the Audit and Risk Committee to include time to engage with the platform audit and risk committees; included specific topical deep-dive discussions on each of the Group's Principal Risks within the Forward Agenda for the Board.
- **Workforce engagement**
Set up meetings between the Workforce Engagement Director and key members of the business below Board level and senior management; arranged for Q&A and informal fireside discussions to be held with Board members and the workforce. The programme of engagement with the workforce continues to be carefully and thoughtfully put together, and some in-person site visits are intended to be carried out during 2022 to areas of the business that it has not been possible to visit during the pandemic.
- **Board composition and training**
A detailed training programme was set up and approved by the Board for the directors, including sessions on the Group's Net Zero ambitions, externally conducted sessions on the Market Abuse Regulation, the Company's takeover defence strategy and a session on the Future Demands of the Workforce. In addition, a detailed review of the Board's composition was carried out in advance of the two new appointments made during 2021, and a further review in December 2021 in order to better facilitate succession planning for the medium and longer term.

2021 evaluation process

The 2021 evaluation process commenced in October 2021 and has been internally conducted. The evaluation has involved the Board and its Committees completing questionnaires in respect of their effectiveness during the year.

The outcomes and responses were collated and discussed by the Board at its meetings in January and February 2022, and it was concluded that the Board and its Committees continue to operate effectively. The Senior Independent Director once again led the Non-executive Directors in review of the performance of the Chairman. Some of the key areas identified for improvement during 2022 are set out below.

Any actions outstanding from the 2021 evaluation will be considered at future Board meetings to ensure that progress against the comments made remains on track.

Actions for 2022

- Recommence site visits (when it is safe to do so)
- Prioritise the agenda to allow for focused time on key topics
- Further utilise the WED to achieve broader access to the workforce and support the Board's monitoring of culture
- Continue the focus on risk management within the Board's forward planner

Board composition

As at 31 December 2021, the Board comprised six Non-executive Directors in addition to the Chairman and two Executive Directors. Karim Bitar resigned with effect from 31 December 2021 so is not included in this total or in the graphics shown below. The tenure of each of the Directors is set out in the graphic below, as well as some information on the gender and nationality split of the Board.

Board changes

Martha Wyrsh retired from the Board with effect from 14 May 2021. Karim Bitar stepped down from the Board with effect from 31 December 2021 and will not stand for re-election at the 2022 AGM. Ravi Gopinath (appointed 1 June 2021) and Alison Henwood (appointed 1 September 2021) will both stand for election for the first time at the 2022 AGM. The Nomination Committee Report on pages 81 to 82 sets out details of the process for the new appointments and the succession planning process that has been undertaken during 2021.

Director election and re-election

In considering the recommendation of the election and re-election of Directors, the Nomination Committee considered a number of factors. These included:

- the results of the individual evaluation process;
- the tenure and independence of each of the Directors; and
- the other external appointments held by the Directors.

Any potential conflicts of interest were also considered. This review allowed the Board to consider any circumstances that are likely to, or could, impair a Non-executive Director's independence. With the support of the Nomination Committee's recommendation the Board has concluded that all Non-executive Directors being recommended for election and re-election are considered to be independent.

External appointments and time commitments

External directorships and conflicts of interest are declared by Directors on appointment and are reviewed at least annually by the Nomination Committee. Any external appointments are considered and approved by the Board following careful consideration of the impact on the individual Director's ability to meet the necessary time commitments. Conflicts of interest are recorded and

reviewed and evidence any situational or transactional conflicts, as well as each Director's shareholding in the Company. This helps to ensure that the judgement of the Board remains uncompromised and independent.

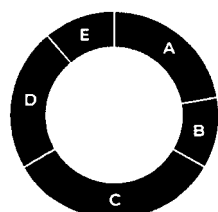
The Board considers all Directors have sufficient time to meet their Board responsibilities. Details of the Directors external appointments are included in their biographies on pages 68 to 69.

Diversity

The Board's Diversity and Inclusion Policy was reviewed in December 2021 and sets out the Board's commitment to further promoting diversity and inclusiveness of all kinds both at Board level and throughout the Group. The policy can be found in full on the website: www.spectris.com. Work has continued to improve diversity at senior management levels and significant progress has been made in 2021. The Executive Committee reached 30% women during 2020, and has remained consistent at this level during 2021, and is comprised of individuals with a broad range of nationalities and experience. Below the Board and senior management level, the businesses have also continued to make progress in their diversity and inclusion initiatives. Consequently, the percentage of female employees has increased in the majority of the businesses, including at middle management level. The Board will continue to be updated by the Group Head of HR during 2022 on progress made in this area.

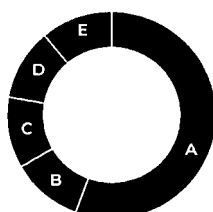
During 2021, the Board also carefully considered its own approach to the promotion of diversity in respect of its composition. The Board is pleased to confirm that during 2021, following a temporary reduction after Martha's retirement, female representation on the Board is once again at 33% and the Board also meets the requirements of the Parker Review on ethnic diversity. The Board renews its commitment to ensure that diversity in the broadest sense is a central consideration of future appointments, and that the levels of representation, as recommended by the Hampton-Alexander and Parker Reviews will be maintained, whilst also ensuring that the Board has a broad range of skills and capabilities.

Overboarding scores^{1,2}



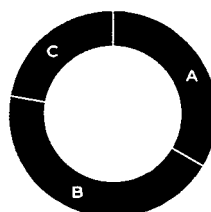
A	1 mandates	2
B	2 mandates	1
C	3 mandates	3
D	4 mandates	2
E	5 mandates	1

Nationality of Directors¹



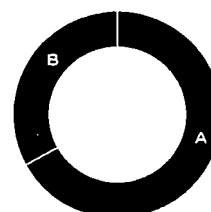
A	British	5
B	American	1
C	German	1
D	Norwegian	1
E	Singaporean	1

Board tenure¹



A	1-3 years	3
B	3-6 years	4
C	6 years +	2

Gender (%)¹



A	Male	67%
B	Female	33%

¹ As at 1 January 2022.

² Based on the 2021 ISS Guidance, which classifies any person with more than five mandates at a listed company as being overboarded. A non-executive directorship counts as one mandate, a non-executive chairmanship counts as two mandates and a position as executive director (or comparable role) counts as three mandates.

Nomination Committee Report

During 2021, the Committee held three meetings, the attendance of which can be found on page 70. The work of the Nomination Committee has been focused on the Board's composition and any areas for further development of skills and competencies in light of the Board changes that have taken place. This has included implementing its succession plan following Martha Wyrsh's departure at the AGM in May 2021 at the end of her nine-year tenure. The Committee spent considerable time reviewing the skills and capabilities matrix and identifying areas of focus for the strategies of future Non-executive Director recruitment. Consequently, the Committee recommended the appointment of Dr Ravi Gopinath to the Board in June 2021, and of Ms Alison Henwood to the Board in September 2021. Full details of the search process can be found at the end of this page and on page 82.

In addition to the recruitment processes undertaken during 2021, the Committee has also spent time considering the composition of the Board into 2022 and beyond. More details on the factors the Committee has taken into account in these discussions is included in the activities section below.

In respect of the wider succession planning for the Executive and senior management, the Committee continues to receive annual updates from the Group HR Director. Good progress has also been made to develop the skills of the leadership community within the Group, including planning for the launch of the first Spectris Leadership Development Programme, Ascend. The Committee is pleased with the progress being made in respect of leadership development across the Group and is committed to continuing to support the activities being carried out in this area.

Diversity and inclusion remains a core focus for the Committee and the Group as a whole and continues to be a central consideration. We will continue to emphasise the value of inclusivity at all levels of the organisation as we recognise the importance it has to our colleagues, the business and society as a whole.

Mark Williamson
Chairman of the Nomination Committee
23 February 2022

Role of the Committee

The Committee leads the process for Board appointments and makes recommendations to the Board in this regard. In fulfilling this role, the Committee evaluates the balance of skills, experience, independence and knowledge on the Board. The Board values diversity and considers the importance of diversity, in all its forms, when recruiting new Board members. More information on the work being carried out across the Group in respect of diversity and inclusion can be found on page 58 to 59. The gender balance of those on the Executive and in senior management roles is set out on page 59.

The key responsibilities of the Committee are:

- reviewing the size, structure and composition of the Board;
- identifying and nominating and recommending to the Board candidates to be appointed as Directors;
- reviewing and refreshing the membership of Board Committees;

- undertaking succession planning for the Chairman, Executive Directors and senior management;
- carrying out the annual review of the independence of Directors;
- assessing whether Directors are able to commit enough time to discharge their responsibilities; and
- reviewing the induction and training needs of Directors.

Full terms of reference for the Committee can be found at www.spectris.com.

The Committee's performance was assessed as part of the Board's internally-conducted annual effectiveness review and is considered to be operating effectively. Further details on the evaluation process are set out on page 79.

Membership and attendees

Throughout 2021, all Non-executive Directors, whilst in office, were members of the Committee. Regular attendees at the meetings also include the Chief Executive and the Group HR Director. Other attendees join for topical discussions. The biographies of the members of the Committee can be found on pages 68 to 69, and attendance at Committee meetings on page 70.

Activities of the Committee during 2021

During the year, the Committee's key activities included:

- the conclusion of the search and selection process for a new Non-executive Director, Ravi Gopinath and the commencement and conclusion of the search and selection process for the appointment of a further Non-executive Director, Alison Henwood;
- consideration of the feedback following the SID's review of the Chairman as part of the annual evaluation process;
- a deep dive into talent risk within the organisation, including an executive planning session and the talent strategy and priorities being implemented by the Group HR Director;
- an in-depth session on the results from the Employee Engagement survey;
- consideration of workforce challenges in different jurisdictions in which the Group operates;
- a detailed update on diversity and inclusion initiatives;
- regular updates from the Workforce Engagement Director;
- considering the independence of each Non-executive Director and their time commitments;
- the annual review of the Board's Skills and Capabilities Matrix; and
- developing a 2021 training programme for the Non-executive Directors.

NED Recruitment and succession planning

As part of the development of the Board's succession pipeline, the Committee played an integral role in the recruitment of Ravi Gopinath and Alison Henwood. The search for the first new Non-executive Director was initiated in preparation for Martha's retirement at the AGM in May 2021. In preparing for this Board change, the Committee considered the skills and capabilities of the Board following Martha's departure and used these to make an informed and detailed role specification to guide the external recruitment agency, the Lygon Group, in putting together a long-list of candidates. The Board's Diversity and Inclusion policy was also carefully considered and in line with the UK Corporate Governance Code. In addition to merit and

Nomination Committee Report continued

objective criteria, the Committee was clear that the agency should also ensure that the selection process promoted diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths of the individuals selected.

The Committee considered the long list of candidates and from this selection, established its short list for further interview. This included consideration to the areas of further skills and capabilities that the Committee had identified could be beneficial to the Board's knowledge and experience. Following a rigorous and extensive interview process, the Committee recommended Ravi's appointment to the Board for approval. The process concluded with Ravi's appointment on 01 June 2021.

Following further review of the tenure of existing Board members, and in light of developing a diverse pipeline of directors on the Board, it was also identified that the Board would also benefit from appointing a further Non-executive Director with sound financial experience. This formed the basis for the brief to the Lygon Group, as well as the same request to ensure that the pool of candidates remained as diverse as possible. After conducting a similar process as the first search, the Committee identified and recommended Alison Henwood for appointment to the Board. The process concluded with Alison's appointment on 01 September 2021.

In line with the requirements of the UK Corporate Governance Code, the Committee can confirm that the Lygon Group was the external search consultancy engaged for the appointments mentioned above and that there is no further connection between the consultancy and the company or individual directors.

The Committee feels that the Board's overall composition has a broad range of skills and experience, with a variety of different lengths of tenures which will provide a good basis for any short-term succession challenges. The medium-term planning continues as part of the Committee's regular agenda, including the annual review of the skills and capabilities matrix (which not only informs the appointment process, but also the training and development programme for the Board). In respect of the longer-term Board composition, as Board members progress through their tenure, the Committee continues to consider their independence, the role they play within the Boardroom and how it may need to plan for the departure of directors. This includes having clear succession pipelines for the key roles on the Board, as well as the executive director positions.

Workforce engagement

The Committee has continued to receive regular updates from Kjersti Wiklund as the Workforce Engagement Director on the work that was carried out during 2021. Although it had been hoped that more in-person meetings would have been possible, the ongoing restrictions in place due to the COVID-19 pandemic meant that the majority of these meetings continued to be held over videoconference. In addition to continuing the regular discussions with the Group HR Director that had been put in place during the pandemic to discuss employee welfare, the following remote meetings were also held:

Business contact	Topics discussed
Vice President of Marketing, Malvern Panalytical	- How the business was embedding the Spectris Business Systems, notably the tools of Lean into branding - The focus of the team on empowerment and building a positive culture within the business, which had provided a solid basis for a strong culture-building training programme
Chief Human Resources Officer, HBK	- The increase in employees embracing empowerment and ownership as part of their roles - The engagement of the workforce in focusing on ways to improve areas requiring further investment within the business
Chief Human Resources Officer, Omega and Senior Manager of Global Talent, Omega	- Valuable feedback into the positive changes to the Omega leadership team and development of its strategic direction - Employment challenges within certain geographies and the successful changes the business had made to improve its recruitment processes in response to increasingly competitive offers from other companies

In addition to these one-on-one discussions with the business, there have also been some broader topic based fireside discussions, with members of the Board and the Executive. These sessions were streamed over Microsoft Teams and included the opportunity for the workforce to ask questions of the presenters.

The first of these was held on International Women in Engineering Day in June 2021, between Cathy Turner, Kjersti Wiklund and Mary Beth Siddons. The discussion covered a variety of topics in respect of the presenters individual career paths, particular challenges they had faced and advice that they might give to their younger selves.

The second was held between the Group General Counsel and Martha Wyrsh and was centred around Martha's broad experience as a general counsel in a number of large, international organisations.

It is intended that this format of discussion will continue to be arranged with members of the Board on pertinent topics. It provides an invaluable opportunity for the workforce to have greater exposure to Board members and to benefit from their knowledge and experience in a range of topics. The specific engagement plan for the Workforce Engagement Director will also incorporate sessions where other members of the Board will be invited to meet with representatives from the business.

2022 Committee focus

During 2022, in addition to its routine responsibilities, the Committee will focus on:

- outcomes from the Group organisational capability and talent review, along with analytics, trends across the Group and developing talent internally;
- supporting management with the implementation of the leadership programme and further work on diversity and inclusion as needed;
- future development and training programmes for the Board; and
- Board diversity and succession planning with a particular focus on the medium-term, including the tenure of the longer-serving Directors.

Audit and Risk Committee Report

"During the year, the Committee has continued to support the Board in key matters relating to financial reporting, internal controls and risk management, as well as being focused on preparations for the significant changes in the audit environment, embedding the new internal co-source arrangement and the upcoming increased reporting to comply with the Task Force on Climate-related Financial Disclosures."

I am pleased to present the Audit and Risk Committee report to shareholders, which sets out the key activities of the Committee throughout 2021. During the year, the Committee has continued to support the Board in key matters relating to financial reporting, internal controls and risk management, as well as being focused on preparations for potential changes in the audit and corporate governance environment, embedding the new internal co-source arrangement and the upcoming increased reporting to comply or explain with the Task Force on Climate-related Financial Disclosures ('TCFD').

In line with its terms of reference, a good proportion of the Committee's time was spent on assessing the integrity of the Group's financial reporting processes, assessing the effectiveness of processes and systems for monitoring controls effectiveness, assessing the quality and effectiveness of both internal and external audit, and supporting management with the integration of a co-source arrangement for internal audit.

Certain practices, introduced out of necessity in response to the pandemic, have remained in place due to the effectiveness and flexibility that they introduced. This has included carrying out remote audit work offering increased flexibility and building in additional use of IT systems and technology. More detail on this is contained within the respective internal and external audit sections of this report.

The Committee was able to largely meet in person at its December meeting and this offered a good opportunity for a face-to-face discussion with the new Head of Risk and Control who, along with support from PwC, is leading the work in preparing for the outcome of the consultation by the Department for Business, Energy & Industrial Strategy (the 'BEIS Consultation') on audit and corporate governance reform. In addition, as part of building the Board's knowledge of the Group's principal risks, dedicated deep-dive sessions have been introduced at Board meetings, starting with Cyber Risk, and followed by Strategic Transformation Risk.

I have continued to meet regularly with members of the Deloitte team as our external auditor, the internal audit team and PwC, as well as regular updates with the CFO on accounting judgements and issues, risk and internal controls, and the progress against the internal audit plans. The Committee will continue to support management and the Board with the impact from the ongoing consultations on reform to governance and audit and the enhanced internal controls regimes, as well as receiving assurance from Deloitte around the Company's reporting for TCFD.

Bill Seeger
Chairman of the Audit and Risk Committee
23 February 2022

Role of the Committee

The Committee supports the Board in fulfilling its responsibilities in respect of:

- overseeing the Company's financial and narrative reporting processes, including advising the Board where required on the fair, balanced and understandable assessment of the information provided;
- reviewing, challenging and approving significant accounting judgements proposed by management;
- reviewing and monitoring the way in which management ensures and oversees the adequacy of financial, risk management and internal controls;
- the appointment, remuneration, independence and performance of the Group's external auditor; and
- the independence and performance of internal audit.

Regular reports are provided to the Board on the work carried out by the Committee in accordance with its terms of reference. These reports cover how significant issues are addressed and these are described in detail on page 85 to 86 of this report.

As part of the preparation for the year ahead, the Committee's annual calendar of activities is reviewed and refreshed to ensure that the relevant and significant areas of risk management are adequately addressed and that sufficient time is incorporated to allow consideration of regulatory developments and emerging best practice. The Committee's terms of reference are also reviewed annually to ensure they remain accurate and effective. The terms of reference for the Committee can be found at www.spectris.com

Membership and attendees

In line with the requirements of the Code, during 2021 the Committee was comprised solely of independent Non-executive Directors: Bill Seeger, Martha Wyrsh (a member until 14 May 2021), Kjersti Wiklund, Ulf Quellmann, and Alison Henwood (appointed from 1 September 2021). Bill Seeger is determined by the Committee to have 'recent and relevant financial experience' as required by the Code. In addition, following her appointment, Alison Henwood, a chartered management accountant, is also determined to have 'recent and relevant financial experience'. All members of the Committee are considered to have competencies that the Board deems relevant to the sectors in which the Company operates.

Attendees at meetings normally include:

- the Chairman
- the Chief Executive
- the Chief Financial Officer
- the Head of Internal Audit
- the Head of Risk and Control
- the General Counsel and Company Secretary and
- representatives from Deloitte as the external auditor.

The Committee retains time around each meeting to meet separately without management present and invites the Head of Internal Audit and representatives from Deloitte to attend for part of this session.

The biographies of the current members of the Committee can be found on pages 68 to 69, and attendance at Committee meetings on page 70. Martha Wyrsh's biography can be found in the 2020 Annual Report.

Audit and Risk Committee Report continued

Audit Committee meetings

During 2021, the Committee has held three formal meetings. Two of these meetings were held over videoconference due to continuing difficulties with overseas travel. The third was able to be held as a hybrid meeting with most members attending in person. The Committee has continued to operate effectively both remotely and in person, and as was introduced last year, informal discussions on key topics are also held outside of meetings where required.

Significant matters considered during the year

The UK Corporate Governance Code requires, on a comply or explain basis, the Committee to report on the significant matters considered during the year. In 2021, the Committee considers that the most important matters were:

- Supporting preparations for the potential changes contained within the BEIS Consultation document, including receiving updates from management and Deloitte as the external auditor, reviewing the findings of the controls maturity assessment carried out by PwC and reviewing the action plan and roadmap to enhance the Group's controls maturity;
- Consideration and decisions around the accounting for various disposals within the business, including the completion of Millbrook, Bruel & Kjaer Vibro, ESG and part of Concept Life Sciences; in the second half of the year, the Committee further considered the proposed accounting treatment for the NDC Technologies disposal;
- Consideration and decisions around the accounting for the acquisition of Concurrent Real-Time and IAS 38 (Software as a Service);
- Considering the Group's approach to the quantification and management of the risks and opportunities relating to climate change in accordance with the TCFD framework; and
- Providing assurance to the Board regarding the ways in which the Group continued to develop its response to increased cyber risks and strengthen its IT control environment, including a deep dive session on cyber risks and regular updates from management and the external auditor.

Annual performance evaluation

The Committee's performance was assessed internally and led by the Committee Chairman. This review formed part of the wider internal Board evaluation process, led by the Chairman. Following this review and the feedback received, the Committee considered that the financial reporting environment was satisfactory, and the oversight of internal and external audit was appropriate. In response to feedback received regarding increased insight into the Group's principal risks, dedicated deep dive sessions had been introduced for the Board as a whole to allow for focused consideration of these risks. The Committee considered it had operated effectively during the year. More details on the overall Board evaluation process can be found on page 79.

Activities of the Committee during 2021

The Committee has an annual forward agenda developed from its terms of reference. Standing items are considered at each meeting, in addition to any specific matters arising, and topical business or financial items on which the Committee has chosen to focus. The work of the Committee in 2021 principally fell into four main areas:

- **Accounting, tax and financial reporting;**
- **Risk management and internal controls;**
- **Internal audit; and**
- **External audit.**

These topics are often considered in conjunction with each other given the importance of each element operating cohesively. For clarity of reporting, details of the Committee's involvement in each of these areas is set out separately below.

Accounting, tax and financial reporting

The Committee plays an integral role in providing assurance to the Board around the integrity of the half-year and annual Financial Statements and the associated significant financial reporting judgements, estimates and disclosures. During 2021, as part of its review of the half-year and annual financial statements, the Committee has:

- considered the liquidity risk and the basis for preparing the half-year and annual Financial Statements on a going concern basis, and reviewed the related disclosures in the Annual Report and Accounts, the provisions of the Code regarding going concern and viability statements and reviewing best practice and investor comment;
- reviewed the areas of key judgements such as revenue recognition, the Vendor Loan Note and Eurazeo investment (as part of the consideration for the sale of Millbrook), and other acquisitions and disposals;
- reviewed updates on the IAS 38 accounting standard on accounting for Software as a Service;
- reviewed the overall drafting and review processes to assure the integrity of the Annual Report and Accounts;
- reviewed the management representation letter to Deloitte as the external auditor and the findings and opinions of the external auditor;
- considered the process designed to ensure Deloitte is aware of all 'relevant audit information', as required by Sections 418 and 419 of the Companies Act 2006; and
- assessed the disclosures in the reports in relation to internal controls and the work of the Committee.

The Committee also carries out a regular review of the Group's ongoing litigation matters and associated provisions.

Following its review and consideration of these key areas, and procedures to ensure that the Annual Report and Accounts complied with relevant legal and regulatory requirements, the Committee was subsequently able to recommend to the Board that the information presented in the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable and contains all relevant information necessary for shareholders to assess the Company's position, performance, business model and strategy and the processes undertaken to support the disclosure of that information.

Key areas of focus in relation to the Financial Statements

The Committee has reviewed the key judgements applied to the following significant issues in the preparation of the Financial Statements. The table below sets out the issue, its significance, how the Committee considered it and any comments and conclusions reached.

IAS 38 IFRIC Update – Accounting for Software as a Service

Issues and significance

In response to a publication issued by the IFRS Interpretations Committee ('IFRIC') in April 2021, clarifying how arrangements in respect of a specific part of cloud technology, Software-as-a-Service ('SaaS') should be accounted for, the Group has made changes to the accounting policy, resulting in an amendment to the closing balance sheet as at 31 December 2019, predominantly affecting Reserves. This has been disclosed in Note 1 of the 2021 Annual Report.

In 2022 and beyond, it is expected that the clarification by IFRIC will produce several material one-off projects that would be treated under a (new) APM as expensed below Adjusted Operating profit.

The role of the Committee

The Committee received and considered detailed reports on the topic from management and from Deloitte.

The Committee discussed the revised approach and presentation in the 2021 Annual Report and Accounts and considered the accounting treatment for future periods.

Comments and conclusions

The Committee concluded that the proposed treatment was appropriate and provided a fair and balanced explanation of the underlying performance of the Group.

Alternative performance measures ('APMs')

Issues and significance

The Group has also given more prominence to statutory measures and revisited the presentation of APMs to continue to ensure that the Annual Report remains fair, balanced and understandable for shareholders. Several of these changes were made at the Half Year and shall be presented for the first time in the 2021 Annual Report and Accounts. A new definition has been added to the APMs in the 2021 Annual Report in respect of SaaS (consistent with the above) and refinements have been made to the definition of existing APMs.

The role of the Committee

The Committee received and considered the proposed APMs, including whether the additions were considered absolutely necessary. The context of the latest advice from the Financial Reporting Council on the inclusion of additional APMs, as well as discussion with Deloitte as external auditor, also formed part of the discussion.

Comments and conclusions

The Committee considered the revisions and concluded the new APM was necessary.

Estimation, uncertainty and judgement

Issues and significance

During the year, the Committee received reports and recommendations from management to consider the significant accounting issues, estimates and judgements applicable to the Group's Financial Statements and disclosures.

The key risks of estimation disclosed in the Group's 2021 Financial Statements are largely in relation to the assumptions applied in the calculation of retirement benefit plan liabilities (Note 19).

The critical accounting judgement discussed in the Group's 2021 Financial Statements is the classification and presentation of items as restructuring costs. Further details are set out in Note 1.

The role of the Committee

The Committee received confirmation from management that they were not aware of any material or immaterial misstatements made intentionally to achieve a particular presentation.

The Committee reviewed presentations by management and questioned Deloitte to understand whether the external auditor had, to the Committee's satisfaction, fulfilled its responsibilities with diligence and professional scepticism and in a sufficiently robust manner.

Comments and conclusions

Following detailed review, challenging the presentations and reports from management and where necessary, consulting with the external auditor, the Committee is satisfied that the Financial Statements appropriately address critical judgements and key estimates (both in respect of the amounts reported and the disclosures).

Audit and Risk Committee Report continued

Key areas of focus in relation to the Financial Statements

M&A Activity

Issues and significance

The accounting treatment in relation to the disposals of Millbrook, Brüel & Kjær Vibro and ESG were addressed at the Half Year review. During the second half of 2021, the Group has disposed of NDC Technologies (with a completion date of 1 November), has acquired Concurrent Real-Time, and has participated in a technology agreement with the HBK business known as 'Project Viper'. The accounting implications of all the above were presented for review.

The role of the Committee

The Committee reviewed the papers provided to the Board and considered the relevant accounting judgements for the transactions in question. Reports and discussions were also had with Deloitte.

Comments and conclusions

Following the Committee's review of the accounting treatments proposed by management for the acquisitions and disposals that took place within the year, the Committee was satisfied that the treatments used were appropriate for each transaction.

Principal Risks and Uncertainties

Issues and significance

During 2021, management re-assessed the appropriateness of the Group's existing Principal Risks and considered any additional or emerging risks that might need to be included. This reassessment resulted in the proposal to add Climate Change Risk as a Group Principal Risk.

The role of the Committee

The Committee reviewed this process during its December 2021 and February 2022 meetings and considered the appropriate disclosure for the Principal Risks and Uncertainties section and Viability Statement within the Annual Report.

Comments and conclusions

The Committee endorsed the revised assessment of the Group's Principal Risks, including the addition of Climate Change as a Group Principal Risk, and the respective scenarios (including climate change) considered in the preparation of the Viability Statement.

Going Concern

Issues and significance

Management presented the Committee with an updated calculation of going concern. This included revised forecasts including using the 9+3 forecast for 2021, the 2022 Budget, and the 2021 strategic plan which looked forward to 2024.

The role of the Committee

The Committee reviewed the paper received from management and challenged the assumptions made by management in their assessment.

The views of the external auditor were also sought to provide context and further challenge to the assumptions in the paper.

Comments and conclusions

The Committee concluded given the cash profile and strength of the financial forecast that the position of the Group remained strong and that the financial statements could continue to be prepared on a going concern basis.

Risk management and internal controls

Internal control and risk management systems

To assist the Board with its responsibilities to effectively determine the nature and extent of the Group's significant risks, the Committee carries out a robust annual assessment of the principal risks and uncertainties facing the Group. The Board remains ultimately responsible for monitoring the risk management and internal controls systems which mitigate potential impacts on shareholder investments and the Company's assets, and for reviewing the effectiveness of those systems. Before reporting its findings and recommendations to the Board, the Committee:

- evaluates and challenges the results and recommendations of audits undertaken by the internal audit team and the external auditor;
- considers the level of alignment between the Company's principal risks and internal audit programme;
- reviews reports received on significant control issues to the Group and considers and challenges as necessary the adequacy of management's response to any matters raised;
- appraises the Group's response to information security and data protection risks;
- considers the Group's ethics programme and the anti-bribery and corruption programme;
- considers common control themes identified throughout the business (such as climate change), and where themes are identified, ensures that subsequent action has been taken to minimise the risk;
- assesses the Group's responsibilities relating to regulated exposures of the Group;
- reviews the annual Audit and Risk Committee agenda;
- has oversight of the governance and risk management framework, including a definition of risk appetite by risk category and principal risk, put in place throughout the Group; and
- considers key emerging risks and management's approach to the ongoing oversight and management of those risks.

Following the adaptations made to the internal control and risk management processes in 2020 in response to the COVID-19 pandemic, the Committee was pleased with the outcomes and continued to adopt these approaches during 2021. Regular meetings were held between the Head of Internal Audit and the Audit and Risk Committee Chairman, who also held discussions with the newly appointed Head of Risk and Control.

Preparation for changes in audit and governance reform
There has been significant amount of preparation in respect of the proposals in the BEIS Consultation regarding a strengthened internal controls reporting framework. Whilst the outcome of the BEIS Consultation and any timeline for proposed reforms is not yet definitive, activities so far have included:

- maturity assessment of five key areas carried out by PwC through the co-source arrangement, and assisting the Group with development of a framework to implement any identified improvements;
- regular updates to the Committee, including the proposed updates to the IT systems landscapes, including ways to better identify interfaces and automation and the establishment of a single repository to detail all systems in use across the Group;

- appointment of a dedicated Head of Risk and Control and a Head of Internal Control; and
- regular informal discussions with external subject matter experts to satisfy the Group and Committee that a proportionate and balanced approach is being taken.

The Committee will continue to receive regular updates and engage closely with management on any changes that might benefit the Group's existing approach to internal controls and to ensure compliance with legislation and best practice as they are updated.

Throughout the year, the Committee has monitored the Group's internal control and risk management systems and at its February meeting, specifically reviewed the effectiveness of these. Through the review activities in the current year, which has included input from PwC, the Group's Internal Audit function and the Head of Risk, a roadmap has been developed to further enhance Spectris' internal control environment in line with the expected requirements from the whitepaper relating to restoring trust in audit and corporate governance. Key areas of focus for 2022 include utilising the results of controls self-assessment questionnaires to define the scope of the programme of work and the completion of process pilots in order to establish the right approach and output for future phases. The ongoing work to further enhance internal controls will lead to better assurance, efficiencies through opportunities to formalise and automate controls and better quality of information for decision making purposes.

Throughout 2021, the Committee has continued to receive and review risk management updates from the various operating companies by way of reporting from the platform audit and risk committee chairman. Updates on the platform audit and risk committees will remain as a standing item on its agenda for future meetings.

The Committee's primary responsibility in respect of risk management and internal controls systems is to review their effectiveness and to make recommendations for possible improvements as appropriate. The Board notes that, as with all such systems, the Group's approach to risk management and internal controls is designed to manage, rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Ethics & Compliance and the Spectris Confidential Helpline

The Committee receives updates on any reports raised through the Group's independent and confidential helpline, and the status of associated investigations (further details of the Group's Speak-Up policy can be found on page 62). The Committee also reviews the control procedures in place to comply with the Group's policies on business ethics, anti-bribery, compliance and fraud, including the steps being taken to enhance the Group's ethics and compliance programme.

Viability Statement

The Committee reviewed the preparation of the 2021 Viability Statement and considered the following factors which could impact the duration over which the Viability Statement is made:

- budgeting, forecasting and strategic planning cycles
- the time frame within which our risks are assessed and
- the maturation of the Group's credit facilities and the approach taken by our peers.

Audit and Risk Committee Report continued

The Committee remains of the view that the statement made regarding the Company's viability period continues to be an accurate assessment of the Company's viability as at the date of the report. The Viability Statement can be found on page 53.

Internal audit

The purpose of the internal audit function is to provide independent, objective assurance to add value and improve the Group's operations. Its responsibilities include assessing the key risks of the organisation and examining, evaluating and reporting on the adequacy and effectiveness of the systems of internal control and risk management in place, and the governance processes in operation throughout the Group.

The Internal Audit function is led by the Head of Internal Audit and the Committee has oversight responsibilities. The Committee is required to provide assurance to the Board on the adequacy of the resourcing and internal audit planning. It is also responsible for monitoring the effectiveness of the internal audit function. At the end of 2020, PwC was appointed as a co-source partner to support the internal audit function.

Positive progress has been made with ways of working, external quality assessment ('EQA') recommendation activities, risk assurances and subsequent reporting. The internal audit function went through a period of internal reorganisation to ensure that it was adequately prepared to ensure the successful delivery of the 2021 internal audit plan and plans for future years.

Integration of PwC as co-source partner

Following the EQA carried out in 2020, it was decided to establish a strategic co-source relationship to help accelerate internal audit's transformation while ensuring access to capability and technology enablers. Details of the appointment process can be found in the 2020 Annual Report.

During 2021, the integration plan has included:

- Weekly meetings with the Head of Internal Audit and regular attendance at the Internal Audit team meeting;
- Attendance at Audit and Risk Committee meetings;
- Attendance at platform audit and risk committee meetings;
- Regular calls with the Chief Financial Officer;
- Planning calls with key risk personnel from Group and the businesses.

Central to the decision to establish a co-source function was the importance of accessing a flexible resource pool of subject-matter expertise. This resource pool would need to be capable of delivering an assurance plan aimed at a diverse range of business activities and risks, and to do so in a way that was least disruptive to the Group. The 2021 Internal Audit plan, and to an even greater extent the approved 2022 plan, represent that range of activities and risks. Through its consistent interactions with the key stakeholders of the business and with a depth of expertise that a firm such as PwC is equipped with, the co-source Internal Audit function is able to formulate and deliver on such a plan, deploying subject-matter expertise and resourcing where and when it is needed.

Internal audit planning

Following some of the enhancements to ways of working in 2020, the internal audit team has continued to use technology to conduct remote audits. This has continued to provide effective assurance during 2021 and, in many ways, enabled a more flexible approach to completing audits within the business. Methods used have included screensharing to review documentation, videoconferencing with key employees and repository sites.

The Committee has received regular reports from the Head of Internal Audit regarding the status of the internal audit plan and the reports generated from these audits. Whilst there were some reports delayed intentionally from 2020 in order to respond to some reduction in capacity during the pandemic, the Committee was pleased that these were all addressed in 2021, alongside the reports expected to be completed in 2021.

At its final meeting in 2021, the Committee also considered the internal audit programme for 2022. Internal audit will continue to work closely with the risk and control function, with key activities in 2022 expected to cover:

- the implementation of any actions arising from the outcome of the BEIS Consultation;
- the analysis of the results from the control self-assessment questionnaires carried out in 2021;
- the continued alignment between the platform audit and risk committees and the Head of Risk and Control on agenda items required to ensure effective operation; and
- the continued facilitation by internal audit of the Committee's assessment of the effectiveness of the Spectris risk management and internal control system during the full year results.

The proposed 2022 internal audit plan was approved and the Committee is supportive of the flexibility incorporated into the plan. This allows for adaptations to the plan as risks and business activities change throughout the year. The Committee is updated at each session on these changes as well as receiving updates on the outcomes of these audits and how promptly actions have been addressed.

Effectiveness of internal audit

As part of its consideration of the effectiveness of the internal audit function, the Committee considered the adequacy of resources and its ability to meet the scope of the internal audit programme.

During the year, the Committee also:

- considered the internal audit programme for the forthcoming year and reviewed the proposed audit approach, coverage and allocation of resources; and
- reviewed the progress updates against the 2021 activity of internal audit, received reports on issues of significance to the Group and reported to the Board on its evaluation of these findings.

The Committee is pleased to confirm that it continues to view the internal audit function as operating effectively.

Platform audit and risk committees

Following the first full year of the establishment of audit and risk committees within the businesses, the Committee received updates at each of its meetings from the different businesses in respect of topics discussed and the ways in which the meetings were supporting the existing internal audit and risk management framework. These committees, chaired by the business unit CFOs, provide the opportunity to

consider the actions from internal audit reports, the businesses risk registers and an ethics and compliance update from the Chief Ethics and Compliance Officer. The committees also considered emerging risks and, during the year, reviewed the climate risk analysis prepared as part of the Group's work on TCFD compliance and agreed to incorporate climate physical risks into future platform risk reporting.

External auditor

One of the Committee's key responsibilities is to manage the relationship with the Group's external auditor on behalf of the Board.

Deloitte LLP was appointed as the Company's auditor in 2016, with effect from 1 January 2017, following a competitive tender process, and has now completed its fourth year as auditor. Andrew Bond has held the role of lead audit partner since March 2019.

2021 External audit process

The external audit for the financial year ended 31 December 2021 has once again, been carried out with a combination of remote and in-person work. At a Group level, much of the review has been conducted remotely, with most of the local audit teams taking a hybrid approach with some face-to-face work, including in-person stock counts. Document repository sites have been utilised in place of the review of hardcopy files, and where required, alternative arrangements were made for activities such as in-person stock counts. The Committee receives regular reports from Deloitte at its meetings and management and the Chairman of the Committee maintain a close relationship with the external audit team outside of the usual meeting cycle. This has provided comfort to the Committee on the steps that have been put in place to ensure that there was no adverse effect on the quality or the timescale for the completion of the audit of the financial statements. The Committee has also:

- considered and approved the audit approach, the scope of the audit undertaken by Deloitte as external auditor and the fees for the same;
- agreed reporting materiality thresholds;
- reviewed reports on audit findings; and
- considered and approved letters of representation issued to Deloitte.

Audit and non-audit fees

The engagement letter for the audit of the 2021 Financial Statements was reviewed by the Committee, and, in accordance with the authority given to the Committee at the 2021 AGM, the Committee reviewed the proposed remuneration of Deloitte. The Committee considered the proposed auditor's remuneration to be appropriate.

The Committee believes that non-audit work may only be undertaken by the external auditor in limited circumstances. A cumulative annual cap is imposed for non-audit services provided by our external auditor (save for acquisition due diligence), above which all engagements are subject to the Committee's prior approval.

The Committee's non-audit services policy is available at www.spectris.com and is used to safeguard Deloitte's independence and objectivity. Non-audit fees for services provided by Deloitte for the year amounted to £0.2m (8% of the total audit fee). As in previous years, a proportion of these fees were in respect of the half-year review. In addition, non-audit services in the year included:

- the engagement of Deloitte to provide assurance on the data collation and calculations used to meet the requirements to report on the Group's environmental impacts; and
- procedures engagement to verify the Servomex application for The Queen's Award for Enterprise 2022.

The Committee considered the engagement of Deloitte in these cases and was comfortable Deloitte was best placed to support the company as a result of its unique knowledge of the Group and that none adversely impacted the independence of the external auditor nor were they considered out of line with the Group's Policy on Non-Audit Services. Further details are included in Note 4 to the Financial Statements.

Effectiveness of the external auditor

During the year, the Committee carried out the annual effectiveness review of the external auditor, which focused primarily on the 2020 audit. The findings of this review were reported in detail to the Board. The review process included:

- considering the independence of Deloitte;
- the Deloitte Audit Quality Inspection Report;
- non-audit work undertaken by the external auditor;
- feedback from a survey targeted at various stakeholders; and
- the Committee's own assessment.

There were no significant findings following the review and it was concluded that the audit process continued to be effective.

In respect of external audit, and following the Committee's assessment of the performance, independence and effectiveness of Deloitte, the Committee is satisfied that Deloitte continues to remain effective in its role as external auditor.

External auditor re-appointment

Following the Committee's consideration of the effectiveness of Deloitte as the Company's external auditor, it is proposed that Deloitte be re-appointed as auditor of the Company at the next AGM in May 2022 and, if so re-appointed, that it will hold office until the conclusion of the next general meeting of the Company at which accounts are laid. Further details are set out in the Notice of Meeting, which is available at: www.spectris.com

Deloitte was appointed as the Group's external auditor for the 2017 audit following a formal tender process and their reappointment was last approved by shareholders at the 2021 AGM. During the year, the Committee reviewed the arrangements with the current external auditor and considered whether it was appropriate to initiate a tender process. The Committee noted that given the knowledge and standard of services provided by Deloitte that it would be in the best interests of the Company and its stakeholders for Deloitte to continue as auditor. It is the Committee's present intention to initiate a competitive tender process for the external auditor in 2026.

The Group will continue the practice of the rotation of the key audit engagement partner at least every five years, with all other partners and senior management required to rotate at least every seven years. The independent external auditor's report to shareholders is set out on pages 116 to 124.

As detailed above, the Company complied with the Statutory Audit Services Order 2014 throughout 2021.

Directors' Remuneration Report

Remuneration Committee Chairman's statement

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It has been another year of uncertainty globally with the ongoing pandemic issues exacerbated by supply chain constraints, inflationary pressures and tight labour markets. Notwithstanding these challenges, business performance has been strong in terms of strategic execution, financial results, order pipeline for 2022 and shareholder returns. The Committee remains committed to our 2020 Remuneration Policy and is confident that this continues to support the Group's strategy and provides a balance between motivating and challenging our Executive Directors and senior management to drive the long-term sustainable growth of our business.

Executive remuneration

When Andrew Heath joined Spectris in September 2018, his remuneration arrangements replicated those of his predecessor. At the time, these arrangements were considered appropriate and reflective of the business he inherited. Andrew has now led the Group as Chief Executive for over three years. In that time, the Group has achieved a total shareholder return of 53.9%, a share price increase of 41.8% and the Group now has a market capitalisation of £3.6 billion*. Over this same period, Andrew's salary has increased by 3.2%, compared with an average increase of 7.1% across the wider employee population.

The Committee recognises that Andrew's current salary is well below the median and towards lower quartile. This does not feel commensurate or reflective of his vital role in the ongoing transformation of the Group into a more focused, higher quality, more profitable and more resilient business, supported by a very strong balance sheet.

