

spectris

Cleaner.
Healthier.
More
productive.

Spectris plc
Annual Report and Accounts 2023
Company number: 02025003

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24/05/2024

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COMPANIES HOUSE

Our Purpose



We harness 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, positioned in attractive, structural growth markets with high barriers to entry, to deliver value beyond measure for all our stakeholders.

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Find out more about us online
at www.spectris.com

Spectris at a glance

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, positioned in attractive, structural growth markets with high barriers to entry.

What we do

We combine precision with purpose, delivering progress for a better world. We provide critical insights to our customers through premium precision measurement, using technical expertise and deep domain knowledge to deliver value beyond measure for all our stakeholders.

How we equip customers

We equip our customers to solve some of their greatest challenges, harnessing the power of precision measurement to make the world cleaner, healthier and more productive.

We leverage our domain expertise alongside our market leading instruments, software and solutions to help our customers develop the technologies to drive the energy transition, the medicines that cure us, the materials we build with, the devices that connect us and the machines that help us work faster, better and more efficiently.

Our key markets

(2023 percentage of Group sales)

Life sciences/
Pharmaceutical



18% of sales
(2022: 24%)

Technology-led
industrials^{1, 2}



16% of sales
(2022¹: 16%)

Electronics and
semiconductor



12% of sales
(2022: 11%)

Automotive¹



10% of sales
(2022¹: 10%)

Materials



10% of sales
(2022¹: 9%)

Academic research



10% of sales
(2022: 8%)

Other



24% of sales
(2022: 22%)

1. 2022 has been represented following a recategorisation of marine and rail from Automotive to

Technology-led industrials

2. Image: Blue Origin

Spectris at a glance continued

Our organisational structure

Following the refocusing of the Group over the last few years around premium precision measurement businesses, Spectris is organised around two key divisions – Spectris Scientific and Spectris Dynamics – comprising 86% of Group sales.

Spectris Scientific

Comprising Malvern Panalytical and Particle Measuring Systems

Spectris Scientific is a leader in advanced material measurement and characterisation.

% of Group sales

49%
(2022: 50%)

Reported sales growth

7%

LFL sales growth

12%

Adjusted operating margin

22.0%
(2022: 21.3%)

Employees

2,997
(2022: 2,793)



Read more on pages 28 to 33

Spectris Dynamics

Comprising HBK

Spectris Dynamics is a leader in advanced, integrated virtual and physical test and measurement.

% of Group sales

37%
(2022: 37%)

Reported sales growth

10%

LFL sales growth

6%

Adjusted operating margin

17.2%
(2022: 15.0%)

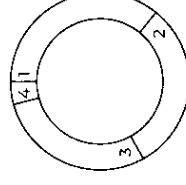
Employees

3,455
(2022: 3,407)



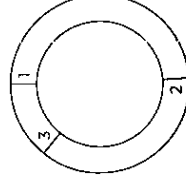
Read more on pages 34 to 39

Group sales



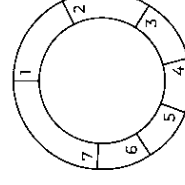
Sales by location (%)

1 Asia	36
2 Europe	31
3 North America	29
4 ROW	4



Sales by business (%)

1 Spectris Scientific	49
2 Spectris Dynamics	37
3 Other	14



Sales by market (%)

1 Life sciences/Pharmaceutical	18
2 Technology-led industries	16
3 Electronics and semiconductor	12
4 Automotive	10
5 Metals, minerals, mining	10
6 Academic research	10
7 Other	24

Spectris at a glance continued

Spectris Scientific

Leader in material measurement and characterisation

Leader in material measurement and characterisation through the provision of high-precision instruments, workflow solutions, data science and services

Capability	Analytical technique	End markets
X-ray Fluorescence	Elemental Analysis - Elemental composition - Layer thickness	- Building Materials - Mining & Minerals - Semiconductors - Chemicals & Coatings - Advanced Manufacturing
X-ray Diffraction	Structural Analysis - Crystal structure - Thin film metrology - Residual stress	- Academia - Pharmaceuticals - Semiconductors - Batteries - Mining & Minerals - Advanced Manufacturing
Laser Diffraction	Particle Analysis Particle size distribution	- Pharmaceuticals - Batteries - Chemicals and Coatings - Advanced Manufacturing - Food
Nanometrics	Particle/Molecular Analysis - Particle size distribution - Molecular size/structure - Zeta potential - Mobility	- Pharmaceuticals - Academia - Chemicals & Coatings
Biophysical	Interaction and Stability Analysis - Binding affinity - Binding kinetics - Higher order structure	- Pharmaceuticals - Academia

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

Customer needs • Highest sensitivity • Maximum yield and uptime • Sterility assurance and regulatory compliance • Faster contamination identification • Predictive analytics	Competitive strengths • Highest sensitivity and quality • Reliability and ease of use • Regulatory knowledge and expertise • Data integrity • Complete sterility assurance solutions • Customer service orientation	
Capability	Analytical technique	End markets
• Airborne particle monitoring • Gas particle monitoring • Ultra-pure water	• Monitoring airborne particulates to provide critical data on the environment's filtration systems • Ensuring ultra-high purity in gases for semiconductor manufacturing and production of electronics • Ensuring ultra-pure water for critical cleaning/finishing steps in semiconductor processing	• Semiconductor
• Aerosol particle monitoring • Microbial monitoring • Facility monitoring systems	• Monitoring airborne particles in critical environments ensuring aseptic control of manufacturing processes • Continuous air sampling solutions to provide risk management against microbial contaminations • FacilityPro environmental monitoring systems combines the sampling, reporting, and data retention of particle, microbial and environmental data, meeting data integrity requirements	• Life sciences / Pharmaceutical

Spectris at a glance continued

Spectris Dynamics

World leader in advanced integrated physical and virtual testing and measurement

Experts in the provision of advanced integrated physical and virtual testing and measurement. The Division is focused on four premium product lines: virtual test, software, data acquisition and high-precision sensors with high growth prospects, where we have leading market positions. These products are complementary for customers and combine to offer the broadest test and measurement solutions in the market.

50000



Software solutions for integrated data management and analysis				
Life-cycle stage	Design Optimisation	Virtual testing	Physical testing	Operation/in-use
Customer needs • Accuracy and precision of measurement • Quality and reliability of product • Usability and increased efficiency • Insights through data • Accelerated development at lower cost • Increased production quality and output • Increased asset performance	Capability • Fatigue analysis • Failure mode analysis • Structural durability	• Driver experience simulation • Real-time computing • X-in-the-loop testing/simulation	• Structural durability • Vibrational durability • Energy efficiency testing • Noise emissions testing	• End-of-line testing • Production quality • Production efficiency • Structural health monitoring • Noise monitoring • Enhancing asset performance
Competitive strengths • Complete test and simulation offering • Class-leading reliability and durability software offering • Highest accuracy sampling rate and ease of use of data acquisition hardware and software • Broadest range and sophistication of analytic capabilities, ease of use and flexibility • Complete virtual test solution including software, simulators and hardware-in-the-loop	End market • Automotive • Aerospace & defence	• Automotive • Aerospace & defence	• Automotive • Aerospace & Defence • Commercial space • Electronics • Other	• Machine manufacturing • Electronics • High-value assets • Commercial space • Medical
	Solutions • nCode DesignLife software • nCode Aqira software • AUTOMATIK hardware-in-the-loop • Real-time operating system	• Multi-attribute simulators • COMPACT Full Spectrum Simulator • AUTOHAWK hardware-in-the-loop • Real-time operating system	• Sensors Force/Torque/Strain/Accelerometers • Data acquisition hardware and software • Analytical software	• Torque sensors • Force sensors • Production test systems • Microphones • Industrial data acquisition • Load cells
				• Accelerometers • Fibre-optic strain sensors • Sound-level meters • Built-in OEM strain sensors

Chairman's statement

Delivering our Strategy for Sustainable Growth



"I am excited about the opportunities that lie ahead for the Group."

Mark Williamson
Chairman

Spectris delivered a strong performance in 2023. As well as generating record profits and a third successive year of double-digit LFL sales and profit growth, we continued to lay the foundations for sustainable further success by investing in our people, new products, digital services, and targeted acquisitions. As I look to the future, I am excited about the opportunities that lie ahead for the Group and confident in our ability to continue to deliver against our strategic priorities, benefiting all our stakeholders.

Introduction

2023 has been another year of strong LFL sales growth, building on our recent track record and demonstrating the quality and strength of the Group. As a result of supply chains becoming more reliable and the associated easing of inflationary pressures, alongside our focus on operational efficiency, we delivered strong progress on margins.

Demand for the Group's products remained strong with LFL sales growth of 10% (2022: 14%) with a 130bps improvement in adjusted operating margins to 18.1% (2022: 16.8%) (statutory operating margin 13.0% (2022: 13.0%)) resulting in adjusted operating profit growth of 18%. The Group remains highly cash generative with adjusted cash conversion of 103% resulting in the Group ending the year with a net cash position of £138.8 million (2022: £228.0 million).

Strategy for Sustainable Growth

2023 was the first full year of our Strategy for Sustainable Growth, following its announcement alongside new performance targets, in October 2022. As can be seen from our results, our Strategy is really working for us, delivering growth, improving profitability and generating strong cash flow. As a result, we are well on our way to delivering our adjusted operating margin target of at least 20% over the medium-term.

Our commitment to invest in R&D, which was 7.5% of Group sales in 2023 (2022: 7.8%), represents an important

part of maintaining strong levels of organic growth. I am pleased to see a number of new products launched during the year and the strength of the pipeline. This investment ensures our best-in-class product portfolio remains at the forefront, helping us outgrow our end markets and maintain leading market positions and competitive advantage, key to driving volumes and improving margins.

During the year, we made progress on another key pillar of our Strategy, to compound growth through targeted M&A, completing a number of acquisitions, investing a total of £60 million. As well as bringing new talent into the Group, these additions provide access to new technologies and customers as well as broadening our product offering. We have a healthy pipeline of potential acquisitions, focused on technologies closely related to our core markets and existing expertise.

The announcement in December of the divestment of Red Lion Controls, also marks the end of the portfolio rationalisation programme envisaged in 2019. In Spectris Scientific and Spectris Dynamics, we now have two high-quality, premium precision measurement Divisions with attractive growth characteristics.

We have also made progress with our transformation initiatives, with our businesses on track to commence a phased roll out of a single ERP system in 2024. The adoption of the system alongside new, more efficient business processes, represents a key part of our journey towards meeting our medium-term targets.

Chairman's statement continued

Sales

£1,449.2m
(2022: £1,327.4m)

Dividend per share

79.2p
(2022: 75.4p)

Adjusted earnings per share¹

199.7p
(2022: 159.9p)

The Group has a good track record of delivering operational efficiencies and reducing costs, reflecting our lean culture. The Spectris Business System (SBS), delivered further incremental benefits in 2023 and continues to make a meaningful contribution to margin expansion. The Board saw, first-hand, during its visit to the Malvern Panalytical site in Almelo, the Netherlands, a number of examples of how the SBS is bringing tangible benefits to our businesses and I am delighted to see that a number of sites were awarded Bronze certification during 2023, as part of our 'Going for Gold' programme.

Leading sustainable business

Sustainability continues to be at the heart of our strategy. How we do business is as important as what we do. I am delighted with our continued progress towards our Net Zero ambition, including a further 27.0% reduction in scope 1 and 2 emissions on a like-for-like basis during the year, as set out on page 64.

Building on our membership of the UN Global Compact, this year we launched our new Supplier Code. The code sets out the key expectations we have for suppliers working with us to ensure that our value chain is aligned with our ambition to create a cleaner, healthier and more productive world. More details are set out on page 59.



Read more about our approach to sustainability on pages 52 to 79

Capital allocation

Ensuring the appropriate allocation of capital remains a key area of focus for the Board, striking the right balance between generating strong returns for shareholders and investing for growth.

The Board remains committed to driving sustainable organic growth, with significant continued investment in R&D, while continuing to use our strong balance sheet to compound growth through value-enhancing acquisitions. Our M&A pipeline ranges from

early-stage technologies, through bolt-ons, to larger acquisitions, where we continue to maintain an active pipeline of opportunities. In 2023, we advanced this strategy through the successful acquisition of MicroStrain Sensing Systems Business, EMS, the purchase of the x-ray diffraction line from Freiberg Instruments and a minority investment in LumaCytex.

In November, we completed a £300 million share buyback programme. Following the divestment of Red Lion, and having considered the future acquisition pipeline, we commenced a further share buyback programme of £150 million, with the first tranche, of £50 million, commencing in December 2023. This latest programme, once completed, will take the total amount of cash returned through buybacks since 2019 to £650 million. The Board is confident that our buyback strategy will support the maintenance of a strong and effective balance sheet, whilst providing the optionality to advance the Group's strategy through inorganic growth.

The Board is proposing a final dividend of 53.9 pence per share which, when combined with the interim dividend of 25.3 pence per share, gives a total of 79.2 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. We are proud that Spectris has an established track record of increasing the dividend every year for the past 34 years.

Looking ahead, the Group's strong cash generation and robust balance sheet continues to provide flexibility and agility to pursue further value-creating opportunities as they arise.

Our people and culture

Our people are critical to the success of the Group, with an engaged and motivated workforce key to building and maintaining a sustainable business. During the year, I was pleased to visit Malvern Panalytical in Almelo, the Netherlands, with the Board, which included the opportunity to meet

Section 172 statement

The Board of Directors confirm that during the year ended 31 December 2023, 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(f) 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



Read more about how the Board supports its Section 172 statement throughout the Corporate Governance section with specific examples on pages 86 and 87

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 185.

Chairman's statement continued

representatives from the Almelo early careers network as well as to see the emphasis placed on safety and SBS across the site.

Kjersti Wiklund, our Workforce Engagement Director, has remained instrumental in providing the Board with valuable oversight of the development of the Group's culture, having held a number of face-to-face engagement sessions throughout the year with our people in Korea, Denmark and the Netherlands.

Now in its third year, the scores from our global Gallup employee engagement survey improved once again, increasing to a Grand Mean of 3.92 (2022: 3.86), which is testament to the work being done to promote a strong, inclusive culture underpinned by Our Values. During the year, the Board received regular updates on the development of the Group's culture and continued to seek ways of further developing and advancing the Values-led, healthy high-performance culture of our business.

We remain committed to ensuring that we are building a diverse and inclusive workforce, recognising that a diverse workforce makes us more innovative, creative and competitive. I am pleased to see the increased gender diversity in our senior leadership community and our ambition to increase the number of women in leadership roles to at least 40% by 2030. In support of this ambition, I am delighted that we are partnering with peer companies in our sector to support the 25x25 initiative. In line with the Parker Review, we have set a target to increase ethnic diversity across our UK-based leadership population and we are progressing work to define our global ambition on ethnic diversity. Further details are set out on page 56.



Read more about our People strategy
on page 54

Board changes

Bill Seeger will retire from the Board at the conclusion of the 2024 Annual General Meeting (AGM), having served since January 2015. On behalf of the Board and the wider Group, I would like to extend my sincere thanks and appreciation to Bill for his immeasurable contribution to the Group as Senior Independent Director and Chairman of the Audit and Risk Committee. Cathy Turner succeeded Bill as Senior Independent Director in May 2023 and Mandy Gradden will assume the role of Chairman of the Audit and Risk Committee at the conclusion of the 2024 AGM.

A succession process has been initiated for Ulf Quellmann, who will also have served on the Board for nine years at the 2024 AGM. Reflecting on the loss of experience in the departure of Ulf and Bill, it is proposed that Ulf remain on the Board for one further year to provide continuity and support to the Group before retiring ahead of the 2025 AGM. Further details are set out on page 82. Mandy Gradden joined the Board, and Audit & Risk Committee in October 2023, and will be appointed as Chairman of the Audit and Risk Committee at the conclusion of the 2024 AGM. In her current position as Chief Financial Officer of Ascential plc, Mandy brings a wealth of financial experience as well as a strong background in strategy, investor relations, digital and software, and I am delighted that she has joined the Board.



Read more about our approach to Corporate Governance
on page 82

The Spectris Foundation

The Spectris Foundation has continued to build on its early impact in 2023, with £1.61 million donated to charities to date to encourage greater inclusion and access to science, technology, engineering and mathematics (STEM). In addition, the Foundation has approved 53 donations to employee-nominated causes since its launch in 2021. I am delighted that we are supporting our employees to give back to their local communities. Recognising its impact, I am proud that the Board has agreed to increase our ambition for the Foundation making a further contribution of £1 million in 2023 with the ambition to contribute an additional £5 million by 2030.

Summary and outlook

The Board is very aware of the evolving legislative and regulatory requirements impacting the Group, notably in relation to sustainability, over the coming years. We will ensure these regulations remain front of mind. As we oversee the Group's strategy, we are committed to coordinating the implementation of new workstreams aligned to the new regulations in an efficient and proportionate way.

On behalf of the Board, I would like to thank all our employees for their continued dedication and hard work in delivering another strong performance in 2023. We have made a great start on the next phase of our development to advance our ambition to be a leading sustainable business, delivering on our Purpose to make the world cleaner, healthier and more productive.

As we look ahead to 2024 and beyond, I am confident that we remain well positioned to continue to execute our Strategy for Sustainable Growth and deliver another year of progress.

Mark Williamson
Chairman
28 February 2024

The Spectris Foundation



The Spectris Foundation is a registered charity working across the globe.

The Foundation was established with the belief that every person should have an equal right to quality Science, Technology, Engineering and Mathematics (STEM) education. The Foundation's mission is to support charitable initiatives through grant-making, with a particular focus on enhancing and improving access to quality education in STEM; to empower students from all backgrounds.



Read more about The Spectris Foundation on pages 78 to 79

£16m

£15 million endowed in 2021 by Spectris plc to create the Spectris Foundation with a further £1 million contribution in 2023.

Since inception:

The Spectris Foundation has awarded

£1,365,799

(STEM and Employee nominations) with £1,161,299 committed to STEM education

Spotlight

Grant awarded
£50,000

Timescale
1 year 2023 – 2024

Location
UK-wide



Apps for Good

Giving young people the skills to shape their future.

In a world transitioning towards digital transformation, many young people are being left behind, as they lack the necessary knowledge and skills to thrive in our digital world, due to adversity or disadvantage. The number of students pursuing IT courses in the UK at various levels (GCSE, A-Level, further education courses, and apprenticeships) is declining at an alarming rate.

Apps for good believe that all young people should be empowered. They provide free tech innovation courses to schools, giving teachers ready-made education content, so young people from all backgrounds can develop computing and essential skills to create a brighter future through technology.

The Spectris Foundation are partnering with Apps for Good to launch and expand their new project, Apps for Social Action (ASA). ASA is a solution-focused tech course focusing on young people, who are facing adversity, disadvantage, or are part of a minority group. The courses equip them with the essential skills to tackle pressing societal issues, empowering young people to use digital technology to positively influence the world they are living in.



Technovation

Empowering girls to become leaders, creators and problem-solvers.

Total awarded
£267,000

Timescale
2 years 2023 – 2025

Location
USA & Global

Technovation are a global technology education not-for-profit organisation that empowers girls to become leaders, creators and problem-solvers. Their innovative program equips young women with the support of volunteer mentors and parents. Girls work in teams to code mobile apps that address real-world problems and help them develop into our future entrepreneurs and leaders.

In the dynamic world of technology, a striking gender gap persists, with just a 25% representation of women in the sector. Amidst this global challenge, Technovation has emerged as a beacon of hope, dedicated to empowering young women through technology in their communities.

The Spectris Foundation is supporting Technovation to impact 1,426 young women's lives through Technovation Girls.

Market trends

Accelerating growth in our markets



Our portfolio is focused and aligned to attractive, technology-driven, structural growth markets, underpinned by strong sustainability themes to make the world cleaner, healthier and more productive – aligned with our Purpose.

Cleaner

- Climate change and increasingly scarce resources require new solutions to solve the global environmental crisis; including the transition to cleaner energy and mobility solutions

Healthier

- Ageing populations and a rising middle class in developing countries require greater healthcare provision, driving innovation across the Life sciences / Pharmaceutical space.
- Growing populations are increasing the need for precision agriculture and the evolution of food production.

More productive

- A more digital and automated world demanding ever more advanced computing, smart sensors, software and simulation; compounded by the need of our customers to improve yield, productivity and competitiveness.

	Life sciences/ Pharmaceutical Pharmaceutical investment continues to grow, driven by demand for conventional and innovative biologics-based therapies. This growth is underpinned by onshoring activities, the application of analytics to improve drug pipeline efficiency and an increased regulatory focus on data integrity.	Sales 2023 18% (2022: 24%) Expected medium-term market growth 5-7%
	Technology-led industrials^{1,2} A more connected and automated world demanding ever more advanced computing and data is underpinning growth. In a higher inflationary environment, an increased focus on enhancing processes and assets to drive improvements in productivity and yield is also supporting demand.	Sales 2023 16% (2022: 16%) Expected medium-term market growth 5-7%
	Electronics and semiconductor Rising investment to satisfy amplified demand for digital infrastructure and greater processing power, combined with fast-evolving technologies such as 5G, internet of things, artificial intelligence and machine learning; supported by reshoring activities.	Sales 2023 12% (2022: 11%) Expected medium-term market growth 6-8%

¹ 2022 has been re-presented following a re-categorisation of marine and rail from automotive to technology-led industrials

² Image Blue Origin

- We have simplified our portfolio, with increased focus on core activities in attractive end markets.
- We have differentiated positions, supported by sustainable growth trends and a strong market share opportunity.



Read more about Our Markets
on pages 10 and 11

Market trends continued

Automotive ¹	Investment in automotive R&D is being driven by new platforms and a focus on electric vehicles, as well as new technologies for autonomous and increasingly connected vehicles. A growing use of simulation and software is required to generate smarter insights early on and to develop products faster, more efficiently and in a more sustainable manner.	Sales 2023 10% (2022: 10%) Expected medium-term market growth 4–6%
Materials	Demand for new battery and catalyst materials to drive the energy transition and increasing focus on green metals and mining to minimise the environmental impact of production activities. This is leading to greater adoption of new technologies, automation and digitisation, fuelling demand for digitally connected instruments and remote monitoring/analytics.	Sales 2023 10% (2022: 9%) Expected medium-term market growth 5–6%
Academic research	Demand for advanced analytical and test systems, is being driven by the development of next-generation advanced materials and technologies for a cleaner, healthier and more productive world.	Sales 2023 10% (2022: 8%) Expected medium-term market growth 5–6%
Other	Includes other technology-driven markets such as Energy & Utilities and general Industrial Automation/ Industry 4.0.	Sales 2023 24% (2022: 22%) Expected medium-term market growth 3–5%

"Spectris today is a higher quality business, with a clear strategy and strong positions in attractive, sustainable, structural growth markets."

Andrew Heath, Chief Executive
2023



Read more about Our Strategy
on pages 22 and 23

Chief Executive's review

A healthy, high-performance culture



"With thanks for the hard work of my colleagues, we made further, excellent progress in 2023, delivering another year of double-digit sales growth, record profit and an operating margin in excess of 18%."

Andrew Heath
Chief Executive

2023 was an excellent year for Spectris, reflecting the strength of the business and the strong execution of our Strategy for Sustainable Growth. Our people have continued to aim high, delivering a third successive year of double-digit sales growth and record profitability. Our strong performance is consistent with the ambitious, medium-term targets we laid out in October 2022 and provides further evidence of how we have improved the quality and resilience of our business.

Double-digit LFL sales growth with strong margin expansion and record operating profit

I would like to thank all my colleagues across Spectris for their commitment to delivering positive outcomes for our customers, working hard for each other and driving great results for the Group. Thank you for living our Values and inspiring a bold, high-performing culture that continually goes beyond and embraces our Purpose to make the world cleaner, healthier and more productive.

Despite the return of more normal customer ordering patterns in 2023, following the easing of global supply chains, our order book remains robust, providing good levels of visibility as we entered 2024. Order cover of between 4 and 5 months is higher than where the Group has been historically pre-pandemic, in line with our expectations and consistent with where we expect order cover to settle over the medium-term.

We maintained strong sales momentum, with LFL sales growth of 10% which was ahead of our end markets, reflecting the introduction of exciting new products and the excellent conversion of our record order book at the start of the year. LFL sales exceeded the expected medium-term market growth rates in each of our major end markets with the exception of life sciences/pharmaceutical, where sales were 9% lower. This reflects the earlier normalisation of demand in this market after strong growth in 2022 and 2021.

We also continue to deliver higher quality, more profitable growth, with Spectris Dynamics producing a particularly impressive performance, delivering on the targets they set at the start of the year and carrying good momentum into 2024. Our focus on operational excellence, positive net pricing and a more benign input cost

environment resulted in a 130bps increase in adjusted operating margins. The improved productivity and competitiveness is being driven through the Spectris Business System (SBS), which once again delivered significant, incremental benefits in 2023, materially contributing to the increase in profitability.

The Group delivered a record adjusted operating profit in 2023 – above our previous high in 2019, even after our divestment programme. Our adjusted operating margin of 18.1% fulfils a pledge we made when I joined Spectris in 2018, to restore Spectris to its previous margin highs. It is evidence of the progress made and the strength of our businesses, that we now see this as a stepping stone, on our way to margins in excess of 20%. We are highly cash generative, with cash conversion over 100% on an adjusted basis, enabling us to maintain very strong balance sheet optionality and flexibility to invest in growth.

During the year we invested £108 million in R&D to ensure the future pipeline remains strong. We continue to have significant success in commercialising our technology with a number of new products launched in the year with additional exciting launches planned for 2024. We made four acquisitions/investments to bolster our capabilities and continued to develop further acquisition opportunities which we will work hard to realise in 2024. And in accordance with our capital allocation priorities, we completed the £300 million share buyback programme announced in April 2022 and commenced the first tranche of the £150 million share buyback programme announced in December 2023.

Towards the end of the year, we announced the sale of Red Lion Controls which, when completed, will mark the conclusion of the portfolio rationalisation envisaged in 2019. This

Chief Executive's review continued

Sales

£1,449.2m

(2022: £1,327.4m)

Change yoy 9%

LFL change yoy 10%

Adjusted operating profit

£262.5m

(2022: £222.4m)

Change yoy 18%

Adjusted operating margin

18.1%

(2022: 16.8%)

Change yoy 130bps

Investment in R&D

7.5%

(2022: 7.8% of sales)

programme has simplified and focused the Group through the divestment of eight businesses, at attractive valuations, generating £1.4 billion in gross proceeds, allowing us to reinvest in our future, as well as underpinning returns to shareholders.

The SBS represents a key building block to meeting our medium-term adjusted operating margin target of 20% plus. I have been impressed with the commitment to the SBS and the tangible progress I have seen across our sites during my visits throughout 2023. During the year, we commenced our 'Bronze, Silver, Gold' certification programme to drive lean operations across our core operational metrics, with seven of our sites achieving Bronze certification by the end of the year.

And we have enhanced our credentials as a leading sustainable business making strong progress towards our Net Zero ambition with a 27% reduction in our like-for-like scope 1 and 2 emissions, and achieving an 'A-' in our recent CDP rating. I am also very pleased with the progress we are making to ensure Spectris continues to be a great place to work with our engagement scores increasing again in 2023, rising to 3.92 (out of 5.00), up from 3.86 in 2022 and 3.72 in 2021.

Our performance in 2023 provides further evidence of the renewed strength of the business and demonstrates the benefit of the breadth of our portfolio, with exposure to both early-cycle and late-cycle end markets, with broad geographic exposure. Our high-quality, focused business, along with our strong self-help story, provides confidence in our outlook for 2024 and beyond.

Significant opportunities lie ahead for the Group

Spectris today is a very different business than it was five years ago. We have carefully and systematically refocused the Group around premium precision measurement businesses with attractive financial characteristics and long-term sustainable growth prospects, where we are solving some of our customers' toughest challenges. We have already seen the impact on our performance, delivering strong levels of

organic growth and increased operating margins. We have also significantly strengthened our financial position, while increasing investment in future growth through higher levels of R&D and targeted M&A. And alongside this, we have steadily increased shareholder returns through our progressive dividend and share buyback programmes.

But we are "air from done". We are working to truly unlock the Group's full potential. With great people united behind a clear Strategy and common Purpose, I have never been more excited about the future for Spectris as I am today.

Spectris today is a higher quality business. The progress and investments we have made have created a stronger platform and a business with a clear Purpose. I have often said that we are a business blessed with opportunities, and we now more focused in our pursuit of them than ever before.

In 2024 and beyond, we will build on these strong foundations. We cannot remove the uncertainty from some of our end markets, but there are a number of levers we control to drive further progress in the years ahead. These 'self-help' opportunities include the implementation of a programme to transform our business processes, via the rollout of a single, cloud-based ERP solution, in addition to the SBS. The new system will provide a number of benefits, improving the visibility we have across the business, increasing our efficiency and making us more agile. Once complete, the new system will contribute an additional 150bps of margin, an important building block towards our target of at least 20%.

We are focused on creating shareholder value through a balanced approach to capital allocation. Our strong balance sheet provides the flexibility to maintain high levels of investment in R&D. We have a strong pipeline of new products and services that we will bring to market over the coming years, improving the vitality of our portfolio and helping us maintain our competitive advantage.

Investing in our people

We are committed to creating a healthy, high-performance culture underpinned by Our Values of Aim High, Own It, Be True. We continue to make encouraging progress on our journey and driving high levels of engagement across the Group.

GrandMean

3.92

(2022: 3.86)

Driven by innovation

The strength and resilience of our businesses and their competitive positions is being further enhanced by increased investment in R&D as well as adding new capabilities through acquisitions and investment in new technologies.

Investment in R&D

£108.1m

(2022: £103.8m)

Committed to sustainability

We are making strong progress towards delivering our ambition to become Net Zero across our own operations (scope 1 and 2) by 2030 and across our value chain (scope 3) by 2040.

Scope 1 and 2 emissions

12,144 tonnes CO₂e

(2022: 17,546 tonnes CO₂e)

Chief Executive's review continued

Compounding growth through targeted acquisitions remains a top priority and we would like to build on the 12 acquisitions and investments we have made since 2019. We have strengthened our teams within the business, generating leads, evaluating opportunities and maintaining a healthy pipeline of potential acquisitions, ranging from small bolt-ons to larger acquisitions.

And, as we have demonstrated, we will return excess cash to shareholders if opportunities to make acquisitions do not crystallise in a reasonable time-period. When completed, our latest £150 million share buyback programme will increase the total amount of cash returned to shareholders through buyback programmes to £650 million since 2019.

We will also continue to build on the great progress we have made by reducing our impact on the planet through our sustainability initiatives, to meet our Net Zero goals by 2030 and 2040. And we are building a lasting legacy for future generations through our work with the Spectris Foundation, with a plan to contribute an additional £6 million between 2023 and 2030, to support access to quality education in STEM for people across all backgrounds.

Delivering on these initiatives and opportunities is only made possible by the determination of our people, working for each other, and with our customers, to help solve some of their most critical challenges. I am proud of the work we have done to create a healthy, high-performance culture, a critical ingredient in our recent and future success. We will continue to invest in our people to drive even higher levels of engagement as we execute our Strategy.

Despite the near-term macroeconomic environment, I am more confident than ever in the future for Spectris, as a leading sustainable business, capable of compounding growth through the cycle and continuing to expand margins.

Strategy for Sustainable Growth

Our Strategy for Sustainable Growth is delivering compound growth and increased profitability, along with strong cash flow and returns on invested capital. This is reflected in our medium-term performance targets for the Group to deliver

- Organic sales growth of 6-7% through the cycle
- Adjusted operating margin of 20%+
- Cash conversion of 80-90%
- Return on gross capital employed (ROGCE) in the mid-teens %
- Net Zero and increased employee engagement

The achievement of these performance objectives will materially enhance the value of the Group and deliver significant benefits to all of Spectris' stakeholders. The Group's Strategy and business model is aligned to delivering this framework, through six key elements:

- 1. Great businesses**
Asset-light businesses focused on premium, precision measurement solutions and industry-leading domain expertise, aligned with our Purpose.
- 2. Structural growth markets**
Aligned with attractive, sustainable, structural growth markets with high barriers to entry.
- 3. Customer centricity**
Solving our customers' challenges with leading, differentiated solutions, equipping them to make the world cleaner, healthier and more productive.
- 4. Investing in growth**
Disciplined capital allocation for the benefit of all stakeholders – investment in growth through R&D and M&A.
- 5. Operational excellence**
Leveraging the SBS business improvement projects and our high-performance culture.
- 6. People and Culture**
Purpose-led, healthy, high-performance culture with a clear ambition to create a positive and lasting impact to the planet and society.

	Organic sales growth	Adjusted operating margin	Adjusted cash conversion	ROGCE	ESG
Our medium-term targets	6-7%	20%+	80-90%	Mid-teens %	Net Zero – Scope 1 and 2 by 2023; Scope 3 by 2040
2023	10%	18.1%	103%	19%	Engagement – 4.06 by 2025
					Scope 1 and 2* – 12,144.1 tCO ₂ e year-on-year reduction of 27.0%.
					Engagement improved year-on-year by 0.06 to 3.92
2018	5%	15.5%	59%	13.7%	Scope 1 and 2* – 82,861.0 tCO ₂ e (Scope 3 and Engagement not measured in 2018)

* Market-based emissions

Great businesses focused on premium, precision measurement solutions

Spectris is built around Spectris Scientific and Spectris Dynamics, two world class, asset-light businesses focused on premium, precision measurement solutions with industry-leading domain expertise and strong IP. Together, the two Divisions represented 86% of Group revenue in 2023 with the Other Division (consisting of Red Lion Controls and Servomex) representing the remainder.

Spectris Scientific is a leader in advanced material measurement and characterisation, for the high growth end markets of pharmaceuticals & food, primary materials, advanced materials, semiconductors and academic research. We are well positioned in high-value, premium areas where our domain expertise and analytics are valued by customers throughout the workflow. Our customers need the best measurement, and can't, and won't, compromise. The Division is made up of two businesses today: Malvern Panalytical and Particle Measuring Systems (PMS).