When reviewing the appropriateness of Executive salary levels, the Committee considers a number of internal and external factors, including the salary review principles applied to the rest of the organisation, but also Company performance and external market data. The Committee recognises the importance of appropriately remunerating a Chief Executive who has devised and is successfully implementing a strategy that is delivering significantly enhanced returns for shareholders, while also driving change in the wider stakeholder experience.

The Committee believes that the base salary of our Executive Directors should be positioned more appropriately for several reasons:

- we are fortunate to have secured an exceptional leadership team and wish to secure the continuity of that team;
- unless we maintain salaries at an appropriate level, we are at risk of salary compression below Board level, which will impact our ability to recruit successfully into our leadership team across our global business; and
- appropriate remuneration for the Executive team is important to our succession planning, at and below Board level.

Recognising these wider considerations, the Committee is recommending a two-year structured increase in Andrew Heath's salary with a 9% increase in 2022 and a further 9% increase in 2023. This total increase will bring Andrew Heath's salary to £750,000 which will place his salary arrangement at the current median of the FTSE 50–150 peer group. The impact on the CEO's total remuneration will be to position it just ahead of median vs the same peer group.

The Committee has not taken this decision lightly. It is conscious of the sensitivity to making material salary increases in the current environment. However the Chief Executive's salary positioning is not sustainable for the reasons set out above and the Committee feels strongly that addressing this disparity is the right decision. Shareholders will note that we have sought to mitigate concerns around a single large salary increase by implementing the increase across 2022 and 2023. This smooths the impact of the salary change and provides the Committee with a point of review before implementing the second increase.

The second salary increase for 2023 will be made subject to Andrew's continued sustained performance in role. Following 2023, it is expected that any salary increases awarded to the Chief Executive would be no higher than those awarded to the wider workforce.

The Committee reviewed wider pay arrangements across the Group and the Executive Management team for 2022. Based on this review, the Committee agreed that Derek Harding's salary is set at a competitive level against external benchmarks and his proposed salary increase is 3% which is aligned to the wider employee population.

* As at 31 January 2022.

Annual bonus

The Group's performance in 2021 was strong, with increases in both like-for-like sales and profit. The Group achieved a 23% increase in adjusted profit before tax and a 26% increase in adjusted earnings per share (see Appendix to the Consolidated Financial Statements for details of the basis of adjustment). This contributed to bonus outcomes for 2021 of 98% of maximum bonus opportunity for Andrew Heath and Derek Harding.

No discretion has been applied in determining the annual bonus outcome.

Long Term Incentive Plan

In March 2021, the Committee granted awards under the Long Term Incentive Plan in line with the Group's Remuneration Policy. No adjustments to the targets confirmed as part of the 2020 Remuneration Policy were made.

As a Committee we, in principle, do not subscribe to modifying in-flight performance plans. As such, no amendments have been made to the 2019 Long Term Incentive Plan or any in-flight long term incentive award as a result of COVID-19.

Andrew Heath and Derek Harding were granted a PSP award in 2019 which is due to vest on 7 March 2022. The threshold performance targets for both EPS and Economic Profit have not been met, having been significantly impacted by the economic impact of the COVID-19 pandemic and the parts of their PSP award subject to these conditions will lapse in full. Based on the results as at 31 December 2021, a partial vesting is predicted for the TSR performance-related final third of the award. Full details of the estimated 2019 PSP Performance outcome is set out on page 98.

No discretion has been applied in determining the LTIP outcome.

2023 Remuneration Policy

During 2022, we will reflect further on the suitability of the current Remuneration Policy based on the Group's evolving strategy, the growing importance of ESG trends to our business, wider workforce remuneration and related policies and the alignment of the Group's approach to remuneration with its culture. These reflections will form the base of a proposal to be put to shareholders at a General Meeting in late 2022 to request the approval of the Group's 2023 Remuneration Policy. I look forward to meeting with shareholders to discuss our proposals.

I hope that this report is helpful in explaining our remuneration structure and our approach to delivering strong and sustainable results for all stakeholders. If any shareholders wish to discuss any aspect of our remuneration, I would be happy to engage.

Cathy Turner

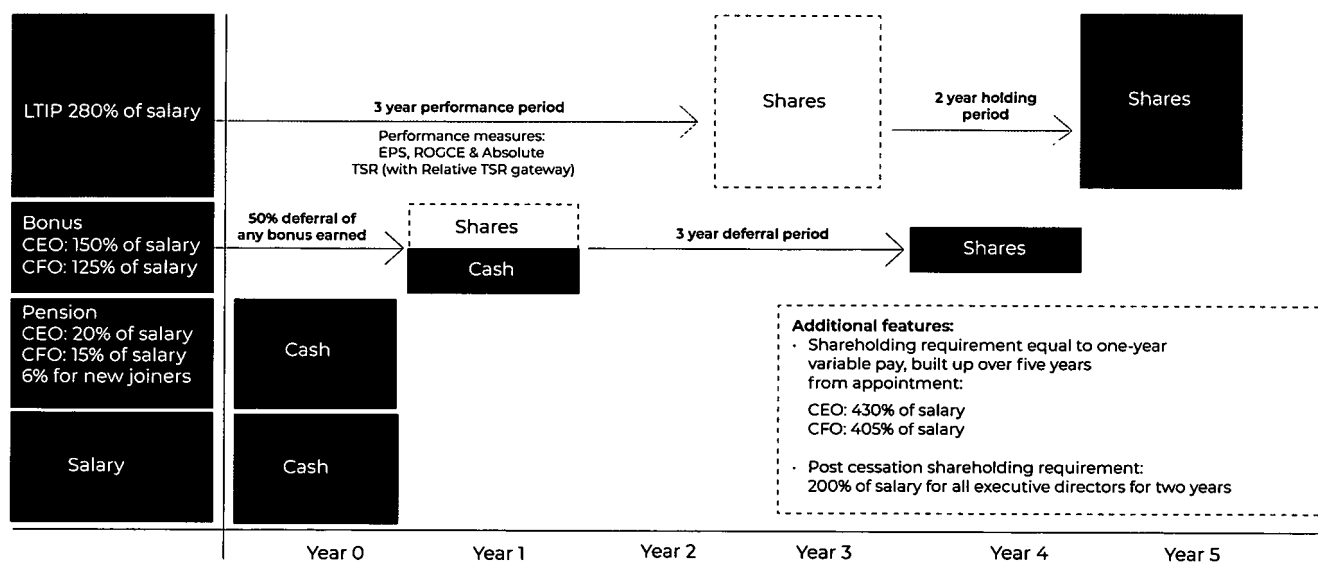
Chairman of the Remuneration Committee

23 February 2022

Overview of Remuneration Policy

Spectris remuneration structure

Reflecting 2020 Remuneration Policy (effective 1 January 2020)



Remuneration arrangements for 2022

Salary

Andrew Heath will receive a 9% increase in salary for 2022. Derek Harding will receive a 3% increase. Further details are set out in the statement from the Remuneration Committee Chairman on page 90.

With effect from 1 April 2022, the salaries for the executive directors will be:

Andrew Heath – £687,000
Derek Harding – £505,000

Pension

The pension contribution for Andrew Heath for 2022 will be 20% of base salary and for Derek Harding will be 15% of base salary.

The Committee has committed to aligning executive pension arrangements with the wider workforce as part of the 2023 Remuneration Policy which, subject to shareholder approval, will take effect on 1 January 2023.

Annual Bonus Plan

The maximum annual bonus opportunity for each executive director remains at 150% of salary for Andrew Heath and 125% of salary for Derek Harding.

The performance measures for the 2022 award are in line with the 2020 Remuneration Policy will be as follows:

Adjusted Operating Profit (60%)
Adjusted Cash Conversion (20%)
Strategic and Operational (20%)

Performance targets are not disclosed in advance due to their commercial sensitivity. All targets will be disclosed retrospectively following the end of the performance period.

All employee share plans

The Spectris Share Incentive Plan ('SIP') continues to be operated. Both Executive Directors are members of the SIP.

Long Term Incentive Plan

The maximum LTIP opportunity for each of the executive directors remains at 280% of salary. The performance measures for the 2022 LTIP will be as follows:

Base Conditions

50% – Earnings Per Share (20% return 4% growth per annum – 100% return 10% growth per annum)

50% – Return on Gross Capital Employed (20% return – 2021 FY ROGCE +1%, 100% return – 2021 FY ROGCE +3%)

Multiplier

Up to 1.4x – Absolute TSR with Relative TSR gateway (Absolute range 0% (8% per annum) to 100% (15% per annum). (Relative TSR gateway – A minimum of median relative TSR required for pay out between threshold (1x) and target (1.2x) and a minimum of upper quartile relative TSR required for pay out between target (1.2x) and maximum (1.4x)).

No changes will be made to other benefits operated for 2022.

For full details on our Remuneration policy please visit:

spectris.com/how-we-work/corporate-governance/remuneration-policy-and-information

2021 Remuneration at a Glance

Business performance

Good financial performance, ending the year with a record order book. Demonstrable progress in executing our strategy creating a Spectris that is more focused, higher quality, more profitable, more resilient, and supported by a very strong balance sheet.

Key statistic highlights

- Orders 19% higher on a like-for-like ('LFL') basis and 10% LFL sales growth.
- Adjusted operating profit £209.4 million, up 29% on a LFL basis; adjusted operating margin 16.2%.
- Strong cashflow conversion at 96%, year end net cash of £167.8 million.
- Four divestments completed.
- Acquisitions at HBK and Malvern Panalytical strengthen our customer offering.
- Focusing on becoming a leading sustainable business; ambitious Net Zero targets set.

71.8p

2021 Dividend per share

96%

2021 adjusted cash conversion

Performance outcomes

2021 Annual Bonus Plan

Performance dimensions (% weighting)	Outcome
Adjusted operating profit (60%)	60/60
Adjusted cash conversion (20%)	20/20
Strategic and operational	
Andrew Heath (20%)	18/20
Derek Harding (20%)	17.6/20

2019 Performance Share Plan ('PSP')

Performance dimensions (% weighting)	Outcome
EPS (33.33%)	0/33.3
Economic Profit (33.33%)	0/33.3
TSR (33.33%)	28.4/33.3

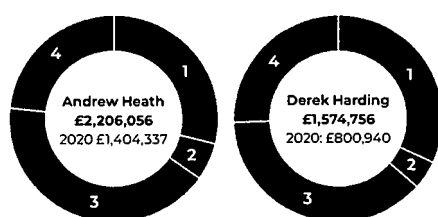
Annual Bonus Plan outcome

Andrew Heath £925,394 (147.0% of 150% maximum)
Derek Harding £598,044 (122.0% of 125% maximum)

PSP outcome (28.4% of maximum)

Andrew Heath £513,998
Derek Harding £400,256

Total remuneration



Andrew Heath

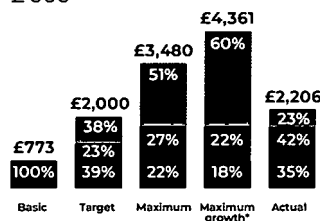
1 Salary and benefits	29.1%
2 Retirement benefits	5.7%
3 Annual bonus	41.9%
4 Long Term Incentives	23.3%

Derek Harding

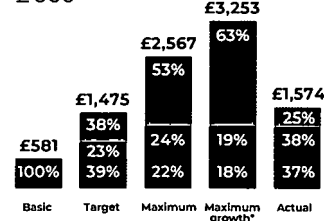
1 Salary and benefits	32.0%
2 Retirement benefits	4.6%
3 Annual bonus	38.0%
4 Long Term Incentives	25.4%

Outcomes scenarios

Andrew Heath £'000



Derek Harding £'000



* Maximum with 50% share price growth

- Total fixed pay
- Annual Bonus
- LTIP/PSP

Each coloured bar shows the percentage of the total comprised by each of the parts

Remuneration for FY2021

This section of the Report sets out the details of the implementation of the 2020 Remuneration Policy during the 2021 financial year. Details of how the Remuneration Committee intends to implement the 2020 Remuneration Policy during 2022 are summarised on page 92. This part of the Report together with the Remuneration Committee Chairman's Statement, Overview of Remuneration Policy and its implementation, and the information on the Remuneration Committee form the Annual Report on Remuneration which is subject to an advisory shareholder vote at the 2022 Annual General Meeting and contains both unaudited and audited information. The audited sections of this Report are clearly identified.

Executive Directors' remuneration

Single total figure of remuneration (audited)

The single total figure of remuneration of each Executive Director who served during the year is as follows:

£'000		A. Base salary	B. Taxable benefits	C. Pension- related benefits	Fixed Pay and benefits (sub-total)	D. Annual Bonus ¹	E. employee PSP ²	F. All- employee share plans	Variable remuneration (sub-total)	Total
Andrew Heath	2021	625	17	125	767	925	514	-	1,439	2,206
	2020	610	17	122	749	366	289	-	655	1,404
Derek Harding	2021	486	17	73	576	598	400	-	998	1,574
	2020	475	17	71	563	238	-	-	238	801

- In line with 2020 Remuneration Policy, 50% of the bonus paid to Executive directors is deferred in shares for three years. These deferred share awards remain subject to continued employment conditions and malus/clawback provisions although no further performance conditions are attached to them. Full details of the nominal cost share options granted under the Deferred Bonus Plan on 17 March 2021 can be found on page 101 which satisfies the deferred element of the Executive Directors' 2020 bonus entitlement.
- A breakdown of how the PSP values have been determined by year is shown below. Further details of the PSP values for both 2020 and 2021 can be found on pages 97 to 98.
 - The 2021 PSP figure relates to the 2019 award which is due to vest on 7 March 2022 and is based on estimated vesting levels as at 31 December 2021. The value attributed to share price appreciation in respect of the 2019 award (based on the three-month average share price at 31 December 2021 of 3,691.91 pence per share) was £142,562 and £111,014 for Andrew Heath and Derek Harding respectively. This equates to 28% of the total award vested for both Executive Directors.
 - The 2020 PSP figure for Andrew Heath have been restated to reflect the actual vesting outcome for his 2018 award. The value attributed to share price appreciation in respect of his 2018 award (based on a final share price at vesting of 4,034 pence per share) was £118,806 representing 41% of the total award vested.

Notes to the single total figure of remuneration table

A. Salary (audited)

Both Executive Directors received a 3.2% salary increase with effect from 1 April 2021. The average salary increase for employees of Spectris plc in 2021 was 3.2%.

B. Taxable benefits (audited)

Taxable benefits include allowances paid in lieu of company cars and private fuel, medical expenses insurance (including family cover) and life and disability cover.

Details of the taxable benefits paid in 2021 are set out in the table below:

Executive Director	Car and fuel allowances £	Medical/ healthcare cover £	Total £
Andrew Heath	15,165	1,931	17,096
Derek Harding	15,165	1,931	17,096

C. Retirement benefits (audited)

Executive Directors are entitled to a defined contribution pension contribution. Andrew Heath and Derek Harding receive 20% and 15% of base salary respectively. Due to the pension lifetime allowance and the maximum annual pension contribution allowance, the Executive Directors are entitled, at their option, to a taxable salary supplement in lieu of some or all of such pension contributions. Both Executive Directors have chosen this option and each receives a cash payment in lieu of participation in a Spectris pension scheme. No Executive Director participated in a defined benefit pension plan during the year, nor currently participates in a defined benefit plan. Under the 2020 Remuneration Policy, the pension entitlement for new Executive Directors will be aligned to the majority of the wider UK workforce, which is currently 6%.

The Committee has agreed that an approach will be developed to bring incumbent Executive Director and senior management pension arrangements in line with the wider workforce by the end of 2022.

D. 2021 Annual bonus outcome (audited)

The maximum bonus opportunity for Andrew Heath, Chief Executive, remains unchanged at 150% of base salary (90% operating profit, 30% cash conversion and 30% operational and strategic objectives). The maximum bonus opportunity for Derek Harding, Chief Financial Officer, also remains unchanged at 125% of base salary (75% operating profit, 25% cash conversion and 25% operational and strategic objectives). The on-target bonus for each Executive Director is 50% of the maximum bonus opportunity. The table below sets out the annual bonus earned by the Executive Directors in respect of the 2021 financial year including the financial trigger points used in determining the level of bonus payable.

	Maximum bonus opportunity (% of salary)	Bonus performance conditions (% of maximum bonus opportunity)	Threshold (% of salary)	On-target (% of salary)	Maximum (% of salary)	Actual Group performance/ assessment of personal objective performance	Payout ¹ £	Percentage of maximum bonus
Andrew Heath (Salary – £629,520)	150%	Adj. Operating Profit (60%)	0%	45%	90%	90.0%	566,568	60.0%
		Adj. Cash Conversion (20%)	0%	15%	30%	30.0%	188,856	20.0%
		Strategic Objectives (20%)	0%	15%	30%	27.0%	169,970	18.0%
		Total	0%	75%	150%	147.0%	925,394	98.0%
Derek Harding (Salary – £490,200)	125%	Adj. Operating Profit (60%)	0%	37.5%	75%	75.0%	367,650	60.0%
		Adj. Cash Conversion (20%)	0%	12.5%	25%	25.0%	122,550	20.0%
		Strategic Objectives (20%)	0%	12.5%	25%	22.0%	107,844	17.6%
		Total	0%	62.5%	150%	122.0%	598,044	97.6%

1. 50% of the Executive Directors' 2021 Bonus will be deferred into shares for three years in line with the 2020 Remuneration Policy.

Bonus performance measures

The performance against the 2021 bonus financial metrics was as follows:

Bonus targets ¹	Threshold (0% of max)	Target (50% of max)	Maximum (100% of max)	Actual
Operating profit	£178.9m	£198.8m	£218.7m	£221.6m
Cash conversion	70%	80%	90%	96%

1. 2021 bonus targets and actual results are prepared and calculated on standard FX rates so that the bonus outcome was not impacted (positively or negatively) by exchange rate movements during the bonus year.

The Committee has not exercised any discretion in relation to the outcome of bonus awards to the Executive Directors.

When reviewing performance against the financial metrics, the Committee considers whether any items should be excluded because it gives a distorted view of performance. For 2021, the targets reflect the acquisitions and disposals in the period to ensure a fair like-for-like comparison with the actual result. Likewise, as NDC Technologies was disposed towards the end of the year, the actual operating profit result has been increased by £3 million to reflect expected performance for the two months post-disposal.

The Committee approved a full payout for both the Adjusted Operating profit and Cash Conversion metrics.

Remuneration for FY2021 continued

The 2021 operational and strategic objectives for the current Executive Directors, which were set at the beginning of the year and account for 20% of the maximum bonus opportunity, cover a range of the Company's targeted strategic priorities. Each priority is assigned an individual weighting and performance against each of the defined targets was assessed by the Remuneration Committee with input from the Chairman. The objectives for both Executive Directors and performance against them are summarised in the table below.

As outlined in last year's Remuneration report, and in line with the treatment of the wider employee population, the Committee reviewed the Executive Directors' performance against the Group's Values as part of the evaluation of the outcome of performance under the strategic and operational objectives, considering not only what was achieved, but how it was achieved.

Andrew Heath	% of salary target	Performance summary	% bonus awarded
Strategic:			
• Grow the business	10%	Continued successful development of the Group's R&D and business strategies to ensure alignment between the Group's Purpose, customer opportunity, technology and future product strategy. M&A pipeline strengthened, with successful strategic acquisition opportunities identified and executed at HBK (Concurrent Real-Time) and Malvern Panalytical (Creoptix).	9%
• Execute the portfolio strategy and effectively deploy the Group's capital	8%	Conducted fundamental review of how the Group will deploy capital. Capital allocation framework approved by Board. Revised operating model agreed and communicated. Continued delivery of effective disposal programme, including successful disposal of Millbrook, Brüel & Kjær Vibro, ESG and NDC Technologies.	7%
• Integrate Sustainability into Group strategy	5%	Successful integration of sustainability into Group strategy with meaningful Net Zero ambition set and clear strategic mapping exercise undertaken to determine approach to harnessing growth against sustainable market trends.	5%
Operational:			
• Improve operating margins (above pre-COVID-19 levels)	7%	Successfully expanded the Group's operating margin to pre-2019 levels. Good progress in establishing the eight foundational Spectris Business System capabilities within each business.	6%
Total	30%		27%
Derek Harding	% of salary target	Performance summary	% bonus awarded
Strategic:			
• Develop and effectively communicate organic growth strategy.	8%	Worked closely with the Platforms to gain a deeper knowledge of new product development and organic growth initiatives to facilitate their visibility to external stakeholders. Worked with the Platforms to develop a clear understanding of our primary competitors, their products, strengths & strategies to enable clearer external comparison.	6%
• Develop and implement improved risk management policy	7%	Successfully embedded new internal audit co-source arrangement with PwC, with clear impact visible across the business. Platform Audit and Risk Committee structure developed and coordinated to ensure consistent Group-wide approach to risk management. Formal Executive Risk Committee established and developing a clear and consistent understanding of the Group's risk appetite.	6%
Operational:			
• Create long-term vision for Group's finance function.	5%	Led the development of a clear vision of future state finance systems and organisational structure with supporting roadmap developed. Designed and introduced a talent development programme for the finance community using key SBS Lean tools.	5%
• Improve IT capability within the Group	5%	Completed talent assessment and strengthened Platform IT capability. Improved IT reporting and awareness at the Executive Committee. Established a clear plan to migrate/upgrade Summit to new platform at the head office. Continued to drive high compliance with cyber training across the Group and make it a "license to operate" requirement. Improved visibility of cyber-related issues by introducing an Executive dashboard and clear understanding of the actions required to stay aware of the cyber threat.	5%
Total	25%		22%

E. Performance Share Plan ('PSP') (audited)

PSP awards made under the Spectris Performance Share Plan ('PSP') to the Executive Directors are structured so that one-third of the award is subject to an EPS target, one-third is subject to a TSR target and one-third is subject to an Economic Profit ('EP') target. Each condition operates over a fixed three-year period (being the three financial years commencing with the financial year in which an award is made in respect of the ESP and EP measures; and three years from the date of grant in respect of the TSR measure) with no opportunity for retesting. The TSR performance condition is measured independently by Aon Hewitt ('Aon'). A holding period of two years applies to all awards following vesting.

PSP awards vested in September 2021 (audited)

The 2018 PSP award granted to Andrew Heath matured in September 2021. 31.2% of the total award vested on 3 September 2021 (see table below) and is now subject to the additional 2-year holding period. The balance of the award lapsed.

Performance condition	Weighting	Threshold (20% vesting)	Maximum (100% vesting) ¹	Actual	Percentage weighted performance condition vested	Percentage of total award vested
EPS	One-third	CPI + 5%	CPI + 11% or above	CPI – 9.2%	0.0%	0.0%
TSR	One-third	Median	Upper quintile or above	Actual – 48.8% ² Median – 12.6% UQ – 52.7%	93.5%	31.2%
EP	One-third	£145.0m	£265.0m or above	£73.5m	0.0%	0.0%
Total						31.2%

1. Vesting between threshold and maximum performance is on straight-line basis.

2. TSR outcome based on the final TSR performance results on 3 September 2021.

The 2020 single total figure of remuneration for Andrew Heath has been restated as shown below to reflect the final vesting outcome.

Executive Director	Total number of shares subject to PSP option at date of grant	Face value at date of grant ¹	Vesting percentage of total award	Vested award	Reinvested Dividend Shares	Total Vested Award	Share price on vesting date (3 September 2021)	Vesting value	Share price appreciation as a % of the total vested award value
Andrew Heath	21,372	£508,312	31.2%	6,658	518	7,176	4,034p	£289,147	41% ²

1. The face value is based in the average of the closing share price over the five days immediately prior to the date of grant of 2,378.4 pence.

2. The value attributed to share price appreciation, based on a final share price at vesting of 4,034 pence per share, was £118,806. When the award vested, the Committee determined that the share price appreciation, together with the partial vesting position, gave an appropriate level of reward which fairly represents how the Company has performed over the award's vesting period.

Remuneration for FY2021 continued

PSP awards vesting in March 2022 (audited)

Both Andrew Heath and Derek Harding were granted a PSP award in 2019, which will mature in March 2022 and which is subject to EPS, EP and TSR performance conditions. The threshold performance targets for both EPS and EP have not been met, having been significantly impacted by the economic impact of the COVID-19 pandemic. A partial vesting is estimated for the TSR performance-rated final third of the award based on Aon's interim report as at 31 December 2021. Further details are provided below.

Performance condition	Weighting	Threshold	Maximum	Actual/estimate	Actual/estimated percentage weighted performance condition vested	Actual/estimated percentage of total award vested
EPS	One-third	CPI + 5% c.p.a.	CPI + 11% c.p.a. or above	CPI – 1.7% c.p.a. ¹	0.0%	0.0%
TSR	One-third	Median	Upper quintile or above	Estimate: 61.0% ² Median: 15.3% Upper quintile: 80.0%	85.2%	28.4%
EP	One-third	£139.8 million	£226.3 million or above	£76.5 million ³	0.0%	0.0%
Estimated total						28.4%

1. The EPS outcome figure has been calculated on a consistent basis with the EPS calculation in place on grant. A full reconciliation of this outcome from the Adjusted EPS figure (set out in the Appendix to the Consolidated Financial Statements on page 186) is provided below:

	As at 31 December 2018 pence	As at 31 December 2021 pence
Adjusted EPS (reported)	164.9	140.7
Adjustments relating to disposals (BTG, EMS, Millbrook Brül & Kjær Vibro, ESG & NDCT)	(23.8)	3.7
Adjusted EPS (excluding disposals)	141.1	144.4
Compound annual growth in EPS		0.8%
Compound annual growth in EPS in excess of CPI		(1.7%)

2. The TSR performance, relative to the FTSE 250 (excluding investment trusts), has been estimated based on the position as at 31 December 2021.
3. The EP outcome figure has been calculated on a consistent basis with the EP calculation in place on grant. A full reconciliation of this outcome from the Reported EP outcome is provided below:

	Threshold £m	Maximum £m
EP Target (cumulative 2019–2021) – excludes BTG	112.3	181.8
Removal of Millbrook and Brül & Kjær Vibro from target	(27.5)	(44.5)
Adjusted target	139.8	226.3
	Actual £m	
Cumulative 2019 – 2021 EP performance	53.1	
Remove actual EP for BTG, Millbrook and Brül & Kjær Vibro to disposal date	24.3	
Add expected EP post disposal for ESG and NDCT (disposal in final vesting year)	(0.9)	
Revised Economic Profit Outcome	76.5	

The vesting estimates as at 31 December 2021 are detailed in the table below:

Executive Director	Total number of shares subject to PSP option at date of grant	Face value at date of grant ¹	Estimated vesting percentage of total award	Estimated vesting number of shares	Estimated reinvested dividend shares ²	Estimated total vesting number of shares	Three-month average share price at year end	Estimated vesting value	Estimated share price appreciation as a % of the total vested award value ³
Andrew Heath	45,710	£1,220,000	28.4%	12,982	959	13,941	3,691.91p	£513,998	28%
Derek Harding	35,593	£949,977	28.4%	10,109	747	10,856	3,691.91p	£400,256	28%

1. The face value is based on the average closing share price over the five days immediately prior to the date of grant (7 March 2019) of 2,669 pence.
2. The estimated dividend shares are based on dividends paid over the 3 year performance period. Dividend shares will accrue from date of grant to the end of the holding period which is the first opportunity the award can be exercised.
3. The estimated value attributed to share price appreciation, based on the three-month average share price at 31 December 2021 of 3,691.91 pence per share, was £142,562 and £111,014 for Andrew Heath and Derek Harding respectively. As these values are only estimates, no discretion has been exercised in respect of the share price appreciation. The Committee will mitigate the risk of any unacceptable 'windfall gains' by reviewing its appropriateness as part of the assessment of all relevant factors at the point of vesting when all relevant information is available to the Committee.

Vested awards are satisfied in shares (normally treasury shares) with sufficient shares being sold to meet income tax and national insurance contributions due on exercise, at the Director's discretion, and the net balance of shares transferred to the individual. Awards lapse if they do not vest on the third anniversary of their award.

F. All-employee share plans (audited)

None of the Executive Directors exercised options under the Spectris all-employee share plans during the year.

Payments for loss of office (audited)

There were no payments for loss of office in 2021.

Payments to past Directors (audited)**John O'Higgins**

As set out in our 2018 Remuneration Report, John O'Higgins stepped down from the Board on 28 September 2018 and left the Company on 23 May 2019. The Committee determined John to be a good leaver in respect of his 2018 PSP awards (in line with the PSP plan rules). The number of shares under this award have been reduced on a time pro-rated basis to reflect length of service up to cessation of employment. All awards are subject to the clawback provisions set out in the relevant rules of the Plan.

4,671 shares under John's 2018 PSP award remain outstanding, with an estimated value of £147,650, after applying the Committee approved vesting outturn at the end of the 3 year performance period. A further two-year holding period now applies to this award and therefore the award will become available to exercise from 16 March 2023 with any dividend accruals calculated at the end of the holding period and paid in shares.

Clive Watson

As set out in our 2019 Remuneration Report, Clive Watson stepped down from the Board on 25 March 2019 and subsequently retired from the Company on 31 March 2019. The Committee determined Clive to be a good leaver in respect of his 2018 PSP awards (in line with the PSP plan rules). The number of shares under each award have been reduced on a time pro-rated basis to reflect length of service up to cessation of employment. All awards are subject to the clawback provisions set out in the relevant rules of the Plan.

3,385 shares under Clive's 2018 PSP award remain outstanding, with an estimated value of £107,000, after applying the Committee approved vesting outturn at the end of the 3 year performance period. A further two-year holding period now applies to this award and therefore the award will become available to exercise from 16 March 2022 with any dividend accruals calculated at the end of the holding period and paid in shares.

Remuneration for FY2021 continued

LTIP awards granted during 2021 (audited)

The table below details LTIP nominal-cost share options granted to Executive Directors, in line with the 2020 Remuneration Policy, during 2021. The base level of award is 200% of base salary, calculated according to the average of the closing share price over the five days immediately prior to the date of grant. A multiplier (up to a maximum of 1.4 times) will apply to the base award vesting level but only on achieving stretching absolute and relative Total Shareholder return ('TSR') targets.

The 2021 PSP awards to Andrew Heath and Derek Harding were granted on 17 March 2021 and are subject to the performance conditions detailed below. A holding period of two years applies to all awards following vesting.

Director	Exercise price	Number of shares under Base award (% of salary)	Face value of Base award at date of grant ¹ (£)	Maximum TSR Multiplier	TSR Multiplier 0.4x maximum additional share opportunity (shares)	Maximum Opportunity Base award + TSR Multiplier (shares)	Face value of Maximum award at date of grant ¹ (£)
Andrew Heath	5p	38,799 (200% of salary)	£1,219,996	1.4 X base award	15,519 (80% of salary)	54,318 (280% of salary)	£1,707,975
Derek Harding	5p	30,212 (200% of salary)	£949,986		12,084 (80% of salary)	42,296 (280% of salary)	£1,329,955

2021 LTIP base award performance conditions

Condition	% of Base award that vests	Performance Metric	Performance Period
Adjusted EPS Growth (50% of base award)	0%	Less than 4%	1 Jan 2021 to 31 Dec 2023
	10%	4%	
	10% to 50% (straight-line pro-rata basis)	Between 4% and 10%	
	50%	10% or more	
Return on Gross Capital Employed (‘ROGCE’) (50% of base award)	0%	Less than 1% above 2020 ROGCE	1 Jan 2021 to 31 Dec 2023
	10%	1% above 2020 ROGCE	
	10% to 50% (straight-line pro-rata basis)	Between 1% and 3% above 2020 ROGCE	
	50%	3% or more above 2020 ROGCE	

2021 LTIP TSR Multiplier performance conditions

TSR Multiplier	Absolute TSR Growth Targets	Relative TSR gateway – assessed against FTSE 250 index (excluding investment trusts)	Performance Period
1.0 X	8% p.a. or less		
Between 1.0 X and 1.2 X	Between 8% and 10% p.a.	Median or above	
1.2 X	10% p.a.		
Between 1.2 X and 1.4 X	Between 10% and 15% p.a.		17 March 2021 to 17 March 2024
		Upper quartile or above	
1.4 X	15% p.a. or more		

1. Face value of base award calculated using the average of the closing share price over five days immediately prior to the date of grant – £31.444.

The EPS figure is obtained from the audited Financial Statements and the calculation of achievement against the growth condition is presented to and approved by the Committee. ROGCE is obtained from the audited Financial Statements and is a comprehensive measure of the effectiveness of all capital deployed by the Group and supports the Group's key strategic intention to improve its overall return on capital invested in the medium term. The Committee will monitor outcomes for the EPS and ROGCE measures to ensure that they achieve the original objectives and may adjust the vesting accordingly. Any exercise of discretion will be justified in the next Directors' Remuneration Report. The Multiplier condition requires the achievement of both relative and absolute TSR metrics which means that any additional pay-out from the Multiplier would only occur when shareholders benefit from a material increase in share value which outperforms the FTSE 250 comparator group.

Threshold and Maximum Vesting (as a % of the 2021 LTIP base award)

Performance Level	EPS Vesting	ROGCE Vesting	Base award Vesting	TSR Multiplier factor	Overall Vesting (as % of base award)
Threshold	10%	+	10%	=	20%
Maximum	50%	+	50%	=	100%
				x	140%

Deferred Bonus Plan ('DBP') awards granted during 2021 (audited)

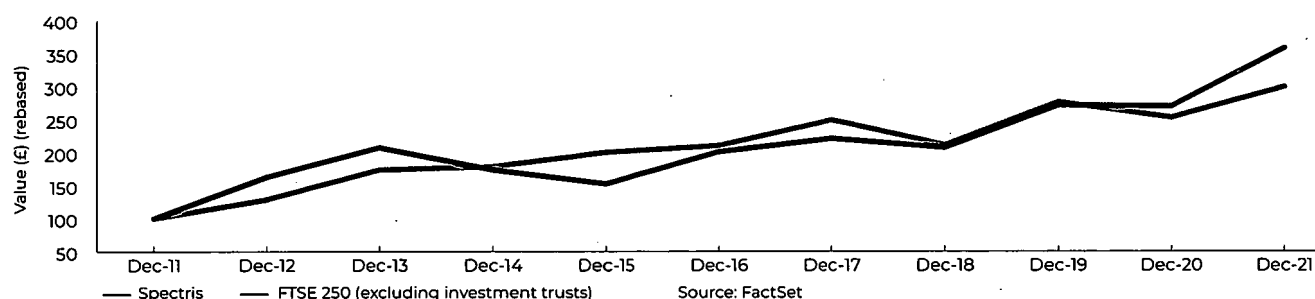
50% of each Executive Director's pre-tax annual bonus is compulsorily deferred under the terms of the DBP in the form of a nominal cost share option grant. The DBP share options remain subject to continued employment conditions as well as malus and clawback provisions although no further performance conditions apply.

The DBP share options granted to the Executive Directors on 17 March 2021, based on their 2020 Bonus entitlement and calculated according to the average of the closing share price over the five days immediately prior to the date of grant, are summarised in the table below:

Director	Exercise Price	Number of shares under DBP share option	Face value of DBP share option at date of grant ¹
Andrew Heath	5p	5,819	£182,973
Derek Harding	5p	3,776	£118,733

1. Face value of DBP share option based on the average of the closing share price over five days immediately prior to date of grant – £31.444.

Total shareholder return performance



This graph shows the value, by 31 December 2021, of £100 invested in Spectris on 31 December 2011, compared with the value of £100 invested in the FTSE 250 (excluding investment trusts) Index on the same date. This index has been chosen because it is a widely-recognised performance benchmark for large UK companies and Spectris is a constituent of the FTSE 250. The other points plotted are the values at intervening financial year ends.

Historical Chief Executive remuneration

The table below shows the total remuneration figure for the Chief Executive for the current year and over the previous nine years. The total remuneration figure includes the annual bonus and LTIP awards that vested based on performance in those years. The annual bonus and LTIP percentages show the pay-out for each year as a percentage of the potential maximum.

	2012	2013	2014	2015	2016	2017	2018	2018	2019	2020	2021
	John O'Higgins	John O'Higgins	John O'Higgins	John O'Higgins	John O'Higgins	John O'Higgins	John O'Higgins	Andrew Heath	Andrew Heath	Andrew Heath	Andrew Heath
Single total figure of remuneration (£'000)	2,995	2,172	1,122	729	1,388	1,611	2,253 ²	324 ²	1,163	1,404 ³	2,206 ⁴
Annual bonus (% of maximum)	70%	20%	18%	0% ¹	90%	80%	54%	60%	45%	40%	98%
PSP vesting (% of maximum)	100%	100%	28%	0%	0%	10%	68%	N/A	N/A	31% ³	28% ⁴

1. Bonus entitlement waived.

2. Pro-rated figures based on time served as Chief Executive during 2018 (nine months for John O'Higgins and three months for Andrew Heath).

3. Restated figure to reflect actual vesting of 2018 PSP award.

4. Based on estimated vesting for 2019 PSP award.

Remuneration for FY2021 continued

Percentage change in remuneration of the Directors

The table below shows the percentage change in the salary/fees, and benefits of each Executive Director, the Chairman and the Non-executive Directors compared with the change in the Group's UK-based employees between the year ended 31 December 2020 and 31 December 2021. The Group-wide 2021 annual bonus payments will be confirmed in March 2022 and therefore estimated figures for UK-based employees have been used in the comparison. The Committee has selected this comparator group on the basis that the Executive Directors are UK-based so it provides a local market reference to a sufficiently large comparator group on a similar incentive structure to the Executive Directors. This reduces any distortion arising from currency and cost of living differences in other geographies in which Spectris operates.

Executive Directors	% change 2020–2021			% change 2019–2020		
	Salary /Fees ¹	Benefits	Annual bonus ²	Salary /Fees	Benefits	Annual bonus
Andrew Heath	3.2%	(0.5%)	152.8%	0.0%	(0.7%)	(11.5%)
Derek Harding	3.2%	(0.5%)	151.8%	0.0%	(0.7%)	(26.3%)
Chairman and Non-executive Directors						
Mark Williamson	5.5%	n/a	n/a	0.0%	n/a	n/a
Karim Bitar	5.5%	n/a	n/a	0.0%	n/a	n/a
Ulf Quellmann	4.3%	n/a	n/a	(16.1%)	n/a	n/a
Bill Seeger	7.8%	n/a	n/a	(3.6%)	n/a	n/a
Cathy Turner	10.8%	n/a	n/a	15.2%	n/a	n/a
Kjersti Wiklund	11.1%	n/a	n/a	14.5%	n/a	n/a
Martha Wyrsh	n/a	n/a	n/a	(16.1%)	n/a	n/a
Spectris UK-based employees	7.0%	0.3%	120.3%	2.8%	5.1%	(17.2%)

- The change in the Executive Directors' salaries plus the Chairman and Non-executive Directors' fees reflect the increases disclosed in 2020 Remuneration Report. The increase in the Non-executive Directors' basic fee increase in 2021 (5.5%) was the first increase implemented since January 2017 which was determined in relation to FTSE 250 Non-Executive fee structures, the Group's position in the FTSE 250 and the wider Group pay review process. The percentage increase for Bill Seeger, Cathy Turner and Kjersti Wiklund are greater than for other Non-executive Directors because in addition to the increase in the Non-executive Director's basic fee, they also receive an increase for their respective chairmanship roles.
- The financial metrics were fully met for the 2021 bonus, whereas only the cash conversion metric was met for the 2020 comparative. The greater percentage change in Andrew Heath's and Derek Harding's bonus compared to the average Spectris UK-based employee reflects that a greater portion of the employees' 2020 bonus paid out than it did for the Executive Directors.

CEO pay ratios

The table below sets out the 2019, 2020 and 2021 pay ratios of the Chief Executive's total remuneration to the 25th, median (50th), and 75th percentile full-time equivalent ('FTE') remuneration of Group UK employees.

Financial year	Method	25th percentile pay ratio (lower quartile)	50th percentile pay ratio (median)	75th percentile pay ratio (upper quartile)
31 December 2019	Option A	40:1	30:1	21:1
31 December 2020 ¹	Option A	47:1	36:1	25:1
31 December 2021	Option A	71:1	49:1	35:1

¹ Restated figures to reflect actual vesting of 2018 PSP award.

Further details on the 2021 total pay figures used for each quartile employee are set out in the table and notes below.

Financial year	No of UK employees	Remuneration	Chief Executive	25th percentile employee (lower quartile)	50th percentile employee (median)	75th percentile employee (upper quartile)
31 December 2021	1,261	Base salary	£624,640	£28,504	£39,459	£52,796
				FTE base salary	FTE base salary	FTE base salary
		Total remuneration	£2,206,056	£31,192	£44,611	£63,209
			STFR	total FTE	total FTE	total FTE

- The components of the Chief Executive and UK employees' STFR figure comprises of base salary, taxable benefits, pension-related benefits, annual bonus and PSPs, where applicable.
- The total remuneration for UK employees is calculated on the same basis as the single total figure of remuneration for Executive Directors. The only exception to this is the personal element of the annual bonus for UK employees which is not known as at the date of report. This has been estimated as the same performance level as the Chief Executive. Given the complexity of the calculations, such estimated values will not be restated next year to reflect the actual outcomes, however they will be for the Chief Executive's STFR calculations.

The Chief Executive's total remuneration as calculated for his single total figure of remuneration ('STFR') as reported in the table on page 94. The remuneration of the lower, median and upper quartile employees is calculated on full-time equivalent ('FTE') data for the full year, run on 30 November, with estimated figures for the annual bonus and LTIP vesting. Option A methodology was chosen as it is considered to be the most statistically accurate way to identify the best equivalents of the 25th, median and 75th percentile figures used to calculate the pay ratios each year, and it is aligned with best practice and investor expectations. The Committee is satisfied that the individuals identified within each relevant percentile appropriately reflect the employee pay profiles at those quartiles, and that the overall picture presented by the ratios is consistent with our pay, reward and progression policies for UK employees. Roles are regularly benchmarked against PricewaterhouseCoopers' benchmarking report of FTSE 100–150 companies.

The increase in the pay ratio this year is predominantly the result of the Chief Executive's near maximum bonus pay out which, in comparison to last year, reflects an increase of 153%. Although the maximum achievement of the Group's financial metrics for the 2021 bonus also increased the median bonus payment for our employees, there is a greater emphasis placed on the Chief Executive's variable pay to ensure his pay reflects the Group's performance and is better aligned with shareholder interests. Consequently the bonus outturn has a greater impact on the Chief Executive's total remuneration, compared to our average employee.