Malvern Panalytical is a world leader in materials analysis and characterisation, where we compete based on the precision and accuracy of measurement, our best-in-class solutions, our applications knowledge as well as a dynamic and evolving product portfolio. Our PMS business is a world leader in delivering micro-contamination monitoring solutions for ultra-clean manufacturing

environments, where we win on the basis of having technology with the highest sensitivity and quality, our regulatory expertise, data integrity and the provision of complete sterility assurance solutions.

As announced in December 2023, the divestment of Red Lion Controls marks an end to our portfolio rationalisation programme envisaged in 2019. On completion of the sale, which is expected in the second quarter of 2024, we anticipate Servomex moving from our Other Division and being reported as part of Spectris Scientific. As a world leader in the provision of specialist premium gas and moisture analysis, Servomex is a great business that fits well with Spectris Scientific's focus on premium precision measurement instruments and solutions. Servomex serves many of the same end markets with exciting new technology in the pipeline and strong potential to address customer needs in the energy transition, particularly in areas such as carbon capture and hydrogen

Spectris Dynamics is a world leader in the provision of advanced integrated physical and virtual testing and measurement. The Division is focused on four premium product lines with high growth prospects, where we have leading market positions: virtual test; software; data acquisition; and high-precision sensors. These products are complementary for customers and combine to offer the broadest test and measurement solutions in the market

Chief Executive's review continued

In virtual test we provide a complete solution including software, simulators and hardware-in-the-loop; in data acquisition (DAQ) our strength lies in the accuracy and sampling rate as well as the ease of use of our DAQ hardware and software; our software offering is known for its range and sophistication of analytic capabilities, ease of use and flexibility; and our sensors win on the back of their accuracy, reliability, durability and the breadth of our offering.

Spectris Dynamics supports customers in the long-term growth markets of automotive, aerospace and defence, machine manufacturing and personal electronics. These end markets are requiring greater test and measurement functionality and fidelity to accelerate the time to market for new products, reduce cost and manage increasingly sophisticated measurements for automated manufacturing and in-process applications.

Aligned with attractive, sustainable, structural growth markets

As a result of the rationalisation of our portfolio over the last four years, additional investment in R&D and enhanced capabilities through acquisition, Spectris today is a more focused, streamlined, and resilient business positioned in markets benefiting from a number of structural growth drivers and sustainability trends.

Life sciences/pharmaceutical (18% of Group sales) growth is driven by demand for both conventional and innovative biologics-based therapies, supported by onshoring activities, the application of analytics to improve drug pipeline efficiency and an increased regulatory focus. We play in three main areas, with the first two serviced by our Malvern Panalytical business: (1) Small molecule drug discovery, development and manufacturing – where we are a market leader in stability, affinity and structure analysis; (2) Biologics drug discovery, development and manufacturing – where we have built a strong position in affinity and stability analysis; and (3) Aseptic manufacturing – our PMS business is a

market leader in the provision of instruments and services to support micro-contamination monitoring in pharmaceutical cleanrooms.

Technology-led industrials (16% of Group sales) – a more connected and automated world demanding ever more advanced computing, sensing and data is underpinning growth. In a higher inflationary environment, an increased focus on enhancing processes and assets to drive improvements in productivity and yield is also supporting demand. We generate revenue from two main areas both of which contribute around half of the total revenue for this end market: (1) providing our leading smart and OEM sensor capability to machine manufacturers and OEMs; and (2) from aerospace and defence where our leading real-time computation systems, sensors, data acquisition systems and software provide customers with leading test and measurement technology in a number of critical applications.

Electronics and semiconductor (12% of Group sales) – growth is being driven by rising investment to satisfy higher chip demand for digital infrastructure and greater processing power, combined with fast evolving technologies such as 5G, internet of things and machine learning, supported by reshoring activities and the construction of new fabrication plants across the world. Demand for our high sensitivity particle counters for semiconductor cleanrooms and particle characterisation instruments for silicon wafer structural analysis accounts for the majority of revenue for this end market, with the remainder coming from consumer electronics, including precision microphones, speakers and voice-control systems.

Automotive (10% of Group sales) investment in automotive R&D is being driven by electric vehicles and the rapid expansion of new manufacturers and platforms, as well as new technologies for autonomous and increasingly connected vehicles. A growing use of simulation and

Six key elements of our Strategy for Sustainable Growth

1. Great businesses

Asset-light businesses focused on premium, precision measurement solutions and industry-leading domain expertise, aligned with our Purpose.

2. Structural growth markets

Aligned with attractive, sustainable, structural growth markets with high barriers to entry.

3. Customer centricity

Solving our customers' challenges with leading, differentiated solutions, equipping them to make the world cleaner, healthier and more productive

4. Investing in growth

Disciplined capital allocation for the benefit of all stakeholders. Investment in growth through R&D and M&A.

5. Operational excellence

Leveraging the SBS business improvement projects and our high-performance culture

6. People and Culture

Purpose-led, healthy, high-performance culture with a clear ambition to create a positive and lasting impact to the planet and society

Read more information on our Strategy on pages 22 and 23

Chief Executive's review continued

software is being used to generate smarter insights earlier during product development to bring products to market faster, more efficiently and in a more sustainable manner. Around two-thirds of our revenue from this end market is derived from EV development and production with our offering centred around virtual simulators, hardware-in-the-loop, sensing and data acquisition capabilities and end-of-line testing.

- **Materials (10% of Group sales)** – a growing need for sustainable, responsible and more effective sourcing to minimise the environmental impact of mining activities is leading to a greater adoption of automation and digitisation, closer to the point of extraction. This is also fuelling demand for digitally connected instruments and remote monitoring/analytics. The energy transition is also driving significant demand for new chemistries and materials for batteries and power electronics along with catalyst development and advanced gas analysis for carbon capture and the hydrogen economy. Advanced manufacturing and the drive for efficiency and weight saving also required the development of new materials. The bulk of our revenue in this end market is currently derived from material characterisation in mining, metals, petrochemical and building materials production, with the remainder from analysis to support the production of advanced materials such as batteries.
- **Academia (10% of Group sales)** – recovery in research funding is driving demand for advanced analytical and test systems, focused on developing next generation technologies for a cleaner, healthier and more productive world.
- In 2023, LFL sales exceeded the expected medium-term market growth rates in each of our major end markets with the exception of life sciences/pharmaceutical, where sales were 9% lower. This reflects the earlier normalisation of demand in this market after strong growth in 2022 and 2021.

Customer centricity: leading solutions to make the world Cleaner, Healthier and More Productive

Customer centricity is core to our business model. Over the last four years we have shifted from transactional selling of hardware to concentrating on solutions, where we add value throughout our customers' workflows and processes. We serve over 67,000 customers globally and having reshaped the portfolio, our retained businesses predominantly go to market directly with over 80% of sales being direct to customers supported by over 2,200 sales, service and application engineers reflecting our high-touch approach. Our domain expertise is highly valued, with over 60% repeat customers annually and class-leading net promoter scores.

Our large and growing installed base has allowed us to build a strong aftermarket annuity, with recurring and service revenues now accounting for around a third of Group sales with software accounting for approximately a third of that. And through new innovations such as SMART Manager, which enables connections to customers' instruments in the field, we are expanding the range of aftermarket services that we provide. During 2023, we continued to work across the world with customers using our expertise to help them solve their most critical and complex challenges. Two such examples include:

- At Spectris Scientific, we are delighted that the team at MIP Discovery, a leading developer of solutions for a range of diagnostics and healthcare applications in the UK, chose our particle characterisation technology. MIP is deploying our recently launched NanoSight Pro nanoparticle tracking analyser along with our Zetasizer system in the development of innovative alternatives to biosensor-based testing devices for drugs and also diseases, including coronaviruses and many cancers. MIP identified a number of key benefits of the NanoSight Pro including easy installation, alignment of software, faster results analysis, accuracy and a reduction in the use of expensive samples.

End market sales and growth rates

	Sales 2023 (£m)	Sales as % of total Group	LFL sales Growth %	Expected medium-term market growth %
Life sciences / pharmaceutical	267	18%	-9%	5-7%
Technology-led industrials	233	16%	8%	5-7%
Electronics and semiconductor	175	12%	19%	6-8%
Automotive	149	10%	8%	4-6%
Materials	142	10%	16%	5-6%
Academia	142	10%	29%	5-6%
Other	341	24%	19%	3-5%

- At Spectris Dynamics, EDAG Group, one of the world's largest independent engineering partners for vehicles and smart factories, announced that our leading driving simulator and hardware-in-the-loop technology will feature at its Zero Prototype Lab at its development centre in Wolfsburg, Germany. Our state-of-the-art simulator offering will provide key tools in the centre, with EDAG investing in our DIM500, our largest simulator, along with the COMPACT Full Spectrum Simulator (COMPACT FSS) and an additional AutoHawk hardware-in-the-loop platform. The provision of a comprehensive suite of simulation tools will empower EDAG Group in pushing the boundaries of engineering services and also provide an excellent reference point for other automotive customers.

Investing in growth through R&D

The strength and resilience of our businesses and their competitive positions is being further enhanced by increased investment in R&D as well as adding new capabilities through acquisitions and investment in new technologies.

We invested £108.1 million in R&D in 2023 (2022: £103.8 million) representing 7.5% of sales (2022: 7.8%) in line with our stated guidance. Our direct sales approach enhances customer intimacy and fosters an environment of customer-back innovation with our strong innovation pipeline fuelling future organic growth and market share gains. We continue to see strong interest from customers and are having significant success in commercialising

our technology with a number of new products launched in the period.

In Spectris Scientific we launched our ParticleSeeker product, a smart aerosol manifold used to monitor air quality in semiconductor manufacturing, the Nanosight Pro which provides the quickest, most accurate, easy to use and install nanoparticle tracking analysis instrument, the SERVOPRO DF760E NanoTrace, a dual moisture and oxygen analyser for ultra-high purity bulk gases used in the semiconductor industry, and the FORJ™ fusion instrument, the world's fastest, safest and most accurate fusion instrument for sample preparation. In addition, we made strong progress on our digital strategy, with around 2,500 customer instruments now connected to our SMART Manager cloud-based platform for remote and proactive instrument monitoring.

In Spectris Dynamics new product launches included our COMPACT FSS to further augment our simulator offering for automotive customers, a number of major upgrades to our leading reliability and durability software, and a record number of prototypes for our global OEM sensor customers including force sensors for batteries and brakes applications; strain torque sensors for robotics and mechatronics. Our simulation technology continues to gain recognition with our DIM300 simulator selected as the 2023 Development Tool of the Year by Vehicle Dynamics International.

Chief Executive's review continued

Looking ahead, we expect R&D spend to remain at around 8% of sales, with all our R&D investments expected to return an internal rate of return of at least 15%. In 2022, we introduced our vitality index for the first time. This measures current year revenue from products released over the previous five years as a percentage of total revenue in the current period.

The vitality index was 22% by the end of 2023 (2022: 25%) with the decline reflecting a combination of two factors. First, our decision to divert engineering resource to redesign products to navigate input shortages delaying some of our new product introduction timescales and second, strong sales of our established core product portfolio, which is testament to the strength and longevity of our technology and leading market positions. We expect the vitality index to improve beyond 2022's level in 2024.

Investing in growth through M&A

We continue to maintain an active pipeline of potential acquisitions targets from early-stage technologies to bolt-on acquisitions of varying sizes, through to larger-scale opportunities. This is an important component of our Strategy to compound growth, with acquisitions adding £23 million of additional sales (2%) in 2023. During the year, we invested a total of £60 million on four acquisitions.

In September, Spectris Dynamics completed the acquisition of MicroStrain Sensing Systems Business, a leading developer of inertial and wireless sensing systems, serving the industrial and aerospace sensing systems market, to further strengthen our overall sensor offering.

Spectris Scientific made three investments to broaden its offering: the x-ray diffractometer product line from Freiberg Instruments providing complementary solutions to our existing semiconductor portfolio; a minority investment in LumaCyte providing further exposure and deeper insights into the high-growth cell & gene therapy and vaccine markets; and the acquisition of Particle Measuring Technique Ireland Limited (EMS), a long-established partner and exclusive distributor of PMS products in the UK and Ireland, which further strengthens our regional services offering.

Looking ahead, our strong balance sheet and active M&A pipeline provide us with considerable flexibility to continue to compound growth through targeted acquisitions.

Operational excellence: the SBS driving productivity and competitiveness

The deployment of the SBS continues to expand, delivering operational excellence and the adoption of a lean mindset across the Group, as a key productivity component of

our journey towards our medium-term adjusted operating margin target of over 20%. I have been particularly delighted to witness the commitment to the SBS and the progress we have made across our sites during my visits throughout the year.

The main objectives of the SBS are to remove waste, drive efficiency and strengthen competitiveness as we grow the business. These activities not only deliver hard financial benefits, but they also strengthen our capabilities and create additional capacity, including investment in innovation and areas like automation. As reported at the half year, our focus during 2023 has been to drive maturity in lean operations across our sites while continuing to meet our commitments to customers. In particular, this has meant a focus on expanding our existing capacity efficiently, to convert orders into sales, while at the same time reducing costs and lead times.

During the year, the SBS continued to make a meaningful contribution to the profitability of the Group, with benefits realised from operational excellence initiatives in 2023 in excess of £10 million. These benefits are derived from a combination of gross profit improvement and overhead reduction, delivered through a range of projects including: improvements to workflow, layout and capacity utilisation; freight optimisation; and increased use of automation.

We commenced our 'Bronze, Silver, Gold' certification programme in the year to drive lean operations across our core operational metrics of Safety, Quality, Delivery, Inventory, Productivity. I am pleased to report that at the end of the year, seven of our sites (out of a total of 14 priority sites) had achieved Bronze certification.

Looking ahead, in 2024 we expect a number of additional sites to achieve Bronze status and others to make progress towards their Silver accreditation. We will also continue to broaden the focus of the SBS to encompass R&D as well as the enabling functions such as IT, Finance, HR and Legal.

We have made good progress on the implementation of our business

transformation programme, enabled by SAP S/4HANA, focusing on four key areas: people, process, technology and data. The programme will deliver simplified and standardised processes, helping us more efficiently scale our business, through: simpler working practices; better customer experience; enhanced interaction with suppliers; and a more globally connected and scalable business. Our approach has been to adopt the standard SAP configuration wherever possible, adjusting our business processes to the system, thereby limiting customisation and reducing complexity. Implementation is scheduled to take place in 2024 through a phased rollout with benefits starting to be realised from 2025.

We made excellent progress on the build out of our new strain gauge production site in Porto. The new site, which will become operational in the second quarter of 2024, will provide additional capacity to supply OEM sensors to European and US markets from Portugal, while our existing site in Suzhou supports customers across Asia.

Work on the project to build a new, state-of-the-art facility for our PMS business in Colorado is progressing well. The new facility will allow us to continue developing, manufacturing and servicing products in Colorado, while providing increased capacity, improved operational efficiency and a modern working environment for employees.

Underpinned by our Purpose and our people

At Spectris, we believe that the way that we deliver our results is just as important as the results themselves. We are committed to creating a sustainable business for all our stakeholders, ensuring that we prioritise a culture of long-term growth set on solid foundations.

For our employees, this means creating a great place to work, where their safety and wellbeing is a priority and where they feel that they belong, are seen and can develop and grow. For our suppliers and customers this means shared ethical business practices and a joint commitment to making the world cleaner, healthier and more productive.

Chief Executive's review continued

Our people are at the heart of our Purpose and we are committed to developing our healthy, high-performance culture. Across Spectris, we have exceptional leaders, deep technical experts and visionary thinkers, who collectively create a diverse and innovative global team who are passionate about serving our customers and supporting each other. I passionately believe that bringing brilliant people together behind our common Purpose, underpinned by our Values is the key to our continued success.

Nurturing a diverse and inclusive working environment is key to ensuring that our people thrive. To achieve our full potential, we need our people to bring their different backgrounds, experiences and perspectives to the fore in their work, supported by an inclusive leadership culture that ensures everyone feels they belong. Our people are guiding our approach and we have developed a number of inclusion business across our Spectris Dynamics business covering areas such as late careers, gender diversity, parents and our Advocates and Allies Group, based in the US which support and promote the views of employees from diverse backgrounds. The views and feedback from these inclusion groups is helping to form and shape our approach to inclusion.

We are proud of the progress we have made in 2023 to build further gender diversity into our senior leadership team, increasing the percentage of women to 28.7% and setting our ambition to ensure this rises to at least 40% by 2030. In support of this, I am delighted that Spectris has joined the 25x25 initiative to provide a collective focus on the development of a diverse talent pipeline in our industry. We also remain a proud sponsor of International Women in Engineering Day which this year, was celebrated in conjunction with The Spectris Foundation, Young Professionals and Techgirlz involving over 275 young women from across the UK and US exploring different career paths in technology and engineering.

We recognise the importance of developing ethnic diversity and other forms of representation. In 2023, we took early steps

towards the voluntary reporting of ethnic diversity data and we have set a target to ensure that 10% of our UK-based leadership population is ethnically diverse by 2027. While this is an important first step, with employees in over 30 countries, our wider ambition is to ensure that our leadership community fully reflects and represents our employee base and the geographies where we operate.

Our healthy, high-performance culture is also being supported by our global leadership development programme, Ascend. The programme is founded on the principles of inspiring our people, strengthening our teams and growing our business, underpinned by our Values and Purpose. We expect our leaders to cast a strong shadow, demonstrating the right behaviours and fostering a culture in their teams of accountability, aspiration and doing the right thing, by creating an engaging and inclusive environment, where people can flourish.

The health, safety and wellbeing of our people is our priority. We prioritise a safety-first approach, to our operations, aligned to our Values. In 2023 we saw a slight increase in number of recordable incidents, with our Total Recordable Incident Rate (TRIR) increasing to 0.34 (2022: 0.27). While the absolute number of incidents remains very low, these incidents have been thoroughly investigated by the Group's Health and Safety Committee and are attributable to an increase in minor incidents and the embedding of our global health and safety reporting structure. Our goal remains to reduce our TRIR to below 0.2, which would represent a truly world-class performance.

We also continue to place great emphasis on ensuring the wellbeing and mental health of our people. This includes equipping our leaders with the know-how to support their teams in a holistic way through our 'Time to Talk' programme and increasing access to a Employee Assistance programmes, with over 86% of employees now having access to a programme.

The positive development of our culture is visible in the progress made in our annual

Gallup engagement survey. Our engagement score increased again in 2023, rising to 3.92 (out of 5.00), up from 3.86 in 2022 and 3.72 in 2021. I am very pleased with the progress we are making and, in particular, the commitment I can see across the Group to make engagement an intentional core of our culture, making Spectris a great place to work.

Our Purpose guides our actions. We are harnessing the power of precision measurement to make the world cleaner, healthier and more productive. In 2021 we set challenging targets to become Net Zero across our own operations by 2030 and across our value chain by 2040. In 2023, we continued to make strong progress towards our Net Zero ambition with a like-for-like reduction of 27% in our scope 1 and 2 emissions, driven through the application of the SBS principles to energy reduction and the cost-effective deployment of onsite renewable energy.

We have also made excellent progress in the measurement and reduction of our scope 3 emissions, through the expanded use of EcoVadis to build supplier-specific data and the development of our product life cycle assessment protocol at Servomex and PMS. This progress has allowed us to measure and report additional supplier specific data for the first time. This level of granularity is supporting targeted action, resulting in a 9.5% reduction in our scope 3 emissions on a LFL basis compared with 2022.

We are very conscious that one of the biggest sustainable impacts we can have is through our supply chain. In 2023, we launched the new Spectris Supplier Code, which underlines our commitment to the UN Global Company, ethical business practices and sustainable supply chains. The Supplier Code serves as the foundation of our operations, outlining the minimum standards we expect from our valued supply chain partners and how we would like them to work with us to fulfil our wider sustainability ambitions.

Beyond our business we are also proud to be building a legacy. We created the Spectris Foundation in 2021 through an endowment

of £15 million. The Spectris Foundation believes that every person should have an equal right to quality STEM education. To date, the Foundation has committed over £1.1 million to STEM education, supporting over 430 teachers and 43,000 students in 11 countries. The involvement of Spectris employees in Foundation activities amplifies the impact of the charitable grants, with over 2,940 hours donated in 2023 and plans in place to extend volunteering in 2024. Spectris is committed to the long-term impact of the Foundation contributing an additional £1 million in 2023 with plans for a further £5 million by 2030.

Summary and outlook

The Group's resilience, leading product portfolio and broad end market exposure, combined with a strong self-help story, provides confidence in the Group's ability to navigate an uncertain macroeconomic environment this year.

We expect to deliver another year of further progress in 2024, including margin expansion, after taking into account the impact of the Red Lion disposal. Progress is expected to be weighted towards the second half reflecting the strong performance of the Group in the first half of 2023, and an improving outlook in a number of key end markets.

Andrew Heath
Chief Executive
28 February 2024

Case Study

Customer:
CPH2 / SGS

Servomex 2200 Oxygen Analyzer plays important role in green hydrogen production

Global demand for Hydrogen is expected to increase from 87 million metric tons (MT) in 2020 to over 600 MT by 2050. Within this market, the green hydrogen (ultra-low CO₂ emissions) sub-sector is forecast to expand at a compound annual growth rate (CAGR) of 39.5% from 2022 to 2030 as the world seeks cleaner and sustainable energy alternatives. Servomex is playing a crucial role in the expansion of green hydrogen through the development of advanced gas analysis technologies that enhance the efficiency and reliability of hydrogen production processes. With economics of scale and the reducing cost of electrolysis—the production process by which green hydrogen is produced is rapidly improving.

This transformation in the economic viability of green hydrogen, is making it increasingly competitive with conventional hydrogen production methods. Through precise monitoring and control of gas composition, Servomex aids the optimisation of the electrolysis process, ensuring a high purity of green hydrogen output. This not only improves the overall efficiency of hydrogen production but also aligns with the industry's commitment to reducing carbon emissions as the demand for green hydrogen continues to rise.

Servomex was pleased to supply the versatile Servomex 2200 Oxygen Analyzer to our customer CPH2 via our Channel Partner SGS. This analyzer is an excellent addition to their state-of-the-art and green hydrogen production system

CPH2, who manufactures the unique 1 MWatt Membrane-Free Electrolyser, selected the Servomex 2200 Analyzer for its class-leading specification for measuring oxygen in hydrogen to enhance their technology's efficiency and safety processes.

The Servomex 2200 analyzer is approved for the measurement of oxygen, including enriched oxygen (>21%), in hydrogen in hazardous areas. The CPH2 electrolyzers are used to decarbonise energy systems, replacing diesel back-up systems and using excess wind and solar energy to generate hydrogen to power equipment, machinery and transportation (forklift trucks, buses, airport ground support equipment).

Servomex is playing a crucial role in the expansion of green hydrogen through the development of advanced gas analysis technologies that enhance the efficiency and reliability of hydrogen production processes.

Our Business Model

Our business model is driven by our Purpose and built on our Values

Purpose-led

Our Purpose

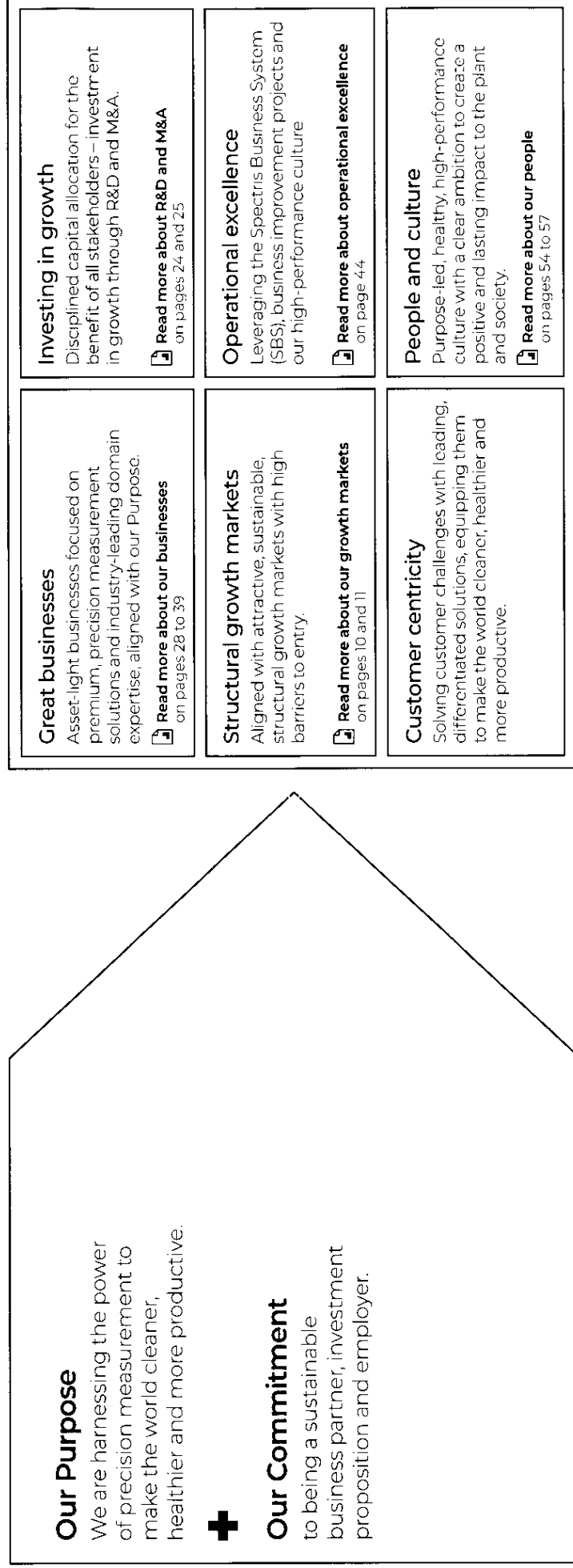
We are harnessing the power of precision measurement to make the world cleaner, healthier and more productive.



Our Commitment

to being a sustainable business partner, investment proposition and employer.

Delivered through our business model



Underpinned by Our Values

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

Our Business Model continued

Creating value beyond measure for all our stakeholders

Our customers
We build strong, collaborative customer relationships, underpinned by a deep understanding of our customers' businesses.

Our 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.

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

Our society
We are committed to creating a positive legacy in our communities and for the next generation. The Spectris Foundation will enhance and improve our charitable giving to support quality access to a STEM education.

Our shareholders
We work to ensure the long-term success of the Group to deliver enhanced shareholder value through our financial performance, capital distributions and our focus on long-term value creation.

Our planet
We recognise that we have a role to play in tackling environmental degradation and climate change. Our products and services reduce our customers' environmental impact. We are also making strong progress in our ambition to become Net Zero across our own operations by 2030 and across our value chain by 2040.



For more information on our approach to sustainable growth, see the Sustainability Report on pages 52 to 77

Our strategy

Our Strategy for Sustainable Growth



There has never been a better time, or a greater need, to harness the power of precision measurement to make the world cleaner, healthier and more productive.

Since 2019, we have repositioned Spectris as a leading sustainable, compound-growth business, delivering value beyond measure for all our stakeholders.

In October 2022, we announced our plans and the outlook for the next stage of our journey – our Strategy for Sustainable Growth.

Our performance targets
(2022 – 2027)

Organic sales growth

6–7%
through the cycle

Adjusted operating margin expansion

20%+

Adjusted cash conversion

80–90%

ROGCE

Mid-teens

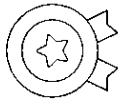
Net Zero

Net Zero across our operations by 2030

Net Zero across our value chain by 2040

Employee engagement

Gallup GrandMean score of **4.06** by 2025

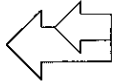


Great businesses

We are owners of world-class precision measurement businesses with industry-leading domain expertise. Our Scientific and Dynamics Divisions are fully aligned with our Purpose to make the world cleaner, healthier and more productive.



Read more in our Division reviews
on pages 28 to 45

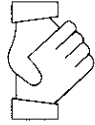


Structural growth markets

We are concentrated in high-growth end markets. Our end markets demonstrate structural growth, underpinned by sustainability themes and as such have strong CAGRs through the cycle, underpinning our organic growth.



Read more about our markets
on pages 10 and 11

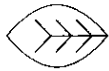


Customer centricity

Our focus on solutions adds value throughout our customers' workflows. Our direct relationship drives customer-backed innovation, informing our research and product development strategy such that we intercept our customers' needs, allowing us to move faster and deliver greater value.



Read more in our customer case studies
on pages 19, 31 to 33, 37 to 39, 45 and 71

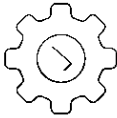


Investing in growth

We leverage our strong balance sheet to deliver growth. We are driving organic growth through investment in R&D at 7.8% of revenue, innovating and problem solving with the customer in mind.
We are compounding this growth through investment in M&A to strengthen and expand our portfolio to add value across our customers' workflows.



Read more in the Chief Executive's review on pages 12 to 18



Operational excellence

We are leveraging the SB5 to continuously drive operational excellence to improve productivity. We are investing in new systems to improve processes and we continue to refine our lean operating model to remove structural inefficiencies and deliver our margin ambitions.



Read more in our Division reviews
on pages 28 to 45



People and Culture

We have built a purpose-led, healthy, high-performance culture with a clear ambition to create a positive and lasting impact to the planet and society



Read more on our Culture
on pages 54 to 58

Our progress is underpinned by our investment in
Our People



Read more about Our People
on pages 54 to 57

Investing in growth

Research & development



High levels of customer intimacy drives customer-back innovation, informing our research and product development strategy such that we intercept our customer needs for the future.

Our recent strong growth has been underpinned by new and enhanced products which have helped deliver market share gains. We employ over 1,300 engineers, approximately half of which are in software. Over the last three years we have increased our R&D investment as a percentage of sales from 6% to around 8% with the proportion of engineering time now spent on new products increasing to around 60%. Going forward, we plan to maintain investment at or above 8% of revenue.

R&D investment

£108.1m

R&D investment as a percentage of sales

7.5%

(2022: 7.8%)

Examples of latest product launches in 2023



Spectris Scientific

- Maintaining leadership in XRF
- Strengthening XRD offering
- Expanding semiconductor metrology offering
- Next generation particle analysers and counters <10nm
- Remote monitoring
- Integrated cloud services and analytics
- Combining AI with instruments

Nanosigh- Pro – Nanoparticle Tracking Analysis instrument

- Quickest, most accurate, easy to use and install, Nanoparticle Tracking Analysis instrument
- Powered by machine learning, enables automated measurements, and provides the highest quality size and concentration data for both the light scatter and fluorescence analysis

NanoAirtM10 Particle Counter and Particle Seeker

- Condensation particle counter and seeker
- Used in ultra-clean environments inside semiconductor process tools and equipment
- 83% smaller than competitor products
- Provides 24/7, 365-day continuous operation without the need for maintenance or user intervention

FORJ™ fusion instrument for sample preparation

- FORJ is designed to meet the highest material quality standards for elemental analysis
- Delivers the highest levels of robustness, productivity, and superior-quality results
- User-friendly instrument is suitable for full laboratory integration



Spectris Dynamics

- Enhanced virtual test solutions
- Simulation and data management software
- Software/hardware-in-the-loop
- Reliability and durability software
- Electric powertrain testing
- Data acquisition ecosystem
- Smart and OEM sensors

COMPACT Full Spectrum Simulator (COMPACT FSS)

- Broadens and strengthens our simulator portfolio
- Powered by a VI-grade AutoHawk real-time computer
- Provides highly accurate motion, vibration and sound in a small footprint
- Enables human-in-the-loop simulation

OEM Sensors

- Delivered 55 OEM customer prototypes including: force sensors for batteries and brakes applications; strain sensors for fuel cells and electric vehicles; torque sensors for robotics; and mechatronics
- Provides strong foundation for future sales growth

New smart sensors

- Introduced newly developed smart force sensors linked to a standard industrial interface
- Enabling simplified machine design and decisions to be made at the point of measure
- Improved efficiency and simplified machine operation

Investing in growth continued

Mergers & acquisitions



Compounding growth through M&A is a key part of our strategy. We maintain an active pipeline of acquisition targets across the spectrum, from early-life technologies, to bolt-ons of varying sizes, through to larger-scale opportunities.

We take a disciplined approach – ensuring there is a clear industrial logic and financial rationale, consistent with our capital allocation policy. Since 2018, we have acquired 12 businesses for a total net consideration of £360 million. We are targeting opportunities in pharmaceutical & life sciences, advanced materials, metrology, sensors, electrification, software and advisory services.

Acquisition Creoptix 2022: £37.3 million Provides cutting-edge tools for molecular interaction analysis through its WAVE system of next-generation bioanalytical instruments Benefits of acquisition - Expands instrumentation and services capabilities - Strengthens position in small molecule pharmaceutical development - Grows capabilities in biopharmaceuticals End markets and applications served - Pharmaceutical/life sciences - Discovery and development of new drug products Image credit: Blue Origin	Acquisition Dytran 2022: £70.5 million Leading designer and manufacturer of piezo-electric and MEMS-based accelerometers and sensors for measuring dynamic force, pressure and vibration Benefits of acquisition - Strengthens piezo-electric and MEMS offering - Expands North American presence - Enhances customer offering - Accelerates product development End markets and applications served - Space, aerospace, industrial and automotive industries - Product development, testing and embedded monitoring solutions
Acquisition MicroStrain 2023: £29.1 million Leading developer of inertial and wireless sensing systems supporting industrial automation and development of new robotics, logistics, unmanned vehicles and mobility applications Benefits of acquisition - Strengthens sensor offering - Helps penetrate rapidly growing automation and smart manufacturing markets - Expands North American presence End markets and applications served - Aerospace and defence - Industrial automation - Robotics, logistics, autonomous vehicles	Product-line acquisition from Freiberg Instruments 2023: £13.0 million Acquisition of the x-ray diffraction product line and crystal orientation metrology tools Benefits of acquisition - Complements existing semiconductor portfolio - Helps respond to the industry requirement to improve yield and performance End markets and applications served - Semiconductors - Wafer metrology/crystal orientation
Investment LumaCyte 2023: £78 million Minority investment in a bioanalytic instrumentation company producing label-free, single cell analysis and sorting instrumentation Benefits of acquisition - Provides Spectris with further exposure into the high growth cell & gene therapy and vaccine markets - Allows LumaCyte to build sales and applications teams and enhance its manufacturing capabilities and technology base End markets and applications served - Life sciences/pharmaceuticals - Cell and gene therapy and vaccine markets	Investment LumaCyte 2023: £78 million Minority investment in a bioanalytic instrumentation company producing label-free, single cell analysis and sorting instrumentation Benefits of acquisition - Provides Spectris with further exposure into the high growth cell & gene therapy and vaccine markets - Allows LumaCyte to build sales and applications teams and enhance its manufacturing capabilities and technology base End markets and applications served - Life sciences/pharmaceuticals - Cell and gene therapy and vaccine markets

Key Performance Indicators

Measuring our performance



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

Our Strategy for Sustainable Growth is centred on long-term value creation. Seven of our KPIs are directly linked to remuneration under the 2023 Remuneration Policy. For further details, see the Directors' Remuneration Report on pages 102 to 123.

A number of the KPIs are adjusted operating metrics, as we believe these provide a more representative 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.

The Directors' Report (pages 124 to 127) contains the statement on non-financial information and provides an index for where information relating to non-financial matters can be found.

1. In 2022, following the divestment of the Omega business and its classification as a discontinued operation, 2022 and 2021 data has been restated to only show continuing operations.

Link to Strategy

Great businesses

Structural growth markets

Customer-centricity

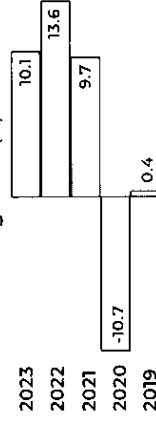
Investing in growth

Operational excellence

Link to remuneration

Financial

Like-for-like sales growth (%)



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 2023, sales were £1,449.2 million, a 10% increase on a LFL basis compared with 2022, driven from +5% volume and 8.0% pricing.

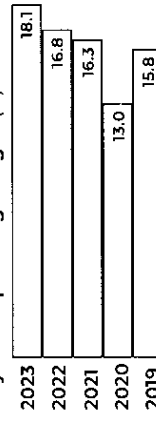
Link to strategy and objectives

We are customer focused and target attractive end markets where we are best placed to drive compound growth and profitability. Our aim is to achieve through-cycle growth of 6-7%.

Link to remuneration

30% of annual bonus opportunity

Adjusted operating margin¹ (%)



Adjusted operating margin

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

Performance

In 2023, the adjusted operating margin improved to 18.1%, an increase of 130bps from 16.8% in 2022. This reflected the higher sales volumes and a progressive pricing policy that remained ahead of inflationary cost pressures on materials, labour and overheads, and improved productivity.

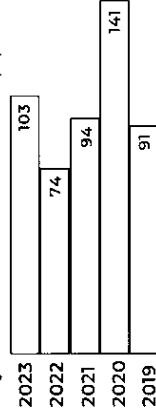
Link to strategy and objectives

Our aim is to deliver strong operational leverage and drive operating margin expansion. As we grow, our immediate target is to achieve an adjusted operating margin of 18% in the near-term and >20% in the medium-term.

Link to remuneration

30% of annual bonus opportunity.

Adjusted cash flow conversion¹ (%)



Cash conversion

Adjusted cash conversion represents an effective measure of the quality of our earnings after investments in capital expenditure. Adjusted cash conversion is defined as adjusted cash flow as a percentage of adjusted operating profit.

Performance

Adjusted cash conversion was 103% in 2023, an increase of 29pp compared to 2022. With greater adjusted cash flow being generated from the increased adjusted operating profit, the improvement in adjusted cash conversion principally results from a favourable working capital movement, mainly attributable to a reduction in trade receivables, and lower capital expenditure.

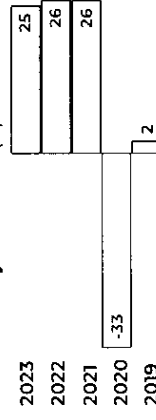
Link to strategy and objectives

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

Link to remuneration

70% of annual bonus opportunity

Growth in adjusted EPS¹ (%)



Adjusted EPS growth

Adjusted 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 25% to 199.7p, primarily reflecting an improvement in adjusted profit before tax, and as a result of the lower share count following the Group's £300 million share buyback programme completed in 2023 and the commencement of the £150 million share buyback programme on 13 December 2023.

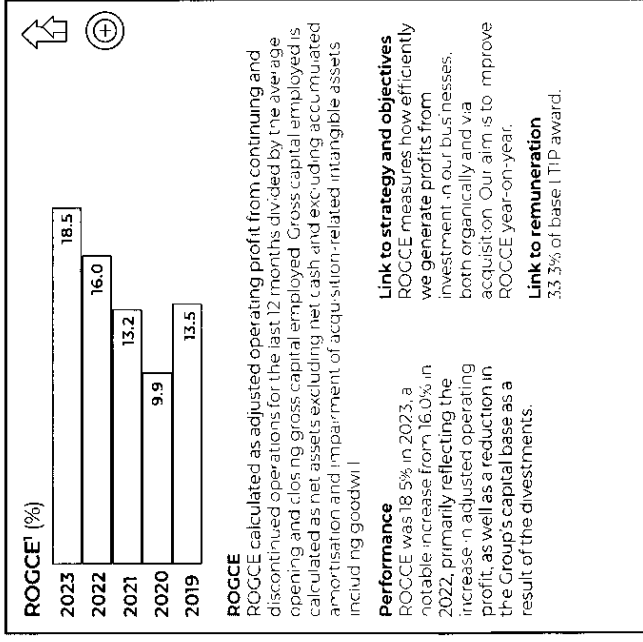
Link to strategy and objectives

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

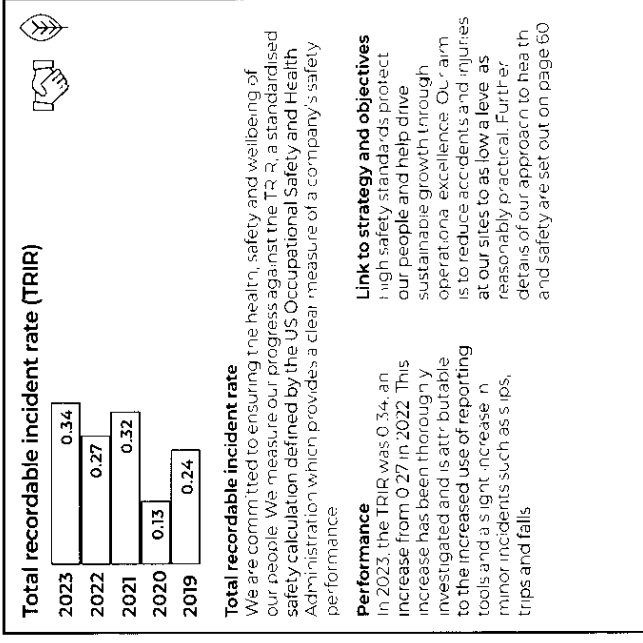
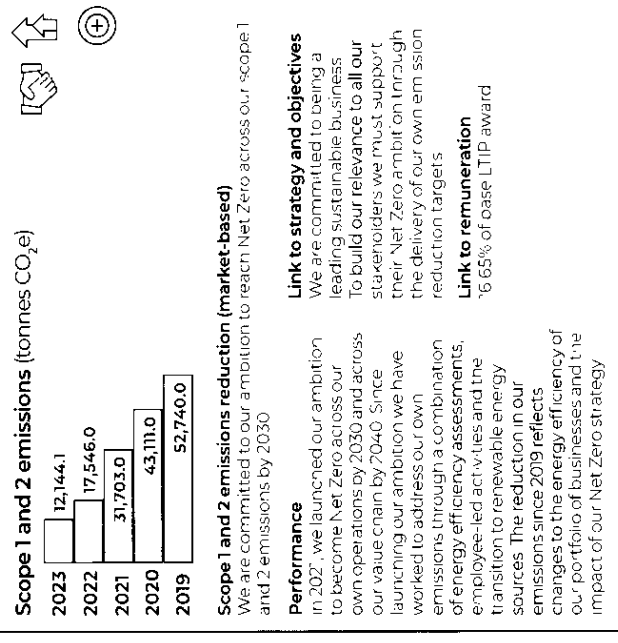
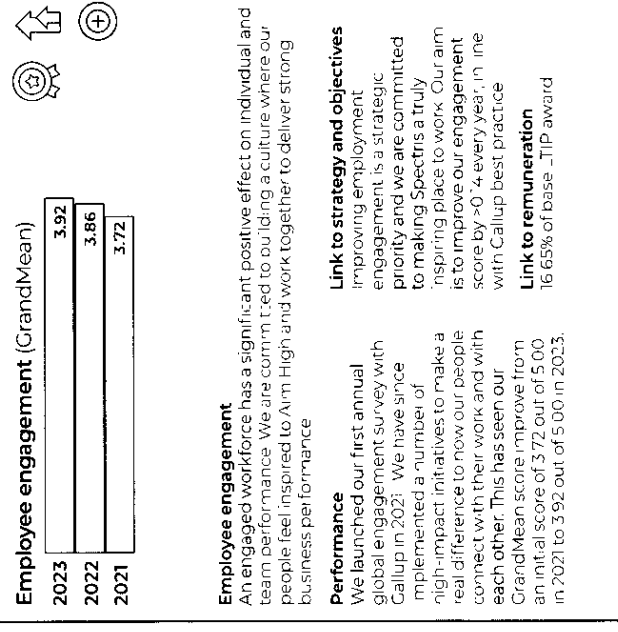
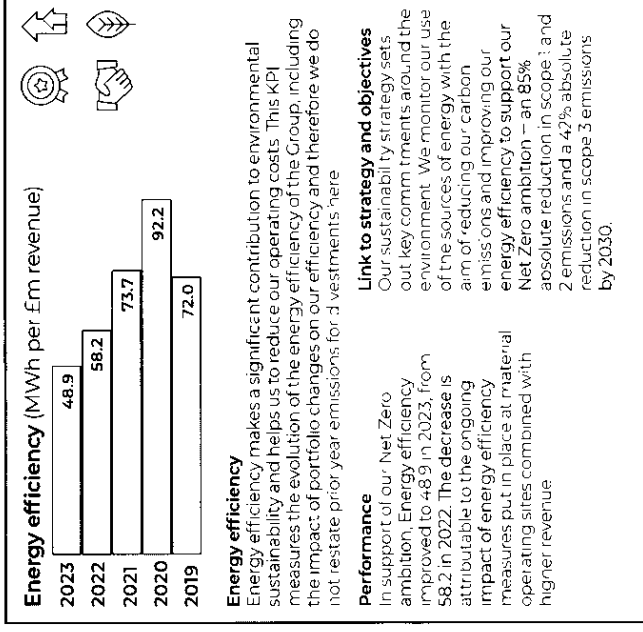
Link to remuneration

33.3% of base LTIP award

Key Performance Indicators continued



Non-financial



Link to Strategy

- Great businesses
- Structural growth markets
- Customer-centricity
- Investing in growth
- Operational excellence

Link to Remuneration

Our Businesses

Making the invisible... visible

Spectris Scientific

Leader in advanced material measurement and characterisation.



“We are well positioned to outperform in high-growth end markets, aligned to clear sustainability trends.”

Mark Fleiner

President, Spectris Scientific



Continued strong growth and sustainable margin performance

Spectris Scientific delivered a strong financial performance in 2023, with sales growth of 7% to £704.2 million (2022: £657.8 million) and a double-digit increase in adjusted operating profit. LFL sales growth was 12% after taking into account the £17 million (+3%) net impact of acquisitions and disposals (primarily the disposal of the remaining element of CLS and adverse foreign exchange movements of £13 million (+2%).

We saw strong sales growth across all key end markets, with the exception of life sciences, which was impacted by the earlier normalisation in customer demand after strong growth in prior periods. Sales grew across all regions with growth strongest in Asia, including China.

Orders were 6% lower (3% lower on a LFL basis) than the prior year, with good demand growth in materials and academia, offset by both life sciences and semiconductor. Regionally, order growth in the US and flat demand in Europe was offset by lower orders in Asia.

Adjusted operating profit increased by 11% (13% LFL) to £155.2 million (2022: £140.0 million) reflecting the strong sales growth and good operational performance,

with adjusted operating margin improving by 70bps to 22.0% (2022: 21.3%). On a LFL basis, the increase in adjusted operating margin

was 10bps, with higher sales volumes largely offset by cost inflation.

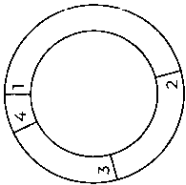
Statutory operating profit was 5% higher at £124.4 million (2022: £118.3 million) after including £10.7 million of additional costs related to the investment in our new ERP system, as part of the business transformation project. Statutory operating margin was 17.7% (2022: 18.0%).

Strongly positioned in high-growth end markets supported by sustainability trends

We are well positioned in high-value critical-to-quality areas where precision measurement, domain expertise and analytics are valued by our customers throughout the workflow. We are market leaders reflecting our broad solution portfolio, strong domain knowledge for material analysis and characterisation, as well as our deep customer relationships. We are a key facilitator of customer innovation, supporting opportunities across the material life cycle from extraction, through functional performance, sustainability, and recycling. Spectris Scientific is focused on the high-growth end markets of life sciences, materials sciences (primary and advanced materials), semiconductors and academia, that are benefiting from a number of structural growth trends.

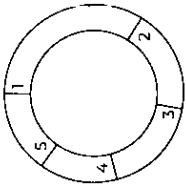
1. Life sciences – ageing populations, population growth, personalised medicines and reshoring.

Our businesses continued



Sales by location (%)

1 Asia	46
2 Europe	25
3 North America	22
4 ROW	7



Sales by end market (%)

1 Life sciences/pharmaceutical	34
2 Materials	19
3 Electronics and semiconductor	18
4 Academic research	14
5 Other	15

2. Primary materials minerals for the energy transition, lower carbon building materials and increased recycling.

3. Advanced materials – batteries and power electronics for the energy transition, supply chain security and advanced manufacturing technologies.

4. Semiconductors – electrification of mobility, reshoring of manufacturing including US and EU Chips Act, increase use of personal devices.

Life Sciences

LFL sales during the period were somewhat lower than the prior year, reflecting the earlier normalisation of customer ordering patterns through the year after an exceptionally strong performance in 2021 and 2022.

In particle characterisation, we saw good sales growth in laser diffraction driven by small molecule research and development, particularly in the US and India. This was more than offset by lower sales in nanometrics into Biologics, after a very strong performance over the last two years. Sales into aseptic pharmaceutical manufacturing were broadly flat in our PMS business, with strong demand in Europe offset by other regions. We have been encouraged by growth in our advisory services driven by our strong offering and recent changes in the regulatory environment.

After a period of demand normalisation in 2023 where order intake was lower than the prior year, we anticipate demand to remain broadly flat in the first half of 2024, returning to growth in the second half.

The outlook over the medium-term remains positive, with growth in life sciences underpinned by a number of structural trends including ageing and expanding populations, the onshoring of manufacturing and the need to develop new medicines and treatments.

Materials

Primary materials

LFL sales grew across all regions, with particularly strong growth in Asia predominantly driven by mining and

minerals. We saw strong sales of our x-ray systems into our petrochemical, polymer and building material customers, driven by their need to become carbon neutral, with our products providing solutions in areas like production efficiency and recycling. Our XRF and XRD systems, including our Zetium, Epsilon, Acris, and Empyrean product lines are used by customers to analyse materials for elemental properties and structural characteristics.

We saw continued order momentum in 2023, growing the order book to record levels, providing a positive outlook for 2024.

Advanced materials

We delivered very good LFL sales growth in 2023 reflecting our strong order book as we entered the year and robust demand, driven by a number of structural growth trends.

We support our customers to meet their challenges through a range of solutions, including our laser diffraction products for researching and developing the next generation of battery materials as well as quality control, and we have also seen increased interest in our online process solutions, both for batteries and hydrogen fuel cells. Similarly, we saw an increase in our x-ray diffraction sales, especially in China, partly driven by the government investment schemes supporting universities and research laboratories in the first half of 2023.

Looking ahead, the outlook for advanced materials remains positive with continued investment in new energy sources such as hydrogen, the enhanced electrification of mobility, growing applications for power electronics and the onshoring of manufacturing, all of which underpin the development of new technologies and customer R&D.

Semiconductor

Sales into semiconductor and electronics customers grew strongly across all regions, reflecting the strength of our order book at the start of the year and solid underlying demand. Within semiconductor contamination monitoring, we saw strong

sales growth in our aerosol, liquid, and gas particle counters to customers in support of the buildout of new semiconductor fabrication plants.

We saw good sales growth in our MRD XL products in the compound semiconductor market, especially power electronics. The acquisition of the XRD product line assets from Freiberg Instruments in the second half of 2023 further enhances our capabilities and solutions in this area.

While order intake was lower in 2023 against a strong comparator as demand normalised, our pipeline remains robust. In 2024, we expect order levels to pick up in the second half as the industry returns to a more normal business cycle.

The multi-year outlook for semiconductor remains positive, driven by fabrication plant expansion and technology advancements driven by a number of sectors such as automotive, artificial intelligence and compound semiconductors. We are also encouraged by positive customer feedback in relation to recent product launches including our NanoAir 10 particle counter for use in ultra-clean environments.

Academia

We are well positioned to take advantage of the academic research that feeds into our end markets, with a strong brand built on high-precision measurement and scientific credibility.

Our businesses continued

In 2023, we delivered very strong LFL orders and sales growth driven by North America and Asia. We have benefited from strong demand from universities and research organisations for our XRD systems, to support materials research and analysis for batteries, and our MicroCal products range used in a number of applications from research to the discovery and development of small molecule drugs, biotherapeutics and vaccines.

Helping solve customer challenges

Spectris Scientific provides critical insights and domain expertise to help our customers find solutions to their most complex challenges. Our customer value proposition extends far beyond supplying our leading products.

In advanced materials, the increased focus on energy transition and battery development is creating a number of opportunities. With energy systems fuelling every aspect of our modern life, from cell phones to electric cars and even space travel, achieving energy that is clean, renewable and reliable, requires the development of better batteries and fuel cells. A collaboration in the US between the University of Pittsburgh and Spectris is enabling researchers to do just that. Using data and insights drawn from our Empyrean x-ray diffraction technology, the team at Pittsburgh are working towards a series of ambitious goals to improve the power, efficiency and cost-effectiveness of batteries.

In primary materials we secured a major order from a leading building materials producer in Asia for a measurement and analysis solution based on our leading XRF Zetium and XRD Aeris technology comprising 30 separate systems. This order reflects our proven technology and application expertise demonstrated in previous projects with our systems providing better measurement, speed and greater operational stability as well as a better user experience than the competition.

In pharmaceuticals, we continued to strengthen our partnership with QILU Pharmaceutical, a leading manufacturer of finished formulations and active ingredients

in China, with a significant order for our Mastersizer and Zetasizer products across multiple sites. As well as being recognised for our leading particle characterisation technology, this order reflects our strong applications expertise and aftermarket support including superior service support and product training.

Investing for growth: R&D is driving growth and market share gains

To drive growth, we have increased investment in R&D to both enhance the performance of existing products and develop new platforms, along with software, services and analytics being key areas of focus. In 2023, we introduced a number of new products to the market.

The Nanosight Pro provides a best-in-class, simple and rapid solution for nano and biomaterials characterisation for use in life sciences and pharmaceutical development. The combination of advanced engineering and a blend of smart features ensures measurements are efficient, quick and accessible. Powered by machine learning, our Xplorer software enables automated measurements and provides the highest quality size and concentration data while connection to SMART Manager assures robustness and minimises downtime.

Our ParticleSeeker product, a smart aerosol manifold used to monitor air quality in semiconductor manufacturing used in conjunction with the NanoAir10 nanoparticle counter, provides multiple sample locations ideal for applications requiring broad contamination monitoring in the cleanest and most confined spaces in a semiconductor manufacturing facility.

And in the FORJ™ fusion instrument, we have developed the world's fastest, safest and most accurate fusion instrument for sample preparation for x-ray fluorescence supporting elemental analysis. Based on our expertise in x-ray fluorescence, inductively coupled plasma analysis, sample preparation, and the entire analytical chain, FORJ is designed to meet the highest material quality standards for elemental analysis.

M&A

During the year, we completed three acquisitions/investments to augment our capabilities and compound growth in the future.

We acquired the x-ray diffraction product line from Freiberg Instruments for a total consideration of up to €13.0 million. The acquisition of crystal orientation metrology tools provides complementary solutions to our existing semiconductor portfolio allowing us to further respond to the industry requirement to improve yields and performance.

We took a minority investment of €7.8 million in LumaCytte Incorporated, a bioanalytic instrumentation company, providing further exposure and deeper insights into the high growth cell & gene therapy and vaccine markets.

The acquisition of Particle Measuring Technique Ireland Limited, a long-established partner and exclusive distributor in the UK and Ireland of Particle Measuring System's micro-contamination products for €6.4 million, further strengthens our regional services and aftermarket offering.

Operational excellence

We continue to leverage SBS to improve productivity and drive operational excellence across the Division. During the year we completed a number of projects delivering tangible financial benefits as well as promoting increased engagement across our sites.

In Malvern Panalytical, our 'Land and Expand' upselling programme drove additional sales of £4 million to existing customers. A project to extend the life of a key component in our x-ray diffraction instruments delivered £0.3 million of benefits in the year and improved cleanroom capacity and layout at our Almelo site in the Netherlands delivered a 20% increase in output and £0.5 million of benefits.

During the year we adopted the 'Bronze, Silver, Gold' certification programme to drive lean operations as measured by a number of core metrics, with two of our sites, Zhuhai, China and Malvern, UK achieving Bronze certification in 2023.

We have made good progress in our business process transformation programme. In 2024 we will implement a series of more simple, common and scalable global processes supported by the introduction of a new ERP solution. The new solution will provide improved visibility and deliver a number of significant benefits to be realised from 2025 onwards.

Summary

Spectris Scientific is an excellent business. We provide critical materials insights through our instruments, data science and technical expertise. We are well positioned to outperform in high-growth end markets, aligned to clear sustainability trends. In 2024, we will continue to work closely with customers to innovate and solve their challenges.

Spectris Scientific

	2023	2022	Change	LFL change
Statutory sales (£m)	704.2	657.8	7%	12%
Adjusted operating profit ¹ (£m)	155.2	140.0	11%	13%
Adjusted operating margin ¹ (%)	22.0%	21.3%	70bps	10bps
Statutory operating profit (£m)	124.4	118.3	5%	
Statutory operating margin (%)	17.7%	18.0%	(30bps)	

1. This is an alternative performance measure (APM). APMs are defined in full and reconciled to the reported statutory measures in the Appendix to the Consolidated Financial Statements

Case Study

Customer:
MIP Discovery

Bringing speed and simplicity to analytical workflows

NanoSight Pro

Early detection of illnesses including cancers and infectious diseases like COVID-19 enables us to prioritise critical care for those most at risk. Easy, point-of-care monitoring and diagnosis help reduce community spread and strengthen public health measures.

Revenue generated from the point-of-care diagnostics market reached \$45.4 billion in 2022, is growing at a CAGR of 10.7%, and is expected to reach \$75.5 billion by 2027¹.

At MIP Discovery in Bedford, UK, Research Scientist Oliver Huseyin and his colleagues are using Malvern Panalytical technologies including the new NanoSight Pro

Nanoparticle Tracking Analyzer to develop innovative alternatives to biosensor-based testing devices, with Molecularly Imprinted Polymers (MIPs) at their core. NanoMIPs are 'smart' polymers, often around 40 nm – 50 nm in size, created to specifically target proteins, peptides, and small molecules of interest, including viral particles, antigens on the surface of tumour cells, or markers for particular conditions including heart failure. As MIP Discovery moves into Cell & Gene Therapy applications, these biosensors will help improve the quality of advanced therapies, further demonstrating their utility.

Biosensors currently contained in traditional diagnostic devices require a constant supply of effective antibodies – often hampered by time, cost, instability, and often ethical considerations. MIP Discovery is leaving behind biological systems and using

polymer chemistry to build synthetic sensor molecules for use in innovative new diagnostic devices. This should also help enable continuous biosensors deployed over a number of hours or days.

The MIP Discovery Team meets the NanoSight Pro

A key challenge for the MIP Discovery team is measuring the size of the nanoMIPs they are developing – this is where the NanoSight Pro comes in.

The NanoSight Pro has delivered many advantages to the team. These benefits relate to the robustness of the hardware, and the alignment of the instrument's software with that of their other key Malvern Panalytical instrument, the Zetasizer. The similarities between the two mean that users can transfer easily between both systems, saving time and expanding the skillset of the team. In addition, Oliver was positively surprised by the ease of delivery, installation and first measurements, all enabled by the Malvern Panalytical Self-Install Program. The team has seen a dramatic uplift in the speed of results analysis with the NanoSight Pro – this time-consuming work has been reduced up to tenfold, freeing up valuable scientist time and enabling more hands-on time at the lab bench.

"The NanoSight Pro is quick, easy to use, and gives us the guidance we need to make sure that we're getting the right results first time. This also means we're wasting less sample because we don't have to play around with concentrations and get the right thing after 5 or 6 runs – it's right the first time we measure it."

Oliver Huseyin

Research Scientist, MIP Discovery, Bedford, UK

¹ www.marketsandmarkets.com/Market-Reports/point-of-care-diagnostic-market-106829185.html

Case Study

PMS: playing a pivotal advisory role

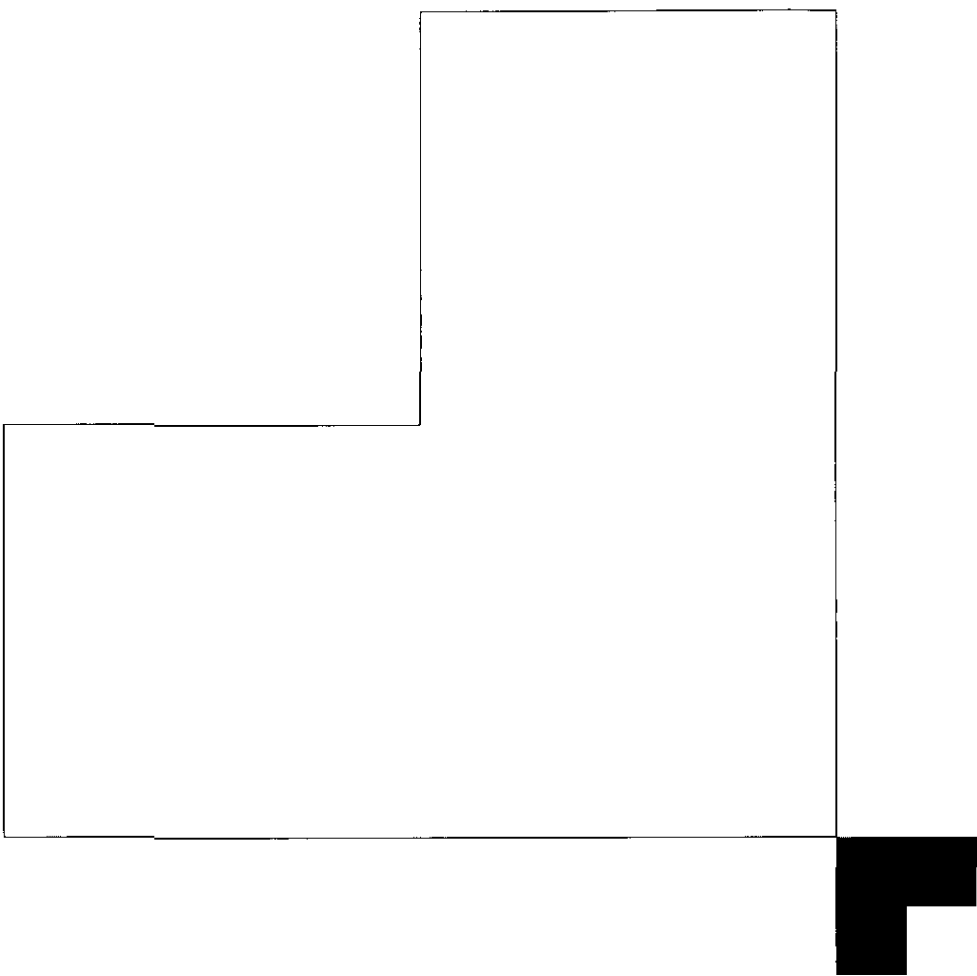


Particle Measuring Systems offers specialised advisory services focused on contamination control, designed to assist with diverse operational challenges. The team are equipped with a wealth of background, education, and industry expertise and are able to provide guidance at every stage of a customer's process.

Whether it involves addressing non-compliance issues, establishing new policies, or training employees, the advisory services aim to navigate and enhance customers' contamination control efforts.

The team engage in ongoing dialogue with global regulatory agencies, to ensure that customers stay informed about the latest requirements, aligning operations with industry standards.

These two case studies spotlight specific instances where Particle Measuring Systems advisory services have played a pivotal role in resolving contamination control issues and illustrate the practical application and impact of the advisory service expertise in supporting customers across different scenarios.



Case Study continued

Customer:

Manufacturer of next-generation vaccines

Providing high-level expertise to meet compliance requirements

**Challenge**

The COVID-19 crisis has launched a manufacturer of next-generation vaccines into the spotlight, transforming it from a company that was pioneering research into mRNA technology into a large-scale drug manufacturer that is mostly managed through Contract Manufacturing Organizations (CMOs). The company was inundated by the enormous amount of data generated by CMOs and requested by regulatory authorities, and they needed expert and specific knowledge about handling data and a large number of people.

PMS offer

Particle Measuring Systems (PMS) has been offering consultancy support on a global scale since 2019, and its team is comprised of pharmaceutical manufacturing process experts with direct experience in the field. The services offered by PMS contribute to their positioning as a leader in contamination monitoring, ranging from sterility assurance and quality and control assurance to improving product on processes. In short, the PMS Advisory Team provides high-level expertise to help its customers meet compliance requirements.

Creating a customer-win situation

The collaborative relationship between the vaccine manufacturer and PMS was born thanks to the team's reputation, high professional level, and proven experience. Key personnel contacted the team directly to request urgent Quality and Control support to assess that critical phase. What started as an arrangement to support vaccine manufacturer for a few months subsequently became a collaboration started in 2022 that the customer renewed again this year.

How does this apply to other customers?

The successful experience with a global vaccine manufacturer in the spotlight demonstrates how a high level of competence and knowledge increases PMS's reputation by building a solid bond of trust over time. More and more clients have requested consultancy services thanks to recently hired key people who introduced PMS because they have collaborated with us successfully in previous work experience and trust us

Customer:

PSM Pharma

Solving challenges and advising on best practices

**Challenge**

PSM Pharma, a PMS customer, requested help on how to best install a particle counter in a cleanroom where they planned to manufacture aseptically filled injectables, which need the highest purity of air quality in the pharma industry for manufacturing. One of our international Advisors from the USA helped with this relatively easy task on short notice. During this consultancy, it became clear that the end customer had several further projects on which our Advisory group could assist.

About the customer

PSM Pharma is a contract manufacturer (CMO) for pharmaceutical manufacturers around the world that offers aseptic fill & finish as well as final packaging services for clinical and commercial phases. The company is a powerful partner that offers its customers

comprehensive end-to-end customer support, maximum flexibility for different batch sizes, and top performance in the small to medium batch size range

Benefits to the customer

The customer has access to the complete range of environmental monitoring knowledge of PMS. The advisory group was able to help with knowledge on particle transportation, risk assessments in rooms and machines, and microbial collection in water, in air, and on surfaces. Even the data collection and the use of the data for trending later are being worked on by PMS personnel. The environmental monitoring specialists of PMS have helped to solve challenges, advised on best practices, and gave feedback on the process and the facility design. With up-to-date knowledge of current regulations, PMS has helped PSM to build a state-of-the-art, world-leading, fill-finish facility.



"We have been using the services of the PMS advisory group over the past years and are working on several projects together at the moment. They have shown great expertise with environmental monitoring knowledge and are very helpful to us as an external consultant. The fact that the PMS advisory team knows about current regulations worldwide helps us build the best facility for all the needs of our customers."

Bianca Bohrer

CEO, PSM Pharma

Our Businesses

Empowering the innovators

Spectris Dynamics

Leader in advanced, integrated virtual and physical test and measurement.



“We have made excellent progress in 2023, expanding margins and delivering strong profit growth through a number of initiatives.”

Ben Bryson

President, Spectris Dynamics



A very strong financial performance underpinned by significant margin expansion

Spectris Dynamics delivered a very strong financial performance in 2023, delivering double digit-growth in sales and operating profit, underpinned by particularly strong margin expansion. These results reflect the successful re-organisation of the Division at the start of the year into three customer-aligned sectors of virtual test, physical test and in-process, alongside a number of specific actions to improve gross margins and overheads.

Sales increased by 10% to £542.8 million (2022: £492.2 million). After taking into account £21 million (4%) sales growth from the acquisition of Dytran and MicroStrain and £1.9 million (0%) for foreign exchange movements, LFL sales grew by 6%. Sales grew across all key end markets, with particularly strong growth in aerospace & defence and academia and on a regional basis, our largest market, Europe

Orders were 3% lower (6% lower on LFL basis) than the comparative period with strong double-digit order growth in aerospace & defence (A&D) and academia more than offset by the expected softening in order intake across machine manufacturing and automotive. On a regional basis, good levels of order growth in the US were more than offset by Europe and Asia with these two

regions having the largest exposure to softer end markets

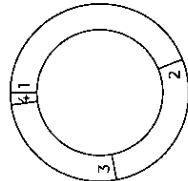
Adjusted operating profit of £93.1 million was significantly ahead of the comparative period, up 26%, (24% on a LFL basis), with a significant increase in adjusted operating margin which ended the year 220bps higher (240bps higher on a LFL basis) at 17.2% (2022: 15.0%). This increase reflects the anticipated strong increase in gross margins resulting from our focus on operational excellence alongside the successful execution of a margin expansion plan comprising pricing, re-organisation, product design cost cuts, supply chain optimisation and rationalisation of our product portfolio.