In addition, the Chief Executive's Long Term Incentive value increased by 78% compared to 2020. The Chief Executive was granted a pro-rated initial PSP award when he joined the Company and the partial vesting of this smaller initial PSP award was included in the 2020 CEO pay ratio. The 2021 CEO pay ratio included the first vesting opportunity for a full PSP award grant to the Chief Executive which is reflected in the increase in the CEO pay ratio.

The reward policies and practices for our employees broadly follow those set for the Executive Directors, including the Group Chief Executive. The Committee has responsibility for setting and making any changes in remuneration for the senior management. This includes the reviewing of policies and practices for our workforce and consideration of shareholders and other stakeholder views as part of designing the Remuneration Policy and its operation for the Executive Directors. On this basis, the Committee is satisfied that the median pay ratio is consistent with the pay, reward and progression policies across all of the Company's employees.

Relative importance of spend on pay

The table below shows the relative expenditure of the Group on the pay of its employees in comparison to adjusted profit before tax and distributions to shareholders by way of dividends payments between the years ended 31 December 2020 and 31 December 2021. Total employee pay is the total pay cost for all Group employees. Adjusted profit before tax is used as this is a key financial metric which the Board considers when assessing the Group's financial performance.

	2021 £m	2020 £m	% change
Total employees pay ¹	526.4	555.7	(5%)
Dividends paid during the year	79.0	75.7	4%
Adjusted profit before tax ²	204.3	166.4	23%

1. Total employees pay has reduced by 5% due to the disposals of Millbrook, Bruel & Kjaer Vibro, ESG and NDCT on 2021.

2. Adjusted profit before tax is calculated as being statutory profit before tax adjusted to exclude certain items defined in the Appendix to the Consolidated Financial Statements on page 186.

Non-executive Directors' remuneration

Chairman and Non-executive Directors' fees

The fee structure for the Non-executive Directors remained broadly unchanged for 2021 as set out below:

	2022 ⁴ £'000	2021 ³ £'000	2020 £'000
Chairman (all-inclusive fee)	239	232	220
Non-executive Director basic fee	60	58	55
Senior Independent Director ('SID') fee	10	10	10
Chairman of the Audit and Risk Committee	14	14	10
Chairman of the Remuneration Committee	14	14	10
Workforce Engagement Director ¹	12	12	8
Annual travel supplement to be paid to overseas-based Non-executive Directors ²	15	15	15

1. In December 2019, the Board agreed the introduction of an appropriate fee to reflect both the importance of the role of Workforce Engagement and the planned programme of work.

2. Due to the ongoing COVID-19 pandemic, the travel supplement was not paid from April 2020 until overseas-based Non-executive Directors needed to travel for their roles (Ulf Quellmann – October 2021, Ravi Gopinath – December 2021 and Bill Seeger – February 2022).

3. The existing fee structure for Non-executive Directors has been in place since 1 April 2021.

4. A fee review was undertaken in February 2022 against externally available market data on Non-Executive fee structures in the FTSE 250, the wider Group pay review process and the Group's position in the FTSE 250. The Chairman's fee and the Non-Executive Director basic fee will increase by 3.0% to £239,000 and £59,750 respectively. This is in line with the average pay increase across the Spectris Group. All other fees remain unchanged.

Remuneration for FY2021 continued

Single total figure of remuneration (audited)

The single total figure of remuneration for each Non-executive Director who served during the year is as follows:

			Basic fees £'000	Additional fees £'000	Taxable expenses £'000	Total £'000
Mark Williamson ¹	Non-executive Chairman	2021	229	–	–	229
		2020	220	–	–	220
Karim Bitar		2021	57	–	–	57
		2020	55	–	–	55
Ravi Copinath ²		2021	34	1	–	35
		2020	–	–	–	–
Alison Henwood ²		2021	19	–	–	19
		2020	–	–	–	–
Ulf Quellmann ⁵		2021	57	4	–	61
		2020	55	4	–	59
Bill Seeger ^{3,5}	SID and Chairman of the Audit and Risk Committee	2021	57	23	–	80
		2020	55	22	–	77
Cathy Turner ³	Chairman of the Remuneration Committee	2021	57	13	–	70
		2020	55	8	–	63
Kjersti Wiklund	Workforce Engagement Director	2021	57	11	–	68
		2020	55	8	–	63
Martha Wyrsh ^{4,5}		2021	21	–	–	21
		2020	55	4	–	59

1. Mark Williamson's fee is all-inclusive.

2. Ravi Copinath and Alison Henwood joined the Board on 1 June 2021 and 1 September 2021, respectively. Their 2021 fees are pro-rated to reflect their date of joining.

3. Bill Seeger and Cathy Turner were appointed Senior Independent Director and Chairman of the Remuneration Committee respectively on 1 March 2020 and their 2020 fees are pro-rated accordingly.

4. Martha Wyrsh stepped down from the Board on 14 May 2021 and her 2021 fee is pro-rated accordingly.

5. Ravi Copinath, Ulf Quellmann, Bill Seeger and Martha Wyrsh (all based overseas) normally receive an additional annual travel supplement of £15,000. Due to the ongoing COVID-19 pandemic, the travel supplement was not paid from April 2020 until any overseas-based Non-executive Directors needed to travel for their roles (Ulf Quellmann – £3,750 for period October – December 2021 and Ravi Copinath – £1,250 for December 2021).

Directors' shareholdings and share interests (audited)

Each Executive Director is, subject to personal circumstances, required to build a retained shareholding in Spectris plc of at least one-year maximum variable pay in value (Andrew Heath: 430% of salary, Derek Harding 405% of salary) within five years of appointment and is required to retain shares with the post-tax benefit of any vested PSP, LTIP or DBP awards until this shareholding requirement is achieved. Both Andrew Heath and Derek Harding (appointed on 3 September 2018 and 1 March 2019 respectively) are in the process of building their shareholding. There is no such requirement in respect of the Chairman or Non-executive Directors, who have discretion as to whether to hold the Company's shares or not.

The beneficial share interest of each Executive Director (including their closely associated persons) on 31 December 2021, is:

Director	Interest in share plans				Total interests in shares on 31 December 2021	Total shares counting towards shareholding requirement ⁴	Shareholding as a % of base salary on 31 December 2021 ⁵	Shareholding requirement met
	Ordinary shares held on 31 December 2021	PSP/LTIP ¹ (share options)	DBP ² (share options)	SIP shares ³				
Andrew Heath	27,557	183,525	5,819	264	217,165	34,589	201.0%	No
Derek Harding	7,166	137,284	3,776	215	148,441	9,365	69.9%	No

1. PSP and LTIP awards are all nominal cost share options of 5 pence and are subject to performance conditions. Apart from Andrew Heath's 2018 PSP, all of these are unvested share options with outstanding performance conditions.

2. DBP awards are all nominal cost share options of 5 pence but are no longer subject to performance conditions.

3. Includes shares purchase through, and Matching Shares held in, the Company's all-employee Share Incentive Plan ('SIP'). The Matching Shares may be subject to forfeiture within three years of the award. As at 31 December 2021, Andrew Heath and Derek Harding held 39 and 34 Matching Shares, respectively which were still subject to forfeiture rules.

4. Based on shareholding plus the net of UK income tax and NI contribution value of share options held without performance conditions (see below):

• Andrew Heath's balance includes 7,221 vested PSP share options that are currently subject to an additional 2-year holding period and 5,819 unvested DBP share option with no performance conditions attached. Net of UK income tax and NI Contributions, these represents 3,711 and 3,057 shares respectively; and

• Derek Harding's balance includes 3,776 unvested DBP share option with no performance conditions attached. Net of UK income tax and NI Contributions, this represents 1,984 shares.

5. Based on the closing price on 31 December 2021 of 3,658 pence per share.

Directors' shareholding in the SIP

	No. of shares held at 1 January 2021	No. of Partnership shares purchased during the year	No. of Matching shares awarded during the year	Dividend shares	Total No. of shares held within the SIP as at 31 December 2021
Andrew Heath	196	53	11	4	264
Derek Harding	149	53	10	3	215

The SIP was approved by shareholders at the 2018 AGM. This scheme is an HMRC tax favoured share purchase scheme open to all UK employees. The Executive Directors have the opportunity to participate in the SIP on the same terms as other Group UK employees. Under the SIP, Partnership shares may be purchased each month at market value using gross salary up to a maximum monthly value set by HMRC (currently £150 per month). For every five Partnership shares purchased, the Company will award one free Matching share. All shares are held in trust by the SIP Trustees. The Matching shares are subject to forfeiture within three years of the date of award.

Between 1 January and 23 February 2022, Andrew Heath and Derek Harding both purchased 8 Partnership shares and received 2 free Matching shares through the Company's SIP. There were no other movements in share interests during this period.

Directors' share options (audited)

Director	Share plan ¹	Date granted	Performance period end date	Expiry date	Exercise price (pence)	Market value per share at date of award	Face value at date of grant (£)	No. of shares subject to options at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	No. of shares subject to options at 31 December 2021
Andrew Heath	PSP ²	Sept 2018	Sept 2021 ⁵	Sept 2028	5	2,378.4	508,312	21,372 ⁶	563 ⁷	–	14,714	7,221
		Mar 2019	Mar 2022 ⁵	Mar 2029	5	2,669.0	1,220,000	45,710	–	–	–	45,710
	LTIP ³	Mar 2020	Mar 2023 ⁵	Mar 2030	5	2,239.2	1,707,972	76,276	–	–	–	76,276
		Mar 2021	Mar 2024 ⁵	Mar 2031	5	3,144.4	1,707,975	–	54,318	–	–	54,318
	DBP ⁴	Mar 2021	Mar 2024	Mar 2031	5	3,144.4	182,973	–	5,819	–	–	5,819
Total								143,358	60,700	–	14,714	189,344
Derek Harding	PSP ²	Mar 2019	Mar 2022 ⁵	Mar 2029	5	2,669.0	949,977	35,593 ⁶	–	–	–	35,593
		Mar 2020	Mar 2023 ⁵	Mar 2030	5	2,239.2	1,329,973	59,395	–	–	–	59,395
	LTIP ³	Mar 2021	Mar 2024 ⁵	Mar 2031	5	3,144.4	1,329,955	–	42,296	–	–	42,296
	DBP ⁴	Mar 2021	Mar 2024	Mar 2031	5	3,144.4	118,733	–	3,776	–	–	3,776
Total								94,988	46,072	–	–	141,060

- Shareholders approved the current PSP rules at the AGM held on 24 May 2017 and approved the LTIP and DBP rules at the General Meeting held on 4 December 2019. The PSP, LTIP and DBP awards are conditional rights to acquire shares and are nominal cost options. The exercise price is the nominal value of a Spectris ordinary share, which is 5 pence.
- PSP awards granted to the Executive Directors are structured so that one-third of the award is subject to an EPS target, one-third is subject to a TSR target and one-third is subject to an Economic Profit ('EP') target. Each condition operates over a fixed three-year period (being the three financial years commencing with the financial year in which an award is made in respect of the EPS and EP conditions; and three years from the date of grant in respect of the TSR condition) with no opportunity for re-testing.
- LTIP awards granted to the Executive Directors are currently structured so that 50% of the base award is subject to an EPS target and the other 50% is subject to an Return on Gross Capital Employed ('ROGCE') target. A multiplier (up to a maximum of 1.4 times) will apply to the base award vesting level but only on achieving both absolute and relative stretching TSR targets. Each condition operates over a fixed three-year period (being the three financial years commencing with the financial year in which an award is made in respect of the EPS and ROGCE conditions; and three years from the date of grant in respect of the TSR condition) with no opportunity for re-testing.
- DBP awards represents the 50% of each Executive Director's pre-tax annual bonus that is compulsorily deferred into shares. No further performance conditions apply to these DBP award.
- PSP and LTIP awards are subject to an additional two-year holding period following the initial three-year performance period. These awards will become available to exercise at the end of the holding period (which will be the fifth anniversary of the date of grant).
- These PSP awards are linked to a grant of market value share options ('Linked PSP awards'). Such Linked PSP awards are granted up to the HMRC's limit of an aggregate value of £30,000, and have the same performance and vesting conditions as the PSP awards to which they are linked. No additional gross value can be delivered from the exercise of the Linked PSP awards. Further details are set out in Note 22 to the Financial Statements.
- This is an additional share award for the dividend equivalent shares that would be received on the vested share award between the date of grant and the date the award becomes exercisable. These additional dividend share awards are structured as nil cost options (i.e. exercise price is nil).

Remuneration for FY2021 continued

Dilution limits

In line with best practice, the use of new or treasury shares to satisfy the vesting of awards made under the Company's share plans is restricted to 10% in any ten-year rolling period. A further restriction applies to discretionary share plans (PSP, LTIP and DBP) of 5% over the same period of which 2.36% has been utilised.

Chairman and Non-executive Directors' interest in shares

The Chairman and Non-executive Directors are not permitted to participate in any of the Company's incentive schemes nor are they required to build and retain a minimum shareholding in the Company. They have discretion as to whether to hold the Company's shares or not. The table below sets out the beneficial interests in the ordinary shares of the Company of each current Non-executive Director (including their closely associated persons) during the year ended 31 December 2021.

Current Non-executive Director	Shares held at 1 January 2021 (or date of joining)	Shares held at 31 December 2021 (or date of cessation)
Mark Williamson	16,753	17,282
Karim Bitar	1,330	1,987
Ravi Gopinath	–	–
Alison Henwood	–	–
Ulf Quellmann	2,049	2,341
Bill Seeger	3,000	3,000
Cathy Turner	2,342	2,660
Kjersti Wiklund	–	–
Martha Wyrsh	3,000	3,000

There has been no change in the interests in shares of the Chairman and Non-executive Directors between 1 January 2022 and 23 February 2022.

Share price

At 31 December 2021, the mid-market closing share price on the London Stock Exchange of a Spectris ordinary share was 3,658 pence per share. The highest mid-market closing share price in the year was 4,083 pence per share and the lowest was 2,902 pence per share.

Directors' service contracts and letters of appointment

The Executive Directors have rolling contracts subject to 12-months' notice of termination by either party, or to summary notice in the event of serious breach of the Director's obligations, dishonesty, serious misconduct or other conduct bringing the Company into disrepute. All letters of appointment in respect of the Non-executive Directors are renewable at each AGM, subject to review prior to proposal for re-election, and provide for a notice period of six months. Ordinarily, appointments do not continue beyond nine years after first election, at which time Non-executive Directors cease to be presumed independent under the UK Corporate Governance Code.

The table below summarises the current Directors' service contracts or terms of appointment.

	Date of contract	Expiry date	Notice period	Length of service at 23 February 2022
Executive Director				
Andrew Heath	3 Sept 2018	Rolling contract with no fixed expiry date	12 months	3 years 5 months
Derek Harding	1 Mar 2019	Rolling contract with no fixed expiry date	12 months	2 years 11 months
Non-executive Director				
Mark Williamson	26 May 2017	Renewable at each AGM	6 months	4 years 9 months
Ravi Gopinath	1 Jun 2021	Renewable at each AGM	6 months	8 months
Alison Henwood	1 Sep 2021	Renewable at each AGM	6 months	5 months
Ulf Quellmann	1 Jan 2015	Renewable at each AGM	6 months	7 years 1 month
Bill Seeger	1 Jan 2015	Renewable at each AGM	6 months	7 years 1 month
Cathy Turner	1 Sep 2019	Renewable at each AGM	6 months	2 years 5 months
Kjersti Wiklund	19 Jan 2017	Renewable at each AGM	6 months	5 years 1 month

External appointments – Executive Directors

Executive Directors may retain any payments received in respect of external non-executive appointments held. Such appointments are normally limited to one per Director at any time and are subject to the approval of the Board. Derek Harding became a Non-executive Director of Sage Group plc in March 2021. During 2021, he received £49,783 in fees for that role. Andrew Heath did not hold any external non-executive appointments during 2021.

Summary of shareholder voting on Directors' remuneration

The 2020 Directors' Remuneration Report was approved by 97.9% of the votes cast at the 2021 AGM held on 14 May 2021. The 2020 Remuneration Policy was approved by shareholders at a General Meeting held on 4 December 2019 by 94.1% of the votes cast, as detailed in the table below:

		Votes for		Votes against		Votes withheld
		Number	%	Number	%	Number
2021 AGM	2020 Directors' Remuneration Report	91,840,626	97.94%	1,936,473	2.06%	424,305
2019 General Meeting	2020 Directors' Remuneration Policy	94,256,910	94.09%	5,916,276	5.91%	3,862

Directors' interest in contracts

No Director had, during the year or at the end of the year, any material interest in any contract of significance to the Group's business.

Loans to Directors

During the year, there were no outstanding loans to any Director.

Role of the Remuneration Committee

The Committee is responsible for recommending to the Board the Group's Remuneration Policy, including the remuneration arrangements for the Chairman, the Executive Directors, the Company Secretary and members of the Executive Committee, and for the practical operation of the Policy. It regularly reviews the balance between fixed and variable pay and the performance conditions that attach to both short-term and long-term incentives. Environmental, social and governance ('ESG') factors are considered by the Committee when assessing the personal element of Executive Directors' performance and the formal integration of ESG targets into the Group's long-term incentive arrangements will be considered as part of the review of the Group's Remuneration Policy in 2022. The Committee monitors the level and structure of remuneration for senior management and takes into account workforce remuneration, related policies and the alignment of incentives and rewards with the Group's culture. The remuneration of Non-executive Directors is a matter reserved for the Board. The full terms of reference for the Remuneration Committee are reviewed annually and are available at www.spectris.com.

Committee members and attendees

All members of the Committee are independent Non-executive Directors. During 2021, the members were: Cathy Turner (Chairman), Karim Bitar, Ravi Gopinath (with effect from his appointment – 1 June 2021), Ulf Quellmann and Kjersti Wiklund.

Details of each member's attendance are disclosed on page 70. Only members of the Committee have the right to attend meetings but other individuals and external advisers may attend by invitation. The Chairman is invited to attend all meetings of the Committee. During the year, the Committee also invited Andrew Heath (Chief Executive), Andrew Harvey (Group Human Resources Director) and Rebecca Dunn (Head of Sustainability) to attend meetings to provide advice to the Committee to allow it to make informed decisions. No individual was present when their own remuneration was being discussed.

The Committee also meets without management present and has received independent remuneration advice during the year from the external advisers appointed to support the Committee.

Committee activities in 2021

The Committee addressed the following key agenda items during its four formal meetings in 2021:

January 2021

- Receiving confirmation of the return of salary foregone to the wider workforce and confirming their agreement to returning salary and fees foregone to the Executive Directors, Executive Committee and Chairman.
- The review and approval of incentive outcomes relating to the 2020 annual bonus plan.
- The consideration and approval of target performance measures and personal objectives relating to the 2021 Annual Bonus Plan.
- Agreement for the treatment of share awards granted to Millbrook employees on the divestment of Millbrook from the Spectris Group.
- Review of the outcomes of the Committee's annual self-evaluation exercise.

February 2021

- Review of Executive Director and Executive Committee salaries and Chairman's fee.
- Agreement of Executive Directors' 2021 bonus arrangements, target performance measures and personal objectives.
- Review and approval of incentive outcomes for the 2018 Performance Share Plan ('PSP').
- Review and approval of 2021 LTIP grant levels and target range for performance measures.
- Review and approval of the 2020 Directors' Remuneration Report.
- Agreement for the treatment of share awards granted to Brüel & Kjær Vibro and ESG employees on the respective divestments of the Brüel & Kjær Vibro and ESG companies from the Spectris Group.

July 2021

- Consideration and approval of interim LTIP awards for new joiners and promotions below Board level.
- Agreement for the treatment of share awards granted to NDCT employees on the divestment of the NDCT business from the Spectris Group.
- Review of emerging market practice on remuneration matters, led by the Committee's external remuneration adviser.

December 2021

- A review of the likely formulaic outcomes of the 2021 Bonus and 2019 PSP awards and a discussion of the need for the Committee to consider any upward or downward discretion in relation to those likely outcomes.
- Initial consideration on 2023 Remuneration Policy and review of the wider external remuneration landscape.
- Executive Director remuneration review
- Review of the Committee's Terms of Reference.

In line with the requirements of the UK Corporate Governance Code to include explanation of the Company's approach to investing in and rewarding its workforce, some of the work that the Committee has carried out in this area is set out below. The Committee has taken time during the year to review the remuneration of the wider workforce, related policies and the alignment of incentives and rewards with culture as part of its implementation of the 2020 Remuneration Policy.

Stakeholder Engagement

Values and culture in remuneration

The Group's Values: Be true, Own it and Aim high are built into the Group's performance management framework. The Remuneration Committee has used this framework as the foundation for the operational and strategic targets for the Executive Directors and Executive Committee members for 2021. In assessing performance against these targets, the Committee has also considered wider stakeholder experience during 2021. The employee engagement survey was also used to obtain feedback from the workforce on remuneration and this will continue in future surveys.

Stakeholder views

Through the consultation process that supported the approval of the 2020 Remuneration Policy, the Committee reached out to investors holding in excess of 50% of the Group's issued share capital. The Remuneration Committee Chairman also held face-to-face meetings with investors holding over 40% of the Group's issued share capital.

During the COVID-19 pandemic, the Committee has worked closely with the Executive team to ensure that the Group's approach to managing remuneration during the crisis has balanced the interests of all stakeholders. Careful consideration has also been given by the Committee to the guidance issued by investors and investor bodies on the management of remuneration during the ongoing crisis.

Employee share ownership

Spectris is a proud advocate of employee share ownership. Due to the Group's decentralised structure, particular importance is placed on aligning management throughout the Group with Spectris. Awards under the Spectris LTIP are granted to each management team within each platform and in each operating company in the Industrial Solutions Division to support the alignment of their interests with shareholders. In the UK, the Group also manages a successful all-employee Share Incentive Plan ('SIP') to allow all UK-based employees to build a shareholding in Spectris. For every five shares purchased by an employee under the SIP, the Company awards one free Matching share.

+5.2%

increase in Share Incentive Plan participation rate on 2020

Gender pay gap reporting

Spectris plc employs fewer than 250 people in the UK and is therefore not required to publish gender pay gap data. However, the Committee considers the issue of gender pay to be important and voluntarily collate the results for the UK-based employees of the Group and disclose the Group's gender pay gap. The detailed disclosure is set out below and key metrics relating to the disclosure are included in the Sustainability Report on page 59. Last year, the Committee elected to use the data collated for the CEO pay ratio to produce a consistent gender pay gap disclosure which allows the Committee to analyse both key metrics from one source of data.

The median gender pay gap has reduced slightly 19% compared to 22% in 2020 although the mean pay gap has increased slightly and is now 23% (2020: 22%). The Committee is confident that men and women are being paid equally for doing the same job and that the imbalance in the number of male and female employees in similar roles in the composition of the UK workforce continues to drive our gender pay gap. This imbalance continues to be a core focus of time and attention by the Board and Nomination Committee.

	Non-Management		Management		Total	
	Median	Mean	Median	Mean	Median	Mean
Gender pay gap	17.8%	15.5%	2.2%	33.6%	19.0%	23.1%
Bonus gap	23.4%	22.0%	8.7%	48.5%	19.3%	41.8%
	Male	Female	Male	Female	Male	Female
% receiving a bonus	68.7%	57.0%	100.0%	100.0%	69.7%	58.0%

Role of the Remuneration Committee continued

Advisers to the Committee

PricewaterhouseCoopers LLP ('PwC') was first appointed as independent remuneration adviser in January 2018. His appointment took place following a competitive tender process overseen by Russell King, the then Committee Chairman. During 2021, PwC has provided advisory support to the Committee on various aspects of the Directors' remuneration, including:

- advice on emerging external market practice and stakeholder expectations during the ongoing COVID-19 pandemic;
- analysis on all elements of the implementation of the Remuneration Policy; and
- advice on the interpretation of investor body guidelines concerning remuneration outcomes during the COVID-19 pandemic.

PwC reports directly to the Committee Chairman. During 2021, PwC also provided certain project advisory and tax services to the Company.

Aon separately supports the Company in compiling IFRS 2 'Share-based Payment' reporting on the Company's share plans and TSR performance calculations in relation to the Company's PSP and LTIP. Aon does not provide any other services to the Company. Total fees paid during the financial year to these advisers were: PwC £69,999 (2020: £48,667) and Aon £41,040 (2019: £30,960). These fees were charged on the basis of each firm's standard terms of business.

Both PwC and Aon are members of the Remuneration Consultants Group and adhere to its Code of Conduct.

The Committee reviewed the objectivity and independence of the advice it receives from its advisers each year and is satisfied that both PwC and Aon provided credible and professional advice during 2021.

Annual performance evaluation

The performance of the Committee was reviewed as part of the wider internal Board evaluation process, led by the Chairman and General Counsel and Company Secretary. Further details regarding the process followed are set out on page 79. Following this review and the feedback received, the Committee considered that it had operated effectively during the year.

2022 Remuneration Committee workplan

The Committee intends to focus on the following key areas during 2022:

- Remuneration Policy review in preparation for shareholder consideration;
- wider workforce remuneration structures and key policies;
- wider UK workforce pension arrangements as part of the stated aim of aligning the UK pension arrangements by end of 2022; and
- monitoring of the Group's existing Remuneration Policy against the Group's strategy, market practice, changes in the external governance environment and investor guidance.

By order of the Board

Cathy Turner

Chairman of the Remuneration Committee

23 February 2022

This Directors' Remuneration Report for the year ended 31 December 2021 complies with the requirements of the Listing Rules of the UK Listing authority, Schedule 8 of the Large- and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended in 2013, 2018 and 2019 and the provisions of the 2018 UK Corporate Governance Code.

Directors' Report

Overview of the information required to be disclosed

This section sets out the information required to be disclosed by the Company and the Group in the Directors' Report in compliance with the Companies Act 2006 (the 'Act'), the Listing Rules of the UK Listing Authority ('Listing Rules') and the Disclosure Guidance and Transparency Rules ('DTR'). Certain matters that would otherwise be disclosed in this Directors' Report have been reported elsewhere in this Annual Report. This report should therefore be read in

conjunction with the Strategic Report on pages 1 to 67 and the Governance section (pages 68 to 114) which are incorporated by reference into this Directors' Report. The Strategic Report and this Directors' Report, together with other sections of this Annual Report and Accounts including the Governance section on pages 68 to 114 are incorporated by reference, when taken as a whole, form the Management Report as required under Rule 4.1.5R of the DTR.

Disclosure	Reported in	Page reference
Acquisitions and disposals	Strategic Report	Page 45
Articles of Association	Directors' Report	Page 112
Annual General Meeting	Directors' Report	Page 112
Appointment and removal of Directors	Directors' Report	Page 113
Authority to allot shares	Directors' Report	Page 113
Business model	Strategic Report	Pages 20 to 21
Change of control	Directors' Report	Page 113
Community and charitable giving	Strategic Report	Page 60
Corporate governance	Governance	Pages 68 to 114
Directors' conflicts of interest	Directors' Report	Page 113
Directors' details	Governance	Pages 68 to 69
Directors' indemnity	Directors' Report	Page 113
Directors' responsibility statement	Directors' Report	Page 115
Disclosure of information to auditor	Directors' Report	Page 114
Diversity, equality and inclusion	Strategic Report	Page 59
Employee engagement	Governance	Page 75 and 78
Employee equal opportunities	Strategic Report	Page 59
Employee share plans	Directors' Report	Page 113
Employees with disabilities	Strategic Report	Page 59
Financial instruments	Directors' Report	Page 113
Future developments and strategic priorities	Strategic Report	Pages 10, 11, 16 and 17
Going concern	Directors' Report	Page 113
Non-financial information statement and index	Strategic Report	Page 22
Ongoing director training and development	Governance	Page 78
Political donations	Directors' Report	Page 113
Powers of Directors	Directors' Report	Page 113
Principal risks and risk management	Strategic Report	Pages 48 to 52
Purchase of own shares	Directors' Report	Page 113
Research and development activities	Strategic Report	Pages 6 to 7
Restrictions on transfer of shares	Directors' Report	Page 114
Restrictions on voting rights	Directors' Report	Page 114
Results and dividends	Strategic Report	Pages 1, 3 and 4
Rights and obligations attaching to shares	Directors' Report	Page 114
Section 172 statement	Governance	Pages 76 to 77
Share capital	Directors' Report	Page 114
Stakeholder engagement	Strategic Report	Page 76 to 77
Streamlined Energy and Carbon disclosures	Strategic Report	Page 55
Substantial share interests	Directors' Report	Page 114
Treasury shares	Director's Report	Page 114
Viability Statement	Strategic Report	Page 53

Director's Report continued

Non-financial information statement and index

This statement is made in compliance with the Companies Act 2006 and is intended to provide an understanding of our development, performance and position on key non-

financial matters. The table below sets out where information relating to non-financial matters can be located. The statement and table below are incorporated within the Strategic Report by reference on page 22.

Non-financial information index

Reporting requirement	Some of our relevant policies and standards	Where to find out more information	Page reference
Anti-bribery and corruption	Code of Business Ethics	Ethics and values standards	62, 75, 87
		Culture, integrity and commitment to our values	16, 75
		Speak Up and Spectris helpline	62
		Ethical leadership	62
		Principal risk – 'Compliance'	51
Business model		Our business model	20, 21
Environmental matters	Environmental policy ISO 14001	Environmental management	63, 64
		Energy performance	66
		Streamlined Energy and Carbon disclosures	66
		TCFD	65
		KPI – Energy efficiency	23
Employees	Code of Business Ethics Health and Safety policy OHSAS 18001	Fair employment and diversity	59
		Board diversity	80
		Employee engagement and Workforce Engagement Director	78
		Gender pay	59
	SA 8000 Social Accountability	Health, safety and wellbeing at work	55
		KPI – Accident incidence rate	23
		Principal risks:	
		– 'Compliance'	51
		– 'Talent and capabilities'	52
		Legal and regulatory compliance	59
		Principal risk – 'Compliance'	51
Human rights	Human Rights policy Code of Business Ethics		
Non-financial KPIs		Energy efficiency	23
		Accident incidence rate	23
Social matters		Community involvement	60, 61

Results and dividends	The financial results for the financial year ended 31 December 2021 are set out on pages 125 to 202. Adjusted operating profit for the year amounts to £209.4 million (2020: £173.6 million). An interim dividend of 23.0 pence per share was paid on 12 November 2021 in respect of the half year ended 30 June 2021. The Board is recommending a final dividend of 48.8 pence per share for the year ended 31 December 2021. Together with the interim dividend paid in November 2021, subject to shareholder approval of the final dividend, total dividends for the year ended 31 December 2021 will amount to 71.8 pence per share. Dividend details are given in Note 8 to the Financial Statements on page 148. Subject to the approval of shareholders at the 2022 AGM, the final dividend will be paid on 30 June 2022 to those shareholders on the register at 20 May 2022.
Articles of Association ('Articles')	The Company's Articles contain specific provisions and restrictions regarding the Company's powers to borrow money. Powers relating to pre-emptive rights, allotment of shares and purchase of the Company's own shares are also included in the Articles and such authorities are renewed by shareholders each year at the Annual General Meeting. The Articles also give power to the Board to appoint and remove Directors and require Directors to submit themselves for election at the first AGM following their appointment and for annual re-election at subsequent AGMs. The Articles may be amended by special resolution of the shareholders. The Company's Articles are available on the Company's website: www.spectris.com .
Annual General Meeting ('AGM')	It is intended that the 2022 AGM will be held at 12.00pm on 27 May 2022 at QEII Centre, Broad Sanctuary, Westminster, London SW1P 3EE. The Notice of the AGM accompanies this Annual Report and is available at www.spectris.com .
Auditor's re-appointment and remuneration	Resolutions for the re-appointment of Deloitte LLP as the Company's auditor and to authorise the Directors, acting through the Audit & Risk Committee, to agree the remuneration of the auditor are to be proposed at the 2022 AGM.

Branches	The Spectris Group, through various subsidiaries, has established branches in a number of different countries in which the business operates.
Change in control	There are a number of agreements that take effect, alter or terminate upon a change of control of the Group following a takeover, such as bank loan agreements and Company share plans. None of these are deemed to be significant in terms of their potential impact on the business of the Group as a whole. It is also possible that funding arrangements for the Group's defined benefit pension arrangements would need to be enhanced following a change in control if that resulted in a weakening of the employer covenant. The Company does not have any agreements with any Director that would provide for enhanced compensation for loss of office or employment following a takeover bid.
Directors	Details of the Directors who served during the year are set out on pages 68 and 69, other than Martha Wyrsh who was a director during the year and retired from the Board on 14 May 2021. A copy of Martha's biography is available in the 2020 Annual Report and Accounts. Karim Bitar stepped down from the Board with effect from 31 December 2021. Directors are appointed and replaced in accordance with the Articles, the Act and the UK Corporate Governance Code 2018.
Directors' conflicts of interest	The Board has an established process to review at least annually, and, if appropriate, authorise conflicts of interest. Any transactional conflicts are reviewed as they arise. Directors are asked to review and confirm reported conflicts of interest as part of the year-end process.
Directors' remuneration and interest	Details of Directors' remuneration and their interest in the Company's shares are set out in the Directors' Remuneration Report on pages 92 to 110.
Directors' and officers' indemnities and insurance	The Spectris Group maintains liability insurance for its Directors and officers. The Directors and Company Secretary have also been granted a third-party indemnity, under the Act, which remains in force. Neither the Company's indemnity nor insurance provides cover in the event that an indemnified individual is proven to have acted fraudulently or dishonestly.
Directors' powers	The business of the Company is managed by the Board, which may exercise all the powers of the Company subject to the Articles and the Act.
Employee share plans	Details of employee share plans are set out in Note 22 to the Financial Statements on page 165 to 169.
Financial instruments	Details of the Group's financial risk management in relation to its financial instruments are given in Note 27 to the Financial Statements on pages 176 to 179.
Going concern and Viability Statement	Having reviewed the Group's plans and available financial facilities, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months following the signing of the accounts. For this reason, it continues to adopt the going concern basis in preparing the Group's accounts. The Company's Viability Statement can be found on page 53.
Political donations	The Group's policy is not to make any political donations and none were made during the financial year ended 31 December 2021 (2020: nil).
Post balance sheet events	On 7 January 2022, the Group acquired 100% of the share capital of Creoptix AG for initial purchase consideration of up to CHF44m (£36m) settled in cash, plus contingent deferred consideration of up to CHF22m (£18m), dependent on performance against future milestones. Creoptix AG is a bioanalytical sensor company, which provides solutions to accelerate discovery and development of new pharmaceutical drugs, substances and products. Creoptix AG will be integrated into Malvern Panalytical. See Note 33 for further details.
Purchase of own shares	The Company was authorised by shareholders at the 2021 AGM to purchase in the market up to 10% of the Company's issued share capital, as permitted under the Company's Articles. During the year, under the authority from the 2020 AGM, during tranche 1 of the Share Buyback programme, 1,437,354 ordinary shares (with a nominal value of 5 pence per share) were purchased and cancelled as part of the Share Buyback programme announced on 22 March 2021. Under the authority from the 2021 AGM, 4,159,385 shares were purchased and cancelled as part of the same Share Buyback programme. The total number of shares repurchased and cancelled as part of the programme was 5,596,739 shares, for an average price of 3,574.00 pence per share. The Share Buyback programme concluded on 8 October 2021. The purpose of the share buyback programme was to return value to shareholders given the strength of the balance sheet, and is in accordance with the Group's capital allocation policy. This standard authority is renewable annually and the Directors will seek to renew this authority at the 2022 AGM.

Director's Report continued

Related party transactions	Details of related party transactions are set out in Note 31 to the Financial Statements on page 180.																				
Share capital	The share capital of the Company comprises ordinary shares of 5 pence each: each share (with the exception of those held by the Company in Treasury) carries the right to one vote at general meetings of the Company. The Company may reduce or vary the rights attaching to its share capital by special resolution subject to the Articles and applicable laws and regulations. The issued share capital of the Company together with movements in the Company's issued share capital during the year are shown in Note 21 to the Financial Statements on page 164.																				
Shareholders' rights and obligations attaching to shares	The Articles (available on the Company's website www.spectris.com) contain provisions governing the ownership and transfer of shares. All shareholders have equal voting rights with one vote per share and there are no special control rights attaching to the shares. There are no restrictions on the transfer of shares beyond those required by applicable law under the Articles or under any applicable share dealing policy. Subject to any special rights or restrictions, every shareholder on the Register not less than 48 working hours before the time fixed for a general meeting, will have one vote for every fully-paid share that they hold. Shareholders may cast votes either personally or by proxy, and a proxy need not be a shareholder. Details relating to the appointment of proxies and registration of voting instructions for the 2022 AGM are set out in the Notice of AGM accompanying this Annual Report.																				
Substantial shareholders	As at 31 December 2021, the Company had received formal notifications of the following holdings in its ordinary shares in accordance with DTR 5: <table><thead><tr><th></th><th>Shareholding in Spectris shares</th><th>Date of notification</th><th>Percentage of issued share capital at date of notification</th></tr></thead><tbody><tr><td>Massachusetts Financial Services Company</td><td>11,499,077</td><td>01 Oct 2020</td><td>9.89%</td></tr><tr><td>FMR LLC</td><td>8,682,229</td><td>01 Jan 2020</td><td>7.48%</td></tr><tr><td>BlackRock</td><td>6,069,049</td><td>21 Dec 2020</td><td>6.23%</td></tr><tr><td>UBS</td><td>5,954,961</td><td>11 Jan 2021</td><td>5.12%</td></tr></tbody></table> Between 31 December 2021 and the date of this report, the Company received no further notifications. A list of the Company's major shareholders is set out on page 203.		Shareholding in Spectris shares	Date of notification	Percentage of issued share capital at date of notification	Massachusetts Financial Services Company	11,499,077	01 Oct 2020	9.89%	FMR LLC	8,682,229	01 Jan 2020	7.48%	BlackRock	6,069,049	21 Dec 2020	6.23%	UBS	5,954,961	11 Jan 2021	5.12%
	Shareholding in Spectris shares	Date of notification	Percentage of issued share capital at date of notification																		
Massachusetts Financial Services Company	11,499,077	01 Oct 2020	9.89%																		
FMR LLC	8,682,229	01 Jan 2020	7.48%																		
BlackRock	6,069,049	21 Dec 2020	6.23%																		
UBS	5,954,961	11 Jan 2021	5.12%																		
Treasury shares	Shares held by the Company in treasury do not have voting rights and are not eligible to receive dividends.																				
Disclosures required under UK Listing Rule 9.8.4	There are no disclosures required to be made under UK Listing Rule 9.8.4 other than in respect of long-term incentive schemes, details of which are set out in the Directors' Remuneration Report on pages 92 to 110.																				
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, which would be needed by the Company's auditor in connection with preparing its audit report, of which the Company's auditor is unaware; and - each Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.																				

On behalf of the Board

Mark Serfözö

General Counsel and Company Secretary

23 February 2022

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the Group and Company Financial Statements in accordance with applicable law and regulations.

Under the Companies Act, the Directors are required to prepare the Group Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applied in the European Union ('EU') and have also elected to prepare the Company Financial Statements in accordance with UK Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'.

Under company law, the Directors are required to prepare such Financial Statements for each financial year and 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 Group and Company and of their profit or loss for that period.

In preparing each of the Group and Company Financial Statements, the Directors are required to:

- select accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group Financial Statements, state whether they have been prepared in conformity with the requirements of United Kingdom adopted international accounting standards;
- for the Company Financial Statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and 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 its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report on pages 1 to 67 and the Directors' Report on pages 68 to 114 include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Strategic Report and the Directors' Report were approved by the Board on 23 February 2022.

By order of the Board

Andrew Heath
Chief Executive

Derek Harding
Chief Financial Officer
23 February 2022

Independent auditor's report to the members of Spectris plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

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

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated and Parent Company Statements of Financial Position;
- the Consolidated Statement of Cash Flows; and
- the Consolidated Notes 1 to 33 and Company notes 1 to 14.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. 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 Group and the Parent 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent company for the year are disclosed in note 4 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • The valuation of the customer relationship intangible asset identified as part of the acquisition of Concurrent Real-Time • Revenue recognition
Materiality	The materiality that we used for the Group financial statements was £10.0 million which was determined on the basis of 5% of adjusted profit before tax.
Scoping	Full scope audit work was completed on 49 (2020: 58) components and specified audit procedures were undertaken on a further 3 (2020: 2) components. Our full scope and specified audit procedures represent 74% (2020: 74%) of total Group revenue and 83% of Group adjusted profit before tax (2020: 88% of Group statutory profit before tax).
Significant changes in our approach	Our audit approach is consistent with the previous year with the exception of the following: • The impairment of the carrying value of goodwill, other intangible and tangible assets at Millbrook is no longer considered to be a key audit matter, following the disposal of Millbrook by the Group during the year. • Given the significant acquisition of Concurrent Real-Time in 2021, the valuation of the customer relationship intangible asset has been identified as a new key audit matter. • In 2020, due to the forecasting uncertainty and expected volatility in underlying earnings resulting from the COVID-19 pandemic we determined materiality by considering a combination of metrics such as adjusted profit before tax, revenue and EBITDA. We now consider this uncertainty has reduced, given the Group's performance over the last year, therefore, we have reverted to using adjusted profit before tax as a benchmark, which is consistent with the basis on which we have determined materiality in 2019. • The change in the number of components in full scope audits and specified audit procedures reflects the developments in the business relating to the Group's acquisitions and disposals in the year, as further explained in section 7.1

4. 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.

Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the financing facilities available to the Group including the nature of facilities, repayment terms and covenants;
- challenging the assumptions used in the forecasts by reference to historical performance, trading run rate, order book and other supporting evidence, such as business disposal agreements;
- recalculation and assessment of the amount of cash and covenant headroom in the forecasts; and
- performing a sensitivity analysis to consider specific scenarios, including a reverse stress test based on a reduction in revenue and associated margin.