Statutory operating profit increased by 21% to £56.2 million (2022: £46.5 million) reflecting growth in the underlying business, which was partially offset by £7.6 million of additional costs related to the investment in our new ERP system, as part of the business transformation project. As a result, statutory operating margin increased 100bps to 10.4% (2022: 9.4%).

Well positioned in attractive markets

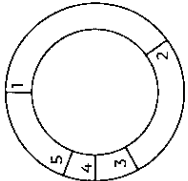
We are a world leader in the provision of advanced integrated physical and virtual testing and measurement. The Division is focused on four premium product lines: virtual test; software; data acquisition; and high-precision sensors with high growth prospects, where we have leading market positions. These products are complementary for customers and combine to offer the

Our businesses continued



Sales by location (%)

1 Europe	44
2 North America	28
3 Asia	26
4 ROW	2



Sales by end market (%)

1 Technology-led industries	40
2 Automotive	27
3 Academic/research	8
4 Electronics and semiconductor	6
5 Other	19

broadest test and measurement solutions in the market. We are well positioned in attractive growth markets that are benefiting from a number of structural growth trends:

- increased adoption of Virtual Test, particularly in automotive and defence to accelerate the innovation cycle;
- digitalisation and the increased use of digital tools to design and test, lowering the cost of new innovations and to process large amounts of more complex data;
- electrification and the transformation of mobility and energy; and
- automation to enhance productivity in a more connected world.

These four key growth trends are aligned with our Purpose to Empower the Innovators for a cleaner, healthier, and more productive world and are supporting higher levels of growth within our market segments.

Automotive

LFL sales were ahead of a tough comparator, with a strong performance in Europe partially offset by North America and Asia.

We saw very good sales growth for our electric powertrain testing solutions in Physical Test leveraging our high-speed data acquisition systems, sensors and software. And in In-process, demand for our end-of-line testing solution for electric drive systems continued on a positive trend during the year. In Virtual Test, while sales were lower compared with 2022, we made good progress selling our hardware-in-the-loop solutions and secured a number of new orders for our multi-attribute simulators including our COMPACT FSS which was launched during the year. Our Virtual Test offering also gained recognition through a Supplier of the Year award from Pirelli and an innovation award for our DIM 300 simulator as the 2023 Development Tool of the Year by Vehicle Dynamics International.

As reported at the half year, we have seen a softening in demand with LFL orders lower than the prior year, as customers adjusted their order patterns, reflecting a combination of easing supply chains as lead times have shortened and a reduction in the speed of

rollout of new EV programmes among leading automotive manufacturers.

Over the medium-term, we continue to expect growing demand for automotive R&D, driven by the development and adoption of electric and software-defined vehicles and the need to reduce development time. With our broad product offering across Virtual Test, Physical Test and In-Process we are extremely well placed to benefit from this growth.

Machine manufacturing

Sales to customers wanting to monitor their production processes and deployed assets were slightly ahead of 2022 on a LFL basis, with growth in North America and Europe largely offset by Asia

In our OEM sensor business, where customers incorporate our custom sensor solutions into their end products, we delivered 55 customer prototypes, setting a new record in the process. These projects which provide strong foundations for future sales growth were broad-based covering a range of sensing capabilities and end uses including: force sensors for batteries and brakes applications; strain sensors for fuel cells and electric vehicles; torque sensors for robotics; and mechatronics.

We were also successful selling our high-precision accelerometers into the semiconductor industry to control machine vibration. During the year, we strengthened our In-process offering combining structural health monitoring, optical sensing and software to create a turnkey solution for customers.

Against a strong comparator, order intake in machine manufacturing for the full year was lower on a LFL basis, particularly in Asia, which more than offset demand growth in North America

We believe that over the medium to longer-term, the move towards greater levels of automation driven by the scarcity of labour and the need for greater efficiency, will continue to drive demand from machine manufacturing customers and in turn, our smart and OEM sensor offering. Sales to this sector continue to be helped by our focus on

selected high-value end markets, where customers are focused on improving the productivity of high-value assets. This has driven demand for our weighing technologies, including for smart OEM-type solutions in medical and healthcare applications, where accurate and reliable sensors are critical.

Aerospace and defence

We saw strong LFL orders and sales growth in 2023 in Europe and North America underpinned by the continued investment in new and existing propulsion technologies, as well as increased spending in commercial space and defence.

In civil aerospace, we are seeing strong demand for our expertise to support the development of alternative propulsion technologies including electrification and hydrogen-based solutions. We secured a large order from a major engine manufacturer for our latest Fusion DAQ product and sound & vibration software to support the development of its next generation gas turbine.

We saw strong growth in our leading real-time computation software that provides critical simulations in defence applications enabling pinpoint accuracy and used in systems such as threat detection. Also, during the year we secured a major order from BAE systems to supply hull vibration monitoring equipment for the UK Royal Navy's shipbuilding programme. Our solution includes transducers, data acquisition, and vibration measurement and analysis software

Our businesses continued

And in civil space, a market which is growing quickly, with significant future potential, we are seeing continued growth in demand for our piezo-electric vibration sensing systems, which have been used in a number of customer applications.

We were proud to provide Dynamics with a solution to evaluate the capabilities of its United Launch Alliance Contour booster to ensure it can cope with extreme forces during space flight. Our solution, based on proven and precise structural testing tools, comprised a data acquisition system to acquire data from more than 3,000 strain gauges and over 300 full-bridge pressure transducers, along with additional sensors. As a result of deploying the solution, Dynamics improved the efficiency and accuracy of testing enabling it to provide better services to its customers and commercial space projects

We remain well placed to support long-term innovation projects. OEMs continue to invest in sustainable fuels, efficiency gaining technologies, especially weight saving and power improvements. We also see demand increasing for energy transition related projects, including electric aircraft and those running on alternative lower-carbon fuels. Our sound and vibration and EPT solutions are well placed to capture this

Academia

LFL sales into universities and research institutes grew strongly with orders also up on the prior year, underpinned by the same core trends that underpin the Division, notably growth in virtual testing, digitalisation and electrification, with initiatives to reduce carbon emissions and deliver Net Zero ambitions.

Consumer electronics and telecoms

LFL sales and demand in consumer electronics and telecoms, which represented 6% of Dynamics sales were lower than the comparative period, reflecting reduced levels of customer investment in end-of-line-testing.

Investing for growth: R&D is driving

growth and market share gains
The organisation of the division around Virtual Test, Physical Test and In-Process allows us to

leverage growth and customer intimacy from our domain expertise. These three sectors align with our customers' test and measurement requirements, as their products are conceived, developed, then manufactured and maintained.

By focusing on our customers' needs, through their product lifecycle, we are able to accelerate innovation, save costs and reduce time to market for their products, with key R&D focus areas including: enhanced virtual test solutions, simulation and analytic software; electric power testing; data acquisition ecosystem; and smart and OEM sensors.

During 2023, we launched a number of new products. In Virtual Test, the launch of our COMPACT FSS broadened and strengthened our simulator portfolio. Powered by a VI-grade AutoHawk real-time computer, the FSS provides highly accurate and immersive motion, vibration, and sound simulation in a small footprint. It also enables human-in-the-loop simulation, which is the vital connection between objective physical characteristics with subjective human perception

As well as delivering 55 OEM customer prototypes, we introduced newly developed smart force sensors that link to a standard industrial interface enabling simplified machine design and point of measure decision-making, ensuring improved efficiency and simplified machine operation.

We continue to develop our new Fusion and Advantage data acquisition offering with additional products expected to be launched in 2024. And in our software business, which represents around 15% of Spectris Dynamics sales, we released a number of major updates to our market-leading nCode durability and Reliasoft reliability products and updated our perception software for EPT.

Investing for growth: compounding growth through M&A

The acquisition of MicroStrain for £29.1 million, which completed in September, represents an excellent addition to Spectris Dynamics, bringing complementary technology and strengthening our sensor offering, particularly in the fast-growing autonomous mobility.

industrial and robotics markets. It also enables further penetration into the rapidly growing automation and smart manufacturing markets, while increasing our presence in North America.

September 2023 marked the first anniversary of the acquisition of Dytran, a leading designer and manufacturer of piezo-electric and MEMS-based accelerometers and sensors for measuring dynamic force, pressure, and vibration. Integration has gone extremely well, including a significant increase in productivity under our ownership and positive contribution to the Division including securing a number of customers orders in commercial space

Operational excellence to drive margin expansion

We are driving operational excellence to improve productivity and increase operating margin towards the Group target level. The ongoing roll out of SBS alongside our actions on pricing, product redesign to lower cost solutions and portfolio rationalisation have all made a contribution to the substantial 220bps improvement in adjusted operating margin in the year.

In 2023, we embedded our 'Bronze, Silver, Gold' certification programme to drive lean operations across our core operations with three of our sites, Porto, Suzhou and Marlborough achieving Bronze certification by the end of the year.

At our Suzhou facility, through numerous kaizen events and increased automation we

delivered 30% reduction in lead time as well as labour and inventory cost savings of over 40% for a key product family with a total cost reduction from improvement projects of £0.8 million. Through optimisation of sea/air and courier strategies we also delivered a significant reduction in freight costs in excess of £2.1 million and our Net Zero improvement projects across our facilities, resulted in £0.3 million in energy savings.

Alongside this we have made good progress preparing for the further operational transformation through a new CRM and ERP solution which is being introduced in 2024 across the whole Division, creating a simpler, common and more scalable set of processes. Benefits from the new solution will start to be realised from 2025 and it also represents a key building block in driving further margin expansion in the Division.

Summary

Spectris Dynamics is an established leader in high performance virtual and physical test, design software, data acquisition and sensing. We are well positioned in strong end-markets supported by sustainable trends for a digitising and de-carbonising world. We are executing and expanding on strong fundamentals – integrated virtual and physical test solutions, more software-oriented R&D, operational excellence, and strategic value-creating M&A. Having delivered a strong performance in 2023, we remain focused on margin expansion through strategic growth initiatives, business process improvement and benefiting from our lean culture

Spectris Dynamics

	2023	2022	Change	LFL change
Statutory sales (£m)	542.8	492.2	10%	6%
Adjusted operating profit ¹ (£m)	93.1	73.6	26%	24%
Adjusted operating margin ¹ (%)	17.2%	15.0%	220bps	240bps
Statutory operating profit (£m)	56.2	46.5	21%	
Statutory operating margin (%)	10.4%	9.4%	100bps	

1 This is an alternative performance measure (APM). APMs are defined in full and reconciled to the reported statutory measures in the Appendix to the Consolidated Financial Statements

Case Study

Customer:
NIO / AMCT / nCode DesignLife

Developing improved durability simulations



NIO, a global automobile manufacturer headquartered in Shanghai, is a pioneer and a leading company in the premium smart electric vehicle market. NIO differentiates itself through its continuous technological breakthroughs and innovations, such as its industry-leading, battery swapping technologies.

HBK's Advanced Material Characterisation and Testing facility (AMCT), near Sheffield, UK, has helped accelerate NIO's capabilities for fatigue simulation through a unique combination of custom testing solutions to provide high quality material fatigue data and the power of nCode software.

Example NIO body structure

Challenge

Performing accurate virtual failure prediction in innovative BIW (Body-in-White) structures requires new material fatigue properties. Comparison of design proposals and engagement of key suppliers earlier in the process to accelerate development and minimise waste

Solution

NIO selected HBK's AMCT facility to carry out material characterisation testing due to its testing expertise and the ability to deliver a materials database that could be used directly and easily in nCode software.

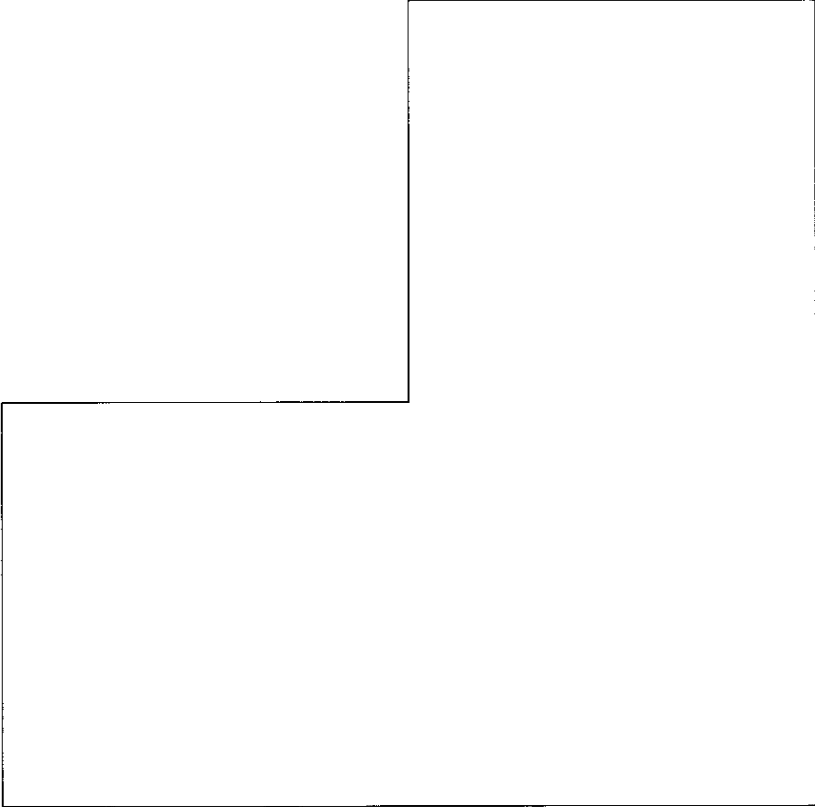
Result

A standardised materials database for fatigue and common processes enabling higher quality results from which engineering design decisions can be made. This enables NIO to develop efficient and robust structures for durability performance, reducing weight and energy consumption to maximise range.



"There is nothing like HBK's AMCT lab that provides the entire package both in terms of the available testing expertise but also the ability to deliver a materials database that could be used directly and easily in nCode software."

Artur Tarasek
Durability CAE Expert, NIO



Case Study

HBK: empowering rapid audio advancements



Sound and vibration are critical to our quality of life. They affect us every day, from the smartphones we use and the cars we drive to the aircraft we fly in and the environment in which we all live. At Spectris Dynamics, we produce the world's most accurate and advanced technology for measuring and managing the quality of sound and vibration.

These two examples show the breadth of our expertise and applications. We're empowering rapid advancements in ways as diverse as improving the lives of people with hearing loss to equipping modern naval combat ships to manage their acoustic signature.



Case Study continued

Customer:

Leading global healthcare company

Revolutionising hearing aid development



Challenge

Recent reports indicate that approximately 1.5 billion people worldwide experience some form of hearing impairment. This widespread issue is fuelled by factors such as an aging population and a significant surge in hearing loss among younger individuals, often attributed to excessive exposure to loud noise. Consequently, the market for audiology devices is witnessing significant growth.

At a leading global healthcare company, hearing aid developers and test engineers face a formidable challenge of staying at the forefront of technological advancements, while meeting user expectations for natural, comfortable sound quality and seamless communication. Additionally, they must address the increasing demand for personalised solutions and designs tailored to individual inner and outer ear conditions.

Benefits to the customer

Having robust systems in place that enable this company's engineers to test, benchmark, ensure quality, and enhance product design is paramount. These systems must prioritise high-quality hearing reproduction while accommodating both traditional, standardised electroacoustic measurements and flexible, open processes that support the development of innovative hearing aid technologies and features.

To meet these requirements, the healthcare company employs a HBK Head and Torso Simulator (HATS) for both R&D and the complex task of testing hearing aid features Optimised for the evaluation of audio devices placed in, on or near the ear, it provides an accurate representation of the experience realised in an average human ear. With a pair of hearing aids mounted on a HATS, the acoustic properties of the hearing aids can be measured from various directions, and in a range of background noise environments.

The healthcare company has recently acquired the latest high-frequency incarnation of HATS, extending the evaluation potential to encompass the full audio range and anthropomorphic ear canal to allow refinement of product geometry. High-frequency HATS represents the culmination of more than ten years of research into human ear geometry and acoustic response and is the first major advance of HATS technology in 30 years. It's recognised in the market as the state-of-the-art for evaluating human hearing perception.

The development of intelligent hearing aids that seamlessly adapt to the user's sound environment is an immensely complex undertaking. Nevertheless, leveraging HBK solutions, the hearing healthcare engineers, working at the edge of what is technically possible, remain committed to their ongoing pursuit of enhancing speech comprehension for people with hearing loss and providing a life-changing solution for those in need

Customer:

BAE Systems

Ensuring the acoustic stealth of modern naval combat ships



Challenge

To maintain a naval vessel's acoustic discretion, design engineers need to identify and assess all noise sources. Permanently installed systems monitor noise levels during operation and advise the crew when the acoustic signature of the vessel has exceeded limits in many operational modes.

From modal testing and analysis of models and prototypes to permanently installed noise monitoring systems, HBK offers best-in-class acoustic and structural testing and monitoring solutions throughout a vessel's lifecycle, including underwater acoustic measurements.

Benefits to the customer

We are providing Hull Vibration Monitoring Equipment (HVME) to BAE Systems for the UK Type 26 Global Combat Ship programme, currently being built for the Royal Navy. All eight Type 26 frigates will be equipped with the latest self-noise monitoring software to ensure that they can accurately manage their own acoustic signature.

One of the tasks of the Type 26 is to protect against potential intruding submarines; it is vital they can monitor and keep their own acoustic signature – the noise and vibration a vessel and its on-board equipment and systems project into the water – as low as possible.

The HVME comprises commercial off-the-shelf equipment that includes transducers, data acquisition, vibration measurement and analysis capabilities. The kit is tailored to each vessel's layout, enabling location-specific alarms to be triggered in the event of excessive noise or vibration, so the crew can take action to reduce it.

Financial review

A year of strong margin progression and record profitability



“We are on track to deliver our 20% margin target.”

Derek Harding
Chief Financial Officer

Sales increased by 9% or £121.8 million to £1,449.2 million (2022: £1,327.4 million) on a continuing basis. Gross profit increased by £87.3 million driven by a combination of pricing, increased volumes, a more benign input cost environment and cost efficiencies derived from SBS.

Selling, General & Administration (SG&A) expenses increased by £71.3 million, resulting from higher staff costs including salaries, an increase in travel costs reflecting a return to more normal levels of customer interaction, and foreign exchange impacts from translation and revaluation.

Included within SG&A are configuration and customisation costs carried out by third parties on material software-as-a-service (SaaS) project costs of £40.0 million (2022: £21.7 million), to support the implementation of a new SAP cloud-based ERP system. This is a significant multi-year programme that will continue in 2024. Investment in R&D increased by £4.3 million to £108.1 million representing 7.5% of sales (2022: £103.8 million or 7.8% of sales).

Headcount increased by 14% versus the comparative period, with increases to support growth offset by efficiencies from SBS and structural changes, mainly within Spectris Dynamics.

Statutory operating profit was £188.6 million, an increase of £16.0 million (2022: £172.6 million) Statutory operating margin of 13.0% was in line with 2022 (13.0%).

Net transaction-related costs and fair value adjustments were £14.0 million (2022: £8.3 million) primarily relating to the acquisitions completed during both the current and prior years.

In 2023, the Group made an additional contribution of £1.0 million to the Spectris Foundation (2022: £nil). Consistent with the prior year, material SaaS project costs of £40.0 million (2022: £21.7 million) are excluded from adjusted operating profit, as are amortisation of acquisition-related intangible assets £18.9 million (2022: £19.6 million).

Our adjusted operating margin of 18.7% was 130bps higher than the comparative period (2022: 16.8%) resulting in a record level of adjusted operating profit of £262.5 million (2022: £222.4 million) an increase of 18% (18% on a LFL basis). As a result of this excellent performance, which is testament to the hard work of our colleagues, we are well on our way to meeting our medium-term target to deliver margins in excess of 20%.

Statutory operating profit to profit before tax

Statutory profit before tax for the period of £185.6 million (2022: £151.5 million) is calculated after net finance income of £6.9 million (2022: £17.3 million cost) and £12.6 million loss on disposal of businesses, predominantly related to the divestment of Concept Life Sciences (CLS) (2022: £0.3 million profit).

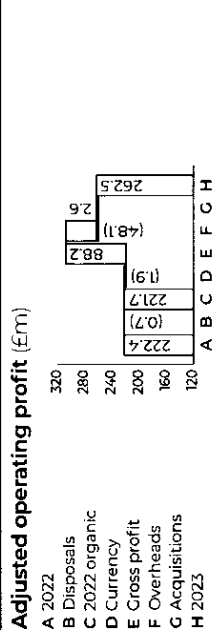
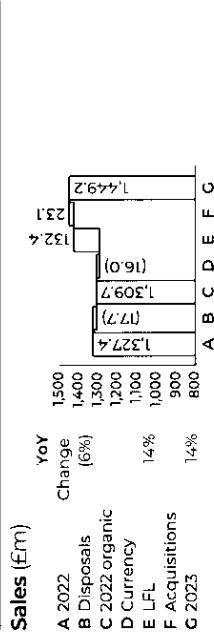
The £24.2 million improvement in net finance income was mainly due to retranslation of short-term intercompany loan balances that moved from a £14.6 million loss in 2022 to a £5.7 million gain in 2023. This reflects the strengthening of Sterling against both the Euro and US Dollar over the last 12 months, compared with 2022 where Sterling weakened markedly against both currencies.

Bank interest receivable was £3.8 million higher, due to a higher average cash balance and the significant increase in Sterling interest rates during the year. There have been no drawings against our loan facilities during the year, with interest payable solely relating to the commitment fee on the Revolving Credit Facility (RCF) and the amortisation of capitalised loan fees relating to this facility.

On 31 March 2023, the Group disposed of the remaining part of CLS, which formed part of the Spectris Scientific Division.

Financial review continued

Financial highlights



Continuing operations

	2023 £m	2022 £m
Statutory operating profit	188.6	172.6
Net transaction-related costs and fair value adjustments	14.0	8.3
Spectris Foundation Contribution	1.0	-
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	-	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	40.0	21.7
Amortisation of acquisition-related intangible assets	18.9	19.6
Adjusted operating profit	262.5	222.4

Continuing operations

	2023 £m	2022 £m
Statutory operating profit	188.6	172.6
Fair value through profit and loss movements on debt instruments	2.8	(4.1)
Share of post-tax results of associates	(0.1)	-
(Loss)/profit on disposal of businesses	(12.6)	0.3
Finance income	11.0	1.9
Finance costs	(4.1)	(19.2)
Statutory profit before tax	185.6	151.5

Cash flow

Adjusted cash flow from continuing operations increased by £107.3 million to £271.1 million compared to 2022, resulting in an adjusted cash conversion rate from continuing operations of 103% (2022: 74%).

The Group generated a substantial increase in adjusted cash flow from continuing operations driven by the increase in adjusted operating profit, a significantly lower net outflow in working capital and lower levels of capital expenditure.

Capital expenditure of £24.7 million (2022: £44.1 million) equated to 17% of sales, compared to 33% in 2022. The lower level of expenditure in 2023 reflects the phasing of spend relating to the new PMS facility in Colorado that is planned to complete in 2024. Capital expenditure was 64% of adjusted depreciation and software amortisation (2022: 11%).

During the year ended 31 December 2023, 3,382,896 ordinary shares were repurchased and cancelled by the Group, representing the final tranches of the £300 million share buyback programme announced on 19 April 2022 and part of the first tranche of the £150 million share buyback announced on 11 December 2023. This resulted in a cash outflow of £114.9 million, including transaction fees of £1.2 million.

During the year ended 31 December 2022, 6,439,493 ordinary shares were repurchased and cancelled by the Group as part of the £300 million share buyback programme announced on 19 April 2022, resulting in a cash outflow of £191.0 million, including transaction fees of £1.2 million.

Financing and treasury

The Group finances its operations from retained earnings and, where appropriate, from third-party borrowings. Total borrowings as at 31 December 2023 were £nil (2022: £0.1 million).

At 31 December 2023, the Group had a cash and cash equivalents balance of £138.8 million of which £0.3 million related to assets held for sale. The Group also had various uncommitted facilities and bank

Sales

£1,449.2m
(2022: £1,327.4m)
Change yoy 9%
LFL change yoy 10%

Adjusted operating profit

£262.5m
(2022: £222.4m)
Change yoy 18%
LFL change yoy 18%

ROCE

18.5%
(2022: 16.0%)
Change yoy 250bps

Financial review continued

overdraft facilities available but undrawn. Gross debt was £nil, resulting in a net cash position of £138.8 million, compared to a net cash position of £228.0 million at 31 December 2022, representing an £89.2 million year-on-year decrease in net cash.

As at 31 December 2023, the Group had £393.1 million of committed facilities, consisting entirely of a \$500 million multi-currency RCF maturing in July 2025. The RCF was undrawn at 31 December 2023 (2022: undrawn).

For the 12 months ended 31 December 2023, there was net finance income for covenant purposes of £3.9 million, resulting in the interest cover ratio being n/a (31 December 2022: n/a). The minimum covenant interest cover requirement is 3.75 times (covenant defined earnings before interest, tax and amortisation divided by net cash) was less than zero (31 December 2022: less than zero) due to the Group's net cash position, against a maximum permitted leverage of 3.5 times.

The Group has prepared and reviewed cash flow forecasts for the period to 31 December 2028, 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 insufficient liquidity or a breach of banking covenants. Revenue would have to reduce by 38% over the period under review for the Group to run out of liquidity headroom. 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, it continues 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 2023, approximately 65% of the estimated transactional exposures of £269.4 million for the next 18 months were hedged using forward exchange contracts, mainly against the Euro, US Dollar, Chinese Yuan Renminbi and Japanese Yen.

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 £1.9 million lower (2022: £12.5 million higher) than it would have been if calculated using prior year exchange rates.

Adjusted cash flow from continuing operations

	2023 £m	2022 £m
Adjusted operating profit	262.5	222.4
Adjusted depreciation and software amortisation ¹	38.8	39.6
Working capital and other non-cash movements	(5.5)	(54.1)
Capital expenditure	(24.7)	(44.1)
Adjusted cash flow from continuing operations	271.1	163.8
Adjusted cash flow conversion from continuing operations	103%	74%

¹ Adjusted depreciation and software amortisation represent 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

Other cash flows and foreign exchange

	2023 £m	2022 £m
Tax paid	(50.3)	(46.8)
Net interest received on cash and borrowings	4.4	0.5
Dividends paid	(79.7)	(78.6)
Share buyback	(114.9)	(191.0)
Acquisition of businesses, net of cash acquired	(49.5)	(114.7)
Acquisition of investment in associates	(7.8)	(2.9)
Transaction-related costs paid	(5.8)	(6.5)
Proceeds from disposal of businesses, net of tax paid of £5.9 million (2022: £27.9 million)	3.3	365.4
SaaS-related cash expenditure	(40.0)	(21.7)
Lease payments and associated interest	(15.6)	(16.4)
Restructuring costs paid	(1.4)	(7.6)
Net proceeds from exercise of share options	0.6	0.2
Total other cash flows	(356.7)	(120.1)
Adjusted cash flow from continuing operations	271.1	163.8
Adjusted cash flow from discontinued operations	-	7.3
Foreign exchange	(3.6)	9.2
(Decrease)/increase in net cash	(89.2)	60.2

	2023 (average)	2022 (average)	Change	2023 (closing)	2022 (closing)	Change
US Dollar (USD)	1.24	1.24	0%	1.27	1.21	5%
Euro (EUR)	1.15	1.17	(2%)	1.15	1.13	2%
Chinese Yuan Renminbi (CNY)	8.81	8.30	6%	9.03	8.31	9%

Financial review continued

Transactional foreign exchange losses of £5.8 million (2022: £nil) were included in administrative expenses, whilst sales include a gain of £4.5 million (2022: £4.3 million loss) arising on forward exchange contracts taken out to hedge transactional exposures in respect of sales.

Other non-reportable operating segment
The financial and operating performance of the Spectris Scientific and Spectris Dynamics reportable segments are provided in accordance with IFRS 8. The Red Lion Controls and Servomex businesses are reported within the Other non-reportable operating segment.

On a statutory basis, sales for the Other non-reportable operating segment of £202.2 million increased by 14% compared to 2022 (2022: £177.4 million) with LFL sales also up 14%. Adjusted operating profit for the segment was £38.4 million (2022: £27.2 million), an increase of 41% (40% LFL), with an adjusted operating margin of 19.0%, an increase of 370bps on 2022 (350bps LFL). Statutory operating profit rose 27% to £33.2 million (2022: £26.2 million), primarily due to improved gross margins from pricing and volume drop through, with the statutory operating margin improving 160bps to 16.4%.

Red Lion Controls had a very strong year, continuing the trends we saw in the first half, with both sales and profitability benefiting from a combination of volume growth and revised pricing. Volume growth was driven by easing supply chains and increased capacity due to operational improvements leveraging the SBS, with the latter also contributing to strong margin improvement.

On 11 December 2023, the Group announced that agreement had been reached for the sale of the Red Lion Controls business. As a result, the Red Lion Controls business has been classified as a disposal group held for sale and presented separately in the Consolidated Statement of Financial Position. The required regulatory approvals were received in January and February 2024 and the completion of the sale is expected to take place during the second quarter of 2024.

In 2023, Red Lion had sales of £101.8 million and adjusted operating profit of £21.9 million. Servomex also delivered a very good performance with sales growth driven by higher demand and a strong operational performance. Higher contribution margins due to price increases and easing material cost inflation drove a strong increase in profitability.

Derek Harding
Chief Financial Officer

Capital allocation priorities

Ensuring the appropriate allocation of capital remains a key area of focus for the Board and within that, striking the right balance between generating strong returns for shareholders and investing for growth.

1. Organic growth

- Maintenance capex
- In line with depreciation
- R&D > 8% of sales improving vitality
- Growth capex projects

2. Progressive dividend

- Sustainable progressive dividend policy
- Strong track record of dividend growth

3. M&A growth

- Deployment of capital to drive growth
- Technology
- End markets
- Customers

4. Additional shareholder returns

- Return excess capital, not used for profitable growth, via appropriate mechanisms

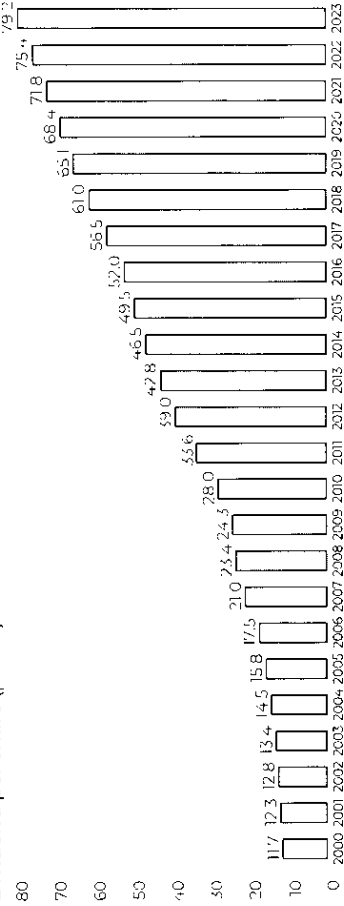
A balanced approach to capital allocation

Sources and uses of cash 2019 – 2023 (£m)

Sources	Cashflow from operations	1853	Uses	Capex/SaaS	296
	Disposals	982		R&D	492
				Dividends	385
				M&A	361
				Buyback	507
				Other*	340
				Debt reduction	436
				Cash balance	139
				Financial capital	18

* Other comprises tax payments, lease payments, interest, other

Dividend per share (pence)



Operational excellence

Embedding a lean mindset across the Group



Deploying the SBS to improve and simplify our business processes, and creating a healthy, high-performance culture, are key elements of our Strategy for Sustainable Growth. These provide a series of building blocks on our journey towards delivering operating margins of 20%+.

SBS

The main objectives of the SBS are to remove waste, drive efficiency and strengthen competitiveness as we grow the business, with each of our global sites driving a number of continuous improvement activities. These activities not only deliver hard financial benefits, but they also strengthen our capabilities and create additional capacity to invest in innovation and areas like automation.

- During the year, the SBS continued to make a meaningful contribution to the profitability of the Group, with benefits realised in 2023 from operational excellence initiatives amounting to over £10 million
- Benefits derived from a combination of gross profit improvement, through sales volume drop-through, and overhead reduction.

Benefits derived from the SBS in 2023:

> **£10m**

- In 2023, we embedded our 'Bronze, Silver, Gold' certification programme to drive lean operations across our core operational metrics
- At the end of the year, seven of our sites had achieved Bronze certification.
- In 2024 we expect additional sites to achieve Bronze status and others to make progress towards Silver.
- We are also broadening the SBS to encompass innovation as well as the enabling functions including IT, Finance, HR and Legal.

Business transformation

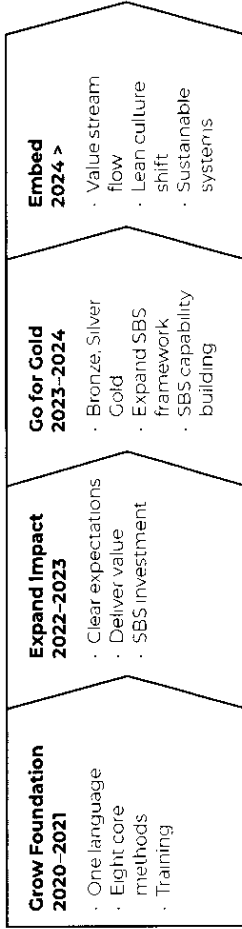
We have made good progress on the implementation of our business transformation program, enabled by SAP S/4HANA, focusing on four key areas: people; process; technology; and data.

The programme will deliver simplified and standardised processes, helping us deliver our growth objectives and a number of benefits including: simpler working practices; better customer experience; enhanced interaction with suppliers; and a more globally connected and scalable business.

Our approach has been to adopt the standard SAP configuration wherever possible, adjusting our business processes to the system, thereby limiting customisation and reducing complexity.

Implementation is scheduled to take place in 2024 through a phased rollout, with benefits generating an additional 150bps in adjusted operating margin.

SBS delivers tangible and sustainable value and is embedded in our DNA so that continuous improvement is owned by everyone



2023 Preparation, design and test

2024 Phased implementation across Spectris

2025 Benefits realisation begins

Case Study

Customer:
University of Pittsburgh

Delivering sustainable solutions to current challenges in energy storage and conversion

Energy systems drive every aspect of our modern life, from cell phones to electric cars and even space travel. But to achieve energy that is clean, renewable and reliable, we need better batteries and fuel cells. If scientists could see inside energy storage and conversion systems while they operate, they could not only identify where changes are needed, but also develop new materials to enhance their performance. A unique collaboration in the US between University of Pittsburgh's Kurmta Lab and Malvern Panalytical is enabling researchers to do just that.

Dr. Prashant N. Kumta and his team aim to deliver improvements in two key areas:

- Energy storage**
The lithium-sulfur battery is viewed as an attractive replacement for the rechargeable lithium-ion batteries currently used in applications such as electric vehicles, cell phones and laptops. Kurmta Lab is targeting improvements to its safety, cost and efficiency.
 - Energy conversion**
The lab's primary focus is water electrolysis and hydrogen fuel cells. These are clean, renewable and low carbon energy sources that could help to achieve Net Zero goals, but they are currently very costly.
- Using data and insights drawn from Malvern Panalytical's Empyrean X-ray diffraction technology, Dr. Kumta and his team are working towards achieving a series of ambitious goals.

"If we can create a battery pack system that can be charged or recharged on a continuous basis using wind and solar power – for example, a car that charges while you drive – we will eliminate the current reliance on carbon and fossil fuels almost entirely."

Dr. Prashant N. Kumta
University of Pittsburgh

- 400%** growth in the watt hours per kilogram a rechargeable battery delivers
- 300%** increase in the miles an electric car can travel between charges
- 100%** reduction in the volume of precious metals used in water electrolysis and hydrogen fuel cells
- 50%** reduction in the price tag of an electric vehicle



Find out more online
Revolutionising Energy Storage and Conversion.
Collaboration with the University of Pittsburgh

Risk management

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 47.

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. We operate Audit and Risk Committees for each of our businesses. These Committees, which meet quarterly, represent a key component of the second line of risk management (see page 100) 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 business. 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

Group oversight of risk management is conducted through the Executive Risk Committee whose purpose is to ensure appropriate management of the Group Principal Risks and to oversee the operation of the Group's Enterprise Risk Management framework. The Executive Risk Committee is supported by the Risk and Control function, who enable the risk management process and act 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 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 or developments in artificial intelligence. Further details on how climate-related risks are managed are provided on page 66.

During 2022, we saw an increase in gross risk in a number of areas, including geopolitical and market risk, cyber threat and business disruption. We consider that across our

Principal Risks the level of gross risk remains heightened, with a further increase in respect of market/financial shock as a result of greater uncertainty in external markets. All of these risks are subject to Executive oversight and formal assessment, and we continue to review the effectiveness of existing controls over those risks and to identify and execute further actions where appropriate in order to manage our net exposure.

In 2022 the net risk rating for geopolitical risk was reassessed from moderate to high in view of the increased potential for this risk to have an adverse impact on the Group, whilst in respect of compliance risk the continued work to strengthen our controls framework and to further embed the Spectris Code of Business Ethics resulted in a reassessment of the net rating from high to moderate. The Board considers that, after taking into account existing controls, no changes to the net risk ratings are required in 2023, although we continue to monitor developments and to keep our assessment of both gross and net risk under review.

Risk management continued

Four lines of risk management

The Group has in place a four lines risk management model

First line

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.

Second line

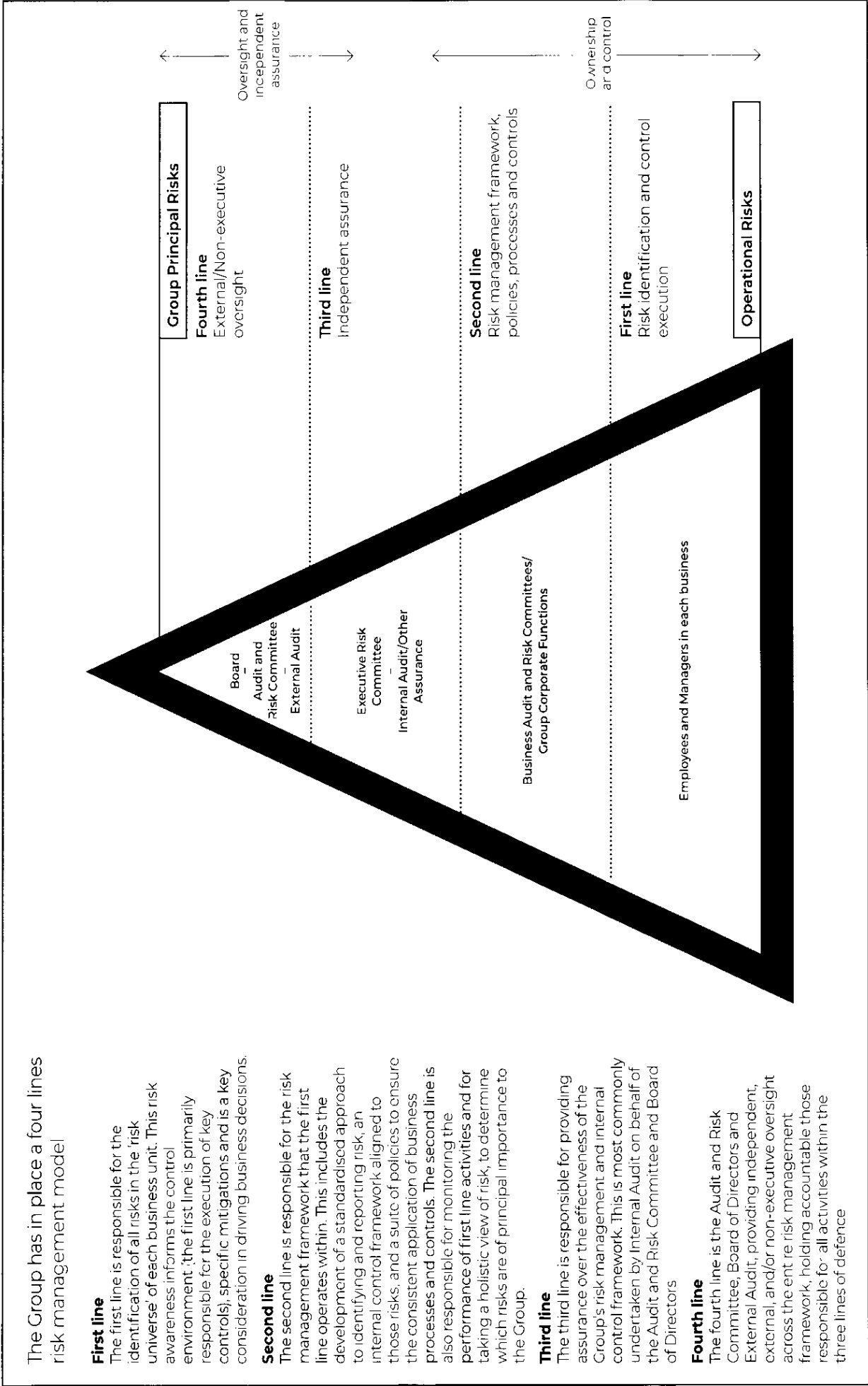
The second line is responsible for the risk management framework that the first line operates within. This includes the development of a standardised approach to identifying and reporting risk, an internal control framework aligned to those risks, and a suite of policies to ensure the consistent application 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.

Third line

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

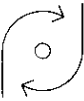
Fourth line

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



Principal risks and uncertainties

Managing our principal risks

	Strategic transformation Definition Failure to successfully deliver the Group Strategy for Sustainable Growth Link to strategy • Great businesses • Aligned to structural growth markets • Customer centricity • Investing in growth • Operational excellence Risk assessment Moderate Change in rating ↕ Risk appetite Balanced 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 and acquisitions, business transformation programmes and other growth initiatives, R&D, technology and digitising our offering. 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 • Introduction of Vitality Index to track R&D effectiveness • Structured approach to delivering business transformation • Business Audit and Risk Committees
	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/unintentional electronic leakage of critical data. Link to strategy • Customer centricity • Operational excellence Risk assessment High Change in rating ↕ Risk appetite Cautious Impact Our businesses face an ever-evolving landscape of information security threats, both internal and external, that are continuously growing in sophistication and unpredictability. In light of the persistence 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. Geopolitical tensions, the ever-changing regulatory landscape and technology advances such as generative AI introduce new and evolving risks that necessitate constant vigilance. Mitigation • Information security and data privacy policies and a well-defined security controls framework • Cyber risk assurance undertaken by Internal Audit • Continued focus on 'cyber fitness' training across the Group • Regular Board, and Audit and Risk Committee reviews • Continued strengthening of IT systems • Regular cyber-attack simulation exercises and penetration tests • Systems in place to immediately isolate identified threats • Cyber threat intelligence services and brand monitoring

Risk assessment scale*

- Very low
- Low
- Moderate
- High
- Very high

Risk appetite

- Highly cautious
- Cautious
- Balanced
- Opportunistic
- Highly opportunistic

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

Change in rating

- ↗ Increase
- ↕ No change
- ↘ Decrease
- ★ New risk

Principal risks and uncertainties continued



Compliance

Definition

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

Link to strategy

- Customer centricity
- Operational excellence

Risk assessment

Moderate

Change in rating**Risk appetite**

Cautious

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

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



Geopolitical

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

- Aligned to structural growth markets
- Customer centricity
- Investing in growth

Risk assessment

High

Change in rating**Risk appetite**

Balanced

Impact

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, de-risk our strategies and develop response plans accordingly.

Mitigation

- 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
- De-risking of relevant strategies
- Response planning
- Maintain a strong balance sheet



Market/financial shock

Definition

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

Link to strategy

- Great businesses
- Aligned to structural growth markets
- Customer centricity
- Investing in growth

Risk assessment

High

Change in rating**Risk appetite**

Balanced

Impact

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

- 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

Principal risks and uncertainties continued



Talent and capabilities

Definition Failure to attract, retain, and deploy the necessary talent to deliver Group strategy	Link to strategy • Great businesses • Customer centricity • Investing in growth • Operational excellence	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.	Mitigation • Structured recruitment and succession processes for senior Group talent • Full deployment of Workday HR system with recruitment, performance and talent management processes extended to top 600 leaders and managers • Annual organisation capability review process • Appropriate incentives with benchmarking at all levels • Global employee engagement programme • Leadership development programmes to ensure development of talent pipeline
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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 • Operational excellence	Risk assessment Low	Change in rating 	Risk appetite Cautious	Impact 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	Mitigation • 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
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Climate change

Definition Failure to respond appropriately, and sufficiently, to climate change risks or failure to identify the associated potential opportunities in assisting others to manage their climate agendas	Link to strategy • Aligned to structural growth markets • Customer centricity • Investing in growth • Operational excellence	Risk assessment Moderate	Change in rating 	Risk appetite Balanced	Impact 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 • Strategy built around sustainable growth • Agreed action plan to meet Net Zero targets validated by the Science Based Targets initiative • 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 themes
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Viability Statement

Longer-term viability of the Group

In accordance with section 4, provision 31 of the 2018 UK Corporate Governance Code (the Code), the Directors have assessed the viability of the Company over a five-year period, taking into account the Group's current position and the assessment of the Principal Risks and Uncertainties as set out on pages 48 to 50. The assessment considers both the Company's long-term prospects and also the viability of the Company over that period.

Analysis of business prospects

The Board has considered the prospects of the Company over the assessment period 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 prospects and viability over this period. These include:

- alignment with structural, sustainable growth markets with high barriers to entry;
- leading, differentiated solutions for solving customer challenges and continued investment in R&D; and
- our financial model which is asset light, highly cash generative and 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 time frame within which we assess our risks, the maturation of the Group's credit facilities and the approach taken by our peers. The assumptions and forecasts used throughout the viability period are consistent with those used in other areas involving future forecast. Taking into account all these factors the Board continues to be of the view that a five-year period is appropriate.

The Directors carried out a robust assessment of the Principal Risks facing the Group, 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. The Board has also considered the Group's RCF, which is due to expire in July 2025 as part of its assessment. On the basis of the Group's continuing strong balance sheet and ongoing support from its banking group, the Directors have assumed for the purposes of the Group's viability assessment that this will be renewed before expiry in the same amount and with the same covenant requirements.

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 38% (applied uniformly across the five-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 five-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 2028.

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 The level of severity tested ranged from c.1% to c.20% decline in sales to a 100% decline in a specific country.	• Strategic transformation • Geopolitical • 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 or climate impacts The level of severity tested ranged from c.6% cost increases, with further cost inflation of 10% to one-off costs of c.£200 million relating to a significant acquisition which fails	• Strategic transformation • Compliance • Geopolitical • Market/financial shock • Cyber threat • Talent and capabilities • Business disruption • 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 The level of severity tested ranged from c.£10 million to £30 million costs of resolving the issues to a decline in annual sales of c.£20 million.	• Compliance • Cyber threat • Geopolitical

Sustainability Report

Building our business for the future



We are evolving our approach to doing business to meet the demands of a changing world. Our stakeholders are at the heart of this evolution. We are creating a strong foundation for our future based on our stakeholders' needs and expectations. In 2023, we have advanced our ambition to become a leading sustainable business.

Sustainability Report continued

Our planet

Total carbon emissions
(tonnes CO₂e)¹

12,144

2022: 17,546

2021: 31,703

Energy Efficiency
(MWh per £1m revenue)

48.9

2022: 58.2

2021: 73.7

■ We recognise and embrace our role in tackling environmental degradation and climate change. We do this through providing products and services that reduce our customers' environmental impact and by the active management and mitigation of the impact of our own operations. We continue to make very strong progress in our ambition to become Net Zero across our own operations by 2030 and across our value chain by 2040



Read more about our progress towards

Net Zero on pages 62 and 63

Read more about our developing approach to climate risk on pages 66 to 76

Total use of renewable energy

31.9%

2022: 22.6%

2021: 10.9%

Renewable electricity in the UK

100%

2022: 100%

2021: 95%

Our value chain

Ethics: number of helpline reports

84

2022: 44

2021: 40

Group supplier spend rated via EcoVadis

26.9%

2022: 13.9%

■ The way we do business matters to us. We recognise that continually developing the ethical and social culture of our organisation and demanding the same high standards from our partners and suppliers, builds trust with all our stakeholders. This approach supports our business model and the successful execution of our Strategy to realise long-term, sustainable growth. In 2023, we made significant progress through the launch of our new Supplier Code of Conduct and in engaging our suppliers through the EcoVadis platform.



Read more about our new Supplier Code of Conduct on page 59

Our people

Gender diversity in leadership population

28.7%

2022: 20.3%

2021: 18.6%

Access to an employee assistance programme

86%

2022: 82.2%

2021: >75%

■ The long-term success and sustainability of our Group relies on the engagement, ambition and expertise of our people. We are committed to providing a safe and healthy working environment. In 2023, we have also further progressed our approach to engagement, talent, development, inclusion and mental health.



Read more about our progress

on pages 54 to 61

Total recordable incident rate

0.31

2022: 0.27

2021: 0.32

Safety observations

9,528

2022: 8,900

2021: 5,243

Total number of students reached by Spectris Foundation

43,099

2022: 21,698

Total donations agreed by Spectris Foundation

£1,365,000

2022: £551,800



Find out more about the Spectris Foundation online
www.spectrisfoundation.com

Read more the progress of the Spectris Foundation on pages 78 and 79

1. Absolute scope 1 and 2 (Market-based) emissions

Sustainability Report continued

A values-driven culture of healthy high-performance



We want our people to be happy, to be fulfilled by what they do, and to have the right skills for success. We are committed to creating a values-driven, healthy high-performance culture. A workplace with engaged, highly skilled teams that are recognised and rewarded for their contribution accelerates our Purpose to make the world cleaner, healthier and more productive.

We are focused on ensuring that our people have the right skills to build meaningful, long-term careers and to build the collective capabilities that we need to achieve our strategic ambitions.

We are proud of the progress made on our people strategy. Our Values, our approach to engagement and our leadership model have formed a distinct and strong foundation to develop our employee value proposition.

We are committed to continuous improvement and regularly review the effectiveness of our people practices within the context of the ever-changing external environment and the evolving world of work. Our approach is

underpinned by the development of our people data and diagnostics through the active use of Workday to enable smarter and more agile decision-making, and to help us predict the talent we need in the future so that we put the right plans in place today.

Boosting our Values

Our Values are an integral part of our cultural DNA. They define how we act and what we expect from each other. Our three Values Be True (integrity), Own It (accountability), and Aim High (ambition) reflect who we are as employees of Spectris.



Sustainability Report continued

Our Values are an integral part of the Spectris culture. They are woven naturally into everything we do and bring us together as a community. They are also the core of our leadership development programmes. But we don't just assume the work is done, and through structured interventions we keep our Values real, ensuring they remain fresh and have an ongoing relevance to our people.

In 2023, we rolled out a Values Booster programme across our teams in Asia to bring our Values even more to life, ensuring the right behaviours are recognised and the wrong behaviours are called out. This interactive programme presented managers with a number of challenging scenarios and encouraged an honest exchange of views and the sharing of real-life experiences. As a result of the programme, 95% of participants agreed that they are now better equipped to bring the Values to life in their teams.

95%

of participants in the Values Booster programme agreed that they were now better equipped to bring the Values to life in their teams

Putting real value on talent

Having the right people, with the right skills in the right role at the right time is critical to achieving our operational and strategic priorities. We've made major enhancements to how we manage talent over recent years and are continuing to review how we can maximise the strategic value of our most important resource: our people

We are concentrating on identifying the talent we need, building our capabilities to deliver our strategic ambitions. We identify the roles most vital to developing these capabilities and ensure appropriate plans are in place to create a sustainable talent pipeline for those roles.

In 2023, we have made enhancements to how we evaluate potential through the organisation. We have improved our

approach to succession planning to ensure we look deeper into the business to identify talent and offer opportunities to grow.

We continue to build greater dialogue across the organisation to break down any functional and geographical barriers to talent development. Our approach is creating transparency and helping us match the right people to the right jobs at the right time; ensuring that we build our strategic capabilities whilst further opening up opportunities for our people.

Building manager accountability for employee engagement

We continue to make encouraging progress on our journey to creating a high-engagement culture. The results from our third Gallup annual employee engagement survey demonstrate the success of our approach while also highlighting the opportunities for further improvement.

In 2023, a key focus has been supporting people managers to take accountability for action-planning based on their survey results. We measured the difference in engagement scores for teams whose managers undertook active action planning with their teams and highlighted the real difference this makes to how connected people feel to the company culture, their work and their colleagues.

All managers are required to take accountability for driving engagement in their teams. Every manager is expected to have open and honest discussions about what's working well, and what could be better. Action plans are agreed and driven at a team level with leaders encouraged to regularly review progress and course-correct when needed.

We are recognising and celebrating managers who have built highly engaged teams, while providing targeted coaching and support to those who need help to improve engagement. In this focus, we recognise that great managers are the key ingredient for success in our engagement journey and we are focusing on helping our managers to become role models of engagement.

Employee turnover

2023	2022	2021	2020	2019
10.6% ¹	13.5%	15.6%	13.6%	11.4%

1. Of the total labour turnover, 58% of leavers were resignations, 14% were retirements and 8% were redundancies with the remaining 20% leaving for a variety of other reasons

Employee engagement (GrandMean)

3	4	5
2023	3.92	
2022	3.86	
2021	3.72	

Spotlight

Developing leadership

Building a values-based healthy high-performance culture requires a leadership population equipped with the right behaviours, skills and knowledge. Being a leader at Spectris means knowing how to build great teams; enabling them to play to their strengths; modelling our Values and inspiring them to do great things. We continue to build future leaders through various management programmes across our businesses.

In 2022 we launched our global leadership programme, Ascend, and our first cohort graduated in May 2023. This 100% virtual and highly interactive course is built around the themes of our leadership model, helping leaders inspire their people, strengthen their teams and grow the business. The programme has received really positive feedback from participants and those who work with them, with nearly 90% of participants' managers agreeing that they have become better leaders because of what they learned.

The second cohort of leaders began their Ascend programme in September 2023. Many of the graduates from the first cohort are acting as mentors - providing practical guidance on how best to apply the learnings from the programme in their leadership roles and wider day-to-day life

90%

of participants' managers agreed that they have become better leaders following their participation in the Ascend programme.

VOICES OF EXPERTISE

"A truly remarkable leadership course. Really well planned, structured, organised and delivered. It was a joy to attend and so much of the content will stay with me. I feel privileged to have been in the first cohort."

Anna-Lisa Miller
Group CIO

Sustainability Report continued

We are committed to building a diverse and inclusive business



To build our business for the future, we need the best team, a diverse mix of people and skills, where different ideas can grow, and where everyone can succeed. Our ambition to reflect the full diversity of the communities in which we operate and trade is therefore essential – but we also recognise that creating true diversity is challenging and building an inclusive culture is a continuous journey.

In 2023, we reached the milestone of 40% of our Board being comprised of women, reflecting the target set by the FTSE Women Leaders' review. This year we also made good progress in improving gender diversity in our senior leadership population, attracting, promoting and retaining more diverse talent. As at the end of 2023, 28.7% of our senior leadership population are women (2022: 22%). In recognition of the importance of growing the gender diversity in our leadership population, we have set an ambition that by 2030 40% of our senior leadership population will be women. To reach our ambition, we are taking targeted action, including:

- embedding tailored diversity, inclusion and belonging dashboards in our Organisation Capability Review process which is reviewed annually by the Group Executive and Board;
- commencing the review of Group-wide policies to support gender-neutral parental leave and caregiver leave;

- the active development of inclusion groups across the Spectris Dynamics Division;
- reviewing the Group's recruitment practices to ensure they contain suitable safeguards to avoid unconscious bias; and
- joining the 25x25 initiative, working with like-minded peer companies to explore the pathways to developing diverse talent.

At the same time, we recognise the importance of developing ethnic diversity, and wider forms of representation, across our leadership population and wider workforce. In 2023, we took early steps towards voluntary reporting of ethnic diversity data in compliance with the requirements of the Parker Review. Our Board composition is compliant with the Review and as requested by the Review, we have set a target to ensure that 10% of our UK leadership population is ethnically diverse by 2027.

While we agree with the spirit of the Parker Review, setting this target does not fully reflect the challenge the Group must overcome to create an ethnically diverse senior leadership community across the world. With employees in over 30 countries, our ambition is to ensure our leadership community fully reflects and represents our employee base and the geographies in which we operate. In particular, we recognise the need to develop leadership pathways for our employees based in Asia. We believe that, by fully reflecting the geographic diversity of the Group in our leadership community, we will be building authentic ethnic diversity, that truly reflects the necessary diversity of thought and experience the Group needs to build a sustainable future. Building a

fuller picture of our existing diversity, to create a baseline to measure progress, is challenging and we are cognisant of the varying laws and regulations that limit, and in some cases prohibit, us requesting diversity data, and notably ethnic diversity data from employees. Developing our baseline data within these constraints is a key focus for the Group in 2024.

We are evolving our culture to encourage a mindset and behavioural shift on inclusion and belonging at all levels of our organisation. Beginning with the rollout of the PwC immersive virtual reality experience, 'In My Shoes', to the global senior leadership population and head office employees. We have developed a programme of work to ensure that we build a future-focused inclusive organisation where every employee can feel that they belong. During the year, our Divisions progressed the establishment of employee resource groups to complement our Group-wide work. These resource groups have been instrumental in advising regional management on a range of topics to help deliver real change in our employee experience.

Our ambition to build a more diverse company and a more inclusive culture is underpinned by the commitments set out in our Code of Business Ethics. We have a zero-tolerance policy in place for any form of discrimination or harassment and we are committed to embracing diversity and inclusion across the Group. We aim to provide equal opportunity in recruitment, career development, promotion, training and reward for all employees – regardless of ethnicity, national origin, religion,

gender, age, sexual orientation, marital status, disability, or any other characteristic protected by applicable laws. Where existing employees become disabled, our policy is to engage and use reasonable accommodations or adjustments to enable continued employment

Gender diversity in senior leadership

28.7%

(2022: 22%)

Percentage of women on the Board

40%

(2022: 33%)

Sustainability Report continued

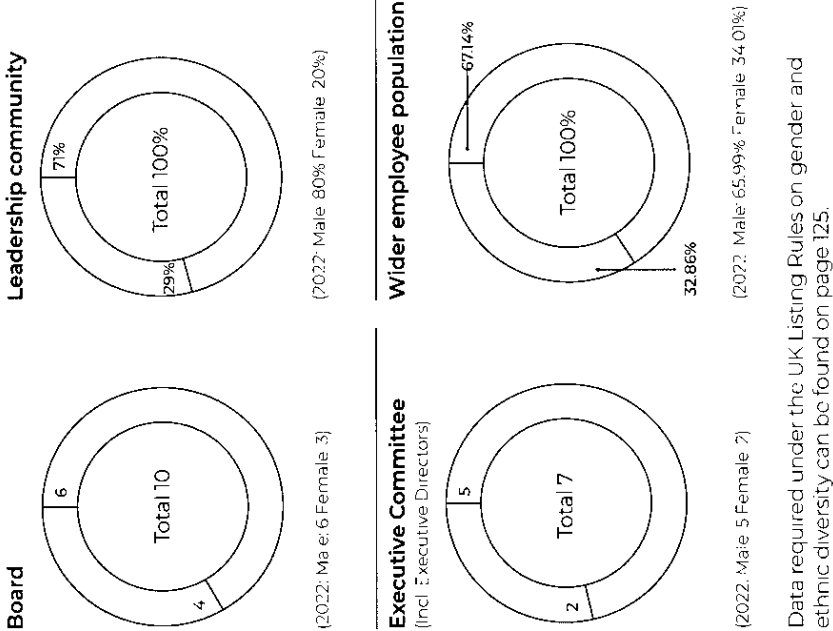
In December 2023, the Group was proud to join the 25x25 initiative, joining other UK listed industrial peers to create new and defined pathways for women to reach the role of CEO. The initiative recognises that the concept that talented women will ‘bubble-up’ into senior positions by virtue of volume is unproven and a clearer focus is needed on the early identification of talent and the formation of clear progress routes. We are pleased to be working with peer companies in our sector who are managing similar demographics, career disciplines and geographies to enhance gender diversity across the industrial sector.



“25x25 resonates deeply with our Values of equity and inclusion. By working with our peers, we aim to drive positive change within Spectris, across our industry, and through the entire business community.”

Andrew Heath
Chief Executive

Employees by gender and role
as at 31 December 2023



Gender pay gap reporting
for the year ended 31 December 2023

Bonus pay gap: Mean	11.7%	(2022: 37.2%)	Gender pay gap: Mean	11.5%	(2022: 21.7%)
Bonus pay gap: Median	11.2%	(2022: 31.6%)	Gender pay gap: Median	15%	(2022: 18.6%)



Our Board Diversity Policy sets out our ambition for building and maintaining diversity in our senior leadership population.



Find out more about our diversity policy online
www.spectris.com/building-a-sustainable-business/people/diversity-and-inclusion/

Sustainability Report continued

Living by our Values



At Spectris, we uphold our Values of Be True, Own It, and Aim High, which embody the traits and behaviours we strive for when conducting our business.

The foundation of our ethical standards is reflected in our Code of Business Ethics which sets out the expectations and responsibilities for all employees to act with absolute integrity. This is embedded through annual Code of Business Ethics refresher training, with 96% of employees completing this refresher training in 2023.

We are committed to maintaining high ethical standards in all our global operations, and we expect our suppliers and other business partners to adhere to the same principles. Our third-party risk management processes require export controls and sanctions screening, and regular assurance activities, the effectiveness of which is overseen by the Board and Executive Committee.

Speak Up

We are dedicated to fostering a culture of 'speak up', encouraging individuals to freely voice their concerns and to call out behaviours that do not align with our Values. We acknowledge the significance of ensuring that those who speak up feel supported and at ease and provide assurance through tone from the top and our network of business ethics officers. We offer multiple routes to speak up including an independent helpline

(www.spectrishelpline.com) that employees, stakeholders and third parties can use to raise ethics and compliance questions and concerns. Our Spectris helpline cases are reviewed and triaged appropriately to ensure sufficient investigation, reporting and remediation activities are carried out. The Audit and Risk Committee receives regular updates on the Group risks identified through our helpline cases with the Board undertaking an annual review.

During 2023, the total number of reports received by the Spectris helpline was 84 (2022: 44) and, after investigation, 29 of the reports were substantiated. This is a significant increase from the case numbers reported in 2022 and reflects both the emphasis placed on encouraging employees to raise concerns and the heightened awareness and willingness among employees to speak up. Disciplinary action was taken against 26 individuals based on the severity of the misconduct identified: final warning (1 person); verbal feedback (6 people); written warning (7 people); resignation in lieu of notice (2 people); suspension (1 person); performance improvement plan (1 person); termination mutual agreement (2 people); termination with cause (4 people); warning (1 person) and verbal warning (1 person).

Spotlight



Spectris Ethics Week: Nurturing a culture of integrity, transparency and respect

In an initiative to reinforce its commitment to ethical practices, Spectris organised an Ethics Week, which involved a dedicated series of events and discussions across our Group that delved into crucial topics such as organisational culture, the ethical implications of AI, and the importance of fostering a culture of open communication through the 'speak up' ethos. The week also provided an opportunity for our businesses to recognise individuals who were nominated for their exceptional efforts in exemplifying our Values through their dedication to ethics and compliance initiatives.

Employees completing refresher training in 2023

96%

Ethics

Number of helpline reports received

	2023	2022	2021	2020	2019
	84	44	40	37	54

Our Values



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.

Sustainability Report continued

Committed to sustainable supply chains



We are committed to doing business in the right way, mindful of our impact on the communities in which we operate and wider society. This commitment is underpinned by our membership of the UN Global Compact.

We are very conscious that one of the biggest sustainable impacts we can have is through our supply chain. In 2023, we have taken meaningful steps forward in managing that impact through the publication of our new Global Supplier Code of Conduct.

This Supplier Code underpins our commitment to ethical business practices and sustainable supply chains. The Supplier Code serves as the foundation of our operations, outlining the minimum standards we expect from our valued supply chain partners and how we would like them to work with us to fulfil our wider sustainability ambitions.

The Supplier Code outlines our commitment to integrity, transparency, and responsibility and it provides a comprehensive framework that guides our interactions with suppliers and reinforces our core values of Be True, Own It and Aim High. The Supplier Code works in tandem with Our Code of Business Ethics, creating a robust foundation for our business practices. We require that all suppliers commit to the highest standards of ethical conduct when dealing with their workers, suppliers and customers.

Suppliers are expected to support and respect all internationally recognised human rights in any part of its supply chain. These are those expressed in the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organization's Declaration of Fundamental Principles and Rights at Work from time to time in force. Suppliers must actively identify and address potential violations across their own operations and throughout their value chain. We are confident that by collectively embracing the standards in our Supplier Code with our supply chain, we will strengthen our global impact and reinforce our position as a leading, sustainable business.

Spotlight



Monitoring supplier performance

ecovadis

We are committed to monitoring the environmental, social, and ethical performance of our supply chain. We manage this through the EcoVadis platform with 66.7% of Malvern Panalytical and 24.2% of HBK spend currently assessed. In 2024, we will extend the EcoVadis platform to Servomex and PMS. The annual external verification of our supplier data provided by sustainability experts and reporting dashboards provided through the EcoVadis platform allow us to take informed decisions on the use of suppliers and to build an ongoing dialogue to ensure our sustainability ambitions, including our Net Zero ambition, are reflected in our supply chain.

Malvern Panalytical supplier spend rated via EcoVadis

66.7%

HBK supplier spend rated via EcoVadis

24.2%



Read more about our Global Supplier Code of Conduct

www.spectris.com/building-a-sustainable-business/ethical-business/supplier-code-of-conduct/

Sustainability Report continued

A safety-first culture

The Group is committed to the highest standards of health and safety and maintaining a proactive safety culture. We adhere to all laws and regulations governing safe working practices and often go beyond local legal requirements to ensure that the policies and practices at our sites and the behaviours of our people are driving towards a zero-accident safety culture.

Total recordable incidents

There were no work-related fatalities of employees or contractors in 2023 (2022: nil). Our key performance indicator is our Total Recordable Incident Rate (TRIR) as defined by the US Occupational Safety and Health Administration. The TRIR increased in 2023 to 0.34 (2022: 0.26). All events were thoroughly investigated at a site level, and corrective actions shared and implemented across the Group.

The Group's Health and Safety Committee has taken time to review and assess the increase in recordable incidents. In 2023, there was a marked increase in recordable incidents caused by non-routine tasks, representing around 20% of total recordables in the year. The variation in the mix of incidents compared to the prior year has

highlighted the challenge of low-risk events leading to recordable incidents, such as cuts and grazes. The development of a clear and consistent approach to reporting health and safety incidents is also considered by the Committee to be a contributory factor to the rise in recordable incidents. We are committed to creating a culture in which our people are empowered and encouraged to challenge their environment and take action for improvement and as we build awareness, we do expect some increase in recordable incidents as employees better understand reporting processes. We expect that this trend will be reversed as we challenge the root causes of these incidents through the continued reinforcement of our safety principles.

Safety observations

The Group continues to also measure the leading indicator of safety observations as a core value driver across the Group. Creating a culture where everyone is responsible for their own safety and the safety of those around them aligns with our Values and is the foundation of a safety-first culture. In 2023, our safety observations increased to 9,528 (2022: 8,900), with observations recorded through the Global Benchmark system and acted on locally, with thematic reviews undertaken by the Group's Health and Safety Committee.

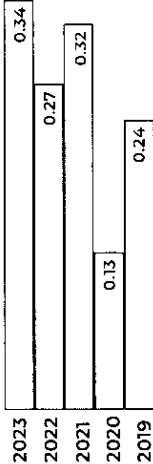
To further support the development of the Group's safety-first culture, the Committee leveraged the experience of members and

the findings from incident investigations to create a guide of best practice that has been shared across the Group. A further key success was the introduction and endorsement of a suite of online training modules focused on specific needs at key sites with the intention of addressing localised safety gaps and placing health and safety at the centre of daily decision-making.