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 Group's and Parent 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.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

Independent auditor's report to the members of Spectris plc continued

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. The valuation of the customer relationship intangible asset identified as part of the acquisition of Concurrent Real-Time

Key audit matter description	On 9 July 2021, the Group completed the acquisition of 100% of Concurrent Real-Time for a gross purchase consideration of £135.9 million. As part of the accounting for the acquisition, the Directors performed a valuation of the assets and liabilities acquired and as a result identified total intangible assets of £74.8 million, which included £51.4 million in relation to a customer relationship intangible asset. The goodwill arising from the acquisition is £63.8 million. The valuation of this customer relationship intangible asset is based on certain assumptions and estimates which require judgement and therefore increases the risk of possible misstatement. We have identified the key assumptions and estimates, namely the forecast future revenue growth rates, customer attrition rates and technology royalty rates as a key audit matter. This is due to the inherent uncertainty in estimating these assumptions which require a higher degree of management judgement and auditor effort, including the use of valuation specialists. <i>The Audit Committee Report on page 86 refers to M&A activity as an area considered by the Audit Committee. This includes the acquisition of Concurrent Real-Time. Note 1 to the Consolidated Financial Statements sets out the Group's accounting policy for business combinations and note 23 includes details of fair values of acquired assets at the acquisition date.</i>
How the scope of our audit responded to the key audit matter	We have performed the following procedures in respect of this key audit matter: • Obtained an understanding of relevant controls in relation to management's identification and valuation of acquired intangible assets, including management's oversight and use of a third-party valuation specialist. • Enquired of management, to understand and challenge the assumptions underpinning management's forecast revenue growth, including by reference to past actual performance and available third party evidence. • Evaluated management's historical accuracy in forecasting revenues of newly acquired entities by comparing the forecast revenues made for recent acquisitions to the actual performance. • Involved internal valuation specialists to assess the appropriateness and application of management's valuation methodology as well as the technology royalty rates and customer attrition rates. • Tested the integrity of the model through testing mechanical accuracy, formulae and inputs. • Tested the accuracy and completeness of the underlying data used in the calculation of the customer attrition rates. • Performed further independent sensitivity analysis on the model. • Assessed the appropriateness of the related disclosures against the requirements of IFRS 3.
Key observations	Our audit procedures did not identify any material misstatement within the customer relationship intangible asset and we are satisfied that assumptions used in the valuation are within an acceptable range. We consider the disclosure in relation to the acquisition to be appropriate.

5.2. Revenue recognition

Key audit matter description	The Group recognised revenue of £1,292.0 million (2020: £1,336.2 million) predominantly through the provision of goods and services accounted for under IFRS 15. Given the number of operating companies in the Group, the variety of revenue streams and the bespoke nature of businesses, spanning across numerous countries and industries, understanding the revenue cycles in each business and their respective control environments underpins our risk assessment and the basis for our planned audit procedures. We have identified a key audit matter relating to a risk of material misstatement in relation to cut-off for revenue recognition. The risk relates to the potential overstatement of revenue within certain components where a significantly higher-than-average volume and value of trade is recognised in December 2021 compared to the rest of the year. <i>Note 1 to the Consolidated Financial Statements sets out the Group's accounting policy for revenue recognition, and notes 2 and 3 include details of the Group's revenue by segment and timing of revenue recognition.</i>
How the scope of our audit responded to the key audit matter	We designed our audit procedures to be specific to each operating company to which the cut-off risk had been identified. Consequently, we have performed a combination of the following audit procedures as relevant: • Obtained an understanding of the controls over the revenue recognition process specifically in relation to cut-off and in certain instances tested the operating effectiveness of these relevant controls. • Traced a sample of revenue recognised in December 2021 to third party supporting evidence to determine whether appropriate cut-off was applied and whether the performance obligations have been satisfied. • Challenged the appropriateness of accrued income recognised by agreeing a sample to supporting evidence demonstrating that a performance obligation has been met or partially met. • Obtained a schedule of adjusting and manual journals posted in December 2021 with a credit impact on revenue and traced a sample to appropriate evidence in support of the adjustment.
Key observations	We consider that revenue across the Group has been appropriately recognised and that the year end cut-off is materially accurate. We concur with management's accounting policies and their application across the Group.

Independent auditor's report to the members of Spectris plc continued

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£10.0 million (2020: £7.7 million)	£7.5 million (2020: £3.8 million)
Basis for determining materiality	Materiality was determined on the basis of 5% of adjusted profit before tax. In the prior year, due to the forecasting uncertainty and expected volatility in underlying earnings resulting from the COVID-19 pandemic we determined materiality by considering a combination of metrics such as adjusted profit before tax, revenue and EBITDA. We now consider this uncertainty has reduced, given the Group's performance over the last year, therefore we have reverted to using adjusted profit before tax as a benchmark, which is consistent with the basis on which we have determined materiality in 2019.	Materiality was determined on the basis of 1.0% of the Parent Company's net assets. This was then capped at 75% of Group materiality (2020: 70%).
Rationale for the benchmark applied	Adjusted profit before tax is a key performance measure for management, investors and the analyst community. This metric is important to the users of the financial statements because it portrays the performance of the business and hence its ability to pay a return on investment to the investors. Likewise, this metric takes into account the acquisitive nature of the Group which results in adjusting items needing to be considered when determining the performance of the business. Refer to the Appendix to the Consolidated Financial Statements for the Group's definition and calculation of Alternative Performance Measures.	We consider net assets to be the most appropriate benchmark as the Parent Company is a non-trading entity, whose primary function within the Spectris Group is to act as a holding company.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	70% (2020: 70%) of Group materiality	70% (2020: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our risk assessment, including our assessment of the Group's overall control environment and our past experience of the audit; • the disaggregated nature of the Group which reduces the likelihood of an individually material error; and • the low number of corrected and uncorrected misstatements identified in the previous audits.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.5 million (2020: £0.4 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The Group operates in more than 30 countries spread across five continents with the largest footprint being in North America, Asia and Europe. Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component level.

Based on that assessment, we focussed our Group audit scope primarily on audit work at the four segments, consisting of three platforms: Omega, HBK and Malvern Panalytical; as well as another seven operating companies reported as part of the Industrial Solutions division. These three platforms and seven other operating companies are composed of many individual components, which are the lowest level at which management prepares financial information that is included in the Consolidated Financial Statements.

We have considered components on the basis of their contribution to Group revenue, and profit, as well as those that require local statutory audits in their jurisdiction. Full scope audits were completed on 49 (2020: 58) components and specified audit procedures were undertaken on a further 3 components (2020: 2); these were performed by local component auditors. Our scoping of the audit reflects the developments in the business relating to the Group's acquisitions and disposals in the year. As a result, our components within the Millbrook, NDCT and BK Vibro components have been removed from full scope audits and we have performed specified audit procedures over the main trading entity within Concurrent Real-Time. Certain entities in Japan and France, where we performed specified audit procedures in the prior year, have been subject to analytical procedures in the current year, as none contribute significantly to Group results and no other qualitative risks have been identified in relation to them.

Our full scope and specified audit procedures represent 74% (2020: 74%) of total Group revenue and 83% (2020: 88%) of Group adjusted profit before tax. The Parent Company is located in the UK and is audited directly by the Group audit team. Our work on the components was executed at levels of materiality applicable to each individual entity, which were lower than Group materiality and ranged from £3.2 million to £3.5 million (2020: £2.4 million to £3.8 million).

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or specified audit procedures.

7.2. Our consideration of the control environment

The Group operates a range of IT systems which underpin the financial reporting processes. This can vary by geography and/or operating company. For certain components subject to full scope audits we identified relevant IT systems for the purpose of our audit work. These were typically the principal Enterprise Resource Planning (ERP) systems for each relevant component that govern the general ledger and transaction accounting balances and also included the Group's consolidation system. Our approach was principally designed to inform our risk assessment and, as such, we obtained an understanding of relevant IT controls and tested the general IT controls for some operating companies using IT specialists.

Given the disaggregated nature of the Group, we continue to adopt a largely substantive audit approach. Where control improvements are identified these are reported to management and the Audit Committee as appropriate. The Group continues to invest time in responding to and addressing our observations. Management determines their response to these observations and continues to monitor their resolution with reporting to and oversight from the Audit Committee. As outlined in the Internal Control section on page 87 of the Annual Report, work has been completed by management this year to develop a roadmap to further enhance Spectris' internal control environment in line with the expected requirements from the white paper relating to "Restoring trust in audit and corporate governance". As management develops and completes this programme of work in future years, we expect our audit approach to evolve alongside these developments in the internal control environment.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements.

The Group has assessed the risk and opportunities relevant to climate change and has elevated this risk to a principal risk across the Group. This risk has also been considered and embedded into the businesses as explained in the Strategic Report.

As a part of our audit procedures, we have obtained management's climate-related risk assessment and held discussions with those charged with governance to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. While management has acknowledged that the transition and physical risks posed by Climate change have the potential to impact the medium to long term success of the business, they have assessed that there is no material impact arising from climate change on the judgements and estimates made in the financial statements as at 31 December 2021 as explained in note 1 on page 132.

We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transaction, and did not identify any additional risks of material misstatement. Our procedures include reading disclosures included in the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

Independent auditor's report to the members of Spectris plc continued

7.4. Working with other auditors

Our oversight of component auditors focussed on the planning of their audit work and understanding of their risk assessment process to identify key areas of estimates and judgements, as well as the execution of their audit work. We sent our component teams detail instructions, reviewed and challenged the related component inter-office reporting and findings from their work, reviewed relevant documents in underlying audit files, attended component audit closing conference calls and held regular remote communication to interact on any related audit and accounting matters which arose.

Dedicated members of the Group audit team were assigned to each component to facilitate an effective and consistent approach to component oversight.

In response to the ongoing COVID-19 pandemic in 2021, which inhibited our ability to make component visits, more frequent calls were held between the Group and component teams and remote access to relevant documents was provided. Given the pandemic, the majority of our audit was performed under a remote working environment. Throughout this time, we increased the frequency of our meetings with the audit team and with management. We were able to perform our procedures without needing to make substantial changes to our planned approach.

8. 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.

9. 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

10. 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.

11. 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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team, including component audit teams and relevant internal specialists, including tax, valuation, pension and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the

organisation for fraud and identified the greatest potential for fraud in the following area: revenue recognition.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including significant component audit teams and internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with 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 Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 115;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 115;
- the directors' statement on fair, balanced and understandable set out on page 84;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 48;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 87; and
- the section describing the work of the audit committee set out on page 83.

Independent auditor's report to the members of Spectris plc continued

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 28 July 2016 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is five years, covering the years ending 31 December 2017 to 31 December 2021.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. 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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Andrew Bond, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London UK

23 February 2022

Consolidated Income Statement

For the year ended 31 December 2021

	Note	2021 £m	2020 £m
Continuing operations			
Revenue	2,3	1,292.0	1,336.2
Cost of sales		(553.2)	(599.8)
Gross profit		738.8	736.4
Indirect production and engineering expenses		(95.9)	(96.7)
Sales and marketing expenses		(242.1)	(268.3)
Administrative expenses		(245.9)	(394.7)
Operating profit/(loss)	2,4	154.9	(23.3)
Fair value through profit and loss movements on equity investments	12	–	23.2
Profit on disposal of businesses	24	226.5	4.4
Financial income	6	12.8	1.8
Finance costs	6	(5.6)	(10.2)
Profit/(loss) before tax		388.6	(4.1)
Taxation charge	7	(41.7)	(12.9)
Profit/(loss) for the year from continuing operations attributable to owners of the Company		346.9	(17.0)
Basic earnings/(loss) per share	9	305.1p	(14.6p)
Diluted earnings/(loss) per share	9	304.0p	(14.6p)
Dividends – amounts arising in respect of the year			
2021: interim dividend paid and final dividend proposed for the year (2020: Interim, additional interim and final dividends paid for the year) (per share)	8	71.8p	111.6p
Dividends paid during the year (per share)	8	69.5p	65.1p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 £m	2020 £m
Profit/(loss) for the year attributable to owners of the Company		346.9	(17.0)
Other comprehensive income:			
Items that will not be reclassified to the Consolidated Income Statement:			
Re-measurement of net defined benefit obligation	19	(1.8)	8.5
Fair value (loss)/gain and foreign exchange movements on translation of investment in equity instruments designated as at fair value through other comprehensive income	12	(1.8)	0.1
Tax credit/(charge) on items above	7	0.7	(1.3)
		(2.9)	7.3
Items that are or may be reclassified subsequently to the Consolidated Income Statement:			
Net loss on effective portion of changes in fair value of forward exchange contracts on cash flow hedges		(1.9)	(0.6)
Foreign exchange movements on translation of overseas operations		(25.1)	(0.6)
Currency translation differences transferred to profit on disposal of business	24	(4.8)	-
Tax credit on items above	7	0.3	0.1
		(31.5)	(1.1)
Total other comprehensive (loss)/income		(34.4)	6.2
Total comprehensive income/(loss) for the year attributable to owners of the Company		312.5	(10.8)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Note	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Capital redemption reserve £m	Total equity £m
At 1 January 2021 (restated)	1	6.0	231.4	882.6	98.0	(1.9)	3.1	0.5	1,219.7
Profit for the year		-	-	346.9	-	-	-	-	346.9
Other comprehensive loss		-	-	(1.0)	(31.8)	(1.6)	-	-	(34.4)
Total comprehensive income/(loss) for the year		-	-	345.9	(31.8)	(1.6)	-	-	312.5
Transactions with owners recorded directly in equity:									
Equity dividends paid by the Company	8	-	-	(79.0)	-	-	-	-	(79.0)
Own shares acquired for share buyback programme	21	(0.2)	-	(201.3)	-	-	-	0.2	(201.3)
Share-based payments, net of tax	22	-	-	9.1	-	-	-	-	9.1
Proceeds from exercise of equity-settled options		-	-	0.3	-	-	-	-	0.3
At 31 December 2021		5.8	231.4	957.5	66.2	(3.5)	3.1	0.7	1,261.3
	Note	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Capital redemption reserve £m	Total equity £m
At 1 January 2020		6.0	231.4	983.3	98.6	(1.4)	3.1	0.5	1,321.5
Prior period restatement	1	-	-	(18.9)	-	-	-	-	(18.9)
At 1 January 2020 (restated)		6.0	231.4	964.4	98.6	(1.4)	3.1	0.5	1,302.6
Loss for the year		-	-	(17.0)	-	-	-	-	(17.0)
Other comprehensive income/(loss)		-	-	7.3	(0.6)	(0.5)	-	-	6.2
Total comprehensive loss for the year		-	-	(9.7)	(0.6)	(0.5)	-	-	(10.8)
Transactions with owners recorded directly in equity:									
Equity dividends paid by the Company	8	-	-	(75.7)	-	-	-	-	(75.7)
Share-based payments, net of tax	22	-	-	3.3	-	-	-	-	3.3
Proceeds from exercise of equity-settled options		-	-	0.3	-	-	-	-	0.3
At 31 December 2020 (restated)		6.0	231.4	882.6	98.0	(1.9)	3.1	0.5	1,219.7

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 £m	(restated) ¹ 2020 £m	(restated) ¹ 2019 £m
ASSETS				
Non-current assets				
Intangible assets:				
Goodwill	10	631.5	577.0	646.8
Other intangible assets	10	169.1	107.8	152.8
		800.6	684.8	799.6
Property, plant and equipment	11	150.5	156.0	318.1
Right-of-use assets	11	60.5	31.1	50.9
Investment in equity instruments	12, 24	24.3	39.4	–
Investment in debt instruments	24, 27	23.0	–	–
Deferred tax assets	20	21.2	16.2	9.0
		1,080.1	927.5	1,177.6
Current assets				
Inventories	13	187.9	168.5	197.2
Current tax assets		5.7	4.1	4.1
Trade and other receivables	14	315.9	293.3	337.2
Derivative financial instruments	27	0.3	1.9	1.5
Cash and cash equivalents	15	167.8	222.2	213.1
Assets held for sale	24	10.4	178.7	18.9
		688.0	868.7	772.0
Total assets		1,768.1	1,796.2	1,949.6
LIABILITIES				
Current liabilities				
Borrowings	16	–	(13.1)	(80.7)
Derivative financial instruments	27	(1.2)	(0.1)	(0.1)
Trade and other payables	17	(330.2)	(288.3)	(296.8)
Lease liabilities		(16.6)	(12.9)	(15.1)
Current tax liabilities		(28.1)	(15.6)	(19.7)
Provisions	18	(17.6)	(24.7)	(27.3)
Liabilities held for sale	24	–	(37.3)	–
		(393.7)	(392.0)	(439.7)
Net current assets		294.3	476.7	332.3
Non-current liabilities				
Borrowings	16	–	(104.5)	(98.9)
Other payables	17	(13.8)	(24.7)	(21.3)
Lease liabilities		(49.3)	(26.0)	(45.4)
Provisions	18	(4.7)	(3.8)	(5.6)
Retirement benefit obligations	19	(22.3)	(20.4)	(27.5)
Deferred tax liabilities	20	(23.0)	(5.1)	(8.6)
		(113.1)	(184.5)	(207.3)
Total liabilities		(506.8)	(576.5)	(647.0)
Net assets		1,261.3	1,219.7	1,302.6
EQUITY				
Share capital	21	5.8	6.0	6.0
Share premium		231.4	231.4	231.4
Retained earnings		957.6	882.6	964.4
Translation reserve	21	66.2	98.0	98.6
Hedging reserve	21	(3.5)	(1.9)	(1.4)
Merger reserve	21	3.1	3.1	3.1
Capital redemption reserve	21	0.7	0.5	0.5
Total equity attributable to owners of the Company		1,261.3	1,219.7	1,302.6

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

The Financial Statements on pages 125 to 188 were approved by the Board of Directors on 23 February 2022 and were signed on its behalf by:

Derek Harding
Chief Financial Officer

Company registration No. 2025003

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 £m	2020 £m
Cash generated from operations	25	191.6	254.6
Net income taxes paid		(32.2)	(28.6)
Net cash inflow from operating activities		159.4	226.0
Cash flows from/(used in) investing activities			
Purchase of property, plant and equipment and intangible assets		(35.3)	(43.1)
Proceeds from disposal of property, plant and equipment and software		–	4.1
Finance sublease receivable collected, net of initial direct costs		0.1	–
Acquisition of businesses, net of cash acquired	23	(135.5)	(10.9)
Purchase of equity investments	12	–	(15.2)
Proceeds from disposal of equity investments	12	38.3	–
Proceeds from disposal of businesses, net of tax paid of £nil (2020: £2.3m)	24	333.7	20.6
Proceeds from government grants related to purchase of property, plant and equipment and intangible assets		–	0.2
Interest received		0.5	2.4
Net cash flows from/(used in) investing activities		201.8	(41.9)
Cash flows used in financing activities			
Interest paid on borrowings		(3.4)	(6.9)
Interest paid on lease liabilities	16	(1.8)	(2.3)
Dividends paid	8	(79.0)	(75.7)
Share buyback purchase of shares	21	(201.3)	–
Net proceeds from exercise of share options		0.3	0.3
Payments on principal portion of lease liabilities	16, 29	(13.0)	(19.3)
Loan repaid by joint venture		–	3.0
Proceeds from borrowings	16	70.0	0.3
Repayment of borrowings	16	(169.8)	(86.4)
Net cash flows used in financing activities		(398.0)	(187.0)
Net decrease in cash and cash equivalents		(36.8)	(2.9)
Cash and cash equivalents at beginning of year		210.9	213.1
Effect of foreign exchange rate changes		(6.3)	0.7
Cash and cash equivalents at end of year	15	167.8	210.9

Notes to the Accounts

1. Basis of preparation and summary of significant accounting policies

a) Basis of preparation

Basis of accounting

The Consolidated Financial Statements have been prepared on a historical cost basis except for items that are required by International Financial Reporting Standards ('IFRS') to be measured at fair value, principally certain financial instruments. The Consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK adopted IFRSs.

The Consolidated Financial Statements set out on pages 125 to 188 have been prepared using consistent accounting policies, except for the adoption of new accounting standards and interpretations noted below. Details of the application of new and revised IFRS that became applicable in 2021 are set out below.

These Consolidated Financial Statements are presented in millions of Sterling rounded to the nearest one decimal place.

Basis of consolidation

The Consolidated Financial Statements set out the Group's financial position as at 31 December 2021 and the Group's financial performance for the year ended 31 December 2021, which incorporate the Financial Statements of Spectris plc and its subsidiaries.

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Joint ventures are contractual arrangements which the Group has entered into with one or more parties to undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity and exists only when decisions relating to the relevant activities require the unanimous consent of the parties sharing the control. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method, under which the investment in a joint venture is initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of the losses of a joint venture exceeds the Group's interest in that joint venture the Group discontinues recognising its share of further losses.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that on the same basis as would be required if that had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the joint venture is disposed of.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Going concern

In determining the basis of preparation for the Consolidated Financial Statements, the Directors have considered the Group's available resources, current business activities and factors likely to impact on its future development and performance, including the impact of COVID-19 and Climate Change on the Group, which are described in the Chief Executive's Review, Financial Review and Operating Review.

The Group's business activities, together with factors likely to affect its future development, performance and financial position, are set out in the Strategic Report on pages 1 to 67. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 44 to 47. In addition, note 26 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

During the year, the Group repaid, in full, a seven-year €116.2m (£99.8m) term loan which was due to mature in September 2022. The Group reduced its \$800m committed facility in size to \$500m and reduced the number of relationship banks from ten to eight during the third quarter. As at 31 December 2021, the Group had £370.3m of committed facilities, consisting entirely of an \$500m multi-currency revolving credit facility ('RCF') maturing in July 2025. The RCF was undrawn at 31 December 2021 (2020: \$800m undrawn).

Notes to the Accounts continued

1. Basis of preparation and summary of significant accounting policies continued

The RCF has a leverage (covenant defined net debt/EBITDA) of up to 3.5x. The Group regularly monitors its financial position to ensure that it remains within the terms of its banking covenants. At 31 December 2021, interest cover (covenant defined earnings before interest, tax and amortisation divided by net finance charges) was 67 times (31 December 2020: 42 times), against a minimum requirement of 3.75 times. Leverage (covenant defined earnings before interest, tax, depreciation and amortisation divided by net cash) was less than zero (31 December 2020: less than zero) due to the Group's net cash position, against a maximum permitted leverage of 3.5 times.

In addition to the above, at 31 December 2021, the Group had a cash and cash equivalents balance of £167.8m. The Group also had various uncommitted facilities and bank overdraft facilities available, all of which were undrawn, resulting in a net cash position of £167.8m, an increase of £61.7m from £106.1m at 31 December 2020.

The Group has prepared and reviewed cash flow forecasts for the period to 31 December 2023, which reflect forecasted changes in revenue across its business and performed a reverse stress test of the forecasts to determine the extent of downturn which would result in a breach of covenants. Revenue would have to reduce by 35% over the period under review for the Group to breach the leverage covenant under the terms of its debt facility. The reverse stress test does not take into account further mitigating actions which the Group would implement in the event of a severe and extended revenue decline, such as cancelling the dividend or reducing capital expenditure. This assessment indicates that the Group can operate within the level of its current facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

Following this assessment, the Board of Directors are satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in relation to this conclusion and preparing the Consolidated Financial Statements. There are no key sensitivities identified in relation to this conclusion. Further information on the going concern of the Group can be found on page 53 in the Viability Statement.

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

The Group 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 Group's accounting policy has historically been to capitalise costs directly attributable to the configuration and customisation of SaaS arrangements as intangible assets in the Consolidated Statement of Financial Position. Following the adoption of the above IFRIC agenda guidance, the accounting policy was changed so that the Group 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 Group has control of the software. For those arrangements where the Group does not have control of the developed software, the Group 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 Consolidated Income Statement as incurred.

The change in accounting policy led to adjustments amounting to a £25.7m reduction in intangible assets, a £18.9m reduction in retained earnings, a £2.6m reduction in deferred tax liabilities, a £1.6m increase in deferred tax assets, a £1.1m reduction in current tax liabilities and a £1.5m increase in trade and other receivables recognised in the 31 December 2020 Consolidated Statement of Financial Position. The 2020 Consolidated Income Statement and Statement of Other Comprehensive Income have not been restated, as the impact on them is immaterial.

This change in accounting policy also led to adjustments amounting to a £25.7m reduction in intangible assets, a £18.9m reduction in retained earnings, a £4.2m reduction in deferred tax liabilities, a £1.1m reduction in current tax liabilities and a £1.5m increase in trade and other receivables recognised in the 31 December 2019 Consolidated Statement of Financial Position.

Accordingly, the prior period Consolidated Statement of Financial Positions at 31 December 2020 and 31 December 2019 have been restated in accordance with IAS 8, and, in accordance with IAS 1 (revised), a Consolidated Statement of Financial Position at 31 December 2019 is also presented, together with related notes. The tables below show the impact of the change in accounting policy on the previously reported financial position.

1. Basis of preparation and summary of significant accounting policies continued

	As previously reported 2020 £m	Impact of restatement 2020 £m	Restated 2020 £m
Other intangible assets	133.5	(25.7)	107.8
Deferred tax assets	14.6	1.6	16.2
Trade and other receivables	291.8	1.5	293.3
Current tax liability	(16.7)	1.1	(15.6)
Deferred tax liabilities	(7.7)	2.6	(5.1)
Other assets/(liabilities)	823.1	–	823.1
Net assets	1,238.6	(18.9)	1,219.7
Retained earnings	901.5	(18.9)	882.6
Other equity balances	337.1	–	337.1
Total equity attributable to owners of the Company	1,238.6	(18.9)	1,219.7

	As previously reported 2019 £m	Impact of restatement 2019 £m	Restated 2019 £m
Other intangible assets	178.5	(25.7)	152.8
Trade and other receivables	335.7	1.5	337.2
Current tax liability	(20.8)	1.1	(19.7)
Deferred tax liabilities	(12.8)	4.2	(8.6)
Other assets/(liabilities)	840.9	–	840.9
Net assets	1,321.5	(18.9)	1,302.6
Retained earnings	983.3	(18.9)	964.4
Other equity balances	338.2	–	338.2
Total equity attributable to owners of the Company	1,321.5	(18.9)	1,302.6

New standards and interpretations adopted

On 1 January 2021, the Group adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) as issued by the IASB. The adoption has not had a material impact on the interim Consolidated Financial Statements.

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

New accounting standards and interpretations not yet adopted

At the date of authorisation of these Consolidated Financial Statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17	Insurance Contracts
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Costs of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018–2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Notes to the Accounts continued

1. Basis of preparation and summary of significant accounting policies continued

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the Consolidated Financial Statements of the Group in future periods.

Significant accounting judgements and estimates

In determining and applying accounting policies, judgement is often required where the choice of specific policy, assumption or accounting estimate to be followed could materially affect the reported amounts of assets, liabilities, income and expenses, should it be determined that a different choice be more appropriate. Estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances, including the impact of COVID-19 on the Group.

Critical accounting judgements

Restructuring costs

Restructuring costs consist of costs incurred under significant restructuring programmes. These costs are presented in a separate income statement category, as adjusting items to operating profit. The classification and presentation of these items require significant judgement to determine the nature and intention of the transaction. Details of the Group's adjusted measures are included in the appendix to the Consolidated Financial Statements.

Key sources of estimation uncertainty

Management considers the following to be the key sources of estimation uncertainty for the Group at the end of the current reporting period due to the risk of causing a material change to the carrying amount of assets and liabilities within the next year.

i) Taxation

At 31 December 2020, management concluded that determining the provision for tax was a key source of estimation uncertainty. During the year ended 31 December 2021, the Group agreed a formal settlement with HMRC to resolve its dispute in relation to the taxation of dividends received from EU based subsidiaries prior to 2009. Further details are provided in note 7. As this matter has now been settled, management believes that the determination of the provision for tax no longer has sufficient estimation uncertainty to cause a material adverse impact on the results and net position of the Group within the next 12 months and have therefore removed this as a source of key estimation uncertainty.

ii) Retirement benefit plans

Accounting for retirement benefit plans under IAS 19 (revised) requires an assessment of the future benefits payable in accordance with actuarial assumptions. The discount rate and rate of retail price inflation ('RPI') assumptions applied in the calculation of plan liabilities, which are set out in note 19, represent a key source of estimation uncertainty for the Group. Details of the related sensitivities are set out on page 162 and the accounting policies applied in respect of retirement benefit plans are set out on page 138.

Climate change is referred to in the Risk Management and Sustainability sections of the Strategic Report. Spectris is well placed to face this global challenge and, although we acknowledge the risks to businesses and trade, we do not consider climate change creates any further key sources of estimation uncertainty at this time.

b) Summary of significant accounting policies

The accounting policies set out below have been applied consistently by Group entities to all years presented in these Consolidated Financial Statements.

Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group and the liabilities incurred by the Group to the former owners of the acquiree. The identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date.

Transaction costs on a business combination are expensed as incurred in the Consolidated Income Statement and treated as an adjusting item for the purposes of alternative performance measures (see appendix to the Consolidated Financial Statements).

Goodwill represents the excess of the fair value of the purchase consideration for the interests in subsidiary undertakings over the net fair value to the Group of the identifiable assets, liabilities and contingent liabilities acquired. Where the fair value of the Group's share of identifiable net assets acquired exceeds the fair value of the consideration, the difference is recognised immediately in the Consolidated Income Statement. Contingent consideration is initially recognised as a liability with changes to estimates of contingent consideration reflected in operating profit unless they occur during the 12-month measurement period, in which situation the amount of goodwill recognised on the acquisition is adjusted if they are the result of obtaining additional information about facts and circumstances that existed at the acquisition date. Adjustments to contingent consideration are treated as an adjusting item for the purposes of alternative performance measures (see appendix to the Consolidated Financial Statements).

Goodwill arising on the acquisition of a business is tested annually for impairment. Goodwill is not amortised, and any impairment losses are not subsequently reversed. The net book value of goodwill at the date of transition to IFRS has been treated as deemed cost. On the subsequent disposal or discontinuance of a previously acquired business, the relevant goodwill is dealt with in the Consolidated Income Statement except for the goodwill already charged to reserves. Goodwill is allocated on acquisition to cash generating units ('CGUs') that are anticipated to benefit from the combination. Goodwill is tested for impairment by assessing the recoverable amount of the CGU to which the goodwill relates and comparing it against the net book value. This estimate of recoverable amount is determined annually and additionally when there is an

1. Basis of preparation and summary of significant accounting policies continued

indication that a CGU may be impaired. The Group's identified CGUs are equivalent to or smaller than the reportable operating segments in note 2.

The estimate of recoverable amount requires significant assumptions to be made and is based on a number of factors, such as the near-term business outlook for the CGU, including both its operating profit and operating cash flow performance. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in the Consolidated Income Statement. Where goodwill forms part of a CGU 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. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

Intangible assets and amortisation

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 Group only capitalises costs relating to the configuration and customisation of SaaS arrangements as intangible assets where control of the software exists.

Self-funded research and development costs are charged to the Consolidated Income Statement in the year in which they are incurred, unless development expenditure meets certain strict criteria for capitalisation. These criteria include demonstration of the technical feasibility, intent of completing a new intangible asset that is separable, the ability to measure reliably the expenditure attributable to the intangible asset during its development phase and that the asset will generate probable future economic benefits. From the point where expenditure meets the criteria, development costs are capitalised and amortised over the useful economic lives of the assets to which they relate.

Intangible assets arising from a business combination that are separable from goodwill are recognised initially at fair value at the date of acquisition. Other acquired intangible assets (including software not specific to an item of property, plant and equipment) are initially recognised at cost (plus any associated implementation costs where applicable).

Subsequent expenditure is capitalised only when it increases the future economic benefits, otherwise it is expensed as incurred.

Amortisation of intangible assets is charged to administrative expenses in the Consolidated Income Statement on a straight-line basis over the shorter of the estimated useful economic life (determined on an asset-by-asset basis) or underlying contractual life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives are as follows:

- software – three to seven years;
- patents, contractual rights and technology – up to 11 years, dependent upon the nature of the underlying contractual right; and
- customer-related and trade names – three to 20 years, dependent upon the underlying contractual arrangements and specific circumstances such as customer retention experience.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal.

Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost comprises the purchase price paid and any costs directly attributable to bringing it into working condition for its intended use. Tangible assets arising from a business combination are recognised initially at fair value at the date of acquisition.

Depreciation is recognised in the Consolidated 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 available 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. Land is not depreciated. Estimated useful lives are as follows:

- freehold and long leasehold property – 20 to 40 years;
- short leasehold property – over the period of the lease; and
- plant and equipment – three to 20 years.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that take a substantial period of time to get ready for their intended use are capitalised as part of the cost of the respective asset.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes to the Accounts continued

1. Basis of preparation and summary of significant accounting policies continued

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group 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 Group 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 Consolidated Statement of Financial Position.

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 Group 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 as a separate line in the Consolidated Statement of Financial Position.

The Group 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 re-measured by discounting the revised lease payments using a revised discount rate; the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is re-measured by discounting the revised lease payments using the initial discount rate; or a lease contract is modified, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The interest portion of lease payments is presented under financing activities in the Consolidated Statement of Cash Flows.

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, 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 historical 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 historical credit loss experience, adjusted for factors specific to the receivable and operating company. The movement in the provision is recognised in the Consolidated Income Statement. See note 14 for further details on trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits held on call or with maturities of less than three months at inception. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash equivalents for the purposes of the Consolidated Statement of Cash Flows.

Assets and liabilities held for sale

Assets, liabilities and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets, liabilities and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable, and the asset (or disposal group) is available for immediate sale in its present condition and when management is committed to the sale which is expected to qualify for recognition as a completed sale within one year from the date of classification.

1. Basis of preparation and summary of significant accounting policies continued

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the Consolidated Income Statement on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as an asset in the Consolidated Statement of Financial Position and transferred to the Consolidated Income Statement on a systematic basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in Consolidated Income Statement in the period in which they become receivable.

Trade and other payables

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. These are recognised at the amounts expected to be paid to counterparties and subsequently held at amortised cost.

Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group 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 Group'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.

Taxation

Tax on the profit or loss for the year comprises both current and deferred tax. Tax is recognised in the Consolidated 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 Consolidated Statement of Comprehensive Income or the Consolidated 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. Tax positions are reviewed to assess whether a provision should be made based on prevailing circumstances. Tax provisions are included within current taxation liabilities.

Deferred taxation is provided on taxable temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and their corresponding tax bases. No provision is made for deferred tax which would become payable on the distribution of retained profits by overseas subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. 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 at the Statement of Financial Position date.

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.

Additional income taxes that arise from the distribution of intra-group dividends are recognised at the same time as the liability to pay the related dividend.

Notes to the Accounts continued

1. Basis of preparation and summary of significant accounting policies continued

Foreign currency translation

The functional currency for each entity in the Group 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 Consolidated Statement of Financial Position date. Exchange gains and losses on settlement of foreign currency transactions are determined using 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 Consolidated 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.

On consolidation, the Income Statement items of subsidiaries are translated into Sterling at average rates of exchange. Statement of Financial Position items are translated into Sterling at year-end exchange rates. Exchange differences on the retranslation are taken to the translation reserve within equity. Exchange differences on foreign currency borrowings designated as a hedge of the net investment in a foreign operation are reported in the Consolidated Statement of Comprehensive Income. All other exchange differences are charged or credited to the Consolidated Income Statement in the year in which they arise. On disposal of an overseas subsidiary, any cumulative exchange movements relating to that subsidiary held in the translation reserve are transferred to the Consolidated Income Statement.

Derivative financial instruments may be purchased to hedge the Group's exposure to changes in foreign exchange rates. The accounting policies applied in these circumstances are described below.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings on an effective-interest basis.

Finance costs and financial income

Finance costs comprise the interest payable on borrowings calculated using the effective interest method, the unwinding of discount factor on lease liabilities and the unwinding of the discount factor on deferred or contingent consideration. Financial income comprises interest income on cash and invested funds, together with interest income from the joint venture, and is recognised in the Consolidated Income Statement as it accrues. The net gain or loss on retranslation of short-term inter-company loan balances is also presented within net finance costs.

Financial instruments

Recognition

The Group recognises financial assets and liabilities on its Consolidated 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 Consolidated 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. In determining fair value for deferred contingent consideration, the fair value is determined by reference to best estimates of the likely outcome.

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.

The Group 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 Group 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 Group 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 Consolidated Income Statement.

Amounts deferred in equity are reclassified to the Consolidated Income Statement in the periods when the hedged item is recognised in the Consolidated Income Statement, in the same line of the Consolidated Income Statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-

1. Basis of preparation and summary of significant accounting policies continued

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 Group 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 Consolidated 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 Consolidated Income Statement.

Derecognition

A financial asset is derecognised when the Group 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 Group.

Investments in debt instruments

The Group's investment in debt instruments consists of a Vendor Loan Note Receivable, received as consideration as part of the disposal of the Group's Millbrook business. The Vendor Loan Note Receivable was initially recognised at fair value, being the consideration received. The Vendor Loan Note Receivable is measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

Investments in equity instruments**i) Investments in equity instruments classified as fair value through profit or loss**

Investments in equity instruments are classified as fair value through profit or loss, unless the Group designates an equity instrument that is neither held for trading nor a contingent consideration arising from a business combination as at fair value through other comprehensive income on initial recognition.

Financial assets at fair value through profit and loss are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy).

Dividends on investments in equity instruments classified as fair value through profit and loss are recognised in profit or loss.

ii) Investments in equity instruments classified as fair value through other comprehensive income

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income. Designation at fair value through other comprehensive income is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

An investment in equity instruments is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the retained earnings reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends from investments in equity instruments designated as at fair value through other comprehensive income are recognised in profit and loss in accordance with IFRS 9 unless the dividends clearly represent a recovery of part of the cost of the investment.

Impairment of financial assets

The Group assesses at each Consolidated Statement of Financial Position reporting date whether there is any objective evidence that a financial asset, or group 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 Group recognises impairment provisions based on lifetime expected credit losses.

Net investment hedge accounting

The Group uses Euro-denominated borrowings as a hedge against the translation exposure on the Group's net investment in overseas companies. To the extent that the hedge is effective at hedging the variability in the net assets of such companies, caused by changes in foreign exchange rates, the changes in the value of the borrowings are recognised in the Consolidated Statement of Comprehensive Income. The ineffective part of any change in value caused by changes in foreign exchange rates is recognised in the Consolidated Income Statement.

Notes to the Accounts continued

1. Basis of preparation and summary of significant accounting policies continued

Employee benefits

The Group operates defined benefit post-retirement benefit plans and defined contribution pension plans.

Defined benefit plans

The Group's net obligation recognised in the Consolidated Statement of Financial Position in respect of defined benefit plans is calculated separately for each plan as the present value of the plan's liabilities less the fair value of the plan's assets. The operating and financing costs of defined benefit plans are recognised separately in the Consolidated Income Statement. Operating costs comprise the current service cost, plan administrative expense, any gains or losses on settlement or curtailments, and past service costs where benefits have vested. Finance items comprise the unwinding of the discount on the net asset surplus/deficit. Actuarial gains or losses comprising changes in plans' liabilities due to experience and changes in actuarial assumptions are recognised in the Consolidated Statement of Comprehensive Income.

The amount of any pension fund asset recognised in the Consolidated Statement of Financial Position is limited to any future refunds from the plan or the present value of reductions in future contributions to the plan.

Defined contribution plans

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 Consolidated Income Statement in the periods during which services are rendered by employees.

In certain countries, the Group participates in industry-wide defined benefit-type pension arrangements. In such circumstances, it is not possible to determine the amount of any surplus or deficit attributable to the Group and the pension costs are accounted for as if the arrangements were defined contribution plans. These are not material to the Group and, accordingly, no additional disclosures are provided.

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 Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based payments

Certain employees of the Group 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 Group's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each Consolidated 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 Group's platforms/operating companies with equity-settled options, they are issued with cash-settled options. A liability is recognised for the services acquired, measured initially at the fair value of the liability. The charge for these awards is adjusted at each reporting date, with any changes in fair value recognised in profit or loss, 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 Consolidated Statement of Financial Position date if sooner.

Own shares

Own equity instruments which are re-acquired (own shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the Consolidated Income Statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration paid to acquire such equity instruments is recognised within equity.

Dividends

Dividends are recognised as a liability in the period in which they are approved by shareholders.

Revenue

Revenue is measured based on the fair value of the consideration specified in a contract with a customer, net of returns and discounts, and excludes amounts collected on behalf of third parties, value added tax and other sales-related taxes. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group's major revenue streams are the same as its reportable operating segments (Malvern Panalytical, HBK, Omega and Industrial Solutions).

The following table provides further details on the nature of each of the major revenue streams. The table shows where each revenue factor forms more than 10% of the operating segment's total revenue:

1. Basis of preparation and summary of significant accounting policies continued

Revenue stream	% of total Group sales 2021	Provision of services	Sale of goods without installation	Revenue derived from:	
				Sale of goods with simple installation	Sale of goods with complex installation
Malvern Panalytical	31%	✓	✓		✓
HBK	33%	✓	✓	✓	
Omega	10%		✓		
Industrial Solutions	26%	✓	✓	✓	

Further details of the nature of each major revenue stream are provided below.

Malvern Panalytical

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 control of the goods has transferred. This may occur, depending on the individual customer terms, when the product is transferred to a freight carrier, or when the customer has received the product.

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.

HBK

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 control of the goods has transferred. This may occur, depending on the individual customer terms, when the product is transferred to a freight carrier, or when the customer has received the product.

Simple installations are those which the customer perceives as a separate performance obligation within the overall contract to deliver 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.

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.

Omega

The segment sells products direct to the customer and to the wholesale market (distributors).

For sale of products to retail customers and distributors, revenue is recognised when control of the goods has transferred. This may occur, depending on the individual customer terms, when the product is transferred to a freight carrier, or when the customer has received the product.

Notes to the Accounts continued

1. Basis of preparation and summary of significant accounting policies continued

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.

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.

Industrial Solutions

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 control of the goods has transferred. This may occur, depending on the individual customer terms, when the product is transferred to a freight carrier, or when the customer has received the product.

Simple installations are those which the customer perceives as a separate performance obligation within the overall contract to deliver 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.

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.

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.

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.