Safety observations

9,528
(2022: 8,900)

Total recordable incident rate



Safety-first culture aligned to our Values

As an integral aspect of our safety-first culture, a key focus for 2023 was the implementation of a comprehensive Group-wide Health and Safety Policy. The Policy is aligned with the Group's values and was supported by a Group-wide video communication, reaffirming the Group's commitment to a safety-first culture. The Policy was launched by Andrew Heath and Ben Bryson, in his capacity as leader of the Health and Safety Committee, and confirmed that of all our ambitions as a Group, our first priority is the health, safety and wellbeing of our people. The communication also highlighted that every safety observation made is a reminder that we all have a responsibility to call out risks and intervene when we see something is unsafe.

Spotlight

Sustainability Report continued

Prioritising mental health



We are committed to creating a positive and open culture around mental health.

It is crucial that we cultivate an environment where mental health is a continuous and open topic of discussion, where seeking support is encouraged, and where there is always a network of individuals and programmes that are ready to provide help and guidance. This focus underpins the development of our healthy, high-performance culture.

The Group's culture is formed by the behaviour of our leaders. In October, we invited David Beeney to our Leadership Conference for a second year to speak with the leadership community on the importance of creating a healthy culture to deliver high performance. Leaders were reminded about

the key techniques to open discussions and their important role in creating a safe space to talk about mental health.

In October we also marked the third year of our celebration of World Mental Health Day. During this time, we organised global wellbeing sessions in several languages, aligned to our 'Time to Talk' campaign. These sessions addressed various aspects of well-being and mental health, including the important aspect of financial wellbeing, resilience and support for working parents.

In 2023, we worked with HSBC to provide financial wellbeing seminars and advice to employees, and in 2024 financial wellbeing will be a continued focus across the Group.

By collectively prioritising positive mental health, we are building stronger, more resilient, and more compassionate teams.

Access to an Employee Assistance Programme

86%

2022: 82.2%

Spotlight

A healthy high-performance culture in action

- During 2023, we continued to drive our Group-wide mental health campaign 'Time to Talk'. Significant strides were made across the Group to focus on the mental wellbeing of our workforce, ensuring our people both receive support and recognise their role in creating our culture. Some highlights and achievements were:
 - Spectris China was awarded the status of a Gold Standard Certified Company through the 2023 China Corporate Health Management Forum, organised by the HR Excellence Center – one of the China's largest and most influential membership-based networks for HR professionals.
 - Malvern Panalytical launched a new Employee Assistance Programme which provided support in geographies not previously covered ensuring that all employees now have access to independent, confidential and professional support
 - Employee Assistance Programme coverage in Asia reached 100% of employees, including all manufacturing plants.
 - Servomex were awarded the Gold Wellbeing at Work Award through East Sussex Public Health.

Sustainability Report continued

Reaching Net Zero

Our Net Zero commitment is ambitious and is supported by our targets which are validated by the Science Based Targets initiative against a 1.5°C warming scenario. We have made meaningful progress towards our ambition, reflected in our A- CDP score awarded in 2023.

Our roadmap

Since setting our Net Zero ambition in 2021, the Group has focused on identifying and implementing emissions and energy-saving initiatives in our operations, guided by the Schneider Electric-led emissions and energy efficiency assessments completed in 2022. Our approach is clearly detailed in our Roadmap to Net Zero, with nominated leaders within each of the businesses responsible for introducing initiatives aligned to their bespoke roadmaps. In scopes 1 and 2, energy efficiency measures have been introduced at many of our manufacturing sites, supported by the installation of on-site solar generation. Meanwhile, on scope 3, we have focused on building supplier engagement through the use of EcoVadis, as well as developing our approach to product sustainability through life cycle assessments. We have committed a minimum of £3 million per annum to fund our ambition, spending £3.2 million in 2023.

Our ambition:

Spectris operations

Net Zero by 2030
(scope 1 and 2 emissions)

Our value chain

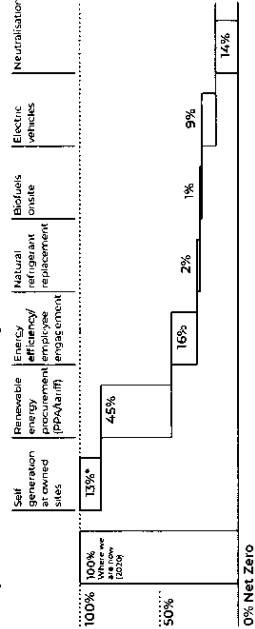
Net Zero by 2040
(scope 3 emissions)



Read our full Net Zero roadmap

[www.spectris.com/assets/
Uploads/Documents/
Roadmap-to-Net-Zero.pdf](https://www.spectris.com/assets/Uploads/Documents/Roadmap-to-Net-Zero.pdf)

Scope 1 and 2 – Our Roadmap



In 2023, initiatives introduced across our largest global manufacturing sites have enabled a 27% like-for-like reduction in scope 1 and 2 (market-based) emissions since 2022. The case study on the following page highlights some of the key successes towards achieving this reduction from across the Group. In 2023 we also took steps to improve the quality of data used for tracking electricity and natural gas consumption through the commencement of the installation of real-time energy monitoring leading to emissions reductions through more granular energy management.

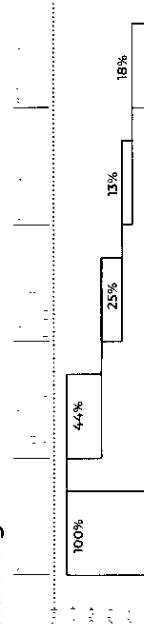
Key activity in 2023

- Solar generation capacity installed at Malvern, Royston and Crowborough
- HBK's Darmstadt and Suzhou achieved 11.2% year-on-year savings in energy consumption largely through optimisation and upgrade of HVAC
- Installation of real-time energy monitoring at Almelo and Eindhoven
- Installation of intelligent lighting and LED at Eindhoven, Almelo and Crowborough
- PMS has now transitioned 38% of its fleet to electric and hybrid

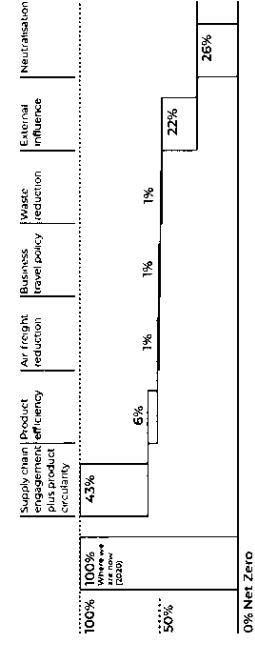
Planned activity for 2024

- Continued roll-out of renewable energy generation at key manufacturing sites, including Darmstadt, Marlborough, Almelo, and Malvern
- Continued roll-out of real-time energy monitoring at key manufacturing sites
- Expansion of electric vehicle and hybrid vehicle use in line with our EV100 commitment

Reaching Net Zero



Scope 3 – Our Roadmap



In 2023, we have continued to focus on progressing supply chain and product sustainability as the two key levers of our scope 3 roadmap across the Group.

For supply chain, our partnership with EcoVadis has enabled us to capture actual emissions data from suppliers. In 2022, we began this work in Malvern Panalytical, which has now captured 66.7% of its purchasing spend within the EcoVadis supplier engagement programme (2022: 43.1%). In 2023, we expanded the programme in HBK, which has now captured 24.2% of supplier spend. This data has supported the move to a supplier-specific methodology for calculating supplier-related emissions in our scope 3 reporting, as set out on page 64.

For product sustainability, Servomex has completed the design of a sustainable product taxonomy with the support of Finch and Beak, the results of which have been used to inform Servomex's product roadmap. The results have also been incorporated into our scope 3 emissions reporting with the support of EcoAct, to allow us to move some of our reporting to the supplier-specific method, the most accurate method of reporting. In 2023, the approach has now been expanded to PMS, which has designed its own sustainable product taxonomy with Finch and Beak for two representative products: Armet II, and Chem 20.

Planned activity for 2024

- Expand EcoVadis programme to PMS and Servomex
- Commence a supplier engagement programme with key suppliers based on the outcome of the EcoVadis programme
- Expand product lifecycle assessments across the remainder of the Group
- Completion of zero-waste-to-landfill audits at key sites

Sustainability Report continued

Case study

Net Zero success from around the Group

HBK

Darmstadt and Suzhou, representing 56.8% of HBK's total 2023 carbon emissions, both have local energy management teams working with the site lead and Net Zero focal point to create and implement a raft of energy-saving ideas. These ideas include changing lightbulbs for LED and motion-sensing replacements, and upgrading air-conditioning units, to adjusting production processes involving ovens for heating to optimise energy use whilst maintaining, and enhancing, product quality. In 2023, Darmstadt was awarded 'Site Energy Saver Of the Year' at HBK due to achieving the largest reduction in emissions of all of HBK's sites in the previous year. Suzhou has also managed to reduce its electricity and steam consumption by 10% year-on-year. HBK has saved around £0.3 million at Darmstadt and Suzhou compared to 2022 through these initiatives.

"The site-based teams at HBK are making a huge difference to our energy consumption and CO₂ emissions – it's a real honour to guide and support them."

Lawrence Grasty

Director – Net Zero, HBK

In 2023, we have seen progress across our businesses as Net Zero has increasingly become embedded into our operations and culture. This has included implementing some of the outcomes of the Schneider Electric energy and emissions efficiency assessments. The adjacent case study presents some of the main highlights from 2023 from each of our businesses, focusing on the successes at some of our key manufacturing sites. In 2024, we will be continuing to build on the success of 2023, guided by the development of our Net Zero Transition Plan, and sharing learnings across the Group as we transition to Net Zero.

% of suppliers by spend captured by Malvern Panalytical in EcoVadis

66.7%

Year-on-year energy savings achieved at HBK Darmstadt and Suzhou

11.2%

Servomex

In 2023, our Crowborough site made significant improvements in energy efficiency through the installation of a new high efficiency cleanroom HVAC, expected to save 3% of its electricity consumption per year, and the installation of LED lighting (expected to save 3.5% of electricity consumption per year). In addition, they have installed solar panels on the roof which is estimated to provide 15% of the site's electricity demand. This progress has helped it towards achieving an EcoVadis gold award for the second year running, and being shortlisted for two awards at the Energies Industries Council 2023 National Awards Dinner.

Malvern Panalytical

In 2023 Malvern Panalytical have worked to embed multidisciplinary approaches further into its approach to sustainability. Teams across R&D, facilities, HR, finance, and IT came together to hold kaizens to identify sustainability solutions at Almelo and Eindhoven for reducing scope 1, 2 and 3 emissions against the Group's Net Zero ambition. The kaizens led to around 90 projects being identified ranging from LED and intelligent lighting installations to IT waste reduction initiatives. The projects are now being distributed to different teams and the work so far has contributed to a 171% reduction in energy consumed at Almelo in 2023.

Estimated annual future savings made by HBK

£0.3 million

through energy-saving initiatives at Darmstadt and Suzhou

Red Lion Controls

Red Lion Controls led a literature reduction project to reduce the number of pages included in its product boxes, which will also help their customers to reduce their own waste. Thanks to the expertise of the working groups at Red Lion Controls, spanning the regulatory, product, management, engineering, legal and technical documentation teams, it was able to reduce the number of pages included in product boxes by over 90%, saving 1.3 million printed sheets of paper per year.

Particle Measuring Systems

PMS has been powered by 100% renewable electricity since 2022, and has successfully transitioned more than one-third of its fleet to electric and hybrid vehicles. The team in Boulder has reduced waste generated in operations by 40% year-on-year driven by better measurement and monitoring of waste and identifying recycling opportunities. In 2023, PMS also made progress in developing sustainable packaging for their products, including eliminating unnecessary packaging and using recycled materials where possible.

Sustainability Report continued

Environmental reporting

Environmental performance summary (absolute)¹

Energy consumption (MWh)	Energy efficiency (MWh per £m revenue)
70,878 (2022: 77,194) (2020: 123,205)	48.9 (2022: 58.2) (2020: 92.2)
Greenhouse gas emissions (tonnes CO ₂ e) ²	Total carbon emissions (tonnes CO ₂ e per £m revenue) ²
12,144 (2022: 17,546) (2020: 43,111)	8.4 (2022: 13.2) (2020: 32.3)

1. 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.
2. Scope 1 and 2 (market-based) absolute emissions

We are committed to transparent reporting of our carbon footprint and our transition towards Net Zero.

Restatement of comparative environmental data

Comparative data disclosed on page 65 has been restated to reflect the following changes:

- Removal of data relating to the divestments of Concept Life Sciences which took place on 31 March 2023, and addition of data relating to the acquisitions of MicroStrain and EMS which took place during September 2023 and October 2023, to support a fair comparison of the Group's in-year environmental performance. This approach, in line with Greenhouse Gas Protocol (GHG Protocol) guidelines and consistent with reporting in 2020, will be followed for all future material acquisitions and divestments
- Replacing estimated data with actual data where available for prior years

Scope 1 emissions

Scope 1 emissions have decreased by 5.4% on a like-for-like basis during 2023. This is primarily due to energy efficiency activities across a number of our manufacturing sites, including at Boulder, Almelo and Eindhoven.

Scope 2 emissions

Market-based scope 2 emissions have decreased during 2023 by 35.3% like-for-like. This has been primarily driven by the green electricity secured at Suzhou. Energy efficiency improvements across our manufacturing sites have also contributed to reducing our emissions from electricity and steam. HBK in particular has achieved significant emissions savings by increasing the efficiency of steam and district heating used at Darmstadt, Suzhou, and Virum

Scope 3 emissions

This is the third year of reporting against all relevant scope 3 categories, which in 2023 has included category 15 (investments) for the

first time as it is now considered material following the investment in LumaCyte in 2023

In 2023, we further improved scope 3 data quality by accelerating our move away from a spend-based methodology to one that uses supplier-specific emissions data, by introducing more primary data for our calculations of categories 1, 2, 11 and 12.

For our suppliers, we have used EcoVadis to collect primary carbon emissions data which is being used to calculate categories 1 and 2. As of 2023, Malvern Panalytical has captured 66.7% of supplier spend in EcoVadis, and HBK has captured 24.2% of supplier spend in EcoVadis. EcoVadis use will be expanded to PMS and Servomex in 2024.

For our products, Servomex and PMS have developed life cycle assessments of their product portfolios, with Servomex's results now being incorporated into our calculations of categories 11 and 12. The life cycle assessments undertaken to date have enabled the identification of emissions and energy-saving opportunities through product design and supplier engagement. This approach will be expanded to Malvern Panalytical and HBK in 2024.

Geopolitical challenges affected our ability to move goods by ocean rather than air, whilst business travel has continued to shift to pre-pandemic levels, affecting our emissions performance for logistics and business travel

Streamlined Energy and Carbon Reporting (SECR)

This is our fourth 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 2023, 3.8% of our scope 1 and 2 (market-based) emissions were generated in the UK.

Sustainability Report continued

Environmental performance summary (absolute)¹

Indicator	2023 ¹	2022 ¹	Base year 2020
Energy consumption (absolute) (MWh)	70,877.6	77,194.3	123,205.0
Energy efficiency (MWh per £m revenue)	48.9	58.2	92.2
Greenhouse gas emissions (tonnes CO ₂ e) ²	12,144.1	17,546.0	43,111.0
Total carbon emissions (tonnes CO ₂ e per £m revenue) ²	8.4	13.2	32.3

1. 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.

2. Scope 1 and 2 (market-based) emissions

Energy consumption (like-for-like)^{3,4}

Unit of measurement – MWh	Change	2023	2022	Base year 2020
Electricity	-5.5%	38,389.4	40,639.6	39,268.5
– of which renewable	16.9%	22,596.9	19,323.8	2,966.0
Natural gas	1.7%	5,503.3	5,408.9	6,049.7
Fuel oil	-0.4%	17.7	17.8	28.4
Steam and other imported energy	-12.3%	13,047.5	14,879.8	13,930.2
Other fuels	-18.5%	288.8	354.3	64.4
Vehicle energy	-0.8%	13,630.9	13,744.5	18,165.9
Total energy*	-5.6%	70,877.6	75,044.8	77,507.1
– of which UK*	-25.7%	6,101.5	8,212.4	5,761.7

3. All like-for-like numbers have been restated to reflect the divestment of Concept Life Sciences, and the acquisitions of EVs and MicroStrain during the year

4. 1% of scope 1 & 2 (location-based) emissions and 11% of total energy data has been accrued or estimated as per the methodology detailed in the basis of reporting document available at www.spectris.com/environment

Waste data (like-for-like)⁵

Base year 2020	2023	2022	Base year 2020
Total waste captured (tonnes)	4,083.8	1,649.4	4,824.6
– of which landfill	249.7	122.4	3,447.9
Waste recycling rate ⁵	85.8%	78.9%	25.9%
Waste diversion rate ⁶	93.9%	92.6%	28.5%

3. All like-for-like numbers have been restated to reflect the divestment of CLS, and the acquisitions of EVs and MicroStrain during the year

5. Proportion of waste recycled, including that of composted organic matter

6. Proportion of waste diverted from landfill via recycling, composting or incineration

Greenhouse gas emissions (tonnes CO₂e) (like-for-like)³

Unit of measurement – tonnes CO ₂ e	Change	2023	2022	Base year 2020
Scope 1 ¹	-5.4%	4,373.6	4,623.2	6,393.5
Scope 2 – Location-based*	-4.2%	16,103.8	16,814.0	17,832.0
Scope 2 – Market-based*	-35.3%	7,770.5	12,011.1	17,413.4
Scope 1 & 2 (Location) total	-4.5%	20,477.4	21,437.2	24,225.5
– of which UK	-12.0%	1,144.6	1,300.9	1,391.5
Scope 1 & 2 (Market) total ¹	-27.0%	12,144.1	16,634.3	23,806.9
– of which UK	-30.2%	461.1	660.7	1,367.1

7. 1% of scope 1 & 2 (location-based) emissions and 11% of total energy data has been accrued or estimated as per the methodology detailed in the basis of reporting document available at www.spectris.com/environment

Scope 3³ (like-for-like)³

Unit of measurement – tonnes CO ₂ e	Change	2023	2022	Base year 2020
Category 1 – Purchased goods and services	-21.1%	168,313.7	213,441.8	162,104.6
Category 2 – Capital goods		(Included in Category 1)		
Category 3 – Fuel & energy related activities ^{9,9}	-8.3%	1,759.3	1,917.8	2,159.4
Category 4 – Upstream transportation / distribution ^{9,10}	42.6%	22,243.9	15,595.5	20,822.9
Category 5 – Waste	139.2%	208.4	87.1	1,177.4
Category 6 – Business travel ^{9,9}	95.7%	9,707.3	4,959.9	3,565.6
Category 7 – Employee commuting	24.6%	12,369.4	9,924.0	11,093.3
Category 9 – Downstream transportation / distribution		(Included in Category 4)		
Category 11 – Use of sold products	-6.7%	246,422.3	263,984.7	210,613.2
Category 12 – End-of-life treatment	170.8%	140.5	51.9	50.0
Category 15 – Investments	0.9%	3,946.6	3,911.7	68.8
Total scope 3 ³	-9.5%	465,111.4	513,874.3	411,655.1
Total gross emissions (Market-based)	-10.0%	477,255.5	530,508.6	435,462.1

3. All like-for-like numbers have been restated to reflect the divestment of Concept Life Sciences, and the acquisitions of EVs and MicroStrain during the year

8. Scope 3 categories 8, 10, 13, 14 are not included as not relevant to the Group's business model

9. In 2022, Deloitte provided independent third-party limited assurance against scope 1 and 2 emissions and scope 3 (categories 3, 4 and 6). Those assured figures have been restated to reflect the divestment of CLS, and the acquisitions of EVs and MicroStrain and have not been subject to further assurance in 2023

10. Category 4 2022 emissions have been restated to reflect new data becoming available relating to our logistics.

*Data assurance and methodology

Deloitte has 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. Deloitte's full unqualified assurance opinion, which includes details of the metrics assured, can be found at www.spectris.com/environment

Sustainability Report continued

Taskforce on Climate-related Financial Disclosures (TCFD)

Governance

We have undertaken a comprehensive programme of work to support our considered view of the risks and opportunities present in climate change. We have set out below our Climate-related Financial Disclosures consistent with all of the TCFD recommendations and recommended disclosures in compliance with Listing Rule 9.8.6R.¹

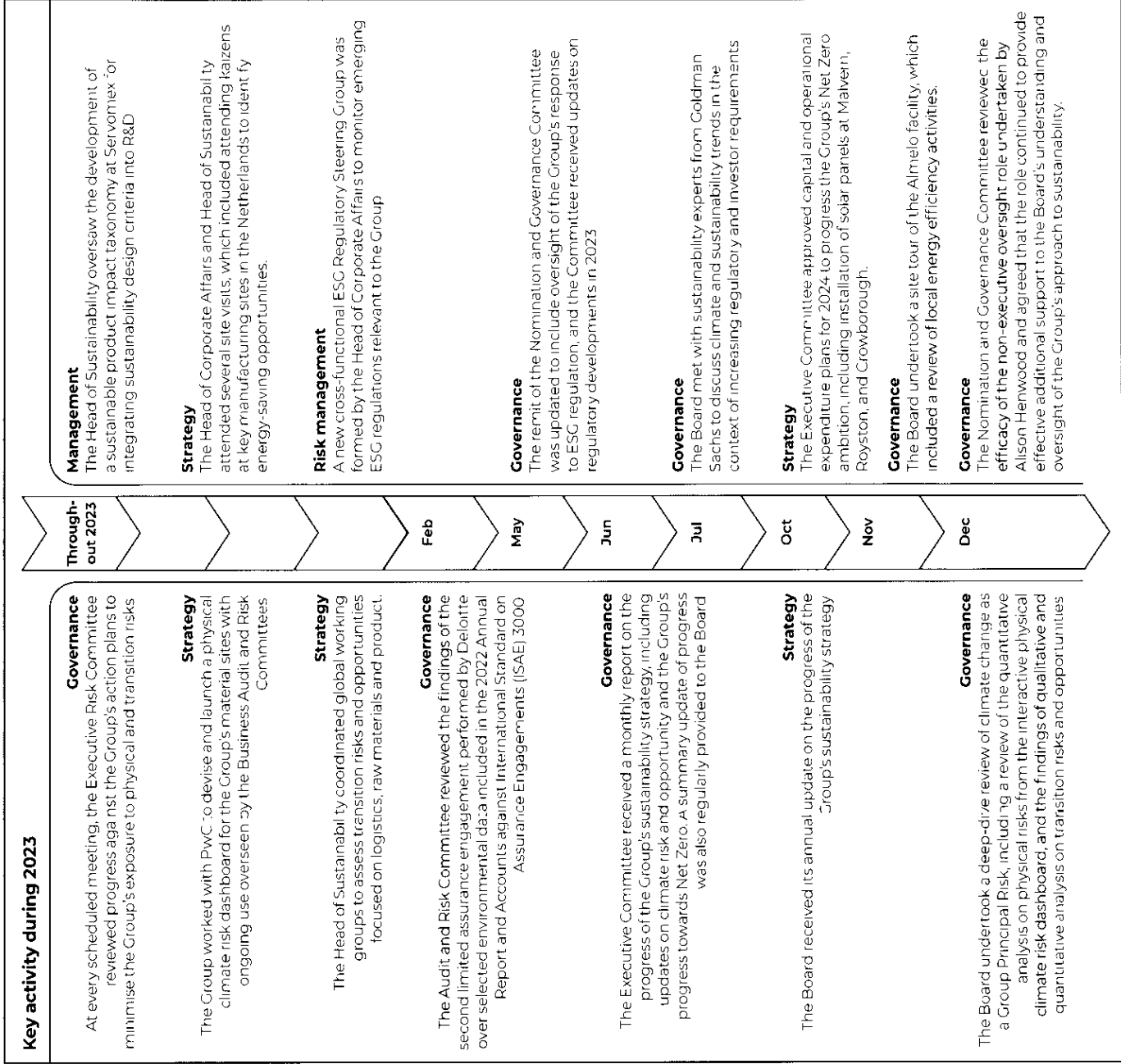
Oversight of climate-related risks and opportunities

The Board oversees the delivery of the Group's Strategy for Sustainable Growth, a key priority of which is the management of climate-related risks and opportunities. Andrew Heath, Chief Executive, is the Executive Board Director responsible for implementation and delivery of the Group's Strategy for Sustainable Growth and is supported in this by the Head of Corporate Affairs and Company Secretary, Rebecca Dunn, a member of the Group Executive Committee. The Board is supported in the oversight of climate-related risks and opportunities by Alison Henwood who is the designated Non-executive Director with oversight of sustainability matters. The Board Committee structure also includes groups specifically formed to manage climate-related and wider sustainability risks and opportunities.

A summary of the roles and responsibilities in relation to climate change is set out in the diagram on page 67.

During 2023, the Board and the Committees of the Board received updates at five scheduled meetings on the progress of the Group's adaptation to climate change through the lenses of strategy, acquisitions, budget, risk and the assurance of the metrics utilised by the Group to monitor progress towards Net Zero. This included a deep-dive review of the Group's approach to the identification and mitigation of climate change risk as part of an ongoing series of deep-dive reviews of the Group's Principal Risks.

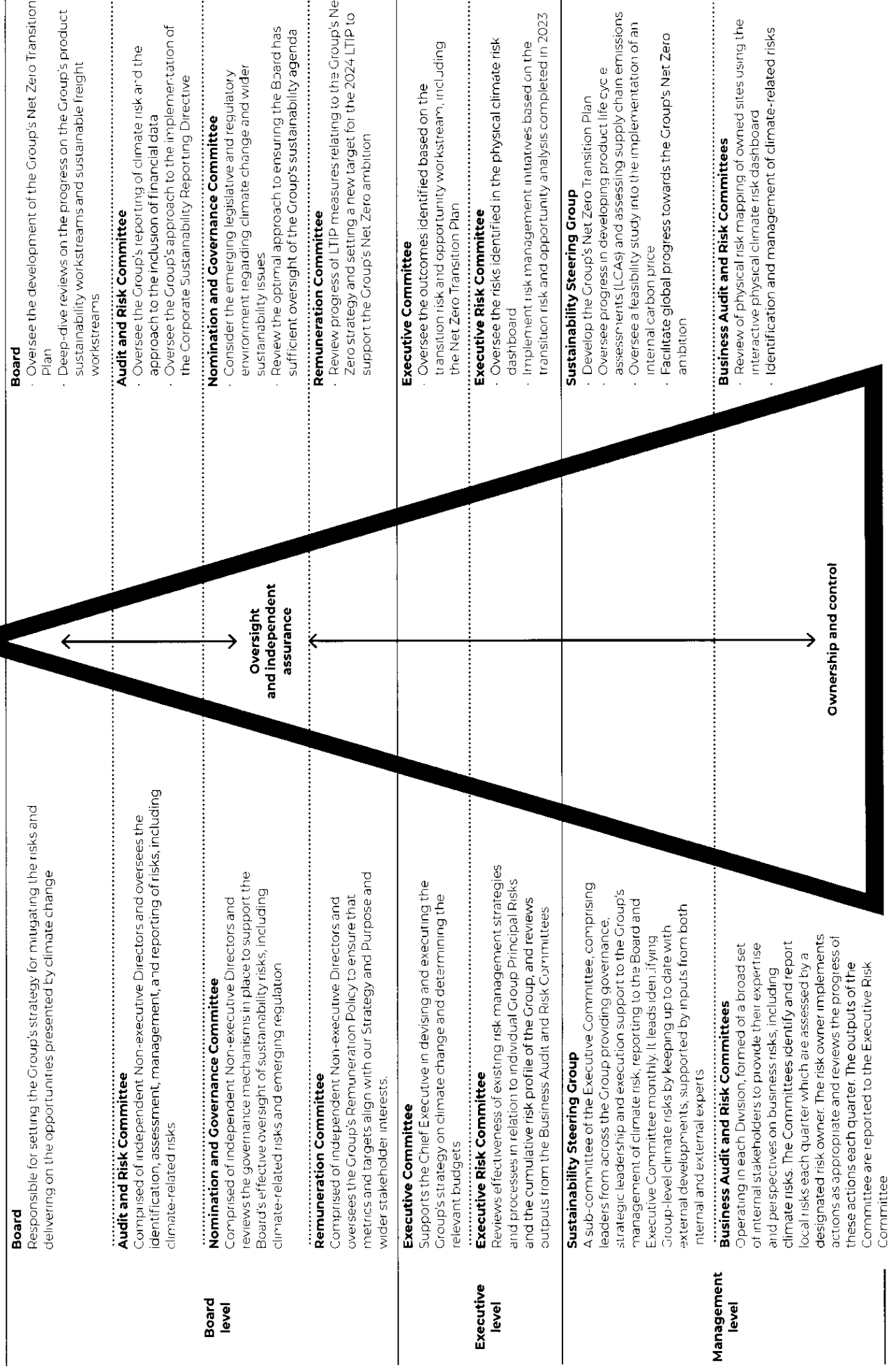
¹ The climate-related financial disclosures made by Spectris Group plc comply with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosures) Regulations 2022.



Sustainability Report: TCFD continued

Oversight

Planned activity in 2024



Sustainability Report: TCFD continued

Climate Strategy



In 2023, we have applied quantitative and qualitative methodologies to develop our understanding of our exposure to physical and transition risks and opportunities and reassessed the key strategic implications for the Group.

This year, we have increased the granularity of our climate scenario analysis within each Division, including site-level physical risk assessments and Division-level transition risk and opportunity analysis, with the key findings described in this disclosure. A summary table of identified physical and transition risks and opportunities is set out on pages 72 and 73.

Physical risks

In our 2021 TCFD disclosure, we first reported on physical risks at material sites. This work helped the Group to identify which physical risks could impact our sites. In 2023, we have built an interactive physical climate risk dashboard on the Jupiter Intelligence platform to better understand and monitor these risks at site level aligned to the latest climate projections. The dashboard gives site-specific information on long-term (up to 2050) exposure to acute (wildfires, precipitation, thunderstorms, flooding), and chronic (extreme heat, drought) climate risks under three climate change scenarios, as well as potential financial losses.

The scenarios used are produced by the Intergovernmental Panel on Climate Change (IPCC) and represent three possible futures dictated by different levels of global warming, described in the adjacent table.

These scenarios have been selected because they represent leading public data sources on future climate change, are widely used by governments, academia and companies and are a key recommended public source of scenario data by the TCFD. The range of scenarios represents a suitable breadth of possible future outcomes to allow the comparability of effects of scenarios on physical risk at the site level.

Physical risk scenarios

Scenario	Scenario alignment	Warming by 2100	Terminology definitions
SSP 5 – RCP 8.5	IPCC (CMIP-6)	>4°C	'Shared socioeconomic pathways' (SSPs) are scenarios of projected socioeconomic global changes up to 2100 to derive greenhouse gas emissions with different climate policies
SSP 2 – RCP 4.5	IPCC (CMIP-6)	2-3°C	'Representative Concentration Pathways' (RCP) are GHG concentration trajectories describing possible climate futures driven by the volumes of greenhouse gases emitted.
SSP 1 – RCP 2.6	IPCC (CMIP-6)	<2°C	The IPCC's '6th Coupled Model Intercomparison Project' (CMIP-6) uses models which incorporate significant scientific advances aligned with the most recent IPCC report (AR6)

Impacts

We have quantified the inherent financial magnitude of potential physical impacts associated with flooding, heat, wind and wildfires driven by damage, disruption, and heat-related productivity loss.

Flooding: Under a >4°C (SSP5-8.5) scenario average annualised loss risk per year increases by 16% from 2020 (~£14 million) by 2050 (~£16 million). HBK Suzhou, and MP Zhuhai are most at risk from flooding impacts due to their proximity to the coast, and exposure to tropical storms and precipitation which could lead to flash flooding. For these sites, the estimated increase in risk of a 1-in-50 year flood event is 10%.

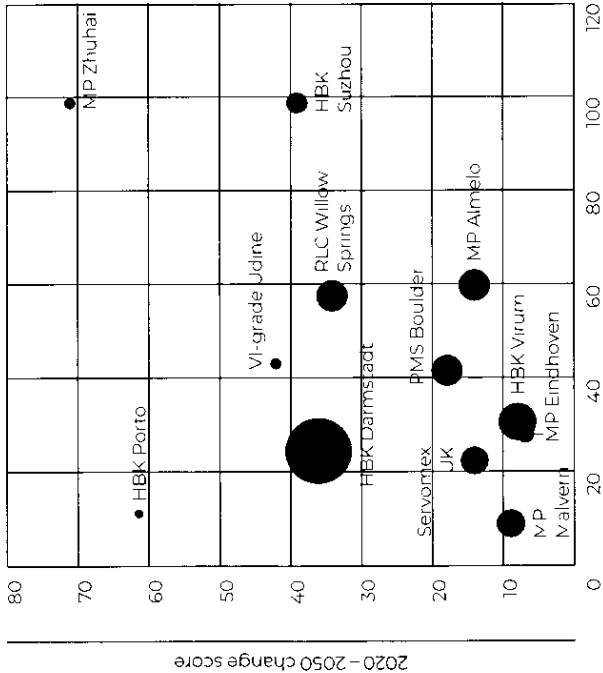
Heat: Several sites are exposed to an increasing number of days exceeding 35°C, and this is most pronounced for MP Zhuhai, HBK Suzhou and HBK Porto. In a >4°C scenario (SSP5-8.5), by 2050, MP Zhuhai, HBK Suzhou and HBK Porto would see a >50% increase in number of days exceeding 35°C. In the very unlikely scenario that cooling systems should not be functioning, the temperature rise could lead to productivity losses of on average ~£14 million per year by 2050 under a >4°C scenario.

The scenario analysis has indicated minimal difference in financial impact between a <2°C (SSP1-2.6) scenario and a 2-3°C (SSP2-4.5) scenario and the greatest change in impact comes in a >4°C scenario (SSP5-8.5). Across all scenarios, there is minimal change between the short- and medium-term, with the greatest effects occurring in the long-term (by 2050). The potential costs that could be incurred under a >4°C scenario are also not considered to be material due to our decentralised operating structure allowing for flexibility in site configuration over the medium- and long- term preventing possible long-term financial impacts. Mitigating actions are also widely understood and already being taken; for example, in 2023, key sites have focused on installation of solar energy to reduce exposure to potential energy price shocks and power outages caused by excess cooling demand with increasing high heat days; see page 72 for more detail.

The interactive physical climate risk dashboard has now been adopted by each Business Audit and Risk Committee to enable continuous monitoring of physical climate change risk, with the ability to add new sites as needed. In 2024, we will embed the dashboard into our M&A due diligence process.

Sustainability Report: TCFD continued

Climate hazard exposure at our main manufacturing sites



● Present day hazard score

Key

Present day hazard score

Measures the absolute potential hazard level according to the selected climate change scenario (SSP5-8.5) by 2050 (long-term time horizon), based on potential exposure. A combined score is used for all hazards analysed (flood, wind, heat, precipitation, cold, hail, drought and wildfire), normalised between 1 and 100

2020-2050 change score

Measures the level of change in hazard score between 2020 and 2050 (long-term time horizon), normalised between 1 and 100

Relative risk

Low ☐ Medium ☐ High ☐ Very high ☐

Each bubble represents a manufacturing site. The size of the bubble indicates total site value, with HBK Darmstadt representing the site with the highest overall value

The results of the >4°C scenario (SSP5-8.5) analysis can be seen in the figure on the left. The >4°C scenario is where the greatest exposure to physical risks arises so this scenario has been used to assess climate hazard exposure at the Group's main manufacturing sites. Each bubble represents one manufacturing site, and the size of the bubble indicates the relative value of the site.

The analysis combines the results of all the physical risk hazards assessed into two main scores: a present day hazard score (x-axis) and a 2020-2050 change score (y-axis).

The results show that the majority of the Group's manufacturing sites included in the analysis are subject to a relatively low level of present and future climate-related exposure e.g. Servotex UK, MP Malvern, MP Eindhoven, HBK Virum.

Higher present day hazard scores and 2020-2050 change scores are largely driven by exposure to flooding (HBK Suzhou, MP Zhuhai) and heat (HBK Suzhou, MP Zhuhai, HBK Porto). Flooding and heat have therefore been identified as our greatest potential risk exposures in terms of physical risk due to climate change for the Group's manufacturing sites

Transition risks and opportunities

Following the work completed in 2021, this year we conducted a more detailed assessment of transition risks and opportunities incorporating both qualitative and quantitative methodologies supported by consultancy ERM (Environmental Resources Management). Risks and opportunities relating to our products, input materials and logistics were considered by global working groups across the Divisions as the areas of greatest potential risk or opportunity. Our 2022 disclosure recognised the potential for an increase in operating costs due to government policy and regulation of carbon, including carbon pricing and tax. This risk has now been reviewed and understood in further detail in the context of our products, input materials and logistics. The transition risk scenarios applied are summarised on page 70

Deep-dive: Input materials

The analysis identified the risk of increasing input material costs leading to higher direct costs, driven by carbon pricing impacts and demand for critical materials. In all scenarios, all materials assessed were, to some extent, at risk from carbon pricing. Steel and aluminium are the materials most exposed to carbon pricing cost impacts, and are already subject to carbon pricing schemes in some locations.

In all scenarios, demand for materials will also grow with the Net Zero transition leading to cost impacts, which are expected to be greatest up until 2030, aligned to the Group's medium-term time horizon. Our programme to increase coverage of suppliers on EcoVadis, and our Net Zero roadmap, will enable us to mitigate risks associated with climate-related cost burdens from input materials

Deep-dive: Logistics

The analysis identified the risk of increasing climate costs within the logistics network. A financial impact was considered possible through pass-through costs from logistics providers associated with their own decarbonisation costs and increasing carbon pricing burden for their owned fleets. In all scenarios, a quantitative scenario analysis demonstrated that the majority of the additional financial impact is seen by 2030.

This cost profile is largely driven by supply side decarbonisation costs for logistics increasing significantly out to 2030, with technology maturity effects decreasing this cost burden post 2030. This could lead to increased logistics costs of around 50% over the next 5 to 6 years if no action is taken. To mitigate this risk, the Group is already progressing to transition its logistics network to lower carbon modes of transport, aligned to our Net Zero roadmap.

Sustainability Report: TCFD continued

Deep-dive: Products

The analysis identified the opportunity for further development and ‘re-positioning’ of products within growing customer markets benefiting from the Net Zero and energy transition. The period up until 2030 is a key period for growth for Net Zero-aligned technologies in all scenarios (medium-term), particularly relating to electrification of vehicles and battery storage. Other trends with strong alignment to the Group’s products include carbon capture and hydrogen, however both will require significant additional external policy support or technological innovation before being scaled up, even in the high ambition Net Zero scenario.

In responding to this opportunity, the results reinforce the focus of the Group’s Strategy for Sustainable Growth and demonstrate the opportunity for the Group to drive growth in markets aligned to decarbonisation.

Strategic response

Whilst physical risks are not considered material in our direct operations, transition risks and opportunities are likely to incur increasing costs over time, particularly between now and 2030 if not subject to appropriate mitigation and adaption activity. Our Net Zero roadmap provides our main mitigation mechanism to transition risks and opportunities and applies to all business operations; in 2023 we spent £3.2 million on delivering this ambition. The ESG Regulatory Steering Group was created to support our response to such risks. In 2023, this included actions to review EU Carbon Border Adjustment Mechanism (CBAM) implications. In 2024 the Group will develop a Net Zero Transition Plan aligned to the Transition Plan Taskforce (TPT) framework. This will include:

- Considering the implementation of an internal carbon price, upon completion of a feasibility assessment at Servomex in 2023
- Continued focus on product and supply chain sustainability through product life cycle assessments and building supplier engagement with EcoVadis
- Continuing to reduce reliance on air freight in our supply chain where possible aligned to our target to reduce airfreight (long and short haul) by 50% by 2030

Transition risk scenarios

The scenarios used are produced by the International Energy Agency (IEA) and represent three possible future outcomes relating to the energy transition. These scenarios have been selected because the IEA is highlighted by the TCFD as a leading source for conducting climate scenario analysis on transition risks and opportunities, with IEA sources also being used widely by governments, academics and industry. The scenarios selected represent a range of different policy outcomes, all of which could lead to differing impacts on the Group.

Scenario	Scenario alignment	Warming by 2100	Scenario descriptions
Current policy (Low)	IEA WEO STEPS (Stated Policies Scenario)	~3°C	A scenario which reflects a 'base case' level of climate ambition, aligned with 'current stated and implemented' policies, such as the Paris Agreement, whilst also taking into account manufacturing capacity for clean energy technologies.
Medium ambition	IEA WEO APS (Announced Pledges Scenario)	<2°C	A scenario which reflects a 'medium' level of climate ambition aligned with 'current stated and implemented' policies in addition to pledges without specific policy action, e.g. UK 2050 Net Zero targets. This scenario assumes that national energy and climate targets made by governments are met in full and on time
High ambition	IEA WEO NZE (Net Zero Energy Scenario) NGFS Net Zero scenario	<1.5°C	A scenario which reflects a 'high' level of climate ambition, aligned with the global economy reaching Net Zero by 2050. This includes policies on top of those included in the low and medium ambition scenarios. It requires a transformation of the global energy system, clean energy investment and innovation, and a rapid shift away from fossil fuels.

A summary of the physical and transition risks and opportunities identified to have the possibility of being material, and the strategic response for each, are outlined in the table on pages 72 and 73. Where we have assessed the risk or opportunity under different climate scenarios, we have indicated the scenarios applied. Whilst the scenario analysis has shown that impacts from these risks and opportunities could arise across all scenarios and time horizons, the scenario and time horizons found to have the greatest potential impacts are identified in the table. We will continue to assess the benefit of conducting further scenario analysis on other risks and opportunities.

Spend in 2023 to deliver our Net Zero ambition

£3.2 million

Case Study

Customer:
International banana-growers

Sustainably boosting production and productivity in agriculture



Malvern Panalytical Smart Return Agriculture

Smart Return Agriculture is an innovative solution that combines a Vis-NIR sensor and a cloud-based platform that uses artificial intelligence to provide real-time predictive measurements in the field for leaf nitrogen levels, soils, disease, and fruit maturity. Nitrogen Mapping uses the proven Trek Product, for nitrogen analysis based on assay analysis in the field.

Challenge

Nitrogen is a vital nutrient for plant growth, but can also pose challenges for farmers and the environment. Applying too much nitrogen can lead to water pollution and greenhouse gas emissions, while applying too little can compromise crop yield and quality.

Solution

Smart Return Agriculture allows crop producers to measure the nitrogen content in plant leaves, and then generate a map that indicates the amount and location of nitrogen fertilizer levels for each field. By using advanced algorithms and data analytics, Smart Return provides data to make customised recommendations for the optimal amount, timing, and frequency of nitrogen applications. It also monitors crop health and performance throughout the growing season and alert crop producers to any potential risks enabling producers to reduce their costs, improve their income, and minimise their environmental impact.

Our work with one of our banana growers over the last two years has shown that they can save at least 20 to 30% on nitrogen fertilizer by using Smart Return Agriculture for real-time monitoring which allows them to make frequent adjustments to their fertilizer application plans

The market and potential for Smart Return Agriculture is vast and promising. Smart Return Agriculture is currently geared toward high value crop applications, such as cereals, oilseeds, pulses, fruits and vegetables, and can target any crop.

The main drivers for the potential growth of Smart Return Agriculture are the increasing demand for high-quality crops, the rising adoption of precision agriculture practices, and the growing awareness of environmental issues.

Benefits

Smart Return Agriculture leverages its unique features and benefits to capture a significant share of the high value crop market and differentiate itself from competitors by expanding its potential through integration with other digital platforms and services, enhancing its value proposition. Smart Return Agriculture creates a loyal customer base by providing consistent and reliable results, enabling long-term relationships with the crop producers.

Smart Return Agriculture is also enhancing the sustainability of farming practices, by minimizing greenhouse gas emissions and water pollution associated with excessive nitrogen use, therefore contributing to the global goals of food security, climate action, and environmental protection.

Sustainability Report: TCFD continued

Key

Short-term – 5 years (aligned to the 2025 Viability Statement)

Medium-term – to 2030 (aligned to Group 2030 Net Zero target and Science Based Targets)

Long-term – to 2050 (aligned to the Paris Climate Change Agreement)

* Note on methodology: We have undertaken quantitative and qualitative analysis using climate change scenarios for risks and opportunities where; (1) data availability is sufficient, and (2) potential magnitude or likelihood deems further analysis appropriate for the remaining risks and opportunities, a scenario agnostic methodology has been applied

Risk or opportunity	ID	Risk description and potential financial impact	Methodology*	Scenarios considered	Main scenario	Main scenario time horizon	Strategic response
Physical risk: Acute	PR1	Flooding at our sites could lead to water damage to sites or equipment, interruption to business due to travel disruption, and capital expenditure required to increase resilience of sites. Estimated financial impact from flooding is <1% of operating profit per year up until 2050.	Quantitative analysis of estimated financial losses due to damage and disruption using financial input data and scenario data with support by PwC and Jupiter Intelligence	<2°C SSP1-2.6 2-3°C SSP2-4.5 >4°C SSP5-8.5	>4°C SSP5-8.5	Medium-term	- Local review of flood defence initiatives - Introduction of interactive physical climate risk dashboard at sites to enable effective monitoring of physical climate risks - In 2024, we will include the results of the climate modelling into our standard M&A processes
	PR2	Extreme heat can reduce worker productivity or impact the performance of machinery without proper cooling equipment. Increased capital expenditure may be necessary to account for increasing high temperature (>35°C) days. Estimated financial impact from heat is <1% of operating profit per year up until 2050.	Quantitative analysis of estimated financial losses due to productivity losses, using data from Jupiter Intelligence	<2°C SSP1-2.6 2-3°C SSP2-4.5 >4°C SSP5-8.5	>4°C SSP5-8.5	Long-term	- Review of current HVAC capacity and building insulation capabilities - Installation of onsite renewables generation to increase resilience to demand-side shocks on the grid from extreme heat - Introduction of interactive physical climate risk dashboard at sites to enable effective monitoring and management of physical climate risks - In 2024, we will include the results of the climate modelling into our standard M&A processes
Opportunity: Products and services	O1	Development of products within growing 'low carbon' customer markets such as the electrification of vehicles and battery storage, in particular for Spectris Dynamics.	Qualitative analysis based on product groupings compared to Net Zero trends identified in each climate scenario	~3°C IEA STEPS <2°C IEA APS <1.5°C IEA NZE	<1.5°C IEA NZE	Medium-term	Continued focus on Net Zero-aligned markets, in particular relating to transformation of mobility for Spectris Dynamics
Opportunity: Products and services	O2	Increasing demand for products that help customers reduce the emissions and energy intensity of their own production processes leading to higher revenues through demand for lower-emission products and services.	Scenario agnostic qualitative assessment of potential impact and likelihood	Scenarios have not yet been considered for this opportunity assessment		Medium-term	- Continued rollout of product impact life cycle assessments (LCA) to embed sustainability criteria into R&D decision-making, currently underway at Servomex and PMS - Targets to be Net Zero in scopes 1 and 2 by 2030, and by scope 3 in 2040, with a commitment to spend £3 million per annum towards our Net Zero ambition
Transition risk: Market	TR1	Increasing input material costs driven by increasing impacts of carbon pricing (e.g. on materials such as steel and aluminium linked to CBAM) and increasing demand for materials directly linked to the Net Zero transition (e.g. lithium), leading to an increase in operational expenditure	Qualitative analysis based on known purchased input materials compared to carbon pricing and demand impacts in each climate scenario	~3°C IEA STEPS <2°C IEA APS <1.5°C IEA NZE	<1.5°C IEA NZE	Medium-term	- Use of EcoFact to provide ongoing overview of changes in global sustainability legislation and regulation - ESG Regulatory Steering Group will continue to oversee emerging regulations relating to carbon pricing e.g. the EU's Carbon Border Adjustment Mechanism (CBAM) - Feasibility review of implementing an internal carbon price

Sustainability Report: TCFD continued

Key

- Short-term** 5 years (aligned to the 2023 Volatility Statement)
- Medium-term** – to 2030 (aligned to Group 2030 Net Zero target and Science Based Targets)
- Long-term** – to 2050 (aligned to the Paris Climate Change Agreement)
- * Note on methodology: We have undertaken quantitative and qualitative analysis using climate change scenarios for risks and opportunities where, (1) data availability is sufficient, and (2) potential magnitude or likelihood deems further analysis appropriate. For the remaining risks and opportunities, a scenario agnostic methodology has been applied.

Risk or opportunity	ID	Risk description and potential financial impact	Methodology*	Scenarios considered	Main scenario	Main scenario time horizon	Strategic response
Transition risk: Market	TR2	Reduced customer demand for 'higher carbon' products, particularly in a low-carbon scenario, driven by customer choice and regulatory pressure	Scenario agnostic qualitative assessment of potential impact and likelihood	Scenarios have not yet been considered for this risk assessment		Medium-term	- Continued rollout of product life cycle assessments (LCA) to embed sustainability criteria into R&D decision-making, currently underway at Servomex and PMS - Targets to reach Net Zero across scopes 1 and 2 by 2030, and scope 3 by 2040, with a commitment to spend a minimum of £3 million per annum towards our Net Zero ambition
Transition risk: Technology	TR3	Required investment to decarbonise direct operations leading to an increase in capital expenditure	Scenario agnostic qualitative assessment of potential impact and likelihood	Scenarios have not yet been considered for this risk assessment		Short-term	- Targets to reach Net Zero across scope 1 and 2 by 2030 and across scope 3 by 2040 - Net Zero Transition Plan to be developed in 2024 aligned to the Transition Plan Taskforce (TPT) Framework
Transition risk: Technology	TR4	Required investment to decarbonise logistics network and transition towards 'lower carbon' modes of transport, for example through the expansion of the EU-ETs into shipping. Logistics costs for Spectris could increase by up to 50% in a 1.5°C scenario as logistics partners invest in decarbonisation and are impacted by carbon pricing mechanisms. Quantitative analysis was conducted for Malvern Panalytical only, so a Group-level financial impact is not available.	Quantitative analysis considering current logistics costs and carbon pricing and pass-through costs in climate scenarios	~3°C IEA STEPS ~2°C IEA APS ~1.5°C IEA NZE	~1.5°C IEA NZE	Medium-term	Continuing our progress to reduce airfreight (long and short haul) by 50% by 2030, see more on page 76
Opportunity: Technology	O3	Use of lower emission sources of energy and switching to renewable energy sources in operations leading to lower operating costs, increase energy security, and reduced exposure to energy taxes. Projected impact is < 1% operating profit per year up until 2050.	Scenario agnostic qualitative assessment of potential impact and likelihood	Scenarios have not yet been considered for this opportunity assessment		Short-term	- Installation of renewable electricity generation at Malvern, Royston and Crowborough in 2023 - Introduction of energy saving measures at key sites - Targets to reach Net Zero across scope 1 and 2 by 2030 and across scope 3 by 2040 - Net Zero Transition Plan to be developed in 2024 aligned to the TPT Framework

Sustainability Report: TCFD continued

Resilience and Risk Management



The scenario analysis we have undertaken shows that without any action, climate change will impact our businesses to a varying degree in terms of both transition and physical factors. Up to 2030, our most significant risks are likely to be transition risks driven by increasing costs over time. These risks can vary significantly depending on the nature and speed at which countries act to align to a Paris Agreement trajectory and the subsequent development of Net Zero-aligned markets and technologies.

Resilience

Physical risks, which have limited impacts today, will present a growing challenge beyond 2030 as warming of the planet continues, particularly in a >4°C scenario. However, our decentralised operating structure allows for flexibility in site configuration over the medium- and long-term, preventing possible long-term financial impacts. Mitigating actions already in place also do not make these risks material to our operations. The addition of the interactive physical climate risk dashboard empowers our sites to incorporate climate resilience into their own operational decision-making.

By delivering on our Net Zero roadmap, we can mitigate many of the transition risks we face due to climate change. Our roadmap has been incorporated into our financial planning, which includes our commitment to spend £3 million per annum towards our Net Zero ambition. This will be further supported through the development of our Net Zero Transition Plan in 2024. Our focus on product and supply chain sustainability in 2023 and into 2024 will help to foster greater resilience to many of the transition risks identified as well as helping us to harness relevant opportunities. Read more about our Net Zero roadmap on page 62.

We are committed to working closely with all our stakeholders in taking action to combat climate change. Our focus on innovation and strong relationships with customers

and suppliers will support our swift response to changing priorities to mitigate the risks present in the transition to a low carbon economy.

The challenges that we face on climate change are matched and potentially outpaced by opportunity. We recognise that the greatest difference we can make to a Net Zero world is through our products and solutions which support our customers to make the world cleaner, healthier and more productive.



Read more about our Strategy to maximise this opportunity
on pages 22 and 23

Risk management

Our approach to identifying, assessing and managing the risks in our business is set out in the Principal Risks and uncertainties section on page 48. In 2021, climate change was designated a Group Principal Risk for the first time as a result of the scenario analysis undertaken to implement TCFD

Risks are identified on an ongoing basis throughout the year. They are assessed and reported on a quarterly basis at a business level, via individual Business Risk Registers, maintained by Business Audit and Risk Committees, and via the Group Principal Risk Register at Group level.

The climate change Group Principal Risk is under the executive ownership of the Head of Corporate Affairs and Company Secretary and is underpinned by a series of controls and actions designed to mitigate risks from climate change which are aligned to our Net Zero roadmap. As a Group Principal Risk, key indicators and mitigation strategies relevant to climate change are reviewed three times a year by the Executive Risk Committee.

During 2023, the Executive Risk Committee has reviewed the progress against our Net Zero targets, alongside planned mitigation activity for the Group's other Principal Risks to ensure that our action plan is proportionate to the short-, medium- and long-term risk posed by climate change.

In 2023, focus has been on building a more detailed and quantified understanding of the impacts of transition risks, considering longer time horizons than our typical risk management processes, up to 2050. Division-level working groups were established who are now focused on determining key mitigating actions to addressing the results of the climate scenario analysis.

To support those efforts, in 2023, the ESG Regulatory Steering Group was established to aid our response to emerging regulations and use of the EcoFact database to support early understanding of the materiality of regulatory and reporting changes to the Group.

At Division level, each Business Audit and Risk Committee added relevant physical risks to their risk registers, informed by the physical climate risk dashboard which uses the latest climate projections to assess the materiality of physical climate risks at our sites up to 2050; this provides an accurate assessment of the risk currently posed by climate change to the Group. Any changes in risk profile are considered by the Sustainability Steering Group and material changes will then be escalated to the Executive Risk Committee.

In 2024, further planned risk management activity includes developing our Net Zero Transition Plan aligned to the Transition Plan Taskforce (TPT) framework.

Sustainability Report: TCFD continued

Metrics and Targets



In 2023, we continued to progress against the metrics and targets set to support our Net Zero ambition and aligned to our Strategy for Sustainable Growth. We will continue to review the metrics and targets set to ensure their effectiveness at providing our businesses and our stakeholders with meaningful indicators of our progress, as well as addressing material risks and opportunities identified.

We have set a clear ambition to reach Net Zero across our own operations (scope 1 and 2) by 2030 and across our value chain (scope 3) by 2040, set against a 2020 base year. The 2030 targets accompanying this ambition have been validated by the Science Based Targets initiative (SBTi) against a 1.5°C warming scenario.



Read more about our progress against this ambition on pages 62 and 63

The Group's 2023 Remuneration Policy also incorporates specific targets relating to the reduction in scope 1 and 2 emissions.



Read more about the alignment of our remuneration strategy with our Net Zero ambition on pages 102 to 123

As part of our commitment to transparency in our progress to lower our emissions, we disclose our annual emissions against all relevant categories of scope 1, 2 and 3. We also obtain limited assurance over scope 1 and 2 and selected categories of scope 3.



Full disclosure for 2023 and comparative disclosures are set out on pages 64 and 65

In support of our Net Zero ambition, we have agreed several 'input' metrics which are focusing action across our businesses. All are measured against a base year of 2020. A summary of cross-industry metrics from TCFD that are relevant to us are set out on page 76. The alignment of the metrics and targets to risks and opportunities identified has been updated to reflect the climate scenario analysis completed in 2023.

In 2024, we will be exploring additional metrics and targets through the development of our Net Zero Transition Plan, whilst we continue to embed sustainability within our operations across the Group. We will also consider the feasibility and effectiveness of the introduction of internal carbon pricing.

Sustainability Report: TCFD continued

Metric	Measurement	Definition	Risk/opp ID	Our progress
Electricity	Absolute (MWh)	100% renewable electricity across our operations by 2030.	TR3, O3	31.9% of the Group is now powered by renewable energy (2022: 22.6%). Our UK operations are also powered by 100% renewable electricity for the second year running. Our progress in the reduction of scope 1 and 2 (market-based) emissions against the 2020 base target in our Net Zero roadmap can be seen on page 62.
Emissions	Intensity-based (against revenue) (MWh per £m revenue)	Reducing emissions at our manufacturing sites through energy efficiencies by 20% by 2030.	TR3, O3	
Waste	Absolute (tonnes)	Zero waste to landfill by 2030.	TR3, O3	We are working to improve the accuracy of waste data in and targeting improvements at all sites. In 2024, we will be undertaking waste audits at some of our key manufacturing sites to support the development of our waste strategy. Our metrics on waste are reported on page 65.
Supply chain	Absolute (tonnes CO ₂ e) % of supplier spend	Reduce procurement emissions through a 60% reduction in input material-related emissions by 2030. 100% of suppliers to be rated in EcoVadis	TR1, TR4	We are engaging with our supply chain with the support of EcoVadis. For Malvern Panalytical, 66.7% of spend is captured (2022: 43.1%), and for HBK, this figure is 24.2% (2022: 0%). For our 2023 scope 3 emissions reporting, we have also begun to incorporate supplier emissions data from EcoVadis to calculate our Category 1 Purchased Goods and Services and Category 2 - Capital Goods emissions. We will be expanding the EcoVadis supplier assessment programme to Servomex and PMS in 2024.
Freight	Absolute (tonnes CO ₂ e)	Reduce airfreight (long and short haul) by 50% by 2030.	TR4	A concentrated programme by procurement teams has been established to move from air freight to ocean freight. In 2023, geopolitical challenges affected our ability to move goods by ocean rather than air, whilst business travel has continued to shift to pre-pandemic levels, affecting our emissions performance for logistics and business travel.
Capital deployment	Pounds sterling	Commitment to spend a minimum of £3 million per annum to deliver our Net Zero ambition.	TR3, O3	In 2023, the Group invested in onsite solar generation at HBK in Royston and Marlborough, at Servomex in Crowborough and at Malvern Panalytical in Malvern. Further projects to introduce energy efficiency measures on sites are also underway. In total in 2023, £3.2 million was spent to decarbonise our operations. This is the first year we have reported this figure.
Revenue aligned to Net Zero	Pounds sterling	Revenues from products or services that support the transition to a low carbon economy.	O1, O2, TR2	Scenario analysis completed with Spectris Dynamics in 2023 has identified specific alignment of our product lines with key Net Zero trends including electrification of vehicles and battery storage. We are working to align our sales reporting with relevant revenue streams that support the transition to a low carbon economy considering the EU Taxonomy.
Remuneration	Absolute reduction in scope 1 and 2 emissions	Align Group remuneration structures with our Net Zero ambitions.	TR3, O3	The Group's Long term Incentive Plan (LTIP), under the 2023 Remuneration Policy includes a target for the absolute reduction in scope 1 and 2 emissions. Further details are set out on pages 102 to 123.

Non-financial and sustainability 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.

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	58, 90-91, 99
		Culture, integrity and commitment to our Values	22-23, 54-58, 90-91
		Speak Up and Spectris helpline	58 and 99
		Ethical leadership	58
Business model		Principal Risk – Compliance	48-49
		Our business model	20-21
	Environmental Policy	Environmental management	64-65
	ISO 14001	Energy performance	64-65
		Streamlined Energy and Carbon disclosures	64-65
Employees		Climate-related Financial Disclosures	66-76
		KPI – Energy efficiency	27
	Code of Business Ethics	Fair employment and diversity	56-57, 125
	Health and Safety Policy	Board diversity	56-57, 84, 92, 94
	OHSAS 18001	Employee engagement and Workforce Engagement Director	27, 55, 89-91, 93
Human rights		Gender pay	57 and 123
	SA 8000 Social Accountability	Health, safety and wellbeing at work	60
		KPI – Accident incidence rate	27 and 60
		Principal Risks:	
		– Compliance	49
Non-financial KPIs		– Talent and capabilities	50
	Human Rights Policy	Legal and regulatory compliance	59
	Code of Business Ethics	Principal Risk – Compliance	49
		Energy efficiency	27, 53, 64-65
		Total recordable incident rate	27, 60
Managing our Principal Risks		Risk Management	46-47
		Principal risks and uncertainties	48-50
		TCFD (Climate-related Financial Disclosures)	66-76
		Viability Statement	51
Social matters		Community involvement	53, 78-79

The Strategic Report was approved by the Board on 28 February 2024.
By order of the Board

Rebecca Dunn
Head of Corporate Affairs and Company Secretary
28 February 2024



Our mission is to give equal access to **STEM** education globally



The Spectris Foundation was established in July 2021 with the mission of providing equal opportunities and global access to quality STEM education. Our grants champion diversity and inclusion and we are actively addressing the gender and socioeconomic gap in science, technology, engineering and mathematics. In addition, the Foundation supports charities and communities that are important to Spectris employees; and a proportion of funding is set aside to aid these projects.

In 2023, the Foundation has successfully secured new and existing funding partnerships. We currently have ten STEM charitable partners based in the UK, America, India and Ghana which have a direct impact in their communities and a wider international reach.

To enhance our impact and our ties with the Spectris Group, this year, the Foundation recruited 19 global volunteer ambassadors from Spectris employees to represent the Foundation to our different businesses and in our different locations. The involvement of Spectris employees in Foundation activities is essential to aid and complement the impact of the charitable grants. Early volunteering opportunities in 2023 included judging for the Engineering Education Scheme Wales FIRST Lego League competition and mentoring students with TechGirlz and Technovation. We have ambitious plans to build global volunteering opportunities for employees in 2024.

Rebecca Levy
Foundation Director



Read our **impact report online**
www.spectrisfoundation.com/our-impact

UN Sustainable Development Goals (SDGs)

We support the UN SDGs and have identified these goals as goals for the Foundation.

Spectris Foundation continued

Since inception:

The Spectris Foundation has awarded

£1,365,799

(STEM and employee nominations) with £161m committed to STEM education

Funding awarded to employee nominations

£204,500

Local, smaller charities nominated by Spectris employees – each grant has a value no greater than £5,000

Total grants

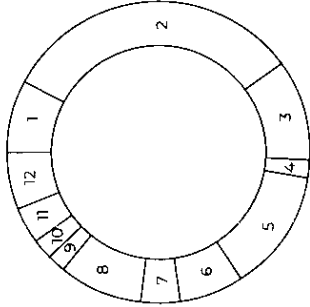
69

Across 11 countries (UK, USA, Canada, Germany, Spain, Portugal, Mexico, Brazil, China, India, Ghana)

Grants awarded to employee nominations

53

Type of causes supported through employee nominations:



In 2023:

Donations

£91,000

To employee nominations with 23 different causes

STEM grants

7

Awarded in 2023 to existing and new partners

Volunteering hours

2,560

Spotlight

lightyear foundation

Breaking down barriers to disabled children taking part in STEM

Dr Chris Bailey, Research Scientist at Servomex, has had a significant impact on the activities of the Foundation in 2023, both through his employee-nominated donation and his work with one of our key STEM grants.

The Foundation was proud to support Chris's nomination of Retina UK for a grant of £2,500 to help support people affected by inherited progressive sight loss. Chris has received personal support from the charity for his untreatable eye condition named Retinitis Pigmentosa. He explains:

"The charity is so friendly, caring and helpful to those in need and I have recently started volunteering for them!"

Separately, in 2023, the Foundation approved a three-year funding agreement with a new charitable partner, The Lightyear Foundation. The Foundation is proud to be supporting Lightyear's crucial work to break down barriers to disabled children taking part in STEM. Chris is further enhancing the Foundation's funding through his appointment as a role model. The Lightyear Foundation provides experience and guidance from real-life role models who are working in a STEM field. Chris's profile, experience and top tips are shared with students living with similar disabilities.

Chris is a brilliant example of how Spectris employees are truly enhancing the work of the Foundation.



Find out more about Lightyear Foundation online
www.lightyearfoundation.org

£2,500

Grant awarded to Retina UK to help support people affected by inherited progressive sight loss



"Dealing with the daily challenges of my disability has given me a lifetime of experience of determination and problem solving to succeed when things are tough. This has developed over time into a confidence and a 'can do' attitude."

Dr Chris Bailey
Research Scientist
Servomex

Board of Directors

Sharing our expertise

Our directors contribute a broad range of personal strengths and experience to guide and oversee the Group's delivery of its Strategy for Sustainable Growth.

Committee membership key

Audit and Risk	A
Nomination and Governance	N
Remuneration	R
Disclosure	D
Executive	E
Chairman of a committee	O
Returning	☐

Mark Williamson

Chairman

(N)

Appointed: May 2017

Nationality: British

Skills and expertise

Mark is a qualified accountant with a strong financial background combined with considerable managerial experience. He was CFO of International Power plc until 2012 and is experienced in managing relationships with the investor and financial communities. Until December 2021, he was senior independent director of National Grid plc. Mark also served as chairman of Imperial Brands plc until January 2020 and as senior independent non-executive director and chairman of the audit committee of Alent plc until its sale in 2015.

Other appointments

None.

Andrew Heath

Chief Executive

(E)(D)

Appointed: September 2018

Nationality: British

Skills and expertise

Andrew joined the Group as Chief Executive in September 2018, bringing 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.

Derek Harding

Chief Financial Officer

(E)(D)

Appointed: March 2019

Nationality: British

Skills and expertise

Derek joined the Group as CFO in March 2019 and 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 Group Risk, Group Legal, 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.

Cathy Turner

Independent Non-executive Director and Senior Independent Director from 26 May 2023

(N)(R)

Appointed: September 2019

Nationality: British

Skills and expertise

Cathy 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 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 Rentokil Initial plc, senior independent director and chair of the remuneration committee at Lloyds Banking Group plc, and is a partner at the senior advisory organisation, Manchester Square Partners.

Mandy Gradden

Independent Non-executive Director

(A)(N)

Appointed: October 2023

Nationality: British

Skills and expertise

Mandy brings to the Board significant experience in finance, investor relations, strategy, digital and software and is currently CFO of Ascential plc.

Before joining Ascential plc in 2013 as CFO, Mandy held a variety of financial roles, including CFO at the FTSE 250 technology business, Detica Group plc, CFO at Torex, the private equity-owned retail technology firm, director of corporate development at Telewest and group financial controller at Dalgety plc. In addition to her executive career Mandy was also previously a non-executive director and chair of the audit committee at SDI plc. She began her career at Price Waterhouse, where she spent eight years and where she qualified as a chartered accountant.

Other appointments

In addition to her role as CFO of Ascential plc, Mandy is also chair of the UK Financial Conduct Authority's Listing Authority Advisory Panel.

Board of Directors continued



Notice of AGM
Please scan QR code
to read the Notice of AGM

Committee membership key

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

Kjersti Wiklund

Independent Non-executive
Director and Workforce
Engagement Director

A N R

Appointed: January 2017

Nationality: Norwegian

Skills and expertise

Kjersti has held a series of senior global positions, leading technology enterprises and managing varied international business environments effectively. She is an experienced non-executive director with deep technology and software experience.

Kjersti has held a variety of executive roles including: director, global 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 Zegona Communications plc, Babcock International Group plc (UK), Trainline plc (UK), Laird plc (UK), Cxense ASA and Fast Search & Transfer ASA (Norway) and Telescience Inc (USA) as well as Chair at Saga Robotics (Norway).