2. Operating segments

The Group has four reportable segments, as described below. The segmental platform structure reflects the internal reporting provided to the Chief Operating Decision Maker (considered to be the Board) on a regular basis to assist in making decisions on capital allocated to each segment and to assess performance. The segment results include an allocation of head office expenses. The following summarises the operations in each of the Group's reportable segments:

- the Malvern Panalytical platform provides advanced measurement and materials characterisation, accelerating innovation and efficiency in R&D and manufacturing;
- the HBK platform provides differentiated sensing, testing, modelling and simulation solutions to help customers accelerate product development;
- the Omega platform provides specialist sensors, helping customers improve processes, delivered by a high service omni-channel distribution platform;
- the Industrial Solutions division ('ISD') is a portfolio of high-value precision in-line sensing and monitoring businesses. The operating companies in this segment are Particle Measuring Systems, Red Lion Controls, Servomex, Brüel & Kjær Vibro (disposed 1 March 2021), ESG Solutions (disposed 3 May 2021), Millbrook (disposed 2 February 2021) and NDC Technologies (disposed 1 November 2021).

Further details of the nature of these segments and the products and services they provide are contained in the Strategic Report on pages 1 to 67.

Information about reportable segments	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2021 Total £m
Segment revenues	401.3	425.7	129.0	336.5	1,292.5
Inter-segment revenue	(0.1)	(0.2)	–	(0.2)	(0.5)
External revenue	401.2	425.5	129.0	336.3	1,292.0
Operating profit	57.5	41.1	8.3	48.0	154.9
Profit on disposal of businesses ¹					226.5
Financial income ¹					12.8
Finance costs ¹					(5.6)
Profit before tax ¹					388.6
Taxation charge ¹					(41.7)
Profit after tax ¹					346.9

1. Not allocated to reportable segments.

2. Operating segments continued

Information about reportable segments	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2020 Total £m
Segment revenues	372.6	393.3	119.3	452.2	1,337.4
Inter-segment revenue	(0.1)	(0.7)	(0.1)	(0.3)	(1.2)
External revenue	372.5	392.6	119.2	451.9	1,336.2
Operating profit/(loss)	44.6	14.2	1.2	(83.3)	(23.3)
Fair value through profit and loss movements on equity investments ¹					23.2
Profit on disposal of businesses ¹					4.4
Financial income ¹					1.8
Finance costs ¹					(10.2)
Loss before tax ¹					(4.1)
Taxation charge ¹					(12.9)
Loss after tax ¹					(17.0)

1. Not allocated to reportable segments.

Reportable segment profit is consistent with that presented to the Chief Operating Decision Maker. Inter-segment revenue includes the movements in internal cash flow hedges with inter-segment pricing on an arm's-length basis. Segments are presented on the basis of actual inter-segment charges made.

	Carrying amount of segment assets		Carrying amount of segment liabilities	
	2021 £m	(Restated) ¹ 2020 £m	2021 £m	(Restated) ¹ 2020 £m
Malvern Panalytical	456.2	460.3	(162.2)	(148.8)
HBK	637.0	429.8	(181.2)	(134.5)
Omega	197.7	198.2	(24.4)	(20.5)
Industrial Solutions	234.9	417.2	(64.4)	(110.5)
Total segment assets and liabilities	1,525.8	1,505.5	(432.2)	(414.3)
Cash and borrowings	167.8	222.2	-	(117.6)
Derivative financial instruments	0.3	1.9	(1.2)	(0.1)
Assets and liabilities held for sale that are not allocable to a segment	-	6.9	-	(3.4)
Investment in debt instruments	23.0	-	-	-
Investment in equity instruments	24.3	39.4	-	-
Retirement benefit liabilities	-	-	(22.3)	(20.4)
Taxation	26.9	20.3	(51.1)	(20.7)
Consolidated total assets and liabilities	1,768.1	1,796.2	(506.8)	(576.5)

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

Segment assets comprise: goodwill, other intangible assets, property, plant and equipment, right of use assets, inventories and trade and other receivables and assets held for sale that are attributable to the reported operating segment. Segment liabilities comprise: trade and other payables, provisions, lease liabilities and other payables, and liabilities held for sale which can be reasonably attributed to the reported operating segment. Unallocated items represent all components of net cash, derivative financial instruments, assets and liabilities held for sale that are not allocable to a segment, investment in debt instruments, investment in equity instruments, retirement benefit liabilities and current and deferred taxation balances.

Notes to the Accounts continued

2. Operating segments continued

	Additions to non-current assets		Depreciation, amortisation and impairment	
	2021 £m	2020 £m	2021 £m	2020 £m
Malvern Panalytical	13.9	14.2	17.1	20.0
HBK	201.1	12.7	15.3	28.3
Omega	1.9	2.9	9.3	13.9
Industrial Solutions	15.9	29.6	8.6	163.0
Total segments	232.8	59.4	50.3	225.2
Investment in debt instruments	23.0	–		
Investment in equity instruments	25.0	39.4		
Consolidated total	280.8	98.8	50.3	225.2

Geographical segments

The Group's operating segments are each located in several geographical locations and sell on to external customers in all parts of the world. No individual country amounts to more than 3% of revenue, other than those noted below. The following is an analysis of revenue by geographical destination.

	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2021 Total £m
UK	24.9	15.3	4.5	11.0	55.7
Germany	19.9	78.4	3.5	12.9	114.7
France	13.8	21.5	0.8	6.1	42.2
Rest of Europe	56.1	70.8	4.2	39.9	171.0
USA	79.1	95.8	80.1	114.5	369.5
Rest of North America	14.2	5.7	7.5	8.7	36.1
Japan	24.5	27.1	2.4	14.5	68.5
China	78.0	67.2	11.4	55.5	212.1
South Korea	13.1	9.7	5.7	22.4	50.9
Rest of Asia	51.0	19.7	7.0	37.7	115.4
Rest of the world	26.6	14.3	1.9	13.1	55.9
	401.2	425.5	129.0	336.3	1,292.0

	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2020 Total £m
UK	28.2	11.9	3.4	57.9	101.4
Germany	20.7	70.3	3.8	19.9	114.7
France	12.8	20.6	0.8	7.7	41.9
Rest of Europe	53.6	71.5	4.4	52.7	182.2
USA	72.5	89.3	75.4	149.1	386.3
Rest of North America	13.9	4.5	6.8	12.7	37.9
Japan	25.2	29.6	2.6	15.6	73.0
China	66.4	57.5	9.8	56.7	190.4
South Korea	10.4	9.1	4.7	17.4	41.6
Rest of Asia	41.6	16.3	5.7	42.7	106.3
Rest of the world	27.2	12.0	1.8	19.5	60.5
	372.5	392.6	119.2	451.9	1,336.2

2. Operating segments continued

	Non-current assets	
	2021 £m	(Restated) ¹ 2020 £m
UK	239.3	188.2
Germany	74.1	73.4
France	4.1	3.6
Rest of Europe ²	230.8	235.5
USA	468.5	366.5
Rest of North America	16.1	17.3
Japan	5.6	5.5
China	9.8	10.7
South Korea	0.8	0.7
Rest of Asia	8.1	7.9
Rest of the world	1.7	2.0
	1,058.9	911.3
Deferred tax assets ³	21.2	16.2
Total non-current assets	1,080.1	927.5

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

2. Principally in Denmark and Netherlands (2020: Netherlands and Switzerland).

3. Not allocated to reportable geographic area in reporting to the Chief Operating Decision Maker.

3. Revenue**Disaggregation of revenue**

The Group derives its revenue from the provision of goods and services both at a point in time and over time. Product lines are presented consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 (see note 2).

IFRS 15, paragraph 114, requires an entity to disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This disaggregation will depend on the entity's individual facts and circumstances. The Group has assessed that the disaggregation of revenue by operating segments is appropriate in meeting this disclosure requirement as this is the information regularly reviewed by the Chief Operating Decision Maker in order to evaluate the financial performance of the entity. The Group also believes that presenting a disaggregation of revenue based on the timing of transfer of goods or services provides users of the Financial Statements with useful information as to the nature and timing of revenue from contracts with customers.

Timing of revenue recognition:

	2021 £m	2020 £m
At a point in time:		
Malvern Panalytical	328.8	304.4
HBK	370.9	336.9
Omega	129.0	119.2
Industrial Solutions	334.0	424.6
	1,162.7	1,185.1
Over time:		
Malvern Panalytical	72.4	68.8
HBK	54.6	55.3
Omega	–	–
Industrial Solutions	2.3	27.0
	129.3	151.1
Revenue	1,292.0	1,336.2

Notes to the Accounts continued

3. Revenue continued

The Group's material revenue streams have an expected duration of one year or less. The Group has therefore applied the practical expedient in IFRS 15, paragraph 121, to not disclose information about its remaining performance obligations.

No individual customer accounted for more than 1% of external revenue in 2021 (2020: 2%).

Total revenue for the Group, after including financial income of £12.8m (2020: £1.8m) (see note 6), was £1,304.8m (2020: £1,338.0m).

4. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	Note	2021 £m	2020 £m
Net foreign exchange losses included in operating profit/(loss)		0.3	1.1
Research and development expense		85.0	84.7
Amortisation and other non-cash adjustments made to intangible assets	10	28.0	38.2
Impairment of intangible assets	10	–	78.1
Depreciation of owned property, plant and equipment	11	20.4	33.6
(Reversal of impairment)/impairment of owned property, plant and equipment	24, 11	(6.0)	53.1
Depreciation and impairment of right-of-use assets	11	12.0	22.2
Income from sub-leasing right-of-use assets		0.2	1.4
Expenses relating to short-term and low-value leases		–	0.3
Donations to the Spectris Foundation		15.0	–
Cost of inventories recognised as expense		324.4	347.2
Profit on disposal and re-measurements of property, plant and equipment and associated lease liabilities		0.1	(0.1)
Auditor's remuneration			
		2021 £m	2020 £m
Fees payable to the Company's auditor for audit of the Company's annual accounts		0.5	0.5
Fees payable to the Company's auditor for the audit of the Company's subsidiaries, pursuant to legislation		1.8	1.8
Total audit-related fees		2.3	2.3
Fees payable to the Company's auditor for other services:			
– audit-related assurance services ¹		0.1	0.1
– other non-audit services		0.1	0.5
		2.5	2.9

1. Review of the half-year Financial Statements

5. Employee costs and other information

Employee costs, including Directors' remuneration, comprise:

	Note	2021 £m	2020 £m
Wages and salaries		424.8	454.9
Social security costs		74.9	77.1
Defined benefit pension plans:			
– current service cost	19	0.7	1.0
– past service (credit)/cost	19	(0.3)	0.3
Defined contribution pension plans	19	17.3	18.3
Equity-settled share-based payment expense		7.8	2.9
Cash-settled share-based payment expense		1.2	1.2
		526.4	555.7

	2021 £m	2020 £m
Directors' remuneration		
Short-term benefits	2.7	2.5
Equity-settled share-based payment expense	0.9	0.1
	3.6	2.6

Further details of Directors' remuneration and share options are given in the Directors' Remuneration Report on pages 90 to 110.

	2021 Number	2020 Number
Average number of employees		
Production and engineering	3,682	3,608
Sales, marketing and service	3,089	3,939
Administrative	888	903
	7,659	8,450

6. Financial income and finance costs

	2021 £m	2020 £m
Financial income		
Interest receivable	(0.5)	(1.8)
Interest credit on release of provision on settlement of EU dividends tax claim (see note 7)	(5.1)	–
Net gain on retranslation of short-term inter-company loan balances	(7.2)	–
	(12.8)	(1.8)
Finance costs		
Interest payable on loans and overdrafts	3.6	6.0
Net loss on retranslation of short-term inter-company loan balances	–	0.8
Unwinding of discount factor on lease liabilities	1.8	2.3
Unwinding of discount factor on deferred and contingent consideration	–	0.4
Net interest cost on pension plan obligations	0.2	0.4
Other finance costs	–	0.3
	5.6	10.2
Net finance (credit)/costs	(7.2)	8.4

Net interest costs of £3.1m (2020: £4.2m), for the purposes of the calculation of interest cover, comprise interest receivable of £0.5m (2020: £1.8m) and interest payable on loans and overdrafts of £3.6m (2020: £6.0m).

Notes to the Accounts continued

7. Taxation

	2021			2020		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Financial income						
Current tax (credit)/charge	(2.3)	49.2	46.9	3.9	23.5	27.4
Adjustments in respect of current tax of prior years	(0.7)	(1.2)	(1.9)	(0.3)	(1.1)	(1.4)
Deferred tax – origination and reversal of temporary differences (note 20)	(3.1)	(0.2)	(3.3)	(8.0)	(5.1)	(13.1)
Taxation charge	(6.1)	47.8	41.7	(4.4)	17.3	12.9

The standard rate of corporation tax for the year, based on the weighted average of tax rates applied to the Group's profits, is 25.3% (2020: (85.4%)). The standard rate of corporation tax for the prior year is a charge on a loss before tax because the statutory tax rates applying to the impairment of goodwill and other acquisition-related intangible assets are lower than the statutory tax rates applying to the Group's profits before impairment losses. In the absence of any impairment losses, the standard rate of corporation tax for the prior year, based on the weighted average of tax rates applied to the Group's profits, would have been a charge of 22.9%. The tax charge for the year is lower (2020: higher) than the tax charge using the standard rate of corporation tax for the reasons set out in the following reconciliation.

	2021 £m	2020 £m
Profit/(loss) before taxation	388.6	(4.1)
Corporation tax charge at standard rate of 25.3% (2020: (85.4%))	98.3	3.5
Profit on disposal of business taxed at (lower)/higher rate	(46.5)	0.3
Non-deductible impairments	-	11.1
Other non-deductible expenditure	4.7	5.6
Release of provision on settlement of EU dividend claim	(8.0)	-
Movements on unrecognised deferred tax assets	-	(2.6)
Tax credits and incentives	(6.0)	(4.5)
Change in tax rates	-	1.1
Adjustments to prior year current and deferred tax charges	(0.8)	(1.6)
Taxation charge	41.7	12.9

The Group's standard rate of corporation tax of 25.3% is higher than the prior year rate ((85.4%)), principally due to the impact in the prior year of impairments being made in countries with lower statutory tax rates.

'Profit on disposal of business taxed at a lower rate' above, in the current year principally refers to the benefit of tax exemptions for the sale of shares in certain countries.

'Tax credits and incentives' above, refers principally to research and development tax credits and other reliefs for innovation, such as the UK Patent Box regime and Dutch Innovation Box regime, as well as tax reliefs available for Foreign Derived Intangible Income in the US.

7. Taxation continued

Factors that may affect the future tax charge

The Group's tax charge in future years is likely to be affected by the proportion of profits arising, and the effective tax rates, in the various territories in which the Group operates, as well as changes in tax law affecting future periods. Such law changes may affect the future availability or amount of existing tax reliefs or incentives. Furthermore, future tax or other legal cases or investigations may result in a re-assessment of the Group's tax liabilities in respect of prior years.

	2021 £m	2020 £m
Tax on items recognised directly in the Consolidated Statement of Comprehensive Income		
Tax credit on net gain/(loss) on effective portion of changes in fair value of forward exchange contracts	(0.3)	(0.1)
Tax charge on investment in equity instruments designated as at fair value through other comprehensive income	0.2	–
Tax (credit)/charge on re-measurement of net defined benefit obligations, net of foreign exchange	(0.9)	1.3
Aggregate current and deferred tax (credit)/charge relating to items recognised directly in the Consolidated Statement of Comprehensive Income	(1.0)	1.2
Tax on items recognised directly in the Consolidated Statement of Changes in Equity		
Tax credit in relation to share-based payments	(1.3)	(0.4)
Aggregate current and deferred tax credit on items recognised directly in the Consolidated Statement of Changes in Equity	(1.3)	(0.4)

The following tax (credits) / charges relate to items of income and expense that are excluded from the Group's adjusted performance measures.

	2021 £m	2020 £m
Tax on items of income and expense that are excluded from the Group's adjusted profit before tax		
Tax credit on amortisation and impairment of acquisition-related intangible assets and other property, plant and equipment	(4.3)	(18.8)
Tax credit on depreciation of acquisition-related fair value adjustments to property, plant and equipment	–	(0.1)
Tax credit on impairment of goodwill	–	(0.9)
Tax credit on net transaction-related costs and fair value adjustments	(3.0)	(1.6)
Tax charge/(credit) on retranslation of short-term inter-company loan balances	0.3	(0.4)
Tax charge on profit on disposal of businesses	14.2	1.1
Tax credit on configuration and customisation costs carried out by third parties on material SaaS projects	(1.0)	–
Tax credit on release of provision and deferred tax asset on settlement of EU dividends tax claim	(7.0)	–
Tax charge on fair value through profit and loss movements on equity investments	0.9	1.8
Tax credit on restructuring costs	(2.7)	(4.5)
Total tax credit	(2.6)	(23.4)

The effective adjusted tax rate for the year was 21.7% (2020: 21.8%) as set out in the reconciliation below.

	2021 £m	2020 £m
Reconciliation of the statutory taxation charge to the adjusted taxation charge		
Statutory taxation charge	41.7	12.9
Tax credit on items of income and expense that are excluded from the Group's adjusted profit before tax	2.6	23.4
Adjusted taxation charge	44.3	36.3

Management judgement is applied to determine the level of provisions required in respect of both direct and indirect taxes. The Group is potentially subject to tax audits in many jurisdictions. By their nature these are often complex and could take a significant period of time to be agreed with the tax authorities. Judgement is therefore applied based on the interpretation of country-specific tax legislation and the likelihood of settlement. The Group estimates and accrues taxes that will ultimately be payable when reviews or audits by tax authorities of tax returns are completed. These estimates include judgements about the position expected to be taken by each tax authority.

Notes to the Accounts continued

7. Taxation continued

The Group applies judgement in respect of possible tax audit adjustments primarily in respect of transfer pricing as well as in respect of financing arrangements and tax credits and incentives. In respect of transfer pricing, the level of provision is determined by reference to management judgements of the adjustments that would arise in the event that certain intra-group transactions are successfully challenged as not being at arm's length.

Management estimates of the level of risk arising from tax audit may change in the next year as a result of changes in legislation or tax authority practice or correspondence with tax authorities during a specific tax audit. It is not possible to quantify the impact that such future developments may have on the Group's tax positions. Actual outcomes and settlements may differ significantly from the estimates recorded in these Consolidated Financial Statements. Further detail is provided below in relation to tax provisions that are known to be potentially material.

Judgement is also applied relating to the recognition of deferred tax assets which are dependent on an assessment of the generation of future taxable income in the countries concerned in which temporary differences become deductible or in which tax losses can be utilised. These estimates may change in the next year if there are changes in the forecast profitability of the relevant company.

In June 2021, the Group agreed a formal settlement with HMRC to resolve its dispute in relation to the taxation of dividends received from EU based subsidiaries prior to 2009. The outstanding liability agreed with HMRC of £0.3m of tax and £0.2m of interest was paid in June 2021. As a result, £8.0m of provision for current tax liabilities and a deferred tax asset of £1.0m related to accrued interest liabilities were released to the Consolidated Income Statement in the year ending 31 December 2021. In addition, as a result of the dispute resolution, £5.1m of accrued interest liabilities were released to the Consolidated Income Statement, as disclosed in note 6.

In October 2017, the EU Commission opened a formal State Aid investigation into an exemption within the UK's Controlled Foreign Company regime for certain finance income. A final decision was published by the Commission during 2019, concluding that certain aspects of the exemption (as it was implemented in UK law for the years 2013–2018) constituted State Aid and requiring the UK to recover such aid from affected parties. This decision was relevant to Spectris since we had claimed the benefit of the group finance exemption during the period in question. The Group, along with the UK government and a number of other affected taxpayers, has sought annulment of the EU Commission's decision through the EU Courts.

In February 2021, HMRC wrote to Spectris confirming its view that the Group was not a beneficiary of State Aid during the period in question, as such no tax and interest should be due. A contingent liability disclosure had been made in respect of this issue and no provision had been recorded. The Group's maximum exposure was previously estimated to be £19.5m in respect of tax and £1.3m in respect of interest.

8. Dividends

	2021 £m	2020 £m
Amounts recognised and paid as distributions to owners of the Company in the year		
Final dividend for the year ended 31 December 2020 of 46.5p per share	53.6	–
Interim dividend for the year ended 31 December 2021 of 23.0p (2020: 21.9p) per share	25.4	25.5
Additional interim dividend for the year ended 31 December 2020 of 43.2p per share	–	50.2
	79.0	75.7
Amounts arising in respect of the year		
Interim dividend for the year ended 31 December 2021 of 23.0p (2020: 21.9p) per share	25.4	25.5
Additional interim dividend for the year ended 31 December 2020 of 43.2p per share	–	50.2
Proposed final dividend for the year ended 31 December 2021 of 48.8p (2020: 46.5p) per share	54.1	54.1
	79.5	129.8

In 2020, the Group announced the withdrawal of the £50.1m proposed 2019 final dividend of 43.2p per share and the £175.0m proposed special dividend of 150.0p per share. The Group also declared and paid an additional £50.2m interim dividend in 2020 of 43.2p per share.

The proposed final dividend is subject to approval by shareholders at the AGM on 27 May 2022 and has not been included as a liability in these Consolidated Financial Statements.

9. Earnings/(loss) per share

Basic earnings/(loss) per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares).

Diluted earnings/(loss) per share amounts are calculated by dividing the net profit/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year but adjusted for the effects of dilutive options. This additional adjustment is not made when there is a net loss attributable to ordinary shareholders. The key features of the Company's share option schemes are described in note 22.

Basic earnings/(loss) per share	2021	2020
Profit/(loss) after tax (£m)	346.9	(17.0)
Weighted average number of shares outstanding (millions)	113.7	116.1
Basic earnings/(loss) per share (pence)	305.1	(14.6)

Diluted earnings/(loss) per share	2021	2020
Profit/(loss) after tax (£m)	346.9	(17.0)
Basic weighted average number of shares outstanding (millions)	113.7	116.1
Weighted average number of dilutive 5p ordinary shares under option (millions)	0.5	n/a
Weighted average number of 5p ordinary shares that would have been issued at average market value from proceeds of dilutive share options (millions)	(0.1)	n/a
Diluted weighted average number of shares outstanding (millions)	114.1	116.1
Diluted earnings/(loss) per share (pence)	304.0	(14.6)

10. Goodwill and other intangible assets

Cost	Note	Goodwill £m	Patents, contractual rights and technology £m	Customer- related and trade names £m	(Restated) ¹ Software £m	(Restated) ¹ Total £m
At 1 January 2020		826.2	220.1	288.7	89.0	1,424.0
Prior period restatement	1	–	–	–	(28.3)	(28.3)
At 1 January 2020 (restated)		826.2	220.1	288.7	60.7	1,395.7
Additions – separately acquired		–	–	–	6.9	6.9
Additions – internal development		–	7.3	–	–	7.3
Additions – business combinations		1.2	0.3	0.7	–	2.2
Transfers to assets held for sale		(74.3)	(4.4)	(24.0)	(2.8)	(105.5)
Disposals		–	–	–	(1.6)	(1.6)
Disposal of business		(0.5)	–	–	–	(0.5)
Foreign exchange difference		3.0	(3.1)	(3.9)	0.2	(3.8)
At 31 December 2020 (restated)		755.6	220.2	261.5	63.4	1,300.7
Additions – separately acquired		–	–	–	2.2	2.2
Additions – internal development		–	4.1	–	–	4.1
Additions – business combinations	23	66.8	26.8	55.2	–	148.8
Reclassifications		–	–	–	0.5	0.5
Disposals		–	(72.6)	(76.6)	(7.4)	(156.6)
Disposals of business	24	(22.6)	(16.4)	(13.9)	(3.7)	(56.6)
Foreign exchange difference		(10.9)	(0.1)	0.6	(0.7)	(11.1)
At 31 December 2021		788.9	162.0	226.8	54.3	1,232.0

Notes to the Accounts continued

10. Goodwill and other intangible assets continued

Accumulated amortisation and impairment	Note	Goodwill £m	Patents, contractual rights and technology £m	Customer- related and trade names £m	(Restated) ¹ Software £m	(Restated) ¹ Total £m
At 1 January 2020		179.4	164.2	202.8	52.3	598.7
Prior period restatement	1	–	–	–	(2.6)	(2.6)
At 1 January 2020 (restated)		179.4	164.2	202.8	49.7	596.1
Charge for the year		–	15.7	13.4	9.1	38.2
Impairment		58.4	1.0	18.7	–	78.1
Transfers to assets held for sale		(57.9)	(3.8)	(24.0)	(1.9)	(87.6)
Disposals		–	–	–	(1.5)	(1.5)
Foreign exchange difference		(1.3)	(3.0)	(3.6)	0.5	(7.4)
At 31 December 2020 (restated)		178.6	174.1	207.3	55.9	615.9
Charge for the year		–	13.3	8.2	3.0	24.5
Disposals		–	(72.6)	(76.2)	(8.1)	(156.9)
Disposals of business	24	(19.6)	(12.2)	(13.9)	(3.5)	(49.2)
Foreign exchange difference		(1.5)	(0.1)	(0.1)	(1.1)	(2.8)
At 31 December 2021		157.5	102.5	125.3	46.2	431.5

Carrying amount

At 31 December 2021		631.4	59.5	101.5	8.1	800.5
At 31 December 2020 (restated)	1	577.0	46.1	54.2	7.5	684.8

1. Software intangible assets have been restated for impact of the Group's change in accounting policy for Software as a service ('SaaS') arrangements. See note 1 for further details.

Goodwill is allocated to the cash-generating units ('CGUs') that are anticipated to benefit from the acquisition.

The Group's identified CGUs total six, smaller than the four reportable segments, being the three platforms and three ISD operating companies as at 31 December 2021 (2020: ten, including two classified as held for sale). Goodwill arising on a bolt-on acquisition is combined with the goodwill in the existing Group company and is not considered separately for impairment purposes, since such acquisitions are quickly integrated.

The most significant amounts of goodwill are as follows:

	2021 £m	2020 £m
Malvern Panalytical	205.2	210.3
HBK	246.2	185.0
Omega Engineering	109.3	108.1
Non-significant CGUs	70.7	73.6
	631.4	577.0

Included within 'Other' are three – Particle Measuring Systems, Red Lion Controls and Servomex (2020: five – ESC, NDC Technologies, Particle Measuring Systems, Red Lion Controls and Servomex) cash-generating units, in which none of the goodwill balances are considered to be individually significant. The Group defines significant as 10% of the total carrying value of goodwill.

Goodwill is not amortised but is tested for impairment annually or whenever there is an indication that the asset may be impaired. As part of the annual impairment review, the carrying amount of goodwill has been assessed with reference to its recoverable amount determined based on value in use. In assessing value in use, the forecast projected cash flows of each CGU, which are based on actual operating results, the most recent budget for the next financial year as approved by the Board, detailed strategic review projections and an assumed long-term growth rate to perpetuity, are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the CGU.

Key assumptions used in the value in use calculations

The calculation of value in use is most sensitive to the following assumptions:

- CGU specific operating assumptions on business performance over the forecast period to December 2024 (three years);
- discount rates; and
- projected growth rates used to extrapolate risk adjusted cash flows beyond the forecast period.

CGU specific operating assumptions are applicable to the forecasted cash flows for the forecast period to December 2024 and relate to revenue forecasts, expected project outcomes and forecast operating margins in each of the operating

10. Goodwill and other intangible assets continued

companies. The relative value ascribed to each assumption will vary between CGUs as the forecasts are built up from the underlying operating companies within each CGU group. A long-term rate is applied to these values for the year to December 2025 and onwards. The potential impacts of climate change are not currently considered a key assumption. Whilst management recognise that climate change could present a significant risk to the Group over the long-term (in particular beyond 2030), management consider that the operating assumptions on revenue decline and increased costs are sufficient to capture the material risks over the assessment period. All CGUs have significant headroom, and any future impacts of climate change are not expected to have a material impact on the carrying value of goodwill.

The Group calculates value in use using the strategic plans relevant to each CGU. A long-term growth rate of 2.0% (2020: 2.0%) has been applied consistently across each CGU. Discount rates are based on estimations of the assumptions that market participants operating in similar sectors to Spectris would make, using the Group's economic profile as a starting point and adjusting appropriately. The Directors do not currently expect any significant change in the present base discount rate of 9.27% (2020: 9.97%). The base discount rate, which is pre-tax and is based on short-term variables, may differ from the Weighted Average Cost of Capital ('WACC'). Discount rates are adjusted for economic risks that are not already captured in the specific operating assumptions for each CGU group. This results in the impairment testing using discount rates ranging from 9.6% to 11.1% (2020: 10.1% to 11.7%) across the CGU groups. The table below discloses the discount rates and short-term growth rates for each significant CGU, and the average across the non-significant CGUs. The Group defines significant as 10% of the total carrying value of goodwill.

	Risk Adjusted discount rate		Short-term growth rates	
	2021 %	2020 %	2021 %	2020 %
Malvern Panalytical	9.6	10.1	5.6	32.0
HBK	10.3	10.4	10.0	19.1
Omega	10.9	11.7	11.6	7.9
Non-significant CGUs	11.1	11.7	13.9	12.3

Impairment of goodwill, acquisition-related intangible assets and other property, plant and equipment 2021

No impairments of goodwill and intangible assets were recognised in the year ended 31 December 2021.

2020: Millbrook

During the year ended 31 December 2020, £58.4m was recognised as an impairment of goodwill and £70.9m impairment recognised in the 'amortisation and impairment of acquisition-related intangible assets and other property, plant and equipment' line of the Consolidated Income Statement. This predominantly related to the Millbrook CGU, which formed part of the Industrial Solutions reportable segment.

During 2020, a comprehensive sale process relating to Millbrook was concluded resulting in the announcement on 10 December 2020, that agreement had been reached for the sale of the Millbrook business. The sale completed on 1 February 2021. As a result, Millbrook assets were impaired during 2020 by £125.9m, consisting of £58.4m goodwill, £51.2m of property, plant and equipment (see note 11) and £16.3m of other intangible assets.

The remaining £3.4m impairment of intangible assets in 2020 related to other items within Industrial Solutions with short remaining useful economic lives.

Sensitivity analysis

For all cash-generating units with goodwill balances at 31 December 2021 the Directors do not consider that there are any reasonably possible sensitivities for the business that could arise in the next 12 months that could result in an impairment charge being recognised.

Other intangible assets

Internally generated assets arising from the capitalisation of qualifying development expenditure typically have a finite expected useful life of four to ten years. Capitalised development expenditure is amortised on a straight-line basis. All amortisation charges for the year have been charged against operating profit. The Group has capitalised £4.1m of internally-generated intangible assets from development expenditure in 2021 (2020: £7.3m). Accumulated amortisation on internally-generated intangible assets was £2.8m (2020: £1.7m).

The trade names asset recognised on the acquisition of Omega Engineering in 2011, and included within the Omega reportable segment, are considered significant by the Directors as they represent 35% (2020: 72%) of total customer-related and trade names. The carrying amount of the Omega customer-related and trade name intangible assets at 31 December 2021 is £35.8m (2020: £39.0m) and is being amortised over 20 years with the remaining amortisation period being ten years.

The customer-related and technology assets recognised on the acquisition of Concurrent Real-Time ('Concurrent-RT') in 2021, and included within the HBK reportable segment, are considered significant by the Directors as they represent 54% (2020: nil) of the NBV of total customer-related and trade names and 32% (2020: nil) of total patents, contractual rights and technology, respectively. The carrying amount of the Concurrent-RT customer-related intangible assets at 31 December 2021 is £50.7m (2020: £nil) and is being amortised over 20 years with the remaining amortisation period being 19.5 years. The carrying amount of the Concurrent-RT technology intangible assets at 31 December 2021 is £18.8m (2020: £nil) and is being amortised over ten years with the remaining amortisation period being nine and a half years.

Notes to the Accounts continued

11. Property, plant and equipment

Property, plant and equipment: owned

Cost	Note	Freehold property £m	Leasehold property £m	Plant and equipment £m	Total £m
At 1 January 2020		235.3	19.1	287.6	542.0
Additions – separately acquired		4.1	1.7	22.8	28.6
Additions – business combinations		1.6	–	0.4	2.0
Reclassifications		5.5	0.1	(5.6)	(0.0)
Transfer to assets held for sale		(87.4)	(1.4)	(99.7)	(188.5)
Disposals		(4.1)	(1.9)	(6.0)	(12.0)
Disposal of business		–	–	(0.1)	(0.1)
Foreign exchange difference		5.7	0.1	4.2	10.0
At 31 December 2020		160.7	17.7	203.6	382.0
Additions – separately acquired		3.5	6.4	19.2	29.1
Additions – business combinations	23	–	2.2	0.5	2.7
Reclassifications		(0.8)	1.8	6.2	7.2
Transfers and adjustments to assets held for sale on disposal	24	(20.5)	–	(0.2)	(20.7)
Disposals		(0.2)	(1.7)	(12.9)	(14.8)
Disposal of business	24	(4.5)	(1.2)	(12.6)	(18.3)
Foreign exchange difference		(7.1)	(0.2)	(6.2)	(13.5)
At 31 December 2021		131.1	25.0	197.6	353.7
Accumulated depreciation and impairment					
At 1 January 2020		62.5	13.2	148.2	223.9
Charge for the year		7.6	1.7	24.3	33.6
Impairment		32.3	–	20.8	53.1
Transfer to assets held for sale		(34.6)	(1.0)	(45.8)	(81.4)
Disposals		(1.1)	(1.7)	(5.9)	(8.7)
Disposal of business		–	–	(0.1)	(0.1)
Foreign exchange difference		2.4	0.1	3.1	5.6
At 31 December 2020		69.1	12.3	144.6	226.0
Charge for the year		4.1	1.9	14.4	20.4
Reversal of impairment		(6.0)	–	–	(6.0)
Reclassifications		(0.6)	1.8	6.6	7.8
Transfers and adjustments to assets held for sale on disposal	24	(10.7)	–	0.3	(10.4)
Disposals		(0.1)	(1.7)	(12.7)	(14.5)
Disposal of business	24	(1.8)	(0.8)	(9.0)	(11.6)
Foreign exchange difference		(3.6)	(0.4)	(4.5)	(8.5)
At 31 December 2021		50.4	13.1	139.7	203.2
Carrying amount					
At 31 December 2021		80.7	11.9	57.9	150.5
At 31 December 2020		91.6	5.4	59.0	156.0

11. Property, plant and equipment continued

The amount included in the cost of plant and equipment of assets in the course of construction was £5.9m (2020: £14.3m).

No borrowing costs were capitalised during either year.

Of the total depreciation charge of £20.4m (2020: £33.6m), the amount attributable to the depreciation on fair value adjustments to acquisition-related property, plant and equipment was £0.2m (2020: £0.7m).

There were no additions relating to the receipt of government grants in 2021 (2020: £0.2m).

Property, plant and equipment: right-of-use

	Note	Property £m	Plant and equipment £m	Total £m
At 1 January 2020		42.5	8.4	50.9
Additions		8.7	3.7	12.4
Depreciation and impairment		(17.1)	(5.1)	(22.2)
Disposals		(3.1)	(0.1)	(3.2)
Transfer to assets held for sale	24	(6.0)	(0.9)	(6.9)
Re-measurement		(0.4)	–	(0.4)
Reclassification		0.3	(0.3)	–
Foreign exchange difference		0.1	0.4	0.5
At 31 December 2020		25.0	6.1	31.1
Additions		36.8	3.7	40.5
Depreciation and impairment		(8.2)	(3.8)	(12.0)
Disposals		(2.3)	(0.4)	(2.7)
Disposal of business	24	(1.2)	(0.3)	(1.5)
Additions – business combinations	23	5.4	–	5.4
Re-measurement		–	0.7	0.7
Reclassification		0.1	–	0.1
Foreign exchange difference		(0.9)	(0.2)	(1.1)
At 31 December 2021		54.7	5.8	60.5

	2021 £m	2020 £m
Property, plant and equipment: owned	150.5	156.0
Property, plant and equipment: right-of-use	60.5	31.1
	211.0	187.1

Impairments of owned and right of use assets in 2020 included £51.2m in relation to Millbrook (see note 10).

12. Investment in equity instruments

	2021 £m	2020 £m
Investments in equity instruments designated as at fair value through other comprehensive income	24.3	1.1
Investments in equity instruments measured at fair value through profit and loss	–	38.3
Total investment in equity instruments at 31 December	24.3	39.4

Investments in equity instruments designated as at fair value through other comprehensive income

At 31 December 2021, the investment in equity instruments designated to be measured at fair value through other comprehensive income consists of a) 10,000,000 shares in Envirosuite Ltd, which has a fair value of £1.2m (2020: £1.1m) b) 27,752,567 A1 investment units in the EZ Ring FPCI (the fund holding the combined UTAC-Millbrook group), which has a fair value of £23.1m (2020: £nil).

These investments were not held for trading at initial recognition and are not contingent consideration. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the Group has elected to designate these investments in equity instruments as at fair value through other comprehensive income at initial recognition as it believes that recognising short-term fluctuations in this investments' fair value in profit and loss would not be consistent with the Group's strategy of holding the investment for long-term purposes and realising its performance potential in the long run.

Notes to the Accounts continued

12. Investment in equity instruments continued**Investments in equity instruments measured at fair value through profit and loss**

At 31 December 2020, the Group's investments in equity instruments measured at fair value through profit and loss consisted of a £38.3m investment in a US publicly-listed company. During 2021, the Group received £38.3m in relation to this investment, when the acquisition by a third party completed in April 2021 (2020: nil). The amount recognised in the 'fair value through profit and loss movements on equity investments' Consolidated Income Statement line in respect of this investment in 2021 was £nil (2020: £23.2m).

The Group does not consider that it is able to exercise significant influence over any of the above investments as its percentage ownership and voting rights of the businesses is small and it does not have any unusual power or rights over the businesses. No dividends have been recognised on investment in equity instruments during the year (2020: nil).

13. Inventories

	2021 £m	2020 £m
Raw materials	76.5	60.3
Work in progress	38.2	41.0
Finished goods and goods held for resale	73.2	67.2
	187.9	168.5

In the ordinary course of business, the Group makes provision for slow-moving, excess and obsolete inventory to write it down to its net realisable value based on an assessment of technological and market developments specific to the relevant business, and an analysis of historical and projected usage on an individual item or product line basis.

Expenses relating to inventories written down during the year totalled £5.2m (2020: £12.3m). Finished goods and goods held for resale expected to be utilised after 12 months amounted to £1.4m (2020: £1.7m).

14. Trade and other receivables

	2021 £m	(Restated) ¹ 2020 £m
Current		
Trade receivables	240.4	235.7
Prepayments	28.1	22.4
VAT and similar taxes receivable	18.6	15.9
Other receivables	18.0	14.7
Contract assets	10.8	4.6
	315.9	293.3

1. Prepayments have been restated for impact of the Group's change in accounting policy for Software as a service ('SaaS') arrangements. See note 1 for further details.

Trade receivables are non-interest bearing. Standard credit terms provided to customers differ according to business and country, and are typically between 30 and 60 days. Trade receivables are stated after the provision for impairment of £6.1m (2020: £7.6m). Trade and other receivables include £2.8m (2020: £8.1m) of receivables expected to be received in more than one year. The fair value of trade and other receivables approximates to its carrying amount due to the short-term maturities associated with these items. There is no impairment risk identified with regards to other receivables where no amounts are past due.

The maximum exposure to credit risk for trade receivables at 31 December by geographic region was:

	2021 £m	2020 £m
UK	16.7	13.7
Germany	17.1	18.0
France	13.7	14.2
Rest of Europe	39.8	42.9
USA	64.4	63.5
Rest of North America	5.5	9.6
Japan	12.4	14.2
China	26.9	20.3
South Korea	7.2	5.5
Rest of Asia	26.4	21.7
Rest of the world	10.3	12.1
	240.4	235.7

14. Trade and other receivables continued**Expected credit losses**

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses ('ECL'). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The ageing of trade receivables and related provisions for impairment at 31 December was:

	2021		2020	
	Gross £m	Impairment £m	Gross £m	Impairment £m
Not past due	159.0	–	157.2	–
One month past due	35.6	–	32.9	–
Two months past due	14.2	–	13.2	–
Three months past due	8.8	–	8.4	–
Four months past due	4.3	–	7.1	–
More than four months past due	24.6	6.1	24.5	7.6
	246.5	6.1	243.3	7.6

The movement in the provision for impairment in respect of trade receivables during the year was as follows:

	2021 £m	2020 £m
At 1 January	7.6	4.8
Provision for impairment of receivables	0.3	4.1
Impairment loss utilised	(1.0)	(1.4)
Disposal of business	(0.6)	–
Foreign exchange difference	(0.2)	0.1
At 31 December	6.1	7.6

All of the above impairment losses relate to receivables arising from contracts with customers.

Significant changes in contract assets during the year

The increase in contract assets during 2021 is mainly due to growth in HBK's VI-grade related business. There were no other significant changes in contract assets during 2021. The decrease in contract assets during 2020 was mainly due to the transfer of Millbrook and Brüel & Kjær Vibro contract assets to assets held for sale (which were subsequently disposed of in 2021).

15. Cash and cash equivalents

	Notes	2021 £m	2020 £m
Cash and cash equivalents included in current assets		167.8	222.2
Cash and cash equivalents included in assets held for sale	24	–	3.7
Notional cash-pool related bank overdrafts included in liabilities held for sale	16	–	(2.2)
Notional cash-pool related bank overdrafts included in current borrowings	16	–	(12.8)
Cash and cash equivalents in the Consolidated Statement of Cash Flows		167.8	210.9

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 27.

Notes to the Accounts continued

16. Borrowings

Current	Interest rate	Repayable date	2021 £m	2020 £m
Bank overdrafts (2020 includes £2.2m of overdrafts classified as liabilities held for sale)		On demand	-	15.3
Total current borrowings			-	15.3
Non-current	Interest rate	Maturity date	2021 £m	2020 £m
Bank loans unsecured – €116.2m	Fixed 1.15%	Repaid in full in March 2021	-	104.5
Bank loans unsecured – \$500.0m (2020: \$800.0m) revolving credit facilities	Relevant RFR/IBOR +55bps	31 July 2025	-	-
Total non-current borrowings			-	104.5
Total current and non-current borrowings			-	119.8
Total unsecured borrowings			-	119.8

At 31 December 2021, the \$500m (£370.3m) revolving credit facilities were undrawn (31 December 2020: the \$800m (£586.0m) facilities were undrawn). During 2021 the facilities reduced from \$800m to \$500m.

Movements in total unsecured borrowings are reconciled as follows:

	2021 £m	2020 £m
At 1 January	119.8	179.6
Notional cash-pooling movements	(15.0)	15.0
Proceeds from borrowings	70.0	0.3
Repayment of borrowings	(169.8)	(86.4)
Effect of foreign exchange rates	(5.0)	11.3
At 31 December	-	119.8

Changes in liabilities arising from financing arrangements

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's Consolidated Statement of Cash Flows as cash flow from financing activities.

£m	Note	At 31 December 2020	Financing cash flows ¹	New leases	Acquisitions of businesses	Disposal of businesses	Other non-cash movement	Exchange movement	At 31 December 2021
Bank overdrafts (including notional cash-pool related bank overdrafts and overdrafts classified as held for sale)	15	(15.3)	15.3	-	-	-	-	-	-
Debt		(104.5)	99.5	-	-	-	-	5.0	-
Total borrowings		(119.8)	114.8	-	-	-	-	5.0	-
Lease liabilities (including leases liabilities classified as liabilities held for sale) ²		50.8	(14.8)	40.5	5.4	(15.2)	0.9	(1.7)	65.9
Total liabilities from financing arrangements		(69.0)	100.0	40.5	5.4	(15.2)	0.9	3.3	65.9

16. Borrowings continued

£m	Note	At 31 December 2019	Financing cash flows ¹	New leases	Acquisitions of businesses	Disposal of businesses	Other non-cash movement	Exchange movement	At 31 December 2020
Bank overdrafts (including notional cash-pool related bank overdrafts and overdrafts classified as held for sale)	15	–	(15.3)	–	–	–	–	–	(15.3)
Debt		(179.6)	86.4	–	–	–	–	(11.3)	(104.5)
Total borrowings		(179.6)	71.1	–	–	–	–	(11.3)	(119.8)
Lease liabilities (including leases liabilities classified as liabilities held for sale) ²		60.5	(21.6)	13.2	–	–	(1.6)	0.3	50.8
Total liabilities from financing arrangements		(119.1)	49.5	13.2	–	–	(1.6)	(11.0)	(69.0)

1. The cash flows from bank overdrafts (including notional cash-pool related bank overdrafts) and debt make up the net amount of proceeds from borrowings, repayment of borrowings and notional cash-pooling movement in the Consolidated Statement of Cash Flows.

2. Lease liabilities at 31 December 2021 includes £nil liabilities classified as held for sale (2020: £11.9m, 2019: £nil).

17. Trade and other payables

	2021 £m	2020 £m
Current		
Trade payables	59.7	51.6
Accruals	94.2	97.8
Customer advances	39.9	23.8
Contract liabilities	77.9	59.6
Deferred and contingent consideration on acquisitions	1.1	2.7
VAT and similar taxes payable	17.5	15.6
Goods received not invoiced	14.9	9.1
Other payables	25.0	28.1
	330.2	288.3
Non-current		
Contract liabilities	3.4	9.9
Deferred and contingent consideration on acquisitions	0.4	0.4
Other payables	10.0	14.4
	13.8	24.7

The fair value of trade and other payables approximates to their carrying amount due to the short-term maturities associated with these items.

Total contract liabilities relate to the following product groups:

	2021 £m	2020 £m
Malvern Panalytical	52.3	44.1
HBK	27.2	21.3
Omega	0.1	0.1
Industrial Solutions	1.7	4.0
	81.3	69.5
Contract liabilities included in liabilities held for sale	–	4.6
	81.3	74.1

Notes to the Accounts continued

17. Trade and other payables continued**Significant changes in contract liabilities during the year****2021:**

During 2021, £3.9m of contract liability balances were recognised as part of the acquisition of Concurrent-RT, in the HBK product Group. Also, during 2021, £2.3m of contract liability balances were derecognised on the disposal of ESG and NDC Technologies, part of the Industrial Solutions product group, as was the £4.6m of contract liabilities that were included in liabilities held for sale at 31 December 2020.

There were no other significant changes in contract liability balances during 2021.

2020:

At 31 December 2020, £4.6m of contract liability balances that would previously have been included in the Industrial Solutions product group were classified within liabilities held for sale.

There were no other significant changes in contract liability balances during 2020.

18. Provisions

	Note	Reorganisation £m	Product warranty £m	Legal, contractual and other £m	Total £m
At 1 January 2021		5.9	11.5	11.1	28.5
Provision during the year		11.1	3.2	5.5	19.8
Recognised on acquisitions	23	–	0.1	0.3	0.4
Disposal of business	24	–	(0.5)	(0.1)	(0.6)
Utilised during the year		(7.1)	(6.2)	(5.3)	(18.6)
Released during the year		(0.2)	(1.1)	(5.6)	(6.9)
Foreign exchange difference		(0.1)	(0.2)	–	(0.3)
At 31 December 2021		9.6	6.8	5.9	22.3

Reorganisation

Reorganisation provisions relate to committed restructuring plans in place within the business, with much of the movement during 2021 relating to the Group-wide profit improvement programme. Costs are mostly expected to be incurred within one year and there is little judgement in determining the amount.

Product warranty

Product warranty provisions reflect commitments made to customers on the sale of goods in the ordinary course of business and included within the Group's standard terms and conditions. Warranty commitments typically apply for a 12-month period, but can extend to 36 months. These extended warranties are not individually significant.

Legal, contractual and other

Legal, contractual and other provisions mainly comprise amounts provided against open legal and contractual disputes arising in the normal course of business. The Company has on occasion been required to take legal or other actions to protect its intellectual property rights, to enforce commercial contracts or otherwise and similarly to defend itself against proceedings brought by other parties. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, taking into account professional advice received, and represent management's best estimate of the most likely outcome. The timing of utilisation of these provisions is frequently uncertain, reflecting the complexity of issues and the outcome of various court proceedings and negotiations. Contractual and other provisions represent the Directors' best estimate of the cost of settling current obligations.

During 2021, the Group agreed a formal settlement with HMRC to resolve its dispute in relation to the taxation of dividends received from EU based subsidiaries prior to 2009. As a result £5.1m of accrued interest liability that have previously been carried as a provision at 31 December 2020 was released to the Consolidated Income Statement. See note 7 for further details. No provision is made for proceedings which have been or might be brought by other parties against Group companies unless management, taking into account professional advice received, assesses that it is probable that such proceedings may be successful. Contingent liabilities associated with such proceedings have been identified, but the Directors are of the opinion that any associated claims that might be brought can be defeated successfully and, therefore, the possibility of any material outflow in settlement is assessed as remote.

19. Retirement benefit plans

Spectris plc operates funded defined benefit and defined contribution pension plans for the Group's qualifying employees in the UK. At 31 December 2021, 15 overseas subsidiaries (2020: 13) in six overseas countries (2020: five) provided defined benefit plans. Other UK and overseas subsidiaries have their own defined contribution plans invested in independent funds.

Defined benefit plans

The UK, German, Dutch, Swiss, French, Italian and Japanese plans provide pensions in retirement, death in service and, in some cases, disability benefits to members. The pension benefit is linked to members' final salary at retirement and their service life. Since 31 December 2009, the UK plan has been closed to all service accruals. The German and Dutch plans are closed to new members. The Italian plan is a mandatory Trattamento di Fine Rapporto ('TFR') severance plan.

19. Retirement benefit plans continued

The UK plan is administered by a pension fund, but the Swiss and Dutch plans are held by insurance companies that are legally separate from the Group. The majority of the overseas plan assets are insurance policies. The UK plan is managed by a Board of Trustees that represents both employees and employer, who is required to act in the best interest of the plan's participants and is responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the various funds.

The plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk. Inflation and interest rate hedges are taken out to mitigate against risks arising on the UK plan and some reinsurance exists in respect of the overseas plans.

The overseas plans are funded by the Group's overseas subsidiaries, and the UK plan has been funded by both the Group's UK subsidiaries and the Company. The assets of the UK plan are invested in accordance with Section 40 of the Pensions Act 1995. Although the Act permits 5% of the plan's assets to be invested in 'employer-related investments', the Trustee has elected that none of the plan assets are to be invested directly in Spectris plc shares. The Trustee also holds interest rate and inflation swaps to help protect against the impact of changes in prevailing interest rates and price inflation, which in conjunction with the corporate bond portfolio aims to fully hedge against interest and inflation rate risks on the basis used by the Trustee to fund the plan. Trustee investment in derivatives is only made in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

The Trustee of the UK plan has invested a large proportion of the plan's assets in a buy and maintain corporate bond portfolio, designed to move in a similar way to the value of the plan's liabilities. The Trustee has also entered into a swaps strategy which seeks to further mitigate against movement in interest rates and price inflation over time.

The funding requirements are based on the individual funds' actuarial measurement framework set out in the funding policies of the various plans.

The Group has determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (including minimum funding requirements) of the plans of the respective jurisdictions, the present value of the refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. This determination has been made on a plan-by-plan basis. As such, no decrease in the defined benefit asset was necessary at 31 December 2021.

The last full actuarial valuation for the UK plan was 31 December 2020 and for the overseas plans was 31 December 2021, where available. Where applicable, the valuations were updated to 31 December 2021 for IAS 19 (Revised) 'Employee Benefits' purposes by qualified independent actuaries.

The Group's contributions to defined benefit plans during the year ended 31 December 2021 were £1.1m (2020: £1.2m). Contributions for 2022 are expected to be £2.3m (£1.2m for the UK plan and £1.1m for the overseas plans).

As a result of the UK plan's full actuarial valuation at 31 December 2020, it has been agreed that the Group will make past service deficit recovery payments totalling £1.2m a year for a period of six years from 1 January 2022 until 31 December 2027. The contribution rates are subject to review at future valuations and periodic certifications of the schedule of contributions.

The assumptions used by the actuary to value the liabilities of the defined benefit plans were:

	2021		2020	
	UK plan % p.a.	Overseas plans % p.a.	UK plan % p.a.	Overseas plans % p.a.
Discount rate	1.8	0.0 – 1.0	1.4	0.0 – 0.6
Salary increases	n/a	1.0 – 3.0	n/a	1.25 – 3.0
Pension increases in payment	2.35 – 3.55	0.0 – 1.75	2.2 – 3.6	0.0 – 1.75
Pension increases in deferment	2.8 – 3.25	n/a	2.3 – 3.1	n/a
Inflation assumption	2.8 – 3.25	1.0 – 2.0	2.3 – 3.1	1.0 – 2.0
Interest credit rate	n/a	1.0	n/a	1.0

The weighted average duration of the defined benefit obligation at 31 December 2021 was approximately 14 years (2020: 14 years) for the UK plan and 18.3 years (2020: 18.0 years) for the overseas plans.

Pensioner life expectancy assumed in the 31 December 2021 valuation is based on the following tables:

UK plan	102% S3PA centred in 2013, future improvements in line with the core CMI_2020 model with a long-term rate of improvement of 1.25% per annum, initial addition of 0.2% and a weighting on 2020 of 20%
German plans	Dr K Heubeck pension tables 2018 G
Dutch plans	A.G. Prognosetafel 2018 tables
Swiss plan	BVG 2020 – CMI 1.50%
Italian plans	SI 2019

Notes to the Accounts continued

19. Retirement benefit plans continued

Samples of the ages which pensioners are assumed to live to across the Group's defined benefit plans are as follows:

	Male	Female
Pensioners aged 65 in 2021	82.6 – 86.9	84.9 – 89.0
Pensioners aged 65 in 2041	84.2 – 89.0	86.3 – 91.2

	UK plan		Overseas plan		Total	
Amounts recognised in the Consolidated Income Statement	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Current service cost	-	-	0.7	1.0	0.7	1.0
Past service (credit)/cost	-	0.2	(0.3)	0.1	(0.3)	0.3
Administrative cost	0.7	0.5	-	-	0.7	0.5
Settlement	-	-	-	(0.5)	-	(0.5)
Net interest cost	0.1	0.3	0.1	0.1	0.2	0.4
	0.8	1.0	0.5	0.7	1.3	1.7

The current service cost, past service (credit)/cost and administrative cost are recognised in administrative expenses in the Consolidated Income Statement. The net interest cost on the net defined benefit obligation is recognised in finance costs in the Consolidated Income Statement. The settlement in 2020 consisted of a Dutch Plan removed from the Consolidated Statement of Financial Position following employment contract changes and was recognised in administrative expenses. Actuarial gains and losses are recognised in the Consolidated Statement of Comprehensive Income.

During the year, insurance premiums for death-in-service benefits amounting to £0.3m (2020: £0.5m) were paid.

There was a total return on plan assets in the year of £6.7m (2020: £10.9m).

	UK plan		Overseas plan		Total	
Amounts recognised in the Consolidated Statement of Comprehensive Income	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Actuarial (losses)/gains recognised in the current year	(2.4)	8.3	0.6	0.2	(1.8)	8.5
Foreign exchanges gains/(losses) in the current year	-	-	0.8	(0.6)	0.8	(0.6)
Total (losses)/gains recognised in the current year	(2.4)	8.3	1.4	(0.4)	(1.0)	7.9

	UK plan		Overseas plan		Total	
Amounts recognised in the Consolidated Statement of Financial Position	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Present value of defined benefit obligations	(133.2)	(130.0)	(26.5)	(27.3)	(159.7)	(157.3)
Fair value of plan assets	122.2	122.2	15.2	14.7	137.4	136.9
Net deficit in plans	(11.0)	(7.8)	(11.3)	(12.6)	(22.3)	(20.4)

	UK plan		Overseas plan		Total	
Reconciliation of movement in net deficit	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
At 1 January	(7.8)	(15.1)	(12.6)	(12.4)	(20.4)	(27.5)
Balance transferred from other payables	-	-	(0.2)	(0.8)	(0.2)	(0.8)
Current service cost	-	-	(0.7)	(1.0)	(0.7)	(1.0)
Net interest cost	(0.1)	(0.3)	(0.1)	(0.1)	(0.2)	(0.4)
Plan administrative cost	(0.7)	(0.5)	-	-	(0.7)	(0.5)
Settlement	-	-	-	0.5	-	0.5
Acquisitions of businesses	-	-	(0.5)	-	(0.5)	-
Past service (credit)/cost	-	(0.2)	0.3	(0.1)	0.3	(0.3)
Contributions from sponsoring company and plan members	-	-	0.4	0.4	0.4	0.4
Benefits paid	-	-	0.7	0.8	0.7	0.8
Actuarial (losses)/gains	(2.4)	8.3	0.6	0.2	(1.8)	8.5
Balance transferred to liabilities held for sale	-	-	-	0.5	-	0.5
Foreign exchange difference	-	-	0.8	(0.6)	0.8	(0.6)
At 31 December	(11.0)	(7.8)	(11.3)	(12.6)	(22.3)	(20.4)

19. Retirement benefit plans continued

	UK plan		Overseas plan		Total	
Analysis of movement in the present value of the defined benefit obligation	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
At 1 January	130.0	133.2	27.3	27.0	157.3	160.2
Balance transferred from other payables	–	–	0.2	0.8	0.2	0.8
Current service cost	–	–	0.7	1.0	0.7	1.0
Interest cost	1.8	2.5	0.1	0.2	1.9	2.7
Settlement	–	–	–	(1.0)	–	(1.0)
Acquisitions of businesses	–	–	0.5	–	0.5	–
Past service cost/(credit)	–	0.2	(0.3)	0.1	(0.3)	0.3
Contributions from plan members	–	–	0.2	0.2	0.2	0.2
Actuarial (gains)/losses – financial	(4.0)	11.4	(2.0)	1.5	(6.0)	12.9
Actuarial losses/(gains) – demographic	4.9	(6.5)	0.3	0.0	5.2	(6.5)
Actuarial gains/(losses) – experience	7.5	(5.7)	0.1	(0.6)	7.6	(6.3)
Benefits paid	(7.0)	(5.1)	(0.6)	(1.2)	(7.6)	(6.3)
Adjustments and balances transferred to liabilities held for sale	–	–	1.7	(2.2)	1.7	(2.2)
Foreign exchange difference	–	–	(1.7)	1.5	(1.7)	1.5
At 31 December	133.2	130.0	26.5	27.3	159.7	157.3

Analysed as:

Present value of unfunded defined benefit obligation	–	–	6.2	8.7	6.2	8.7
Present value of funded defined benefit obligation	133.2	130.0	20.3	18.6	153.5	148.6

	UK plan		Overseas plan		Total	
Reconciliation of movement in fair value of plan assets	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
At 1 January	122.2	118.1	14.7	14.6	136.9	132.7
Interest income on assets	1.7	2.2	–	0.1	1.7	2.3
Plan administration cost	(0.7)	(0.5)	–	–	(0.7)	(0.5)
Settlement	–	–	–	(0.5)	–	(0.5)
Contributions from sponsoring company	–	–	0.4	0.4	0.4	0.4
Contributions from plan members	–	–	0.2	0.2	0.2	0.2
Actuarial gains/(losses)	6.0	7.5	(1.0)	1.1	5.0	8.6
Benefits paid	(7.0)	(5.1)	0.1	(0.4)	(6.9)	(5.5)
Adjustments and balances transferred to liabilities held for sale	–	–	1.7	(1.7)	1.7	(1.7)
Foreign exchange difference	–	–	(0.9)	0.9	(0.9)	0.9
At 31 December	122.2	122.2	15.2	14.7	137.4	136.9

	UK plan		Overseas plan		Total	
Fair value of assets	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Equity instruments	7.8	6.1	–	–	7.8	6.1
Corporate bonds	92.6	105.6	–	–	92.6	105.6
Government bonds	20.2	19.5	–	–	20.2	19.5
Cash and financial derivatives and other (net)	1.5	(9.0)	–	–	1.5	(9.0)
Insurance policies	0.1	–	15.2	14.7	15.3	14.7
At 31 December	122.2	122.2	15.2	14.7	137.4	136.9

The UK plan assets are invested in active markets which have a quoted market price. The overseas plan assets are invested in insurance policies.

Notes to the Accounts continued

19. Retirement benefit plans continued**Sensitivity analysis**

The table below shows the sensitivity of the Consolidated Statement of Financial Position to changes in the significant pension assumptions based on a reasonably expected change given current market conditions:

	Impact on plan liabilities as at 31 December 2021		
	Change in assumption	UK plan	Overseas plans
Discount rate	Increase by 1%	Decrease by £17.5m	Decrease by £3.8m
Rate of price inflation (RPI)	Increase by 1%	Increase by £11.7m	Increase by £1.0m
Assumed life expectancy at age 65	Increase by 1 year	Increase by £5.1m	Increase by £0.9m

The sensitivity analysis is approximate and extrapolation beyond the ranges shown may not be appropriate.

Defined contribution plans

The total cost of the defined contribution plans for the year was £17.3m (2020: £18.3m). There were no outstanding or prepaid contributions to these plans as at the end of the year.

20. Deferred tax

The movement in the net deferred tax liability/(asset) is shown below.

Current	Note	2021 £m	(Restated) ¹ 2020 £m
At 1 January		(11.1)	3.8
Prior period restatement	1	–	(4.2)
At 1 January (restated)		(11.1)	(0.4)
Foreign exchange difference		0.8	(0.2)
Acquisition of subsidiary undertakings	23	17.0	0.1
Disposal of businesses		0.6	–
Transferred to assets held for sale		–	2.3
Transferred to liabilities held for sale		–	(0.7)
Deferred tax on changes in fair value of forward exchange contracts recognised in the Consolidated Statement of Comprehensive Income		(0.2)	(0.2)
Deferred tax on re-measurement of net defined benefit liability recognised in the Consolidated Statement of Comprehensive Income		(0.9)	1.3
Deferred tax on share-based payments recognised in equity		(1.1)	(0.2)
Credited to the Consolidated Income Statement	7	(3.3)	(13.1)
At 31 December		1.8	(11.1)
Comprising:			
Deferred tax liabilities		23.0	5.1
Deferred tax assets		(21.2)	(16.2)
		1.8	(11.1)

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

20. Deferred tax (continued)

The movements in deferred tax assets and liabilities during the year are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and they relate to income taxes levied by the same taxation authority.

Net deferred tax (assets)/liabilities	Accelerated tax depreciation £m	Accruals and provisions £m	Tax losses £m	Unrealised profit on inter-company transactions	Pension plans £m	Goodwill and other intangible assets £m	Other £m	2021 Total £m
At 1 January 2021 (restated) ¹	3.4	(19.7)	(0.7)	(6.7)	(5.7)	18.8	(0.5)	(11.1)
Foreign exchange difference	-	-	-	-	-	0.8	-	0.8
Acquisition of subsidiary undertakings	-	-	-	-	(0.1)	17.1	-	17.0
Disposal of businesses	0.1	0.7	0.4	0.9	0.1	(1.8)	0.2	0.6
Transferred to assets held for sale	-	-	-	-	-	-	-	-
Transferred to liabilities held for sale	-	-	-	-	-	-	-	-
Deferred tax on changes in fair value of forward exchange contracts recognised in the Consolidated Statement of Comprehensive Income	-	-	-	-	-	-	(0.2)	(0.2)
Deferred tax on re-measurement of net defined benefit obligation recognised in the Consolidated Statement of Comprehensive Income	-	-	-	-	(0.9)	-	-	(0.9)
Deferred tax on share-based payments recognised in equity	-	-	-	-	-	-	(1.1)	(1.1)
(Credited)/charged to the Consolidated Income Statement	(3.1)	0.8	-	(1.2)	0.6	1.2	(1.6)	(3.3)
At 31 December 2021	0.4	(18.2)	(0.3)	(7.0)	(6.0)	36.1	(3.2)	1.8

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

Net deferred tax (assets)/liabilities	Accelerated tax depreciation £m	Accruals and provisions £m	Tax losses £m	Unrealised profit on inter-company transactions	Pension plans £m	(Restated) ¹ Goodwill and other intangible assets £m	Other £m	(Restated) ¹ 2020 Total £m
At 1 January 2020	5.1	(14.0)	(0.7)	(7.3)	(6.1)	27.1	(0.3)	3.8
Prior period restatement ¹	-	-	-	-	-	(4.2)	-	(4.2)
At 1 January 2020 (restated)	5.1	(14.0)	(0.7)	(7.3)	(6.1)	22.9	(0.3)	(0.4)
Foreign exchange difference	-	-	-	-	-	(0.2)	-	(0.2)
Acquisition of subsidiary undertakings	-	-	-	-	-	0.1	-	0.1
Disposal of businesses	-	-	-	-	-	-	-	-
Transferred to assets held for sale	0.4	-	-	-	-	2.1	(0.2)	2.3
Transferred to liabilities held for sale	-	0.3	-	-	-	0.4	(1.4)	(0.7)
Deferred tax on changes in fair value of forward exchange contracts recognised in the Consolidated Statement of Comprehensive Income	-	-	-	-	-	-	(0.2)	(0.2)
Deferred tax on re-measurement of net defined benefit obligation recognised in the Consolidated Statement of Comprehensive Income	-	-	-	-	1.3	-	-	1.3
Deferred tax on share-based payments recognised in equity	-	-	-	-	-	-	(0.2)	(0.2)
(Credited)/charged to the Consolidated Income Statement	(2.1)	(6.0)	-	0.6	(0.9)	(6.5)	1.8	(13.1)
At 31 December 2020 (restated)	3.4	(19.7)	(0.7)	(6.7)	(5.7)	18.8	(0.5)	(11.1)

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

Notes to the Accounts continued

20. Deferred tax continued**Unrecognised temporary differences**

Deferred tax assets have not been recognised on the following temporary differences due to the degree of uncertainty over both the amount and utilisation of the underlying tax losses and deductions in certain jurisdictions. £2.0m will expire between 2026 and 2030. There is no expiry date associated with the remaining tax losses of £27.0m which mainly comprise of UK capital losses.

	2021 £m	2020 £m
Current		
Tax losses	29.0	35.1
Other temporary differences	–	1.1
	29.0	36.2

It is likely that the unremitted earnings of overseas subsidiaries would qualify for the UK dividend exemption such that no UK tax would be due upon remitting these earnings to the UK. However, £263.7m (2020: £100.9m) of those earnings may still result in a tax liability, principally as a result of the dividend withholding taxes levied by the overseas tax jurisdictions in which those subsidiaries operate. These tax liabilities are not expected to exceed £13.6m (2020: £5.4m), of which only £2.5m (2020: £3.0m) has been provided for as the Group is able to control the timing of the dividends. It is not expected that further amounts will crystallise in the foreseeable future.

21. Share capital and reserves

	2021		2020	
	Number of shares Millions	£m	Number of shares Millions	£m
Issued and fully paid (ordinary shares of 5p each):				
At 1 January and 31 December	115.6	5.8	121.2	6.0

During the year ended 31 December 2021, 5,596,739 ordinary shares were repurchased and cancelled by the Group as part of the £200m share buyback programme announced on 25 February 2021 (2020: £nil), resulting in a cash outflow of £201.3m (2020: £nil), including transaction fees of £1.3m (2020: £nil).

No ordinary shares were issued upon exercise under share option schemes during the year (2020: nil).

At 31 December 2021, the Group held 4,767,106 treasury shares (2020: 4,934,567). During the year, 167,461 of these shares were issued to satisfy options exercised by, and SIP Matching shares awarded to, employees which were granted under the Group's share schemes (2020: 247,799).

The Group has an employee benefit trust ('EBT'), which operates the Spectris Share Incentive Plan ('SIP') to all eligible UK-based employees. The EBT holds shares in Spectris plc for the purposes of the SIP, further details of which are disclosed in the Directors' Remuneration Report. At 31 December 2021, the EBT held 44,440 shares which were purchased from the market during the year (31 December 2020: 52,924). The costs of funding and administering the plan are charged to the Consolidated Income Statement in the period to which they relate.

Other reserves

Movements in reserves are set out in the Consolidated Statement of Changes in Equity. The retained earnings reserve also includes own shares purchased by the Company and treated as treasury shares. The nature and purpose of other reserves forming part of equity are as follows:

Translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the Financial Statements of foreign subsidiaries, including gains or losses arising on net investment hedges.

Hedging reserve

This reserve records the cumulative net change in the fair value of forward exchange contracts where they are designated as effective cash flow hedge relationships.

Merger reserve

This reserve arose on the acquisition of Servomex Limited in 1999, a purchase satisfied substantially by the issue of share capital and therefore eligible for merger relief under the provisions of Section 612 of the Companies Act 2006

Capital redemption reserve

This reserve records the repurchase of the Company's own shares. During the year, as a result of the share buyback programme, the capital redemption reserve increased by £0.2m (2020: £nil), reflecting the nominal value of the cancelled ordinary shares.

22. Share-based payments**Spectris Long Term Incentive Plan ('LTIP') – awards granted from 2020 onwards with performance conditions attached**

The LTIP is used to grant share awards with performance conditions attached to senior executives and key employees that are settled in either equity or cash.

Both cash and equity-settled LTIP awards are expected to vest, subject to their performance conditions, after three years. Vested equity settled awards, which are granted in the form of nominal share options, must be exercised within the next

22. Share-based payments continued

seven years, whereas vested conditional share awards and cash-settled awards are paid out on or shortly after the vesting date. All LTIP awards granted to Executive Directors are subject to an additional two-year holding period. The Executive Directors' LTIP awards vest after five years (three-year performance period plus two-year holding period) and must be exercised within the next five years.

Subject to the LTIP awards vesting, participants receive additional dividend shares on the vested shares under the LTIP award. Dividend shares are of equivalent value to the Company's dividends paid between the date of grant and the vesting date.

Spectris Performance Share Plan ('PSP') – awards granted prior to 2020

The PSP was used to grant share awards to senior executives and key employees that are settled in either equity or cash.

Both cash and equity-settled PSP awards are expected to vest, subject to their performance conditions, after three years. Vested equity settled awards must be exercised within the next seven years, whereas vested cash-settled awards are paid out on or shortly after the vesting date. Outstanding PSP awards granted to Executive Directors are subject to an additional two-year holding period. The Executive Directors' PSP awards vest after five years (three-year performance period plus two-year holding period) and must be exercised within the next five years.

Subject to the PSP awards vesting, participants receive additional dividend shares on the vested shares under the PSP award. For PSP awards granted in or after 2014, the dividend shares are of equivalent value to the Company's dividends paid between the date of grant and the vesting date. For PSP awards granted before 2014, dividend shares were of equivalent value to Company's dividends paid between the date of grant and the date of exercise.

Linked (tax-advantaged) awards

Some PSP and LTIP awards granted to UK employees are linked to a grant of market value share options under the terms of HMRC's tax-advantaged Company Share Option Plan ('Linked (tax-advantaged) awards'). Linked (tax-advantaged) awards are granted up to an aggregate value of £30,000, which is HMRC's limit. The Linked (tax-advantaged) awards have the same performance and vesting conditions as the PSP/LTIP awards to which they are linked.

When an employee chooses to exercise a PSP/LTIP award which is linked to a Linked (tax-advantaged) award, both parts are also automatically exercised at the same time. Should there be a gain on exercise from the Linked (tax-advantaged) award part, then a proportion of the PSP/LTIP award will lapse to ensure that the overall gross value received from the combined exercise of these awards is no more than would have been delivered from a stand-alone equivalent PSP/LTIP award. Should there be no gain on exercise from the Linked (tax-advantaged) award part, then this part is forfeited and there is no reduction in the remaining PSP/LTIP award.

LTIP performance conditions

LTIP awards granted to Executive Directors and Executive Committee members are subject to an adjusted earnings per share growth target ('EPS') and a return on gross capital employed ('ROGCE') target. Any vesting under these performance conditions will then be further assessed against both absolute and relative Total Shareholder Return ('TSR') metrics which can potentially increase the vested award via a multiplier (maximum 1.4 times).

The performance conditions attached to LTIP awards granted to senior managers are one-third EPS, one-third ROGCE and the remaining one-third solely subject to continuous employment over the three-year vesting period. LTIP Awards below senior management level are subject to EPS (50%) and ROGCE (50%).

Normally, LTIP awards granted to participants who leave employment prior to vesting will be forfeited. In the event a participant leaves due to a qualifying reason, they receive a time pro-rated entitlement.

PSP performance conditions

Outstanding PSP awards granted to Executive Directors are subject to the following performance conditions: one-third EPS; one-third economic profit ('EP'); and one-third relative TSR.

PSP awards granted to other members of the Executive Committee in 2017 and 2018 are subject to the following performance conditions: one-third subject to EPS; one-third subject to EP; and one-third solely subject to continuous employment over the three-year vesting period. In 2019, the same conditions applied for Head Office Executive Committee roles however the EP target was replaced for an operating company profit target for the Executive Committee members who are Presidents of an operating company.

PSP awards granted to other senior head office managers were, until 2016, 50% subject to EPS and 50% subject to TSR. From 2017 onwards, senior head office management have two-thirds of their PSP awards subject to EPS and the remaining one-third solely subject to continuous employment over the three-year vesting period.

PSP awards granted to executives and senior managers of the Group's operating companies between 2011 and 2016 had two-thirds subject to an operating company profit target and one-third subject to EPS. In 2017 and 2018, the performance conditions have been two-thirds operating company profit targets and one-third continuous employment over the three-year vesting period. In 2019, the performance conditions were one-third operating company profit targets, one-third EPS and one-third continuous employment over the three-year vesting period.

Normally, PSP awards granted to participants who leave employment prior to vesting will be forfeited. In the event a participant leaves due to a qualifying reason, they receive a time pro-rated entitlement.

Notes to the Accounts continued

22. Share-based payments continued**Spectris Reward Plan ('SRP') – awards granted from 2020 onwards with no performance conditions attached**

The SRP is used to grant share awards with no performance conditions attached to key employees that are settled in equity or, in limited circumstances, in cash. SRP awards cannot be granted to an Executive Director of Spectris plc.

Both cash and equity-settled SRP awards are expected to vest after three years. Vested equity settled awards, which are granted in the form of nominal share options, must be exercised within the next seven years, whereas vested conditional share awards and cash-settled awards are paid out on or shortly after the vesting date.

On vesting, participants receive additional dividend shares on the vested shares under the SRP award. Dividend shares are of equivalent value to the Company's dividends paid between the date of grant and the vesting date.

Spectris Deferred Bonus Plan ('DBP') – awards granted from 2021 onwards with no performance conditions attached

The DBP is used to grant share awards with no performance conditions attached to Executive Directors and are settled in equity. This represents the 50% of the Executive Directors' annual bonus that is deferred into shares each year.

DBP awards are expected to vest after three years and must be exercised within the next seven years. On vesting, the Executive Directors receive additional dividend shares on the vested shares under the DBP award. Dividend shares are of equivalent value to the Company's dividends paid between the date of grant and the vesting date.

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

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

Spectris Share Incentive Plan ('SIP')

The SIP, a UK tax-advantaged share matching plan, was launched after it was approved by shareholders at the May 2018 AGM. UK employees can invest up to £150 per month to buy ordinary shares in the Company ('Partnership shares') tax efficiently and for every five Partnership shares purchased, the Company will gift one free ordinary share ('Matching share'). Matching shares need to be held in the SIP Trust for at least three years otherwise these shares are potentially subject to forfeiture. The Company incurs a charge on any Matching shares awarded under the SIP. The charge in 2021 was £0.1m (2020: £0.1m).

The number of outstanding share incentives are summarised below:

Incentive plan	2021 Number thousands	2020 Number thousands
Equity-settled:		
Long Term Incentive Plan	1,023	629
Performance Share Plan	522	913
Long Term Incentive Plan (Linked tax-advantaged)	64	36
Performance Share Plan (Linked tax-advantaged)	37	70
Spectris Reward Plan	221	57
Deferred Bonus Plan	10	–
Total equity-settled	1,877	1,705
Cash-settled:		
Long Term Incentive Plan Cash	43	38
Spectris Reward Plan Cash	12	5
Performance Share Plan (Phantom allocations) and Restricted Share Plan	12	114
Total cash-settled	67	157
Total outstanding	1,944	1,862

22. Share-based payments continued**Share options outstanding at the end of the year (equity settled)**

			2021		2020	
Long Term Incentive Plan, Performance Share Plan, Spectris Reward Plan and Deferred Bonus Plan	Year of grant	Remaining contractual life of options	Number thousands	Weighted average exercise price £	Number thousands	Weighted average exercise price £
2011	PSP	–	–	–	6	0.04
2012	PSP	1 year	–	0.04	–	0.04
2013	PSP	2 years	–	0.04	1	0.04
2015	PSP	4 years	1	0.05	2	0.05
2016	PSP	5 years	10	0.05	21	0.05
2017	PSP	6 years	52	0.05	74	0.05
2018	PSP	7 years	38	0.05	321	0.05
2019	PSP	8 years	421	0.05	488	0.05
2020	LTIP/ SRP	9 years	601	0.05	686	0.05
2021	LTIP/ SRP/ DBP	10 years	653	0.05	–	–
			1,776	0.05	1,599	0.05

The weighted average remaining contractual life of these LTIP, SRP and PSP equity settled awards is 8.97 years (2020: 9.06 years).

			2021		2020	
Long Term Incentive Plan, Spectris Reward Plan and Performance Share Plan (equity awards)	Number thousands	Weighted average exercise price £	Weighted average fair value at grant date £	Number thousands	Weighted average exercise price £	Weighted average fair value at grant date £
At 1 January	1,599	0.05		1,326	0.05	
Shares granted	688	0.05	26.44	760	0.05	15.14
Addition of reinvested dividends	10	–		11	–	
Exercised	(155)	0.05		(231)	0.05	
Forfeited	(366)	0.05		(267)	0.05	
At 31 December	1,776	0.05		1,599	0.05	
Exercisable at 31 December	70	0.05		84	0.05	

			2021		2020	
Long Term Incentive Plan and Performance Share Plan (Linked tax-advantaged)	Year of grant	Remaining contractual life of options	Number thousands	Weighted average exercise price £	Number thousands	Weighted average exercise price £
2012	PSP	1 years	–	17.31	–	17.31
2015	PSP	4 years	–	–	1	21.97
2017	PSP	6 years	2	26.31	3	26.31
2018	PSP	7 years	2	26.03	27	26.63
2019	PSP	8 years	33	26.53	39	26.54
2020	LTIP	9 years	31	22.69	36	22.65
2021	LTIP	10 years	33	31.91	–	–
			101	27.05	106	25.17

The weighted average remaining contractual life of the PSP and LTIP (Linked tax-advantaged) awards is 8.89 years (2020: 8.98 years).

Notes to the Accounts continued

22. Share-based payments continued

Long Term Incentive Plan and Performance Share Plan (Linked tax-advantaged)	2021			2020		
	Number thousands	Weighted average exercise price £	Weighted average fair value at grant date £	Number thousands	Weighted average exercise price £	Weighted average fair value at grant date £
At 1 January	106	25.17		99	26.18	
Shares granted	35	31.88	6.51	37	22.65	4.34
Exercised	(9)	26.18		(9)	23.84	
Forfeited	(31)	26.37		(21)	26.05	
At 31 December	101	27.05		106	25.17	
Exercisable at 31 December	3	25.57		4	24.50	

Share options outstanding at the end of the year (cash-settled)

Long Term Incentive Plan, Spectris Reward Plan, Performance Share Plan (Phantom allocations) and Restricted Shares Plan		2021			2020	
		Weighted average remaining contractual life of options	Number thousands	Weighted average exercise price £	Number thousands	Weighted average exercise price £
2018	PSP/RSP	–	–	–	92	0.05
2019	PSP/RSP	1 year	11	0.05	22	0.05
2020	LTIP/SRP	2 years	28	0.05	43	0.05
2021	PTIP/SRP	2.86 years	28	0.05	–	–
			67	0.05	157	0.05

The weighted average remaining contractual life of the cash-settled awards is 2.18 years (2020: 1.68 years).

Long Term Incentive Plan, Spectris Reward Plan, Performance Share Plan (Phantom allocations) and Restricted Shares Plan	2021			2020		
	Number thousands	Exercise price £	Weighted average fair value at grant date £	Number thousands	Exercise price £	Weighted average fair value at grant date £
At 1 January	157	0.05		217	0.05	
Shares granted	40	0.05	31.64	43	0.05	22.45
Addition of reinvested dividends	6	–		5	–	
Exercised	(92)	0.05		(83)	0.05	
Forfeited	(44)	0.05		(25)	0.05	
At 31 December	67	0.05		157	0.05	
Exercisable at 31 December	–	–		–	–	

22. Share-based payments continued**Share-based payment expense**

Share options are valued using the stochastic option pricing model (also known as the Monte Carlo model) in respect of TSR, and the Black-Scholes model for all other options, with support from an independent remuneration consultant. For options granted in 2021 and 2020, the fair value of options granted and the assumptions used in the calculation, are as follows:

	Equity-settled				Cash-settled	
	Share awards		(Linked tax-advantaged)			
	LTIP & SRP		LTIP & SRP		LTIP Cash & SRP Cash	
	2021	2020	2021	2020	2021	2020
Weighted average share price at date of grant (£)	31.55	22.55	31.81	22.67	31.69	25.57
Weighted average exercise price (£)	0.05	0.05	31.88	22.65	0.05	0.05
Expected volatility	29.83%	28.38%	29.38%	28.40%	29.86%	24.76%
Expected life	3.12 yrs	3.36 yrs	3 yrs	3 yrs	2.86 yrs	3 yrs
Risk-free rate	0.22%	0.13%	0.21%	0.11%	0.20%	0.12%
Expected dividends (expressed as a yield)	–	–	–	–	–	–
Weighted average fair values at date of grant (£):						
TSR condition	19.12	5.86	n/a	n/a	n/a	n/a
ROGCE condition	23.99	14.31	6.52	4.33	31.73	25.56
EPS condition	23.99	14.31	6.52	4.33	31.73	25.46
Service condition	31.37	22.05	6.50	4.40	31.54	25.56
Weighted average fair values at 31 December (£):						
ROGCE condition (cash-settled)					35.41	26.71
EPS condition (cash-settled)					35.70	27.15
Profit condition (cash-settled)					36.40	27.86
Service condition (cash-settled)					35.52	27.75

The expected volatility is based on historical volatility over the expected term. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

The weighted average share price at the date of exercise for share options exercised in 2021 was £33.11 (2020: £26.55). The weighted average fair value of cash-settled options outstanding at 31 December 2021 is £35.57 (2020: £27.55). The Group recognised a total share-based payment charge of £9.0m (2020: £4.1m) in the Consolidated Income Statement, of which £7.8m (2020: £2.9m) related to equity-settled share-based payment transactions.

Notes to the Accounts continued

23. Acquisitions**2021****Concurrent Real-Time**

On 9 July 2021, the Group acquired 100% of Concurrent Real-Time ('Concurrent-RT') for net consideration of £123.6m, made up of £135.9m gross consideration in cash less £12.3m cash acquired. There was no contingent consideration recognised on this acquisition. The transaction is in line with Spectris' strategy to make synergistic acquisitions to enhance and grow its platform and potential platform businesses. Concurrent-RT will be integrated into the HBK reportable segment and cash generating unit. The excess of the fair value of consideration paid over the fair value of the net tangible assets acquired is represented by the following intangible assets: customer-related relationships, contractual rights, technology and goodwill. Goodwill arising is attributable to the acquired workforce, expected future customer relationships and synergies from cross-selling goods and services.

In the Consolidated Income Statement for the year ended 31 December 2021, sales of £15.4m and statutory operating profit of £3.7m have been included for the acquisition of Concurrent-RT. Group revenue and statutory operating profit for the year ended 31 December 2021 would have been £1,308.1m and £158.0m, respectively, had this acquisition taken place on the first day of the financial year.

Where appropriate, a detailed exercise has been undertaken to assess the fair value of assets acquired and liabilities assumed, supported by the use of third-party experts. The valuation of the above intangible and tangible assets requires the use of assumptions and estimates. Intangible asset assumptions consist of future growth rates, expected inflation and attrition rates, discount rates used and useful economic lives.

Acquisition-related costs (included in administrative expenses) amount to £2.7m.

Due to their contractual due dates, the fair value of receivables approximates to the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial. There are no material contingent liabilities recognised in accordance with IFRS 3 (Revised).

Software licence and asset purchase agreement with VIMANA

On 24 August 2021, the Group completed a software licence and asset purchase agreement with VIMANA for gross consideration of £10.2m in cash. There was no contingent consideration recognised on this acquisition. The transaction advances HBK's software strategy by bringing technology to HBK, and will form the basis for a new engineering centre of excellence focused on data management and connectivity. The fair value of net assets acquired was £7.2m, consisting of £7.2m of intangible assets (technology). As a result, £3.0m of goodwill was generated, which is attributable to synergies and workforce. There are no material contingent liabilities recognised in accordance with IFRS 3 (Revised). The acquisition is included in the HBK reportable segment and cash generating unit.

In the Consolidated Income Statement for the year ended 31 December 2021, statutory operating profit includes £0.3m of costs relating to the VIMANA business. Group revenue and statutory operating profit for the year ended 31 December 2021 would have been £1,292.0m and £154.9m, respectively, had this acquisition taken place on the first day of the financial year.

Acquisition-related costs (included in administrative expenses) amount to £0.6m.

The fair values included in the table below relate to the acquisition of Concurrent-RT and VIMANA during the year:

	2021		
	Concurrent-RT £m	VIMANA £m	Total fair value £m
Intangible assets	74.8	7.2	82.0
Property, plant and equipment	2.7	-	2.7
Right of use assets	5.4	-	5.4
Inventories	1.5	-	1.5
Current tax asset	0.3	-	0.3
Trade and other receivables	5.0	-	5.0
Cash and cash equivalents	12.3	-	12.3
Trade and other payables	(6.7)	-	(6.7)
Retirement benefit obligations	(0.5)	-	(0.5)
Lease liabilities	(5.4)	-	(5.4)
Provisions	(0.3)	-	(0.3)
Deferred tax liabilities	(17.0)	-	(17.0)
Net assets acquired	72.1	7.2	79.3
Goodwill	63.8	3.0	66.8
Gross consideration	135.9	10.2	146.1
Adjustment for cash acquired	(12.3)	-	(12.3)
Net consideration	123.6	10.2	133.8

23. Acquisitions continued

Analysis of cash outflow in Consolidated Statement of Cash Flows	2021 £m	2020 £m
Gross consideration in respect of acquisitions during the year	146.1	3.7
Adjustment for net cash acquired	(12.3)	(0.5)
Net consideration in respect of acquisitions during the year	133.8	3.2
Deferred and contingent consideration on acquisitions included in net consideration during the year to be paid in future years	–	(0.6)
Cash paid during the year in respect of acquisitions during the year	133.8	2.6
Cash paid in respect of prior years' acquisitions	1.7	8.3
Net cash outflow relating to acquisitions	135.5	10.9

2020

The Group completed the acquisition of 100% of IMTEC GmbH ('IMTEC') on 26 October 2020 for a gross consideration of £3.7m, including £0.6m of deferred consideration. IMTEC is a mechatronic hardware specialist, the acquisition of which will allow HBK's VI-grade business to position itself to more rapidly scale its global simulator business. The fair value of net assets acquired was £2.5m, including £1.0m of intangible assets, £0.5m of net cash and £0.1m of deferred tax liabilities. As a result, £1.2m of goodwill was generated. There are no material contingent liabilities recognised in accordance with IFRS 3 (Revised). The acquisition is included in the HBK reportable segment and cash generating unit.

24. Business disposals and disposal groups held for sale**Business disposals****2021**

On 5 January 2021, the Group disposed of Concept Life Sciences' legacy food testing business based in Cambridge, which formed part of the Malvern Panalytical Platform. The consideration received was £6.2m, settled in cash received. This generated a profit on disposal of £1.9m.

On 2 February 2021, the Group disposed of 100% of its Millbrook business, which formed part of the Industrial Solutions reportable segment. The consideration received was £119.2m, consisting of £71.2m of cash received, €27.5m (£25.0m) of investment units in EZ Ring FPCI (the fund holding the combined UTAC-Millbrook group) and a £23.0m Vendor Loan Note Receivable.

On 1 March 2021, the Group disposed of 100% of its Brüel & Kjær Vibro business, which formed part of the Industrial Solutions reportable segment. The consideration received was £154.7m, settled in cash received.

On 3 May 2021, the Group disposed of 100% of its ESG business, which formed part of the Industrial Solutions reportable segment. The consideration received was £3.4m, settled by cash received. This generated a loss on disposal of £4.8m.

On 1 November 2021, the Group disposed of 100% of its NDC Technologies business, which formed part of the Industrial Solutions reportable segment. The consideration received was £133.0m, settled by £135.4m cash received less £2.4m estimated completion accounts true-up.

Also included in profit on disposal of businesses is a £1.2m credit relating to prior year disposals.

Notes to the Accounts continued

24. Business disposals and disposal groups held for sale continued

The total profit on disposal of businesses was £226.5m, calculated as follows:

					2021
	Brüel & Kjaer Vibro £m	Millbrook £m	NDC Technologies £m	Other disposals £m	Total £m
Goodwill	14.9	–	3.0	1.1	19.0
Other intangible assets	1.0	0.5	4.4	0.0	5.9
Property, plant and equipment – owned and right of use assets	2.8	108.7	4.1	6.2	121.8
Current and deferred tax assets	–	1.8	–	1.6	3.4
Inventories	3.4	2.9	9.0	0.5	15.8
Trade and other receivables	8.2	23.9	13.9	2.9	48.9
Cash and cash equivalents	6.2	7.1	5.6	1.7	20.6
Trade and other payables	(6.9)	(14.0)	(15.1)	(1.5)	(37.5)
Lease liabilities	(1.1)	(9.8)	(3.2)	(1.1)	(15.2)
Current and deferred tax liabilities	(0.9)	–	(0.7)	–	(1.6)
Provisions	(0.5)	(0.3)	(0.6)	(0.1)	(1.5)
Retirement benefit obligations	(0.6)	–	–	–	(0.6)
Net assets of disposed businesses	26.5	120.8	20.4	11.3	179.0
Consideration received					
Settled in cash	154.7	71.2	135.4	9.6	370.9
Investment in equity instruments	–	25.0	–	–	25.0
Vendor Loan Note Receivable	–	23.0	–	–	23.0
Estimated completion accounts payable	–	–	(2.4)	–	(2.4)
Total consideration received	154.7	119.2	133.0	9.6	416.5
Transaction expenses booked to profit/(loss) on disposal of business	(7.1)	(3.5)	(5.0)	(0.2)	(15.8)
Net consideration from disposal of business	147.6	115.7	128.0	9.4	400.7
Net assets disposed of (including cash and cash equivalents held by disposal group)	(26.5)	(120.8)	(20.4)	(11.3)	(179.0)
Currency translation differences transferred from translation reserve	3.3	0.4	0.9	0.2	4.8
Profit/(loss) on disposal of business	124.4	(4.7)	108.5	(1.7)	226.5
Net proceeds recognised in the Consolidated Statement of Cash Flows					
Consideration received settled in cash	154.7	71.2	135.4	9.6	370.9
Cash and cash equivalents held by disposed businesses	(6.2)	(7.1)	(5.6)	(1.7)	(20.6)
Transaction fees paid	(7.1)	(3.7)	(4.6)	(1.2)	(16.6)
Net proceeds recognised in the Consolidated Statement of Cash Flows	141.4	60.4	125.2	6.7	333.7

The disposals in 2021 and 2020 did not meet the definition of discontinued operations given in IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations' and, therefore, no disclosures in relation to discontinued operations were made.

2020

On 31 January 2020, the Group sold its interest in the rheology range of products to Netzsch Group for consideration of £8.8m in cash, generating a profit on disposal of £5.9m. The net assets disposed were £2.1m, and transaction costs were £0.8m. The Consolidated Statement of Cash Flows in 2020 included £6.9m of net proceeds from this disposal, which consisted of £8.8m of sales proceeds, offset by £1.1m of tax payments on the disposal and £0.8m of transaction cost related payments.

24. Business disposals and disposal groups held for sale continued

On 28 February 2020, the Group sold its interest in the EMS B&K joint venture for total consideration of £17.7m, consisting of £16.8m in cash received in 2020 and £0.9m in shares in Envirosuite Limited. The net assets disposed were £18.1m and transaction costs in 2020 were £0.1m, resulting in a loss on disposal of £0.5m. The Consolidated Statement of Cash Flows in 2020 included £14.0m of net proceeds related to the EMS B&K joint venture, consisting of £16.8m in cash proceeds from the sale of the interest offset by £2.6m payment of deferred consideration relating to the 2018 disposal and £0.2m of transaction cost related payments (including £0.1m of costs accrued in 2019).

Also included in profit on disposal of business in 2020 was £1.0m of transactions costs on the sale of BTG. The Consolidated Statement of Cash Flows in 2020 included £0.3m of net payments from the sale of BTG. This consisted of £1.2m of tax payments on the disposals and £0.9m of transaction fees, offset by £1.8m of deferred consideration received in cash.

Disposal groups held for sale

2021

Assets held for sale at 31 December 2021 consist of a freehold property with net book value of £10.4m, which forms part of the HBK reportable segment. As a result of the classification as held for sale the impairment of this asset that was recognised in 2020 has resulted in a £6.0m impairment reversal in 2021. This disposal does not meet the definition of discontinued operations given in IFRS 5.

2020

On 10 December 2020, the Group announced that agreement had been reached for the sale of the Group's Brüel & Kjær Vibro and Millbrook businesses, which formed part of the Industrial Solutions reportable segment. The transactions were subject to customary completion conditions and regulatory approvals. The Millbrook sale completed on 1 February 2021. Completion on the sale of Brüel & Kjær Vibro took place on 1 March 2021.

During 2020, the Group entered into preliminary discussions for the disposal of Concept Life Sciences' legacy food testing business based in Cambridge, and the sale was completed on 5 January 2021, for sales proceeds of £6.2m. This business formed part of the Malvern Panalytical Platform reportable segment.

The above operations were classified as disposal groups held for sale at 31 December 2020 and were presented separately in the Consolidated Statement of Financial Position.

The proceeds from the Brüel & Kjær Vibro and ADS businesses exceeded the book value of the related net assets and, accordingly, no impairment losses were recognised in 2020 on the classification of these operations as held for sale.

Details of the impairment recognised on classification of the Millbrook business as held for sale are provided in note 10.

The major classes of assets and liabilities comprising the operations classified as held for sale at 31 December 2020 were as follows:

	2020 £m
Goodwill	16.4
Other intangible assets	1.5
Property, plant and equipment	114.0
Current and deferred tax assets	3.2
Inventories	6.5
Trade and other receivables	33.4
Cash and cash equivalents	3.7
Total assets classified as held for sale	178.7
Bank overdrafts	(2.2)
Trade and other payables	(21.0)
Lease liabilities	(11.9)
Current and deferred tax liabilities	(0.7)
Provisions	(1.0)
Retirement benefit obligations	(0.5)
Total liabilities classified as held for sale	(37.3)
Net assets of disposal groups	141.4

The disposal groups held for sale at 31 December 2020 did not meet the definition of discontinued operations given in IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations' and, therefore, no disclosures in relation to discontinued operations were made.

Notes to the Accounts continued

25. Cash generated from operations

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Profit/(loss) after tax		346.9	(17.0)
Adjustments for:			
Taxation charge	7	41.7	12.9
Profit on disposal of businesses	24	(226.5)	(4.4)
Finance costs	6	5.6	10.2
Financial income	6	(12.8)	(1.8)
Depreciation and impairment of property, plant and equipment	11	26.4	108.9
Amortisation, impairment and other non-cash adjustments made to intangible assets	10	23.9	57.9
Impairment of goodwill	10	-	58.4
Transaction-related fair value adjustments	27	0.2	(2.2)
Fair value through profit and loss movements on equity investments	12	-	(23.2)
Profit on disposal and re-measurements of property, plant and equipment and associated lease liabilities		0.1	(0.1)
Equity-settled share-based payment expense	5	7.8	2.9
Operating cash flow before changes in working capital and provisions		213.3	202.5
(Increase)/decrease in trade and other receivables		(40.2)	8.0
(Increase)/decrease in inventories		(30.3)	24.4
Increase in trade and other payables		50.3	24.5
Decrease in provisions and retirement benefits		(1.5)	(4.8)
Cash generated from operations		191.6	254.6

26. Financial risk management

The Group's multinational operations and debt financing expose it to a variety of financial risks. In the course of its business, the Group is exposed to foreign currency risk, interest rate risk, liquidity risk and credit risk. Financial risk management is an integral part of the way the Group is managed. Financial risk management policies are set by the Board of Directors. These policies are implemented by a central treasury department that has formal procedures to manage foreign exchange risk, interest rate risk and liquidity risk, including, where appropriate, the use of derivative financial instruments. The Group has clearly defined authority and approval limits. The central treasury department operates as a service centre to the Group and not as a profit centre.

In accordance with its treasury policy, the Group does not hold or use derivative financial instruments for trading or speculative purposes. Such instruments are only used to manage the risks arising from operating or financial assets or liabilities, or highly probable future transactions. The quantitative analysis of financial risk is included in note 27.

Foreign currency risk

Foreign currency risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies of Group companies (transactional exposures) and where the results of overseas companies are consolidated into the Group's reporting currency of Sterling (translational exposures). The Group has operations around the world which record their results in a variety of different local functional currencies. In countries where the Group does not have operations, it invariably has some customers or suppliers that transact in a foreign currency. The Group is therefore exposed to the changes in foreign currency exchange rates between a number of different currencies, but the Group's primary exposures relate to the US Dollar, Euro, Danish Krone, Chinese Yuan Renminbi and Japanese Yen. Where appropriate, the Group manages its foreign currency exposures using derivative financial instruments.

The Group's translational exposures to foreign currency risks can relate both to the Consolidated Income Statement and net assets of overseas subsidiaries. The Group's policy is not to hedge the translational exposure that arises on consolidation of the Consolidated Income Statement of overseas subsidiaries. The Group finances overseas company investments partly through the use of foreign currency borrowings in order to provide a natural hedge of foreign currency risk arising on translation of the Group's foreign currency subsidiaries. The quantitative analysis of foreign currency risk is included in note 27.

The Group manages its transactional exposures to foreign currency risks through the use of forward exchange contracts. Forward exchange contracts are used to hedge highly probable transactions which can be forecast to occur typically up to 18 months into the future. For the hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount, life and the underlying) of the forward exchange contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite directions in response to movements in the underlying exchange rates.

26. Financial risk management continued

The main potential source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the forward contracts, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. No other sources of ineffectiveness emerged from these hedging relationships.

The following tables detail the foreign currency forward contracts outstanding at the end of the reporting period, as well as information regarding their related hedged items. Foreign currency forward contract assets and liabilities are presented in the line 'Derivative financial instruments' (either as assets or liabilities) within the Consolidated Statement of Financial Position.

Hedging instruments – outstanding contracts

	Change in fair value for recognising hedge ineffectiveness		Carrying amount of the hedging instruments	
	2021 £m	2020 £m	2021 £m	2020 £m
Cash flow hedges				
Currency risk – forward exchange contracts				
Less than 6 months	(0.3)	1.3	(0.3)	1.3
6 to 12 months	(0.6)	0.4	(0.6)	0.4
12 to 18 months	–	0.1	–	0.1
	(0.9)	1.8	(0.9)	1.8

Hedging instruments – hedged items

	Change in value used for calculating hedge effectiveness		Balance in cash flow hedge reserve/foreign currency translation reserve for continuing hedges	
	2021 £m	2020 £m	2021 £m	2020 £m
Currency risk				
Forecast sales	0.9	(1.8)	0.9	(1.8)

Interest rate risk

Interest rate risk comprises both the interest rate price risk that results from borrowing at fixed rates of interest and also the interest cash flow risk that results from borrowing at variable rates. Where appropriate, interest rate swaps are used to manage the Group's interest rate profile.

Liquidity risk

Liquidity risk represents the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages this risk through the use of regularly updated cash flow and covenant compliance forecasts and a liquidity headroom analysis which is used to determine funding requirements. Adequate committed lines of funding are maintained from high-quality investment grade lenders. The facilities committed to the Group as at 31 December 2021 are set out in note 16.

Credit risk

Credit risk arises because a counterparty may fail to perform its obligations. The Group is exposed to credit risk on financial assets such as cash balances, derivative financial instruments and trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts recognised in the Consolidated Statement of Financial Position are net of appropriate allowances for doubtful receivables, estimated by the Group's management based on whether receivables are past due based on contractual terms, payment history and other available evidence of collectability. Trade receivables are subject to credit limits and control and approval procedures in the operating companies. Due to its large geographical base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables. The quantitative analysis of credit risk relating to receivables is included in note 14.

Credit risk associated with cash balances and derivative financial instruments is managed centrally by transacting with existing relationship banks with strong investment grade ratings, with a Moody's LT Counterparty Risk ratings range of A1(cr) to Baa2(cr). Accordingly, the Group's associated credit risk is limited. The Group has no significant concentration of credit risk.

The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, as shown in note 27.

Notes to the Accounts continued

26. Financial risk management continued**Capital management**

The Board considers equity shareholders' funds, together with undrawn committed debt facilities, as capital for the purposes of funding the Group's operations.

Total managed capital at 31 December is:

	2021 £m	(Restated) ¹ 2020 £m
Equity shareholders' funds	1,261.3	1,219.7
Undrawn committed debt facilities	370.3	586.0
	1,631.6	1,805.7

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

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Board of Directors monitors both the geographic spread of shareholders and the level of dividends to ordinary shareholders.

The Board encourages employees to hold shares in the Company. This is carried out through the Spectris Share Incentive Plan in the UK, as well as Long Term Incentive, Performance and Restricted Share Plans. Full details of these schemes are given in note 22.

The main financial covenants in the Company's debt facilities are the ratio of net debt to adjusted earnings before interest, tax, depreciation and amortisation, and the ratio of finance charges to adjusted earnings before interest, tax, amortisation and impairment. Covenant testing is completed twice a year based on the half-year and year-end Financial Statements. At 31 December 2021, the Company had, and is expected to continue to have, significant headroom under these financial covenant ratios.

From time to time, the Group purchases its own shares in the market; the timing of these purchases depends on market prices. Buy and sell decisions are made on a specific transaction basis by the Board. During the year ended 31 December, 2021, 5,596,739 ordinary shares were repurchased and cancelled by the Group as part of the £200m share buyback programme announced on 25 February 2021 (2020: nil), resulting in a cash outflow of £201.3m (2020: £nil), including transaction fees of £1.3m (2020: £nil) (see note 21).

There were no changes to the Group's approach to capital management during 2021 and 2020.

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

27. Financial instruments

The following tables show the fair value measurement of financial instruments by level following the fair value hierarchy:

- Level 1: quoted listed stock exchange prices (unadjusted) in active markets for identical assets;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for assets and liabilities derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

	Level 1 fair value £m	Level 2 fair value £m	Level 3 fair value £m	2021 Carrying amount £m
Fair value and carrying amount of financial instruments				
Trade and other receivables excluding prepayments and contract assets	-	-	-	277.0
Trade and other payables excluding contract liabilities and customer advances	-	-	(1.5)	(222.7)
Investments in equity instruments designated at initial recognition at fair value through other comprehensive income (see note 12)	1.2	-	23.1	24.3
Investment in debt instruments	-	-	23.0	23.0
Forward exchange contract assets	-	0.3	-	0.3
Cash and cash equivalents	-	167.8	-	167.8
Forward exchange contract liabilities	-	(1.2)	-	(1.2)
				268.5

27. Financial instruments continued

				2020
	Level 2 fair value £m	Level 2 fair value £m	Level 3 fair value £m	Carrying amount £m
Fair value and carrying amount of financial instruments				
Trade and other receivables excluding prepayments and contract assets	–	–	–	266.3
Trade and other payables excluding contract liabilities and customer advances	–	–	(3.1)	(219.7)
Financial instruments included in assets held for sale (see note 24)	–	3.7	–	37.1
Financial instruments included in liabilities held for sale (see note 24)	–	(2.2)	–	(23.2)
Investments in equity instruments designated at initial recognition at fair value through other comprehensive income (see note 12)	1.1	–	–	1.1
Investments in equity instruments measured at fair value through profit and loss (see note 12)	38.3	–	–	38.3
Forward exchange contract assets	–	1.9	–	1.9
Cash and cash equivalents (excluding £3.7m classified as assets held for sale)	–	222.2	–	222.2
Floating rate borrowings and bank overdrafts (excluding £2.2m classified as liabilities held for sale)	–	(13.1)	–	(13.1)
Fixed rate borrowings	–	(107.4)	–	(104.5)
Forward exchange contract liabilities	–	(0.1)	–	(0.1)
				206.3

There were no movements between the different levels of the fair value hierarchy in the year.

The fair value of cash and cash equivalents, receivables and payables approximates to the carrying amount because of the short maturity of these instruments.

The fair value of floating rate borrowings approximates to the carrying amount because interest rates are at floating rates where payments are reset to market rates at intervals of less than one year.

The fair value of fixed rate borrowings is estimated by discounting the future contracted cash flow, using appropriate yield curves, to the net present values.

The fair value of forward exchange contracts is determined using discounted cash flow techniques based on readily available market data.

The fair value of forward exchange contracts outstanding as at 31 December 2021 is a net liability of £0.9m (2020: net asset of £1.8m), of which £3.4m has been credited to the hedging reserve (2020: £1.7m credited) and £2.1m credited to the Consolidated Income Statement (2020: £0.1m credited). These contracts mature over periods typically not exceeding 18 months. A summary of the movements in the hedging reserve during the year is presented below. All of the cash flow hedges in 2021 and 2020 were deemed to be effective.

The level 1 £1.2m of investments in equity instruments is calculated using quoted market prices in an active market at the balance sheet date.

The level 3 £23.1m of investment in equity instruments consists of the investment units in EZ Ring FPCI (the fund holding the combined UTAC-Millbrook group), recognised in the period as part of the sales proceeds from the Millbrook business disposal (see note 24). This investment was recognised at fair value, using the income approach, with the key input being a discounted cash flow.

The level 3 £23.0m of investment in debt instruments consists of a vendor loan note receivable, received as part of the sales proceeds from the Millbrook business disposal (see note 24). This investment was recognised at fair value by establishing an appropriate market yield. The key inputs used were synthetic credit ratings and market interest rates.

	2021 £m	2020 £m
Analysis of movements in hedging reserve, net of tax		
At 1 January	(1.9)	(1.4)
Amounts removed from the Consolidated Statement of Changes in Equity and included in the Consolidated Income Statement during the year	(2.1)	(0.2)
Amounts recognised in the Consolidated Statement of Changes in Equity during the year	0.5	(0.3)
At 31 December	(3.5)	(1.9)

The amount included in the Consolidated Income Statement is split between revenue and administrative expenses depending on the nature of the hedged item.

Notes to the Accounts continued

27. Financial instruments continued

Reconciliation of level 3 fair value for deferred and contingent consideration payable on acquisitions	2021 £m	2020 £m
At 1 January	(3.1)	(14.8)
Deferred and contingent consideration arising from current year acquisitions payable in future years	–	(0.6)
Deferred and contingent consideration paid in the current year relating to previous years' acquisitions	1.7	10.9
Costs charged to the Consolidated Income Statement:		
Subsequent adjustments on acquisitions and disposals	(0.2)	2.2
Unwinding of discount factor on deferred and contingent consideration	–	(0.4)
Foreign exchange difference	0.1	(0.4)
At 31 December	(1.5)	(3.1)

Reconciliation of level 3 fair value for investment in equity instruments	2021 £m	2020 £m
At 1 January	–	–
Investment in equity instruments recognised on disposal of business (see note 24)	25.0	–
Foreign exchange difference	(1.9)	–
At 31 December	23.1	–

Reconciliation of level 3 fair value for investment in debt instruments	2021 £m	2020 £m
At 1 January	–	–
Vendor loan note receivable recognised on disposal of business (see note 24)	23.0	–
At 31 December	23.0	–

The fair value of deferred and contingent consideration is determined by considering the performance expectations of the acquired or disposed entity or the likelihood of non-financial integration milestones whilst applying the entity-specific discount rates. The unobservable inputs are the projected forecast measures that are assessed on an annual basis. Changes in the fair value of deferred and contingent consideration relating to updated projected forecast performance measures are recognised in the Consolidated Income Statement within administrative expenses in the Consolidated Income Statement in the period that the change occurs.

Deferred and contingent consideration relates to financial (2021: £1.2m, 2020: £3.1m) and non-financial (2021: £0.3m, 2020: £nil) milestones on current and prior year acquisitions. The financial milestones are mainly sensitive to annual future revenue targets.

The following table shows the total outstanding contractual forward exchange contracts hedging designated transactional exposures split by currencies which have been sold back into the functional currency of the underlying business. These contracts typically mature in the next 18 months and, therefore, the cash flows and resulting effect on the Consolidated Income Statement are expected to occur within this time period.

Forward exchange contracts at 31 December	2021	2020
Foreign currency sale amount (£m)	96.1	76.9
Percentage of total:		
US Dollar	38%	35%
Euro	11%	16%
Japanese Yen	23%	25%
Other	28%	24%

27. Financial instruments continued

A maturity profile of the gross cash flows related to financial liabilities is:

Maturity of financial liabilities	2021				2020			
	Derivative financial liabilities	Overdrafts £m	Unsecured loans £m	Total £m	Derivative financial liabilities	Overdrafts £m	Unsecured loans £m	Total £m
Due within one year	1.1	–	–	1.1	0.1	0.3	–	0.4
Due between one and two years	0.1	–	–	0.1	–	–	107.4	107.4
	1.2	–	–	1.2	0.1	0.3	107.4	107.8

Trade and other payables (note 17) are substantially due within one year.

It is not expected that the cash flows described above could occur significantly earlier or at substantially different amounts.

Interest rate exposure of financial assets and liabilities by currency	Financial assets				Financial liabilities			
	Fixed rate £m	Floating rate £m	Non interest bearing £m	Total £m	Fixed rate £m	Floating rate £m	Total £m	2021 Net financial assets £m
Sterling	2.4	60.1	5.0	67.5	–	–	–	67.5
Euro	0.3	1.1	16.6	18.0	–	–	–	18.0
US Dollar	0.3	10.6	20.8	31.7	–	–	–	31.7
Other	0.1	26.9	23.6	50.6	–	–	–	50.6
	3.1	98.7	66.0	167.8	–	–	–	167.8

Interest rate exposure of financial assets and liabilities by currency	Financial assets				Financial liabilities			
	Fixed rate £m	Floating rate £m	Non interest bearing £m	Total £m	Fixed rate £m	Floating rate £m	Total £m	2020 Net financial assets/ (liabilities) £m
Sterling	30.0	77.7	4.4	112.1	–	–	–	112.1
Euro	0.5	12.1	12.1	24.7	(104.5)	–	(104.5)	(79.8)
US Dollar	–	0.6	21.4	22.0	–	–	–	22.0
Other	12.1	17.8	22.2	52.1	–	(0.3)	(0.3)	51.8
	42.6	108.2	60.1	210.9	(104.5)	(0.3)	(104.8)	106.1

Sensitivity analysis

The tables below show the Group's sensitivity to foreign exchange rates and interest rates. The US Dollar, Euro, Danish Krone and Chinese Yuan Renminbi represent the main foreign exchange translational exposures for the Group. The Group's borrowings are in Euros.

Impact on foreign exchange translational exposures against Sterling	2021		2020	
	Decrease/ (increase) in equity £m	Decrease/ (increase) in profit before tax £m	Decrease/ (increase) in equity £m	Decrease/ (increase) in profit before tax £m
10% weakening in the US Dollar	88.3	6.5	88.6	7.0
10% weakening in the Euro/Danish Krone	67.5	6.8	62.7	7.3
10% weakening in the Chinese Yuan Renminbi	5.3	1.9	5.1	1.9

Impact of interest rate movements

1pp increase in interest rates	(1.0)	(1.0)	(1.1)	(1.1)
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28. Contingent liabilities

In the normal course of business, Group companies have provided bonds and guarantees through local banking arrangements amounting to £14.1m (2020: £15.4m). Contingent liabilities in respect of taxation are disclosed in note 7.

Notes to the Accounts continued

29. Lease liabilities

	2021			2020		
Undiscounted lease liability maturity analysis under IFRS 16	Property £m	Plant and equipment £	Total £	Property £m	Plant and equipment £	Total £
Less than one year	10.8	3.3	14.1	11.9	4.1	16.0
One to five years	24.8	3.4	28.2	24.8	3.7	28.5
More than five years	38.2	–	38.2	13.0	–	13.0
Total undiscounted lease liabilities at 31 December	73.8	6.7	80.5	49.7	7.8	57.5

The total cash outflow on lease liabilities made in the year was £14.8m (2020: £21.6m).

30. Capital commitments

At 31 December 2021, the Group had entered into contractual commitments for the purchase of property, plant and equipment and software amounting to £6.2m (2020: £5.2m) and £0.4m (2020: nil), respectively, which have not been accrued.

31. Related party transactions

The Group has related party relationships with its subsidiaries (a list of all related undertakings is shown in note 14 of the Company Financial Statements) on pages 199 to 201, with its joint venture up to its disposal on 28 February 2020 and with its Executive Directors and members of the Executive Management Committee.

Transactions with key management personnel

The remuneration of key management personnel during the year was as follows:

	2021	2020
	£m	£m
Short-term benefits	8.0	5.4
Post-employment benefits	0.1	0.4
Equity-settled share-based payment expense	1.9	0.1
	10.0	5.9

In accordance with IAS 24 'Related Party Disclosures', key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. Key management personnel comprise the Directors and the other members of the Executive Management Committee.

Further details of the Executive Directors' remuneration are included in the Directors' Remuneration Report on pages 90 to 110.

Transactions with joint venture

There were no transactions with the joint venture up to its disposal on 28 February 2020 (the date the related party relationship ceased), other than the sale of the joint venture, details of which were provided in the 2020 Annual Report.

There were no other related party transactions in either 2021 or 2020.

32. Subsidiary undertakings

The table below lists the Group's principal subsidiary undertakings at 31 December 2021. They operate mainly in the countries of incorporation. All of the subsidiaries are involved in the manufacture and sale of highly-specialised measuring instruments and controls, together with the provision of services.

Spectris plc holds 100% of the ordinary share capital of all the subsidiaries either directly or indirectly through intermediate holding companies.

Name	Country of incorporation
Malvern Panalytical Limited	England & Wales
Servomex Group Limited	England & Wales
Hottinger Brüel & Kjær GmbH	Germany
Omega Engineering, Inc.	USA
Particle Measuring Systems, Inc.	USA
Red Lion Controls, Inc.	USA

A full list of subsidiaries is given in note 14 of the Company Financial Statements on the pages 199 to 201.

33. Events after the balance sheet date

On 7 January 2022, the Group acquired 100% of the share capital of Creoptix AG for initial purchase consideration of up to CHF44m (£36m) settled in cash, plus contingent deferred consideration of up to CHF22m (£18m), dependent on performance against future milestones. The purchase consideration is subject to potential adjustment through a completion accounts process. Creoptix AG is a bioanalytical sensor company, which provides solutions to accelerate discovery and development of new pharmaceutical drugs, substances and products. The transaction is in line with Spectris' strategy to make synergistic acquisitions to enhance and grow its platform and potential platform businesses. Creoptix AG will be integrated into Malvern Panalytical.

The initial accounting for the business combination is incomplete due to the short time to convert the accounts from local GAAP, and the time for preparation of the Consolidated Financial Statements being authorised for issue. Therefore, the Group is not yet able to provide the disclosure requirements of IFRS paragraph B64, which includes information on the major classes of assets acquired, liabilities assumed and details of transaction-related costs.

For the year ending 31 December 2021, Creoptix AG's revenues are expected to be £3.7m, with an expected operating loss of £1.3m, prepared under Swiss GAAP.

Notes to the Accounts continued

Appendix – Alternative performance measures

Policy

Spectris uses adjusted figures as key performance measures in addition to those reported under IFRS, as management believe these measures enable management and stakeholders to assess the underlying trading performance of the businesses as they exclude certain items that are considered to be significant in nature and/or quantum, foreign exchange movements and the impact of acquisitions and disposals.

The alternative performance measures ('APMs') are consistent with how the businesses' performance is planned and reported within the internal management reporting to the Board and Operating Committees. Some of these measures are used for the purpose of setting remuneration targets. The key APMs that the Group uses include like-for-like ('LFL') organic performance measures and adjusted measures for the income statement together with adjusted financial position and cash flow measures. Explanations of how they are calculated and how they are reconciled to an IFRS statutory measure are set out below.

Adjusted measures

The Group's policy is to exclude items that are considered to be significant in nature and/or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to better assess the period-on-period trading performance of the Group. The Group excludes certain items, which management have defined for 2021 and 2020 as:

- restructuring costs from significant programmes;
- amortisation and impairment of acquisition-related goodwill and other intangible assets;
- impairment of property, plant and equipment;
- depreciation of acquisition-related fair value adjustments to property, plant and equipment;
- transaction-related costs, deferred and contingent consideration fair value adjustments;
- configuration and customisation costs carried out by third parties on material SaaS projects;
- profits or losses on termination or disposal of businesses;
- unwinding of the discount factor on deferred and contingent consideration;
- unrealised changes in the fair value of financial instruments;
- interest credit on release of provision on settlement of EU dividends tax claim;
- fair value through profit and loss movements on equity investments;
- gains or losses on retranslation of short-term inter-company loan balances; and
- related tax effects on the above and other tax items which do not form part of the underlying tax rate (see note 7).

In November 2018, the Group announced the implementation of a Group-wide profit improvement programme. The total cost of implementation of this programme is considered to be significant in both nature and amount. On this basis the costs of the implementation of this programme is excluded from adjusted operating profit. Adjusted operating profit (including on a LFL basis) is therefore presented before the impact of the Group profit improvement programme. The ongoing benefits arising from this programme are considered to be part of underlying trading.

LFL measures

The Board reviews and compares current and prior year segmental sales and adjusted operating profit at constant exchange rates and excludes the impact of acquisitions and disposals during the year.

The constant exchange rate comparison uses the current year segmental information, stated in each entity's functional currency, and translates the results into its presentation currency using the prior year's monthly exchange rates, irrespective of the underlying transactional currency.

To allow a better comparison with 2019 performance, the Group has extended the existing LFL measure for revenue and operating profit to apply to 2019, so that 2021 is retranslated at 2019 foreign exchange rates and adjusted for Group scope changes.

The incremental impact of business acquisitions is excluded for the first 12 months of ownership from the month of purchase. For business disposals, comparative figures for segmental sales and adjusted operating profit are adjusted to reflect the comparable periods of ownership.

On 31 January 2020, Malvern Panalytical's rheology business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for Malvern Panalytical for 2020 exclude the trading results of the rheology business.

On 2 February 2021, Industrial Solutions' Millbrook business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for Industrial Solutions for 2020 exclude the trading results of the Millbrook business for the 11-month period from February 2020 to December 2020.

On 1 March 2021, Industrial Solutions' Brüel & Kjær Vibro business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for Industrial Solutions for 2020 exclude the trading results of the Brüel & Kjær Vibro business for the ten-month period from March 2020 to December 2020.

On 3 May 2021, Industrial Solutions' ESG business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for Industrial Solutions for 2020 exclude the trading results of the ESG business for the eight-month period from May 2020 to December 2020.

On 1 November 2021, Industrial Solutions' NDC business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for Industrial Solutions for 2020 exclude the trading results of the NDC business for the two-month period from November 2020 to December 2020.

Appendix – Alternative performance measures continued

The LFL measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period statutory results as well as allowing the Board to assess the underlying trading performance of the businesses on a LFL basis for both sales and operating profit.

Based on the above policy, the adjusted performance measures are derived from the statutory figures as follows:

Income statement measures**a) LFL adjusted sales by segment****1. 2021 LFL adjusted sales versus 2020 LFL adjusted sales**

	2021				
	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	Total £m
2021 sales by segment					
Sales	401.2	425.5	129.0	336.3	1,292.0
Constant exchange rate adjustment to 2020 exchange rates	13.3	18.3	7.1	15.9	54.6
Acquisitions	-	(18.8)	-	-	(18.8)
LFL adjusted sales	414.5	425.0	136.1	352.2	1,327.8
	2020				
	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	Total £m
2020 sales by segment					
Sales	372.5	392.6	119.2	451.9	1,336.2
Disposal of businesses	(0.6)	-	-	(125.7)	(126.3)
LFL adjusted sales	371.9	392.6	119.2	326.2	1,209.9

2. 2021 LFL adjusted sales versus 2019 LFL adjusted sales

	2021				
	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	Total £m
2021 sales by segment					
Sales	401.2	425.5	129.0	336.3	1,292.0
Constant exchange rate adjustment to 2019 exchange rates	14.7	16.3	8.0	15.7	54.7
Acquisitions	-	(20.0)	-	-	(20.0)
LFL adjusted sales	415.9	421.8	137.0	352.0	1,326.7
	2019				
	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	Total £m
2019 sales by segment					
Sales	448.2	429.0	138.3	616.5	1,632.0
Disposal of businesses	(18.8)	-	-	(259.3)	(278.1)
LFL adjusted sales	429.4	429.0	138.3	357.2	1,353.9

Notes to the Accounts continued

Appendix – Alternative performance measures continued

b) Adjusted operating profit and operating margin

1. 2021 LFL adjusted operating profit versus 2020 LFL adjusted operating profit

					2021
	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	Total £m
2021 adjusted operating profit					
Statutory operating profit	57.5	41.1	8.3	48.0	154.9
Restructuring costs	2.3	4.6	–	3.3	10.2
Net transaction-related costs and fair value adjustments	6.0	7.2	2.0	4.3	19.5
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2	–	–	–	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	1.1	4.4	(1.4)	1.1	5.2
Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment	5.1	7.7	6.1	0.5	19.4
Adjusted operating profit	72.2	65.0	15.0	57.2	209.4
Constant exchange rate adjustment to 2020 exchange rates	2.3	3.9	0.8	3.9	10.9
Acquisitions	–	(3.9)	–	–	(3.9)
LFL adjusted operating profit	74.5	65.0	15.8	61.1	216.4
					2020
	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	Total £m
2020 adjusted operating profit					
Statutory operating profit/(loss)	44.6	14.2	1.2	(83.3)	(23.3)
Restructuring costs	3.0	16.1	–	0.4	19.5
Net transaction-related costs and fair value adjustments	0.6	11.3	–	7.5	19.4
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2	–	–	0.5	0.7
Impairment of goodwill	–	–	–	58.4	58.4
Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment	6.5	7.5	7.5	77.4	98.9
Adjusted operating profit	54.9	49.1	8.7	60.9	173.6
Disposal of businesses	–	–	–	(5.5)	(5.5)
LFL adjusted operating profit	54.9	49.1	8.7	55.4	168.1
					2021
	Malvern Panalytical %	HBK %	Omega %	Industrial Solutions %	Total %
2021 operating margin					
Statutory operating margin ¹	14.3	9.7	6.4	14.3	12.0
Adjusted operating margin ²	18.0	15.3	11.6	17.0	16.2
LFL adjusted operating margin³	18.0	15.3	11.6	17.3	16.3
					2020
	Malvern Panalytical %	HBK %	Omega %	Industrial Solutions %	Total %
2020 operating margin					
Statutory operating margin ¹	12.0	3.6	1.0	(18.4)	(1.7)
Adjusted operating margin ²	14.7	12.5	7.3	13.5	13.0
LFL adjusted operating margin³	14.8	12.5	7.3	17.0	13.9

1. Statutory operating margin is calculated as statutory operating profit/(loss) dividend by sales.

2. Adjusted operating margin is calculated as adjusted operating profit divided by sales.

3. LFL adjusted operating margin is calculated as LFL adjusted operating profit divided by LFL adjusted sales. Refer to the tables above for a reconciliation of the nearest GAAP measure (sales/operating profit respectively) to LFL adjusted sales/LFL adjusted operating profit.

Appendix – Alternative performance measures continued

2. 2021 LFL adjusted operating profit versus 2019 LFL adjusted operating profit

					2021
	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	Total £m
2021 adjusted operating profit					
Statutory operating profit	57.5	41.1	8.3	48.0	154.9
Restructuring costs	2.3	4.6	–	3.3	10.2
Net transaction-related costs and fair value adjustments	6.0	7.2	2.0	4.3	19.5
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2	–	–	–	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	1.1	4.4	(1.4)	1.1	5.2
Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment	5.1	7.7	6.1	0.5	19.4
Adjusted operating profit	72.2	65.0	15.0	57.2	209.4
Constant exchange rate adjustment to 2019 exchange rates	1.5	2.3	0.8	3.9	8.5
Acquisitions	–	(4.4)	–	–	(4.4)
LFL adjusted operating profit	73.7	62.9	15.8	61.1	213.5
					2019
	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	Total £m
2019 adjusted operating profit					
Statutory operating (loss)/profit	(17.7)	18.1	12.0	71.9	84.3
Restructuring costs	16.4	17.7	2.2	15.9	52.2
Net transaction-related costs and fair value adjustments	(0.3)	3.1	–	3.3	6.1
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.4	–	–	0.6	1.0
Profit on disposal of property	–	–	(5.2)	–	(5.2)
Impairment of goodwill	35.1	–	–	–	35.1
Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment	42.3	21.5	7.9	12.9	84.6
Adjusted operating profit	76.2	60.4	16.9	104.6	258.1
Disposal of businesses	(1.3)	–	–	(40.9)	(42.2)
LFL adjusted operating profit	74.9	60.4	16.9	63.7	215.9
					2021
	Malvern Panalytical %	HBK %	Omega %	Industrial Solutions %	Total %
2021 operating margin					
Statutory operating margin ¹	14.3	9.7	6.4	14.3	12.0
Adjusted operating margin ²	18.0	15.3	11.6	17.0	16.2
LFL adjusted operating margin³	17.7	14.9	11.5	17.4	16.1
					2019
	Malvern Panalytical %	HBK %	Omega %	Industrial Solutions %	Total %
2019 operating margin					
Statutory operating margin ¹	(3.9)	4.2	8.7	11.7	5.2
Adjusted operating margin ²	17.0	14.1	12.2	17.0	15.8
LFL adjusted operating margin³	17.4	14.1	12.2	17.8	15.9

1. Statutory operating margin is calculated as statutory operating profit/(loss) divided by sales.

2. Adjusted operating margin is calculated as adjusted operating profit divided by sales.

3. LFL adjusted operating margin is calculated as LFL adjusted operating profit divided by LFL adjusted sales. Refer to the tables above for a reconciliation of the nearest GAAP measure (sales/operating profit respectively) to LFL adjusted sales/LFL adjusted operating profit.

Notes to the Accounts continued

Appendix – Alternative performance measures continued**c) Adjusted net finance costs**

	Note	2021 £m	2020 £m
Statutory net finance credit/(costs)	6	7.2	(8.4)
Net (gain)/loss on retranslation of short-term inter-company loan balances	6	(7.2)	0.8
Interest credit on release of provision on settlement of EU dividends tax claim	6	(5.1)	–
Unwinding of discount factor on deferred and contingent consideration	6	–	0.4
Adjusted net finance costs		(5.1)	(7.2)

d) Adjusted profit before taxation

	Note	2021 £m	2020 £m
Adjusted operating profit	2b	209.4	173.6
Adjusted net finance costs	2c	(5.1)	(7.2)
Adjusted profit before taxation		204.3	166.4

e) Adjusted earnings per share

Adjusted earnings	Note	2021 £m	2020 £m
Statutory profit/(loss) after tax		346.9	(17.0)
Adjusted for:			
Restructuring costs		10.2	19.5
Net transaction-related costs and fair value adjustments		19.5	19.4
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	11	0.2	0.7
Configuration and customisation costs carried out by third parties on material SaaS projects	1	5.2	–
Impairment of goodwill	10	–	58.4
Amortisation and impairment of acquisition-related intangible assets and other property, plant and equipment	10	19.4	98.9
Fair value through profit and loss movements on equity investments	12	–	(23.2)
Profit on disposal of businesses	24	(226.5)	(4.4)
Interest credit on release of provision on settlement of EU dividends tax claim	6	(5.1)	–
Net (gain)/loss on retranslation of short-term inter-company loan balances	6	(7.2)	0.8
Unwinding of discount factor on deferred and contingent consideration	6	–	0.4
Tax effect of the above and other non-recurring items	7	(2.6)	(23.4)
Adjusted earnings		160.0	130.1

Adjusted earnings per share	Note	2021	2020
Weighted average number of shares outstanding (millions)	9	113.7	116.1
Adjusted earnings per share (pence)		140.7	112.1

Basic earnings/(loss) per share in accordance with IAS 33 'Earnings Per Share' are disclosed in note 9.

Appendix – Alternative performance measures continued**Financial position measures****f) Net cash**

	Note	2021 £m	2020 £m
Bank overdrafts	16	–	(13.1)
Bank overdrafts included in liabilities held for sale	16, 24	–	(2.2)
Bank loans unsecured	16	–	(104.5)
Total borrowings		–	(119.8)
Cash and cash equivalents included in current assets	15	167.8	222.2
Cash and cash equivalents included in assets held for sale	15, 24	–	3.7
Net cash		167.8	106.1

	2021 £m	2020 £m
Reconciliation of changes in cash and cash equivalents to movements in net cash		
Net decrease in cash and cash equivalents	(36.8)	(2.9)
Proceeds from borrowings	(70.0)	(0.3)
Repayment of borrowings	169.8	86.4
Effect of foreign exchange rate changes	(1.3)	(10.6)
Movement in net cash	61.7	72.6
Net cash at beginning of year	106.1	33.5
Net cash at end of year	167.8	106.1

Net cash excludes lease liabilities arising under IFRS 16 as this aligns with the definition of net cash under the Group's bank covenants.

Cash flow measures**g) Adjusted cash flow**

	2021 £m	2020 £m
Cash generated from operations	191.6	254.6
Net income taxes paid	(32.2)	(28.6)
Net cash inflow from operating activities	159.4	226.0
Transaction-related costs paid	26.6	13.6
Restructuring cash outflow	11.9	15.1
Net income taxes paid	32.2	28.6
Purchase of property, plant and equipment and intangible assets	(35.3)	(43.1)
SaaS-related cash expenditure	5.9	–
Proceeds from government grants related to purchase of property, plant and equipment and intangible assets	–	0.2
Proceeds from disposal of property, plant and equipment and software ²	–	4.1
Adjusted cash flow	200.7	244.5
Adjusted cash flow conversion ¹	96%	141%

1. Adjusted cash flow conversion is calculated as adjusted cash flow as a proportion of adjusted operating profit.

Notes to the Accounts continued

Appendix – Alternative performance measures continued**Other measures****h) Return on gross capital employed ('ROGCE')**

The return on gross capital employed is calculated as adjusted operating profit for the last 12 months divided by the average of opening and closing gross capital employed. Gross capital employed is calculated as net assets excluding net cash and excluding accumulated amortisation and impairment of acquisition-related intangible assets including goodwill.

	31 December 2021 £m	(Restated) ¹ 31 December 2020 £m	(Restated) ¹ 31 December 2019 £m
Net cash (see APM f)	(167.8)	(104.6)	(33.5)
Accumulated impairment losses on goodwill including items transferred to assets held for sale (see note 10)	157.5	178.6	179.4
Accumulated amortisation and impairment of acquisition-related intangible assets including items transferred to assets held for sale	225.0	407.6	366.3
Shareholders' equity	1,261.3	1,219.7	1,302.6
Gross capital employed	1,476.0	1,701.3	1,814.8
Average gross capital employed (current and prior year)²	1,588.7	1,758.0	
Adjusted operating profit for year (see APM b)	209.4	173.6	
Return on gross capital employed	13.2%	9.9%	

1. Shareholders' equity and gross capital employed have been restated for the impact of the Group's change in accounting policy for Software as a Service ('SaaS') arrangements. See note 1 for further details.
2. Average gross capital employed is calculated as current year gross capital employed divided by comparative year gross capital employed.

i) Net transaction-related costs and fair value adjustments

Net transaction-related costs and fair value adjustments comprise transaction costs of £19.3m (2020: £21.6m) that have been recognised in the Consolidated Income Statement under IFRS 3 (Revised) 'Business Combinations' and other fair value adjustments relating to deferred and contingent consideration comprising a charge of £0.2m (2020: credit of £2.2m). Net transaction-related costs and fair value adjustments are included within administrative expenses. Transaction-related costs have been excluded from the adjusted operating profit and transaction costs paid of £26.6m (2020: £13.6m) have been excluded from the adjusted cash flow.

Spectris plc Statement of Financial Position

As at 31 December 2021

	Note	2021 £m	(Restated) ¹ 2020 £m
ASSETS			
Non-current assets			
Intangible assets	4	0.2	1.8
Property, plant and equipment	5	2.2	2.5
Investments in subsidiary undertakings	6	1,126.1	1,070.9
Deferred tax assets		5.0	2.7
		1,133.5	1,077.9
Current assets			
Current tax assets		13.5	5.1
Other receivables (due after more than one year: £139.1m (2020: £253.2m))	7	178.3	569.7
Derivative financial instruments		2.3	2.3
Cash and cash equivalents		75.6	124.5
		269.7	701.6
Total assets		1,403.2	1,779.5
LIABILITIES			
Current liabilities			
Borrowings	8	–	(8.9)
Derivative financial instruments		(2.4)	(2.3)
Other payables	9	(597.4)	(693.8)
		(599.8)	(705.0)
Net current liabilities		(330.1)	(3.4)
Non-current liabilities			
Borrowings	8	–	(104.5)
Other payables	9	(151.5)	(249.8)
Retirement benefit obligations	11	(11.0)	(7.9)
		(162.5)	(362.2)
Total liabilities		(762.3)	(1,067.2)
Net assets		640.9	712.3
EQUITY			
Share capital	10	5.8	6.0
Share premium		231.4	231.4
Retained earnings		365.8	437.2
Merger reserve	10	3.1	3.1
Capital redemption reserve	10	0.7	0.5
Special reserve	10	34.1	34.1
Total equity		640.9	712.3

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

The Company's profit for the year was £202.9m (2020: £20.8m loss).

The Financial Statements on pages 189 to 202 were approved by the Board of Directors on 23 February 2022 and were signed on its behalf by:

Derek Harding
Chief Financial Officer

Company Registration No. 02025003

Statement of Changes in Equity

For the year ended 31 December 2021

	Note	Share capital £m	Share premium £m	(restated) ¹ Retained earnings £m	Merger reserve £m	Capital redemption reserve £m	Special reserve £m	(restated) ¹ Total equity £m
At 1 January 2021 (restated)¹	1	6.0	231.4	437.2	3.1	0.5	34.1	712.3
Profit for the year		-	-	202.9	-	-	-	202.9
Other comprehensive income:								
Re-measurement of net defined benefit obligations, net of tax		-	-	(1.3)	-	-	-	(1.3)
Total comprehensive income for the year		-	-	201.6	-	-	-	201.6
Transactions with owners recorded directly in equity:								
Own shares acquired for share buyback programme	10	(0.2)	-	(201.3)	-	0.2	-	(201.3)
Equity dividends paid	13	-	-	(79.0)	-	-	-	(79.0)
Capital contribution relating to share-based payments		-	-	5.6	-	-	-	5.6
Share-based payments, net of tax		-	-	1.4	-	-	-	1.4
Utilisation of treasury shares		-	-	0.3	-	-	-	0.3
At 31 December 2021		5.8	231.4	365.8	3.1	0.7	34.1	640.9

	Note	Share capital £m	Share premium £m	(restated) ¹ Retained earnings £m	Merger reserve £m	Capital redemption reserve £m	Special reserve £m	Total equity £m
At 1 January 2020		6.0	231.4	527.7	3.1	0.5	34.1	802.8
Prior period restatement ¹	1	-	-	(4.4)	-	-	-	(4.4)
At 1 January 2020 (restated)¹		6.0	231.4	523.3	3.1	0.5	34.1	798.4
Loss for the year		-	-	(20.8)	-	-	-	(20.8)
Other comprehensive income:								
Re-measurement of net defined benefit obligations, net of tax		-	-	7.0	-	-	-	7.0
Total comprehensive loss for the year		-	-	(13.8)	-	-	-	(13.8)
Transactions with owners recorded directly in equity:								
Equity dividends paid	13	-	-	(75.7)	-	-	-	(75.7)
Capital contribution relating to share-based payments		-	-	0.4	-	-	-	0.4
Share-based payments, net of tax		-	-	2.7	-	-	-	2.7
Utilisation of treasury shares		-	-	0.3	-	-	-	0.3
At 31 December 2020 (restated)¹		6.0	231.4	437.2	3.1	0.5	34.1	712.3

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

Notes to the Company Accounts

1. Basis of preparation and summary of significant accounting policies

The separate Financial Statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate Financial Statements have been prepared in accordance with applicable accounting standards in the United Kingdom. In accordance with the exemption provided by Section 408 of the Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income.

a) Basis of preparation

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). The Company's shareholders were notified in 2015 of the use of the UK-adopted IFRS disclosure exemptions and there were no objections to the adoption of 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 ('IFRS'), but makes amendments where necessary in order to comply with the 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 transactions with wholly owned subsidiaries.
- 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.
- The requirement to present a Statement of Financial Position at the beginning of the preceding period when retrospectively applying an accounting policy.

As the Consolidated Financial Statements of Spectris plc (pages 125 to 188) 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 IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instrument Disclosures'.

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. 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.

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own Income Statement or Statement of Comprehensive Income for the year. The profit attributable to the Company is disclosed in the footnote to the Company's Statement of Financial Position.

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

Significant accounting judgements and estimates

In determining and applying accounting policies, judgement is often required where the choice of specific policy, assumption or accounting estimate to be followed could materially affect the reported amounts of assets, liabilities, income and expenses, should it later be determined that a different choice be more appropriate. Estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

In the course of preparing these Financial Statements in accordance with the Group's accounting policies, no judgements that have a significant effect on the amounts recognised in the Financial Statements have been made, other than those involving estimation. Management consider the following to be areas of estimation for the Company due to greater complexity and/or are particularly subject to uncertainty.

Key sources of estimation uncertainty

Retirement benefit plans

Accounting for retirement benefit plans under IAS 19 (revised) requires an assessment of the future benefits payable in accordance with actuarial assumptions. The discount rate and rate of retail price inflation ('RPI') assumptions applied in the calculation of plan liabilities, which are set out in note 19 of the Consolidated Financial Statements, represent a key source of estimation uncertainty for the Company. Details of the accounting policies applied in respect of retirement benefit plans are set out on page 138.

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 Company's 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.

Notes to the Company Accounts continued

1. Basis of preparation and summary of significant accounting policies continued

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.

Impact on the Statement of Financial Position

	Previously reported 2020 £m	Impact of restatement 2020 £m	Restated 2020 £m
Intangible assets	7.3	(5.5)	1.8
Current tax assets	4.0	1.1	5.1
Net assets	11.3	(4.4)	6.9
Retained earnings	441.6	(4.4)	437.2
Total equity	441.6	(4.4)	437.2

b) Summary of significant accounting policies**Intangible assets**

Intangible assets purchased by the Company are capitalised at their cost.

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 estimated useful economic lives are as follows:

- Software – three to seven years

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.

Property, plant and equipment

Property, plant and equipment 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 available for use within the business and the asset carrying values are reviewed for impairment when there is an indication that they may be impaired. Land is not depreciated. Estimated useful lives are as follows:

- Freehold property – 25 years.
- Short leasehold property – over the period of the lease.
- Office equipment – three to 20 years.

Investments

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

Other receivables

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.

Cash and cash equivalents

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

Other payables

Other payables are recognised at the amounts expected to be paid to counterparties and subsequently held at amortised cost.

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.

1. Basis of preparation and summary of significant accounting policies continued

Taxation

Tax on the profit or loss for the year comprises both current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised either in other comprehensive income or directly in equity, in which case tax is recognised in the Statement of Comprehensive Income or the Statement of Changes in Equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustments to tax payable in respect of prior years. Tax positions are reviewed to assess whether a provision should be made based on prevailing circumstances. Tax provisions are included within current taxation liabilities.

Deferred taxation is provided on taxable temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and their corresponding tax bases. Deferred tax is measured using the tax rates expected to apply when the asset is realised or the liability settled based on tax rates enacted or substantively enacted at the Statement of Financial Position date.

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 or that they will reverse. 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.

Foreign currency translation

The functional currency of the Company is Pounds Sterling and 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.

Originated loans and debtors 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.

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 are 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.

Notes to the Company Accounts continued

1. Basis of preparation and summary of significant accounting policies continued

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 expires. Originated loans and debtors 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 group 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 have 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.

Employee benefits

The Company operates a defined benefit post-retirement benefit plan and a defined contribution pension plan.

Defined benefit plan

The Company's net obligation recognised in the Statement of Financial Position in respect of its defined benefit plan is calculated as the present value of the plan's liabilities less the fair value of the plan's assets. The operating and financing costs of the defined benefit plan are recognised separately in the Income Statement. Operating costs comprise the current service cost, plan administrative expense, any gains or losses on settlement or curtailments, and past service costs where benefits have vested. Finance items comprise the unwinding of the discount on the net asset/deficit. Actuarial gains or losses comprising changes in plan liabilities due to experience and changes in actuarial assumptions are recognised in other comprehensive income.

The amount of any pension fund asset recognised in the Statement of Financial Position is limited to any future refunds from the plan or the present value of reductions in future contributions to the plan.

Defined contribution plan

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.

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.

Where the Company grants options over its own shares to the employees of its subsidiaries, it recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share based payment charge recognised in the subsidiary's Financial Statements with the corresponding credit being recognised directly in equity. In cases where a subsidiary is recharged for the share-based payment expense, no such increase in investment is recognised which may result in a credit in a particular year.

Dividends

Dividends are recognised as a liability in the period in which they are approved by shareholders.

Treasury shares

Shares held in treasury are treated as a deduction from equity until the shares are cancelled, reissued or disposed. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental costs and related tax effects, is included in equity attributable to the Company's equity shareholders.

2. Auditor's remuneration

The details regarding the remuneration of the Company's auditor are included in note 4 to the Group Consolidated Financial Statements under 'Fees payable to the Company's auditor for audit of the Company's annual accounts'.

3. Employee costs and other information

Average number of employees on a full-time equivalent basis:

	2021 Number	2020 Number
Administrative	67	75

Employee costs, including Directors' remuneration, are as follows:

	2021 £m	2020 £m
Wages and salaries	15.2	12.0
Social security costs	3.4	2.4
Defined contribution pension plans	0.6	0.4
Equity-settled share-based payment expense	0.9	2.5
Cash-settled share-based payment expense	0.1	0.1
	20.2	17.4

Directors' remuneration

Further details of Directors' remuneration and share options are given in note 5 to the Group Consolidated Financial Statements and in the Directors' Remuneration Report on pages 90 to 110.

Tax losses

As at 31 December 2021, the Company had capital tax losses of £16.4m (2020: £16.4m). No provision has been made for deferred tax on the basis that there is insufficient evidence that suitable taxable profits will arise in the future against which the losses may be offset and the asset recovered.

4. Intangible assets

	(Restated) ¹ Software £m
Cost	
At 1 January 2020	13.0
Prior period restatement	(5.5)
At 1 January 2020 (restated) ¹	7.5
Additions	2.5
At 31 December 2020 (restated) ¹	10.0
Disposals	(5.4)
At 31 December 2021	4.6

Accumulated amortisation and impairment

At 1 January 2020	7.0
Charge for the year	1.2
At 31 December 2020	8.2
Charge for the year	0.1
Disposals	(3.9)
At 31 December 2021	4.4

Carrying amount

At 31 December 2021	0.2
At 31 December 2020 (restated) ¹	1.8

1. Software intangible assets have been restated for impact of the Group's change in accounting policy for Software as a service ('SaaS') arrangements. See note 1 for further details.

Notes to the Company Accounts continued

5. Property, plant and equipment

Cost	Freehold property £m	Leasehold improvements £m	Office equipment £m	Total £m
At 1 January 2021	3.4	–	1.5	4.9
Additions	–	0.1	–	0.1
At 31 December 2021	3.4	0.1	1.5	5.0
Accumulated depreciation and impairment				
At 1 January 2021	1.4	–	1.0	2.4
Charge for the year	0.2	–	0.2	0.4
At 31 December 2021	1.6	–	1.2	2.8
Carrying amount				
At 31 December 2021	1.8	0.1	0.3	2.2
At 31 December 2020	2.0	–	0.5	2.5

6. Investments in subsidiary undertakings

Cost and carrying amount	Investment in subsidiary undertakings £m
At 1 January 2021	1,070.9
Additions	55.2
At 31 December 2021	1,126.1

Details of the Company's subsidiaries are given in note 14.

Additions during 2021 consist of a capital injection into the Company's wholly owned subsidiary, Spectris Group Holdings Limited (including a capital contribution relating to share-based payments).

7. Other receivables

Current	2021 £m	2020 £m
Amounts owed by Group undertakings	2.1	5.2
Loans owed by Group undertakings	31.4	306.4
Prepayments	2.7	2.0
Other receivables	3.0	2.9
	39.2	316.5
Non-current		
	2021 £m	2020 £m
Loans owed by Group undertakings	138.0	251.4
Prepayments	1.1	1.8
	139.1	253.2
Total other receivables	178.3	569.7

All loans owed by Group undertakings are in relation to interest bearing intra-group loans which are formalised arrangements on an arm's-length basis. Interest is charged at fixed rates between 2% and 10%. Other amounts owed by Group undertakings are non-interest bearing and repayable on demand.

During the year, the Company booked a £92.4m impairment of a intercompany receivable due from its Concept Life Sciences business, as a result of a legal entity restructure.

8. Borrowings

Current	Interest rate	Repayable date	2021 £m	2020 £m
Bank overdrafts		on demand	-	8.9
Total current borrowings			-	8.9
Non-current	Interest rate	Repayable date	2021 £m	2020 £m
Bank loans unsecured – €116.2m	Fixed 1.15%	Repaid in full in March 2021	-	104.5
Bank loans unsecured – \$500.0m (2020: \$800.0m) revolving credit facilities	Relevant RFR/IBOR +55bps	31 July 2025	-	-
Total non-current borrowings			-	104.5
Total current and non-current borrowings			-	113.4
Total unsecured borrowings			-	113.4

Further details of borrowings are provided in note 16 to the Group Consolidated Financial Statements.

9. Other payables

Current	2021 £m	2020 £m
Amounts owed to Group undertakings	0.8	1.2
Loans owed to Group undertakings	583.1	669.2
Accruals	13.5	23.4
	597.4	693.8
Non-current	2021 £m	2020 £m
Loans owed to Group undertakings	151.5	249.8

All loans owed to Group undertakings are in relation to interest bearing intra-group loans which are formalised arrangements on an arm's-length basis. Interest is charged at fixed rates between 0% and 10%. Other amounts owed to Group undertakings are non-interest bearing and repayable on demand.

10. Share capital and reserves

	2021		2020	
	Number of shares millions	£m	Number of shares millions	£m
Allotted, called-up and fully paid				
Issued and fully paid (ordinary shares of 5p each):				
At 1 January and 31 December	115.6	5.8	121.2	6.0

No ordinary shares were issued upon exercise under share option schemes during the year (2020: nil).

Share options have been granted to subscribe for ordinary shares of Spectris plc. Full details of share options currently in issue, including those issued during the year, together with information regarding the basis of calculation of the share-based payment expense, is contained in note 22 to the Group Consolidated Financial Statements.

During the year ended 31 December 2021, 5,596,739 ordinary shares were repurchased and cancelled by the Group as part of the £200m share buyback programme announced on 25 February 2021 (2020: nil).

At 31 December 2021, the Company held 4,767,106 treasury shares (2020: 4,934,567). During the year 167,461 of these shares were issued to satisfy options exercised by, and SIP Matching shares awarded to, employees which were granted under the Group's share schemes (2020: 247,799).

The Group has an employee benefit trust ('EBT') which operates the Spectris Share Incentive Plan ('SIP') to all eligible UK-based employees. The EBT holds shares in Spectris plc for the purposes of the SIP, further details of which are disclosed in the Directors' Remuneration Report. At 31 December 2021, the EBT held 44,440 shares which were purchased from the market during the year (31 December 2020: 52,924). The costs of funding and administering the plan are charged to the income statement in the period to which they relate.

Distributable reserves at 31 December 2021 are £334.5m (2020: £414.9m).

Notes to the Company Accounts continued

10. Share capital and reserves continued**Other reserves**

Movements in reserves are set out in the Statement of Changes in Equity. The retained earnings reserve also includes own shares purchased by the Company and treated as treasury shares. The nature and purpose of other reserves forming part of equity are as follows:

Merger reserve

This reserve arose on the acquisition of Servomex Limited in 1999, a purchase satisfied substantially by the issue of share capital and therefore eligible for merger relief under the provisions of Section 612 of the Companies Act 2006.

Capital redemption reserve

This reserve records the historical repurchase of the Company's own shares.

During the year, as a result of the share buyback programme, the capital redemption reserve increased by £0.2m, reflecting the nominal value of the cancelled ordinary shares.

Special reserve

The special reserve was created historically following the cancellation of an amount of share premium for the purpose of writing off goodwill. The special reserve is not distributable.

11. Retirement benefit plan

The Company participates in, and is the sponsoring employer of the UK Group defined benefit plan. The plan provides pensions in retirement, death in service and in some cases disability benefit to members. The pension benefit is linked to members' final salary at retirement and their service life. Since 31 December 2009, the UK plan has been closed to new members.

In accordance with IAS 19 (Revised 2011), there were no Company contributions made to the defined benefit plan during the year (2020: nil).

Further details of the Spectris Pension Plan (UK), including all disclosures required under FRS 101, are contained in note 19 to the Group Consolidated Financial Statements.

12. Contingent liabilities

The cross-guarantee arrangements to support trade finance facilities are included in note 28 of the Group Consolidated Financial Statements.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group the Company considers these to be insurance arrangements in accordance with the requirements of IFRS 4 and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

In the normal course of business, the Company has provided bonds and guarantees through local banking arrangements amounting to £14.1m (2020: £15.2m).

13. Dividends

	2021 £m	2020 £m
Amounts recognised and paid as distributions to owners of the company in the year		
Final dividend for the year ended 31 December 2020 of 46.5p per share	53.6	-
Interim dividend for the year ended 31 December 2021 of 23.0p (2020: 21.9p) per share	25.4	25.5
Additional interim dividend for the year ended 31 December 2020 of 43.2p per share	-	50.2
	79.0	75.7
Amounts arising in respect of the year		
Interim dividend for the year ended 31 December 2021 of 23.0p (2020: 21.9p) per share	25.4	25.5
Additional interim dividend for the year ended 31 December 2020 of 43.2p per share	-	50.2
Proposed final dividend for the year ended 31 December 2021 of 48.8p (2020: 46.5p) per share	54.1	54.1
	79.5	129.8

In 2020, the Group announced the withdrawal of the £50.1m proposed 2019 final dividend of 43.2p per share and the £175.0m proposed special dividend. The Group also declared and paid an additional £50.2m interim dividend in 2020 of 43.2p per share.

The proposed final dividend is subject to approval by shareholders at the AGM on 27 May 2022 and has not been included as a liability in these Financial Statements.

14. Related undertakings

In accordance with Section 409 of the Companies Act 2006, detailed below is a full list of related undertakings as at 31 December 2021.

All entities listed below have their registered office in their country of incorporation.

Subsidiaries

All wholly owned subsidiaries listed below are owned through intermediate holding companies, unless otherwise indicated.

Shareholdings are held in the class of ordinary shares, unless otherwise indicated.

Name	Registered address	Country of incorporation
Aquila Biomedical Limited	2 James Lindsay Place, Dundee, Scotland, DD1 5JJ	Scotland
Hottinger Bruel & Kjaer Poland Sp z.o.o.	Aleje Jerozolimskie 181 A, 02-222 Warsaw	Poland
Bruel & Kjaer UK Limited ¹	Jarman Way, Royston, Hertfordshire, SG8 5BQ	England & Wales
Bruel & Kjaer VTS Limited ³	Jarman Way, Royston, Hertfordshire, SG8 5BQ	England & Wales
Burnfield Limited	Heritage House, Church Road, Egham, Surrey, TW20 9QD	England & Wales
CAS Clean-Air-Service AG	Reinluftweg 1, Zurich, CH-9630	Switzerland
Concept Life Sciences (Discovery) Limited	Heritage House, Church Road, Egham, England, TW20 9QD	England & Wales
Concept Life Sciences (Environmental Consulting) Limited	Heritage House, Church Road, Egham, England, TW20 9QD	England & Wales
Concept Life Sciences (Holdings) Limited ³	Heritage House, Church Road, Egham, England, TW20 9QD	England & Wales
Concept Life Sciences (Laboratories) Limited	Heritage House, Church Road, Egham, England, TW20 9QD	England & Wales
Concept Life Sciences (Midco) Limited	Heritage House, Church Road, Egham, England, TW20 9QD	England & Wales
Concept Life Sciences Integrated Discovery & Development Services Limited	Heritage House, Church Road, Egham, England, TW20 9QD	England & Wales
Concept Life Sciences Limited	Heritage House, Church Road, Egham, England, TW20 9QD	England & Wales
Concurrent High Performance Solutions Europe S.A.	Immeuble Uranus Parc Ariane, Rue Hélène Boucher, 78280 Guyancourt	France
Concurrent Nippon Corporation	Yanagibashi First Bldg, 4F 19-6, 2-chome, Taito-ku, Tokyo 111-0052	Japan
Concurrent Real-Time Asia, Inc.	850 New Burton Road, Suite 201, Dover, DE 19904	USA
Concurrent Real-Time, Inc.	800 Northwest 33rd Street, Pompano Beach, FL 33064	USA
CLS Analytics Limited	Heritage House, Church Road, Egham, England, TW20 9QD	England & Wales
CXR Biosciences Limited	2 James Lindsay Place, Dundee Technopole, Dundee, DD1 5JJ	Scotland
DISCOM Elektronische Systeme und Komponenten GmbH	Maschmühlenweg 81, Gottingen, 37081	Germany
HBK FiberSensing SA	Rua Vasconcelos Costa 277, Moreira, Maia	Portugal
Hottinger Bruel & Kjaer Solutions LLC ²	100 Research Blvd, Starkville, Mississippi	USA
HBM Prensia s.p. z.o.o.	Aleje Jerozolimskie 181 A, 02-222 Warsaw	Poland
Hottinger Bruel & Kjaer Inc.	19 Bartlett Street, Marlborough, Massachusetts 01752	USA
Hottinger Brüel & Kjær A/S	Teknikerbyen 28, 2830 Virum	Denmark
Hottinger Bruel & Kjaer Austria GmbH	Lemboeckgasse 63/2, A-1230, Wien, Vienna	Austria
Hottinger Bruel & Kjaer Benelux B.V.	Schutweg 15a, Waalwijk, 5145 NP	Netherlands
Hottinger Bruel & Kjaer Co., Ltd	106 Henshan Road, Suzhou New District, Suzhou, Jiangsu Province, 215009	China
Hottinger Bruel & Kjaer France SAS	46 rue du Champoreux, F-91540 Mennecey, Cedex	France
Hottinger Brüel & Kjær GmbH	Im Tiefen See 45, Darmstadt, D-64293	Germany
Hottinger Brüel & Kjær Ibérica, S.L.U.	Calle Teide número 5, San Sebastián de los Reyes, Madrid	Spain
Hottinger Bruel & Kjaer Italy SRL	Milano (MI), Via Pordenone 8, Milan 20132	Italy
Hottinger Bruel & Kjær Norway AS	Rosenholmveien 25, Trollasen, 1414	Norway
Hottinger Bruel & Kjaer UK Limited	Technology Centre, Advanced Manufacturing Park, Brunel Way, Catcliffe, Rotherham, South Yorkshire, S60 5WG	England & Wales
IMTEC GmbH	Am Rosengarten 1, 14621 Schönwalde-Glien OT Wansdorf	Germany
International Applied Reliability Symposium LLC ²	5210 E Williams Cir, 2nd Floor, Suite 240, Tucson Arizona 85711	USA
LLC Spectris CIS ²	Building 1, Usacheva Street, Moscow 119048	Russian Federation
Malvern Instruments Nordic Oy	Kumitehtaankatu, 5 04260, Kerava, Asianajotoimisto OY	Finland
Malvern Panalytical B.V.	Lelyweg 1, 7602EA, Almelo	Netherlands
Malvern Panalytical GmbH	Nürnberggerstr 113, D 34123 Kassel	Germany

Notes to the Company Accounts continued

Malvern Panalytical Inc	2400 Computer Drive, Suite 201, Westborough Massachusetts 01581-1042	USA
Malvern Panalytical Limited	Enigma Business Park, Grovewood Road, Malvern, Worcestershire, WR14 1XZ	England & Wales
Malvern Panalytical Nordic AB ⁵	Vallongatan 1, 752 28 Uppsala	Sweden
Malvern Panalytical S.A.S.	24 Rue Émile Baudot, Bâtiment le Phénix 91120 Palaiseau	France
Malvern Panalytical srl	Via Cadore 21, Lissone, 20851	Italy
Malvern Panalytical (Pty) Limited	Unit 4, Bush Hill Office Park, Jan Frederick Avenue, Randpark Ridge, 2169	South Africa
Malvern-Aimil Instruments Pvt Limited	Naimex House, A-8, Mohan Co-operative Industrial Estate, Mathura Road, New Delhi – 110044	India
Nanosight Limited	Enigma Business Park, Grovewood Road, Malvern, Worcestershire, WR14 1XZ	England & Wales
Newport Electronics Limited	One Omega Drive, Northbank, Irlam, Manchester, M44 5BD	England & Wales
Novisim Limited	Jarman Way, Royston, Hertfordshire, SG8 5BQ	England & Wales
Omega Engineering GmbH	Daimlerstrasse 26, Deckenpfronn, 75392	Germany
Omega Engineering Limited ⁴	One Omega Drive, Northbank, Irlam, Manchester, M44 5BD	England & Wales
Omega Engineering, Inc.	800 Connecticut Avenue, Norwalk, Connecticut 06854	USA
Omega Technologies Limited ⁴	One Omega Drive, Riverbend Technology Centre, Northbank, Irlam, Manchester, M44 5BD	England & Wales
PANalytical Limited ¹	Enigma Business Park, Grovewood Road, Malvern, Worcestershire, WR14 1XZ	England & Wales
Particle Measuring Systems Germany GmbH	Im Tiefen See 45, Darmstadt, D-64293	Germany
Particle Measuring Systems S.R.L.	Via di Grotte Portella, Frascati, Rome, 34-00044	Italy
Particle Measuring Systems, Inc.	5475 Airport Boulevard, Boulder, Colorado 80301	USA
Peakdale Chemistry Services Limited	Heritage House, Church Road, Egham, England, TW20 9QD	England & Wales
Peakdale Inc	117 Flanders Road, Westborough, Massachusetts 01581	USA
Peakdale Molecular Limited	Heritage House, Church Road, Egham, England, TW20 9QD	England & Wales
Pixirad Imaging Counters S.r.l.	Via Cadore 21, Lissone, 20851	Italy
RealTime Acquisition Co.	850 New Burton Road, Suite 201, Dover, DE 19904	USA
RealTime Holdco, LLC	850 New Burton Road, Suite 201, Dover, DE 19904	USA
Red Lion Controls B.V.	Softwareweg 9, 3821 BN Amersfoort	Netherlands
Red Lion Controls, Inc.	20 Willow Springs Cir, York Pennsylvania 17406	USA
ReliaSoft India Private Limited	New No.16, Old No.21, Cenotaph 1st Street, Alwarpet, Chennai, 600 018	India
RightHook Inc	45 Jackson Street, San Jose, CA 95112-5102	USA
Servomex B.V.	Lelyweg 1, 7602EA, Almelo	Netherlands
Servomex Company	3411 Silverside Road, Tatnall Building #104, Wilmington, New Castle County, Delaware 19810	USA
Servomex GmbH	Im Tiefen See 45, Darmstadt, D-64293	Germany
Servomex Group Limited	Jarvis Brook, Crowborough, East Sussex, TN6 3FB	England & Wales
Servomex Middle East L.L.C.	Office No. 113, Business Park 01, Abu Dhabi International Airport, PO Box 147939	United Arab Emirates
Servomex S.A.	23 Rue de Roule, Paris, 75001	France
Spectris Analytics US Inc.	3411 Silverside Road, Tatnall Building #104, Wilmington, New Castle County, Delaware 19810	USA
Spectris Australia Pty Ltd	Suite 2, 6-10 Talavera Road, PO Box 349, North Ryde, New South Wales 2113	Australia
Spectris Canada Inc.	4921 Place Olivia, St-Laurent, Quebec, H4R 2V6	Canada
Spectris China Limited	Room 08, 20/F., China Shipbuilding Tower, 650 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong	Hong Kong
Spectris Co., Ltd.	Tsukasa-machi Bldg, 2-6 Kanda Tsukasa-machi, Chiyoda-ku, Tokyo, 101-0048	Japan
Spectris Denmark ApS	Skodsborgvej 307, Naerum, DK-2850	Denmark
Spectris Do Brasil Instrumentos Eletronicos Ltda.	Rua Laguna 276, Santo Amaro, CEP 04728-000, Sao Paulo SP	Brazil
Spectris Funding B.V.	Lelyweg 1, 7602EA, Almelo	Netherlands
Spectris Germany GmbH	Im Tiefen See 45, Darmstadt, D-64293	Germany
Spectris Group Holdings Limited ^{1,4}	Heritage House, Church Road, Egham, Surrey, TW20 9QD	England & Wales
Spectris Holdings Inc.	2400 Computer Drive, Suite 201, Westborough Massachusetts 01581	USA

Spectris Inc.	2400 Computer Drive, Suite 201, Westborough Massachusetts 01581	USA
Spectris Instrumentation and Systems Shanghai Ltd.	Bldg 9, No. 88, Lane 2888, HuaNing Road, MingHang District, Shanghai, 201108	China
Spectris Korea Ltd.	7th & 8th Fl, SH Energy Building, 16-6 Sunae-Dong, Bundang-Gu, Seongnam-City Kyeonggi-Do	Korea, Republic of
Spectris Mexico, S. De R.L. De C.V.	Av. Pedro Ramirez Vazquez No. 200-13, Nivel 1, Col. Valle Oriente, San Pedro Garza Garcia, C.P. 66269	Mexico
Spectris Netherlands B.V.	Lelyweg 1, 7602 EA Almelo	Netherlands
Spectris Netherlands Cooperatief W.A. ^{1,2}	Lelyweg 1, 7602 EA Almelo	Netherlands
Spectris Pension Trustees Limited ¹	Heritage House, Church Road, Egham, Surrey, TW20 9QD	England & Wales
Spectris Pte Ltd	31 Kaki Bukit Road 3, Techlink #04-05/07, 417818	Singapore
Spectris Taiwan Limited	13F-1, No. 128, Sec. 3, Min Sheng E. Road, Taipei	Taiwan
Spectris Technologies Private Limited	202 Anarkali Complex, Jhandelwala Extension, Opp Videcon Tower, New Delhi 110 055	India
Spectris UK Holdings Limited ³	Heritage House, Church Road, Egham, Surrey, TW20 9QD	England & Wales
Spectris US Holdings Limited	Heritage House, Church Road, Egham, Surrey, TW20 9QD	England & Wales
Starlight USA Inc	3411 Silverside Road, Tatnall Building #104, Wilmington DE, 19810	United States
System Level Simulation Inc.	25 Villa Perico, Rancho Santa Margarita, CA 92688	United States
VI-grade AG	Neustrasse 2, 8590 Romanshorn	Switzerland
VI-grade GmbH	Im Tiefen See 45, Darmstadt, D-64293	Germany
VI-grade Japan Ltd.	9-1, Shinjuku-ku 3 Chome, Shinjuku, Tokyo	Japan
VI-grade Limited	Heritage House, Church Road, Egham, Surrey, TW20 9QD	England & Wales
VI-grade s.r.l.	Via Galileo Galilei 42, 33010 Tavagnacco (Udine)	Italy
Vintage Star Inc	1010 Dale Street North, Saint Paul, Minnesota 55117-5603	United States
Viscotek Europe Limited	Heritage House, Church Road, Egham, Surrey, TW20 9QD	England & Wales
Zhuhai Omec Instruments Co., Ltd	Floor 1-3, No 9 R&D Main Building, Keji No 1 Road, Scientific & Technical Innovation Sea Shore, New High Tech Zone, Zuhai, Guangdong Province	China

1. Wholly owned by Spectris plc.

2. All LLC, Cooperatief and other non-equity owned entities listed are wholly owned and controlled by Spectris plc directly or indirectly through intermediate holding companies.

3. Share capital consists of ordinary shares and deferred shares.

4. Share capital consists of ordinary shares and redeemable shares.

5. In liquidation.

Notes to the Company Accounts continued

14. Related undertakings continued**UK registered subsidiaries exempt from audit**

UK incorporated subsidiaries which have taken exemption from audit per Section 479A of the Companies Act 2006 for the year ended 31 December 2021 are listed below.

Spectris plc will guarantee the debts and liabilities of the companies claiming the statutory audit exemption at the balance sheet date of £42.8m in accordance with Section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantee as remote.

Name	Registered number
Aquila Biomedical Limited	SC393914
Bruel & Kjaer VTS Limited	1539186
Bruel & Kjaer UK Limited	04066051
Burnfield Limited	1522736
CLS Analytics Limited	12699842
Concept Life Sciences Integrated Discovery & Development Services Limited	02345676
Concept Life Sciences (Discovery) Limited	9046575
Concept Life Sciences (Environmental Consulting) Limited	9046580
Concept Life Sciences (Holdings) Limited	9046553
Concept Life Sciences (Laboratories) Limited	9046586
Concept Life Sciences (Midco) Limited	9046568
CXR Biosciences Limited	SC211745
Hottinger Bruel & Kjaer UK Limited	1589921
Novisim Limited	5269664
Omega Engineering Limited	2564017
Omega Technologies Limited	2775272
Spectris UK Holdings Limited	4451903
Spectris US Holdings Limited	4451883
VI-grade Limited	8245242

Additional information

Shareholder Information

Financial calendar

Q1 trading update	28 April 2022
Ex-dividend date for final dividend	19 May 2022
Record date for 2021 final dividend	20 May 2022
Annual General Meeting	27 May 2022
Record date for participation in the Dividend Reinvestment Plan for the final dividend	9 June 2022
2021 final dividend payable	30 June 2022
2022 half-year results	01 August 2022
Q3 trading update	20 October 2022
2022 full-year results	February 2023

Company Secretary

Mark Serfözü

Email: cosec@spectris.com

Head of Corporate Affairs

Siobhán Andrews

Email: investor.relations@spectris.com

Registered office

Spectris plc
Melbourne House
5th floor
44–46 Aldwych
London
WC2B 4LL

Tel: +44 20 4566 9400

Email: info@spectris.com

Company registered in England, No. 2025003

Auditor

Deloitte LLP

Banker

National Westminster Bank plc

Solicitor

Slaughter and May

Brokers

Jefferies Hoare Govett
J P Morgan Cazenove

Financial PR adviser

Tulchan Communications

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

The registrars provide a range of shareholder services online at www.shareview.co.uk

Share price information

The Company's ordinary shares are listed on the London Stock Exchange. The latest share price is available via the Company's website at www.spectris.com

Major shareholders as at 31 December 2021

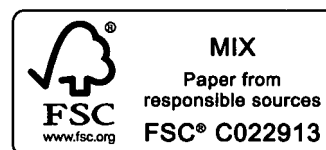
	Shareholding in Spectris shares	Percentage of issued share capital
BlackRock	6,973,239	6.29%
MFS Investment Management	6,744,372	6.08%
Fidelity Management & Research	6,659,946	6.01%
UBS Asset Management	6,382,597	5.76%
Sprucegrove Investment Management	5,632,599	5.08%
Vanguard Group	5,134,777	4.63%
Liontrust Asset Management	4,708,592	4.25%
Schroder Investment Management	4,092,304	3.69%
Fidelity International	3,520,450	3.18%
Wellington Management	3,478,195	3.14%

Email news service

To receive details of press releases and other announcements as they are issued, register with the mail alert service on the Company's website at www.spectris.com.

Cautionary statement

This Annual Report may contain forward-looking statements. These statements can be identified by the fact that they do not relate only to historical or current facts. Without limitation, forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. These statements may (without limitation) relate to the Company's financial position, business strategy, plans for future operations or market trends. No assurance can be given that any particular expectation will be met or proved accurate and shareholders are cautioned not to place undue reliance on such statements because, by their very nature, they may be affected by a number of known and unknown risks, uncertainties and other important factors which could cause actual results to differ materially from those currently anticipated. Any forward-looking statement is made on the basis of information available to Spectris plc as of the date of the preparation of this Annual Report. All forward-looking statements contained in this Annual Report are qualified by the cautionary statements contained in this section. Other than in accordance with its legal and regulatory obligations, Spectris plc disclaims any obligation to update or revise any forward-looking statement contained in this Annual Report to reflect any change in circumstances or its expectations.



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