Other appointments

Kjersti is a non-executive director at AutoStore Holdings (Norway), Evelyn Partners (UK), and Nordea Bank Abp (Finland).

Alison Henwood

Independent
Non-executive Director

A N

Appointed: September 2021

Nationality: British

Skills and expertise

Alison has broad technical experience in key finance areas including treasury, risk management, internal control and audit across regional, divisional and global functional roles. Until June 2022, Alison was executive vice president of finance, trading and supply at Shell plc ('Shell'), leading finance for 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. From January 2017 to July 2023, she also served as a non-executive director and audit committee chair at the UK Hydrographic Office, a world-leading centre for hydrography, specialising in marine geospatial data to support safe, secure and thriving oceans.

Other appointments

Alison is a member of the supervisory board at Umicore which is a global materials technology and recycling group based in Belgium. She is also chair of the audit committee, and a member of the sustainability committee at Umicore.

Dr Ravi Copinath

Independent
Non-executive Director

N R

Appointed: June 2021

Nationality: Singaporean

Skills and expertise

Ravi 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's last executive role was with AVEVA plc where he held the roles of chief product and strategy officer and chief operating officer in the period from 2018 to 2022. Prior to that he was the executive vice president of Schneider Electric Software which was merged with AVEVA in 2018. He previously held roles at InvenSys plc as president, software and president, Asia Pacific from 2009 to 2014 when InvenSys was acquired by Schneider Electric. Ravi started his career in India with Tata Consultancy Services and subsequently was CEO and MD at Geometric Ltd. He holds a PhD in chemical engineering from Rensselaer Polytechnic Institute and a masters in chemical engineering from the Indian Institute of Technology Bombay.

Other appointments

Ravi is currently a strategic advisor at Schneider Electric and is a non-executive director at Thermax Ltd.

Ulf Quellmann

Independent
Non-executive Director

A N R

Appointed: January 2015

Nationality: German

Skills and expertise

Ulf has broad general management experience and considerable knowledge of the metals, minerals and mining industry, having worked in the sector for more than 20 years. He was CEO of Turquoise Hill Resources Limited (a company listed on the Toronto and New York Stock Exchanges) until March 2021. Prior to that, he was vice president, strategic projects of the copper and diamonds product group at Rio Tinto plc and, before that, CFO 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.

Other appointments

None.

Bill Seeger

Independent Non-executive
Director

A N

Appointed: January 2015

Nationality: American

Retiring:

23 May 2024

Skills and expertise

Bill was Senior Independent Director of Spectris plc until May 2023 and will be Chairman of the Audit and Risk Committee until he steps down following the conclusion of the 2024 AGM, as part of a planned succession process. Bill 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 of Smiths Group plc, lecturer at UCLA Anderson School of Management and a director and a member of the audit and compliance committee at ICU Medical Inc.

Chairman's introduction

Continuing our strategic progress



On behalf of the Board, I am pleased to present Spectris's Corporate Governance Report for the financial year ended 31 December 2023.

2023 was a very strong year for the Group, with excellent progress towards meeting our ambitions set out in our Strategy for Sustainable Growth. The Board's 2023 strategy review was held at our Malvern Panalytical site in Alimelo, the Netherlands, enabling the Directors to see first-hand how our focused investment in R&D was supporting the Group to refresh and develop our product and services aligned to our Purpose to make the world cleaner, healthier and more productive. The Board and I were encouraged to see both the development of the relationship between PMS and Malvern Panalytical within the Spectris Scientific Division and also the clear development of the digital profile of our existing and new customer offerings. During the visit we also met with a key customer to better understand their relationship with Malvern Panalytical and their views on our products and services.

This year, the Board has focused on supporting and challenging management on the early delivery of the Group's strategy and

has spent time with customers, employees, beneficiaries of the Spectris Foundation, our Brokers and wider advisers to ensure that we are reflecting the needs of all our stakeholders in the Board's decision-making processes.

I strongly believe in the importance of an engaged Board to drive the strategy through a close working relationship with management. As a Board we are mindful of modern governance pressures and the risk that this evolving landscape distracts the Board from its core oversight role. One way that we ensure that the Board remains engaged with the business is through an active workforce engagement programme, led by Kersti Wiklund. Under Kersti's stewardship additional site visits have taken place to Korea and Denmark, and Alison Henwood, Ravi Copinath and Cathy Turner have joined Kersti in meeting with employees from all our businesses, with different specialisms and at different points in their careers. These interactions are proving extremely valuable in supporting the Board's wider considerations of the strategic priorities



"Our direct stakeholder interactions during the year have supported considered and well-rounded discussions at the Board to promote our long-term sustainable success."

Mark Williamson
Chairman

and performance of the Group. The Board also welcomes regular interaction with the senior leadership team and key experts from across the business and has enjoyed wide-ranging discussions during 2023 with representatives from every business and aligned to every end market.

Our culture

The Group's Values of Be True, Own It and Aim High are central to the Group's organisational culture. That culture is underpinned by our Code of Business Ethics, which establishes our basic standards for all individuals with whom we engage or collaborate. It serves as a guide for making excellent decisions and symbolises our dedication to acting with integrity in all that we do. The Board closely observes, and supports, the work of the senior leadership team to further enhance and develop the Group's Values and culture and further details of this work are set out on pages 90 and 91. The Board receives a quarterly update on the development of the Group's culture, including key leading and lagging indicators of progress. In addition, the Board, through the Nomination and Governance Committee undertakes an annual deep-dive review of the Group's employee engagement survey results.

Board succession planning

Bill Seeger and Ulf Quellmann will both reach their nine-year tenure on the Board ahead of the 2024 Annual General Meeting (2024 AGM). Recognising his length of service and the selection and appointment of his successor, Bill Seeger will retire from the Board at the 2024 AGM. On behalf of the Board, I would like to sincerely thank Bill for his advice, challenge and the deployment of his deep executive and financial experience in his role as Senior Independent Director and Chairman of the Audit and Risk Committee. Recognising Bill's tenure, Cathy Turner succeeded him as Senior Independent Director in May 2023 and it is intended that Mandy Gradden assume the role of Chairman of the Audit and Risk Committee following the conclusion of the 2024 AGM.

The search for a suitable successor to Ulf Quellmann has been initiated. As part of a managed Board succession process, and in recognition of the significant experience that both Bill and Ulf bring to Board discussions and the relevant balance of tenure of the Non-executive directors, with three directors within their first three years of appointment, it is intended that Ulf be retained as a Non-executive director for an additional year to

Chairman's introduction continued

ensure continuity while we continue to search for a suitable replacement with the necessary strategic and executive leadership experience. The Board continues to consider Ulf as an independent director, however, recognising the spirit of the Code and to avoid any perception of non-independence, Ulf will step down from his roles on the Audit and Risk Committee, the Nomination and Governance Committee and the Remuneration Committee at the 2024 AGM and it is intended that he will retire ahead of the 2025 AGM.

The Board was delighted to welcome Mandy Cradden to the Board in October 2023. Mandy has significant financial acumen and experience as a FTSE 250 CFO and I look forward to working with Mandy in her new role as Chairman of the Audit and Risk Committee, with effect from the conclusion of the 2024 AGM.

Balancing our leadership pipeline

Building a diverse and inclusive company is a key priority for the Board. The Board comprises 40% women in line with the ambition set out in the Board's Diversity Policy. Following Cathy Turner's appointment as Senior Independent Director, Spectris is now fully compliant with the UK Listing Rules and aligned to the ambition set out in the FTSE Women Leaders Review.

In 2023, the Board was proud to support management in setting the ambition that by 2030, 40% of the Group's senior leadership population will be women. I am pleased that the Group has joined peer companies in the 25x25 initiative which will allow us to work across our industry to shift the gender balance in our leadership pipeline.

The Board firmly supports the ambitions of UK Listing Rules and the Parker Review and meets with the ethnic diversity requirement at a Board level. We have complied with the request by the Parker Review to set an ambition to develop ethnic diversity in our UK leadership population, while also recognising the importance of building ethnic diversity in a global business. More information on the

work undertaken during the year can be found on pages 18, 56 and 57

2024 AGM

The 2024 AGM will be held in person at Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL at 3:00pm on Thursday 23 May 2024.

With the exception of Bill Seeger, all Directors will be standing for election or re-election at the 2024 AGM, and we look forward to the continued support from our shareholders.

The Board and I appreciate our interactions with shareholders and welcome your comments on this Corporate Governance Report and on the 2023 Annual Report and Accounts. We look forward to meeting our shareholders at the 2024 AGM and would also remind all stakeholders that the Board and I are available throughout the year to answer questions or engage on topics of interest to you.

You can contact us via the Company Secretary and I would also encourage you to sign up for Spectris news alerts and access to our webcasts at www.spectris.com

Mark Williamson
Chairman
28 February 2024

Our Purpose

We are harnessing the power of precision measurement to make the world cleaner, healthier and more productive.

Our Commitment

to being a sustainable business partner, investment proposition and employer.

Our Values

Be True

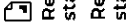
is about absolute integrity and how we focus on doing the right things in the right way, speaking up when necessary and showing care and respect for others. This supports our stakeholders, the environment and each other.

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



Read more about Board discussions and key stakeholder considerations on page 85
Read more about the Company's s172(f) statement on pages 7, 86 and 87

UK Corporate Governance Code

The Code sets out the Company's approach to governance. This table shows the pages 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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UK Corporate Governance Code
Statement of compliance

As a UK listed company, Spectris plc is expected to comply or explain any non-compliance with the Code, published by the UK Financial Reporting Council 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 2023

Governance at a glance

Board structure

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	Nomination and Governance	Remuneration
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	Responsible for advising on talent management and succession for the Board, Executive and senior management and oversight of the Board's governance structures	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	Disclosure	
Responsible for the day-to-day management of the Group's operations with support from specific forums on SBS, Health and Safety, Risk Management, Export Controls and Sustainability	Responsible for the identification and disclosure of inside information and for ensuring that announcements comply with applicable laws and regulations	

2023 Board and Committee attendance

	Board (scheduled) ¹	Audit and Risk Committee	Nomination and Governance Committee	Remuneration Committee	AGM
Ravi Copinath	7/8 ²	N/A	3/3	5/5	1/1
Mandy Gradden ³	2/2	2/2	1/1	N/A	N/A
Derek Harding	8/8	N/A	N/A	N/A	1/1
Andrew Heath	8/8	N/A	N/A	N/A	1/1
Allison Henwood	8/8	4/4	3/3	N/A	1/1
Ulf Quellmann	8/8	4/4	3/3	5/5	1/1
Bill Seeger	8/8	4/4	3/3	N/A	1/1
Cathy Turner	8/8	N/A	3/3	5/5	1/1
Kjersti Wiklund	8/8	4/4	3/3	5/5	1/1
Mark Williamson	8/8	N/A	3/3	N/A	1/1

1. There were no ad hoc Board meetings held during 2023

2. Due to the timing of the scheduled Board meeting in October 2023 to approve the Group's Q3 results, Ravi Copinath was unable to attend. Dr Copinath received papers and provided his detailed comments to the Chairman ahead of the meeting and feedback was provided on the discussion held at the meeting

3. Mandy Gradden joined the Board on 16 October 2023

Key highlights

2023	2024
January The Board approved the 2023 budget, reviewed early trading results for 2022 and agreed supporting remuneration matters March The Board received a detailed update on analyst and investor feedback following the announcement of the 2022 full-year results. May The Board met with shareholders at the AGM August Kjersti Wiklund and Alison Henwood visited the HBK facility in Virum, Denmark as part of the Board's workforce engagement programme October The Board undertook its annual deep-dive review of the Group's strategy October The Board met with representatives from Ketjen, a key customer of Malvern Panalytical at its site in the Netherlands. January The Board reviewed the early trading results for 2023 and agreed supporting remuneration matters	February The Board approved the Group's full-year results and undertook a deep-dive review of the Group's Health and Safety performance and supporting activity April Kjersti Wiklund and Ravi Copinath undertook a three-day visit to the Group's operations in Korea as part of the Board's workforce engagement agenda July The Board held a deep-dive discussion with Goldman Sachs on investor views on sustainability September The Board oversaw the completion of the acquisition of the MicroStrain business October The Board visited the Malvern Panalytical site in Almelo, the Netherlands, met with employees, a customer, and undertook a daily Gemba Walk December The Board approved the divestment of Red Lion and undertook a detailed review of the Group's capital allocation strategy supported by the Group's Brokers February The Board approved the Group's full-year results and supporting release to the market

Our diversity goals

We are committed to externally set goals on diversity. Beyond this, we recognise the importance of all forms of diversity and are striving for further progress.

FTSE Women Leaders Review (%)

Target	40
Spectris	40

Target: 40% women by 2025

Parker Review

Target	1
Spectris	1

Target: One Board member from an ethnic minority background by 2024

Board and Committees

Responsible oversight and management

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 structure and responsibilities of the Board and these management committees, and a summary of their responsibilities, are illustrated on this page.



Matters Reserved to the Board, Committee Terms of Reference and Role Profiles are available at www.spectris.com

Strategy

Stakeholders considered



2023 activities

- Provided oversight of the early progress and delivery of the Group's Strategy for Sustainable Growth and the progress towards the financial and non-financial targets that accompanied the strategy
- Received updates from the Group's Brokers and economists on the developing geopolitical and economic environment in which the Group was delivering against: its strategy
- Reviewed progress against the 2022-27 Financial Plan
- Carried out detailed strategy reviews of the Divisions
- Oversaw deep-dive reviews into the Group's digital strategy
- Received a detailed update on the progression of the Group's sustainability strategy

M&A

Stakeholders considered



2023 activities

- Received updates on the progress made with the divestment strategy and ensured that the Group's stakeholders were considered during the process
- Considered and assessed each of the M&A activities where Board approval was required, including the divestments of Concept Life Sciences and Red Lion, the acquisitions of MicroStran and EMS, and investment in a minority interest in LumaCyt
- Received updates on the ongoing M&A activities and the Group's pipeline of opportunities
- Reviewed key integration metrics of the Group's acquisitions since 2020
- Undertook a deep-dive review of the acquisition of Dytran Instruments with the Divisional management team, reviewing both financial and non-financial factors to determine the success of the acquisition and key lessons learned

Operations and risk Stakeholders considered



2023 activities

- Received presentations from members of the leadership team on health and safety, cyber security, climate risk 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 geopolitical risks, compliance and climate change
- Reviewed the Group's takeover defence approach as part of a planned annual review
- Carried out in-depth sessions with each Division to discuss strategic direction and risks and opportunities. Reviewed the Group's operations at the Almelo site and joined the daily Gemba Walk to understand more about the Group's daily activities under the SBs.

Leadership and people Stakeholders considered



2023 activities

- Undertook reviews of the people strategies within each Division and at a Group level
- Continued to focus on employee wellbeing, reviewing the Group's approach to mental health and health and safety
- Reviewed the results of the Group's annual employee engagement surveys and key trends underpinning the overall increase in employee engagement
- Further developed and expanded the role of the Workforce Engagement Director
- Approved the development of the Board's Diversity Policy and the Group's ambition that by 2023, 40% of the Group's senior leaders would be women
- Approved the Group's approach to compliance with the Parker Review and the setting of a target for building ethnic diversity in the senior management population in the UK
- Reviewed succession planning for the Board, the Executive and the senior management population

Finance

Stakeholders considered



2023 activities

- Considered and approved the 2024 budget following review of progress against the 2023 budget
- Approved the Annual Report, interim results and full- and half-year results presentations
- Approved the Group's going concern and viability statements
- Considered and assessed the efficacy of the Group's capital allocation model, including approving the completion of the remaining £110 million of the £300 million share buyback in February and a further £150 million share buyback in December, together with planned M&A expenditure

Governance and ethics

Stakeholders considered



2023 activities

- Monitored progress against the evaluation actions from the 2022 externally led Board evaluation
- Received updates on the Ethics and Compliance programme, and the impact of the Values Booster programme in Asia
- Approved the Committee Terms of Reference, the Matters Reserved to the Board and Board Role Profiles
- Received updates on ongoing litigation matters, corporate governance and key legal and regulatory topics
- Approved the Group's new Supplier Code of Conduct

Our key stakeholders

People	
Customers	
Community	
Shareholders	
Suppliers and partners	

Section 172

Supporting our section 172(1) statement

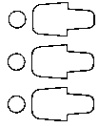


Understanding our stakeholders and what matters most to them
The Board has identified the key stakeholders of Spectris and the areas they are interested in about the Spectris Group:



People

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



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



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.



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.



Suppliers and partners

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

Building on our understanding

Bringing the voice of stakeholders into the Boardroom through:

- employee interactions during site visits;
- deep-dive sessions with the Divisions and their leadership teams;
- meetings with customers;
- regular reviews of shareholder interactions, including direct feedback from meetings held with shareholders by the Chairman, Executive Directors, Head of Investor Relations and Head of Corporate Affairs and feedback from the Group's brokers;
- regular and detailed feedback from the engagement activities carried out by the Workforce Engagement Director; and
- contextual feedback from key leaders on the Group's employee engagement survey results.

Considering stakeholders in our meetings and principal decisions

Divestment of Red Lion Controls

The Board carefully considers the impacts of the divestments on employees, customers and shareholders. In December 2023, the Board approved the divestment of Red Lion with 403 employees. As part of their considerations, the Board reviewed the potential buyers' intentions for employees, how a sale might impact the service for customers as well as the impact on shareholder value following the divestment for Spectris investors. The cultural fit of the buyers involved in the process was also considered. These topics were a key focus during the process stage and management provided regular updates to the Board, and the Board provided ongoing challenge and support to management. Following review, it was concluded that the sale to HMS Networks was in the best interests of the Group's stakeholders as a whole, with a particular benefit to the future prospects for the Red Lion business which was in the interests of Red Lion's employees and customers. In addition, the divestment improved the financial profile of the Group as a whole for the benefit of the wider Group's employees, shareholders and customers.

Section 172 continued

Acquisition of MicroStrain, EMS, XRD product line from Freiberg Instruments and the investment in LumaCyte

In considering the acquisition of MicroStrain in 2023, the Board gave particular focus to the interests of the Group's shareholders and customers. This included discussing and ensuring that the acquisition was aligned with the Group's strategy to acquire complementary businesses which strengthen the Group's offering and expand the Group's footprint to build long-term value for shareholders. Having considered the projected financials, growth prospects, cultural alignment and employee retention plan, the Board concluded the acquisition was in the best interest of the Group's stakeholders as a whole.

The Board also received regular updates from Management on:

- EMS, which enables PMS to be an exclusive distributor of PMS products in the UK;
- XRD product line from Freiberg Instruments, which broadens Spectris Scientific's semiconductor metrology offering; and
- LumaCyte, through a minority investment, which coupled with Creoptix amplifies Spectris Scientific's pharmaceutical offering.

Given the strategic synergies, enhanced customer offering and projected financial and market growth expected, it was agreed that the acquisitions would benefit a broad range of stakeholders.

Supporting employees with the cost of living

Inflationary pressures and the increased cost of living continued to impact employees in many locations across the Group in 2023. The Remuneration Committee has supported Management's approach to supporting employees and reviewed key measures introduced by management to mitigate the impact for key employee groups. Further details are set out in the Remuneration Report on page 102 to 123.

Customer engagement

The Board met directly with two key customers in 2023. In May 2023, the Board met with the chief technology officer of Schenck Process, who provided an overview of their long-standing and collaborative partnership with Spectris Dynamics. The briefing outlined the synergies between Spectris Dynamics and Schenck Process and the alignment value in both businesses sharing a similar purpose to deliver premium services and quality products whilst making the world cleaner, healthier and more productive. The Board found the perspective very helpful to its ongoing review of the operational performance of Spectris Dynamics.

In October, the Board visited Ketjen, a customer of Malvern Panalytical in

Amsterdam, the Netherlands. During the visit, Board members saw the strong reliance the customer places on the accuracy and reliability of our products and the support our teams provides to them. The visit provided invaluable context for strategic decisions that supported the approval of the Group's Strategy for Sustainable Growth.

Further details of how the Group as a whole has engaged with its customers can be found in the case studies within the Strategic Report

Shareholder return

The Board understands the importance of its investment case to shareholders, more details of which are set out on pages 22 and 23. Following the divestment of Red Lion, as well as a strong performance at the end of 2023, the Board considered and approved a £150 million share buyback programme. The Board also approved the final dividend in February 2024.

The Board recognises the importance of capital returns to our shareholders and was pleased to be in a position to be able to make this decision. The Board also considered that the share buyback would not have an adverse impact on any of its other stakeholders, including its ability to invest in organic and inorganic growth, and that it had sufficient cash reserves available for the share buyback programme.

2023 Spectris Dynamics Capital Markets Day

A focused investor day was held at VI-grade in Udine, Italy, in June 2023, to provide greater insight into the outlook and prospects for the Spectris Dynamics Division. The presentations highlighted the unique breadth of Dynamics' offering, its plans to drive continued organic growth from strong positions in attractive, high-growth markets, and its focus on delivering sustainable profitable growth and further margin expansion.

The Board recognises the importance of engagement opportunities for investors and future investors to gain a better understanding of the Group and the strength of its investment case. These engagement activities are in addition to the ad hoc shareholder meetings carried out by the Chairman and Executive Management, as well as the AGM

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	pages 2 – 3 pages 22 – 23 pages 20 – 21	• Our Purpose • Strategy for Sustainable Growth • Business model
Employees	pages 54 – 58 page 77 pages 89 pages 82 – 83 pages 90 – 91	• Sustainability report • Non-financial reporting table • Workforce engagement • Chairman's introduction to governance • Oversight of the Group's culture
Business relationships – suppliers and customers	page 16 pages 19, 31 – 39, 45 and 71 page 51	• Chief Executive's review • Case studies • Monitoring supplier performance
Community and environment	page 18 pages 78 – 79 pages 62 – 63 pages 66 – 76	• Chief Executive's review • The Spectris Foundation • Net Zero • TCFD report
High standards of business conduct	page 58 pages 90 – 91 page 99	• Sustainability report • Monitoring the Group's Culture • Audit and Risk Committee Report – Ethics and Compliance • TCFD report
Shareholders	pages 66 – 76 pages 20 – 21 pages 82 – 83 pages 80 – 81	• Our Business Model • Chairman's introduction to governance • Board of Directors

Board evaluation and effectiveness

Informed decision-making

The Chairman is supported by the Head of Corporate Affairs and Company Secretary in ensuring the dissemination of accurate, timely and clear information to the Board, allowing it to function effectively and efficiently. The Head of Corporate Affairs 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 Division at least annually. Additionally, each year the Board meets on-site at one Division. Board visits include a tour of the relevant facility, overviews of key products with their developers, a deep-dive review of the business with the wider leadership team and the opportunity to meet informally with employees. During 2023, the Board visited Malvern Panalytical in Almelo, the Netherlands. Further details are set out on page 89.

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. The Board receives detailed technical updates in relation to corporate governance and other legal and regulatory topics from internal and external specialists. An external speaker programme brings thought leadership to Board discussions on a variety of emerging themes and topics. In 2023 these topics included a discussion on the macroeconomic environment relevant to the Group's key markets, led by Barclays, a discussion with Goldman Sachs on investor views on sustainability and discussions with key customers to better understand their perspective on global trends.

The effectiveness of the Board is monitored through annual evaluation

Board evaluation

As required by the Code, the Board undertakes an annual evaluation of its effectiveness

2022 Board evaluation process and outcomes

The 2022 Board evaluation was externally facilitated by Lisa Thomas from Independent Board Evaluation and the process took place between December 2022 and February 2023. Neither Lisa Thomas nor Independent Board Evaluation have any other connection with the Company or individual Directors.

The 2022 evaluation built on the outcomes of the 2021 evaluation and considered the Board's composition, diversity and effectiveness. Each Board Committee was also reviewed as part of the external evaluation process and a review of the Chairman's performance was led by the Senior Independent Director. Initial feedback and recommendations from the external evaluation were presented to the Board for discussion in February 2023 and were subject to active action planning and review by the Board during 2023.

The Board reviewed the findings of the 2022 evaluation at key junctures during 2023 and built actions arising from the evaluation process into the annual Board planner to ensure that progress was made. Key activities undertaken in response to the outcomes of the Board evaluation process included:

- Increasing the number of Audit and Risk Committee meetings to four per year, supporting an increased focus on risk and internal audit
- Extending the remit of the Nomination and Governance Committee to include oversight of the Board's governance structures, including the structures supporting oversight of the Group's sustainability agenda.
- Returning to impactful in-person engagement which included face-to-face meetings for all major Board and Committee meetings, in-person site visits and workforce engagement sessions attended by the Workforce Engagement Director with a rotation of Non-executive Directors.
- Reviewing peer group best practice for Board inductions which has helped shape the induction process for Mandy Craddock.
- Extending the length of Board meetings and introducing more informal discussion time and external thought leadership
- Enabling the ongoing oversight of the development of the Group's healthy high performance culture

2023 Board evaluation process

The 2023 evaluation process commenced in October 2023 and has been internally conducted and overseen by the Head of Corporate Affairs and Company Secretary. The evaluation involved the Board and its Committees completing a comprehensive review of their effectiveness, incorporating any key themes identified during the 2022 evaluation process. In addition, the Chairman has met separately with each Non-executive Director to assess their performance.

The outcomes and responses were collated and discussed by the Board at its meetings in February 2024 and it was concluded that the Board and its Committees continue to operate effectively. The Senior Independent Director led the Non-executive Directors in their annual review of the performance of the Chairman. Details of the outcome of the evaluation and the progress of actions agreed will be reported in the 2024 Annual Report and Accounts.

Workforce engagement

Workforce engagement activities



The workforce engagement programme supports the Board having meaningful and regular dialogue with the workforce to capture key insights and to bring the employee voice to the boardroom.

Kjersti Wiklund

was appointed as the Board's first Workforce Engagement Director in 2019.

Kjersti plays an integral role in supporting the links between the workforce and the Board. The Board recognises the importance of creating and maintaining clear lines of communication with the workforce. The role of the Workforce Engagement Director is pivotal to maintaining these direct links with the workforce. The open forums led by Kjersti provide employees with the opportunity to express their opinions in an open environment without direct management present.

The workforce engagement schedule for 2023 was extended to include the attendance of a rotation of other Non-executive Directors to provide additional perspectives on the discussions. This approach has added further content and depth to Board discussions. For the second year, four themes were used to structure the sessions with employees:

- engagement;
- leadership;
- sustainability; and
- diversity and inclusion

The workforce engagement activities are supported by the Group HR Director and in 2023 included visits to the Group's operations in Spectris Korea, the HBK facility in Virum, Denmark and the Malvern Panalytical facility at Almelo, the Netherlands.

Kjersti has met regularly with the Group HR Director and the Division HR Directors to review the development of the Group's employee proposition. The feedback from these discussions has supported wider Board insight into the employee experience and provided additional context for the outcomes of the employee engagement survey.

During 2024, it is planned that engagement activities will continue in a similar structure, focused on sites and countries not visited in 2023. Kjersti will continue to provide regular feedback to the Nomination and Governance Committee and the Board to support their active consideration of the experience of employees as part of their wider focus on business performance.

Korea site visits

In April 2023, Kjersti and Ravi Copinath[†] visited the Group's operations in Korea for three days. Their visit included meetings with senior management for Spectris Asia and the leadership team based in Korea. They also met with employee groups from PMS, Servomex and Spectris without management present. In addition, Kjersti and Ravi received a presentation from the Spectris Asia HR team on the Values Booster programme and an overview of employee engagement activity for Spectris Asia.

HBK Virum site visit

In September 2023, Kjersti and Alison Henwood held workforce engagement discussions with a selected group of employees from HBK based in Virum, Denmark. The sessions focused on employee feedback on the early impact of the Legato project, the strategic direction and the leadership of the business. Employees appreciated being given the opportunity to express their opinions on current priorities within the business and Kjersti and Alison were impressed by the engagement and talent within the employee groups.

Almelo site visit

As part of the full Board site visit to Almelo in October 2023, Kjersti and Cathy Turner met privately with a group of employees without management present. The employee group comprised of a diverse mix of experience, tenure and gender diversity. The open discussion focused on the employee experience, engagement, diversity and remuneration at Almelo, and provided Kjersti and Cathy with a holistic overview of the employee experience at that site and further context for the summary engagement results reviewed by the Nomination and Governance Committee.

Monitoring the Group's culture

Our Purpose and OUR culture



The Board is committed to the continued development of a healthy high-performance culture and believes that this is pivotal to the future success of the Group.

Our Purpose is to harness the power of precision measurement to make the world cleaner, healthier and more productive, delivering value beyond measure for all our stakeholders. We are committed to creating a sustainable business proposition for all our stakeholders, ensuring that we prioritise a culture of long-term growth set on solid foundations. The Code of Business Ethics and the Spectris Values – Be True, Own It and Aim High – provide the framework within which we operate.

The Spectris Values focus on encouraging the right behaviours to support our Purpose. For our employees this means creating a great place to work, where their safety and wellbeing is a priority and where they feel that they belong, are seen and can develop and

grow. For our suppliers and customers this also means shared ethical business practices and a joint commitment to making the world cleaner, healthier and more productive.

Our Code of Business Ethics underpins our approach. We recognise that continually nurturing and developing the ethical culture of our organisation and demanding the same high standards from our partners and suppliers, helps to build trust with all our stakeholders, and supports our business model and the successful execution of our strategy to realise long-term, sustainable growth.

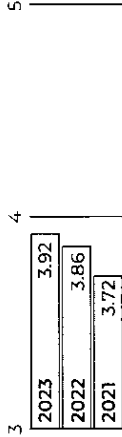


Read more about Our Code of Business Ethics on page 58

Purpose and Culture highlights

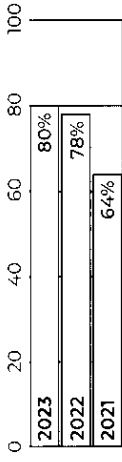
Employee engagement
(GrandMean)

3.92



Percentage of employees
taking part in the survey

80%



Our Values inspire a culture that enables a bold, high-performing business made great by our people, delivering value beyond measure.

Monitoring the Group's culture continued

will review the dashboard in detail annually, with quarterly updates also being received by the Nomination and Governance Committee to monitor the Group's progress.

The Board, through the Nomination and Governance Committee also undertook an annual deep-dive review of employee engagement. This review, presented by the Group HR Director, summarised the latest Gallup research on external engagement trends, the internal engagement trends at Spectris between 2021 and 2023 and outlined future engagement plans.

As part of the Board annual strategy reviews, the Group HR Director provided an update on the progress made against the HR strategy, with particular focus on culture and engagement, talent and leadership. The Board also received an update on the key developments in the external landscape and internal developments since the 2022 strategy reviews

Detailed discussions were also held throughout the year on diversity, inclusion and belonging, and the Board approved the setting of a public ambition that by 2030, 40% of the Group's senior leadership community would be women. The Group has also joined peer companies in the 25x25 initiative which will allow us to work across our industry to shift the gender balance in our leadership pipeline. The Board also broadened its understanding of the ethnic diversity present within senior leadership and the processes in place to request further data from employees. In line with the Parker Review, the Board approved an ambition to develop ethnic diversity in our UK leadership population, while also recognising the importance of building ethnic diversity in a global business. More information on the Group's ambition can be found on pages 56 to 57.

The Board also discussed the progress made against the Group's inclusion and belonging roadmap which was launched in October 2022. The roadmap focuses on policy, action and communication to openly develop the Group's commitment to fostering a diverse

and inclusive workforce with the aim of ensuring that everyone within the Group or considering a career within the Group feels that they belong. Particular highlights during the year have included progressing the development of employee resource groups within the Divisions and developing global policies on gender-neutral parental and carer leave.

 **Read more about the Group Inclusion Framework and Inclusion and Belonging** on pages 56 and 57

During the year, Kjersti Wiklund, as the Board's Workforce Engagement Director, also held several engagement sessions with employees. These sessions were also accompanied by other Non-executive Directors. In April, Ravi Gopinath joined Kjersti on a three-day engagement deep-dive visit to Korea, during which they met with senior management and groups of employees from each operating business. In September, Alison Henwood joined Kjersti at the HBK facility in Virum where they met with groups of employees based at the site. During the planned Board visit to the Malvern Panalytical facility in Almelo, Cathy Turner joined Kjersti for employee engagement meetings.

As in 2022, four key themes were used to structure the sessions: engagement; leadership; sustainability; and diversity and inclusion. Throughout each of the engagement sessions employees remained highly engaged and actively contributed to discussions. Feedback from the visits was reported back to the Nomination and Governance Committee, and feedback received has informed the Board's decision-making.

 **Read more about these visits** on page 89

There are formal and informal channels for all employees to raise concerns, with any significant concerns and insights being shared with the Audit and Risk Committee through the Group Ethics and Compliance Programme. Regular updates on the Speak Up programme and reporting from the confidential Spectris helpline are provided to the Audit and Risk Committee, alongside a formal annual review, including consideration of the remediation actions taken for reports received through the Helpline.

The Audit and Risk Committee also receives an update on the completion rates of the ethics and compliance programme, which includes the Code of Business Ethics refresher training, completed by the Board and employees

Key customers have also continued to be invited to Board meetings, which provides a valuable and unique insight and allows the Board to better oversee and challenge strategies for how we can continue to meet and adapt to our customers' needs

The Board believes that the mechanisms reported above provide an effective oversight to ensure the culture within the Group remains aligned with the Purpose, strategy and Values of Spectris.

Culture and the Board

In 2023, to assess the development of the Group's culture, we undertook our third Group-wide Gallup employee engagement survey. The Board was pleased to see that participation continued on an upward trend, with 80% of employees participating in the survey (2022: 78%, 2021: 64%). The Board was encouraged by the 3.92 engagement score, which was an increase from the 3.86 in 2022 and 3.72 in 2021

As in previous years, we included four questions on ethics, diversity, equity, inclusion and belonging to better understand employee sentiment on our Values and culture. Overall, the Board was pleased to see that the results globally showed an encouraging improvement in all metrics compared with the previous two years.

 **Read more about the results of the survey** on pages 54 and 55

In 2023, the Board discussed and monitored culture through a number of mechanisms. In May 2023, the Group HR Director, presented to the Board a culture dashboard, created to bring together the key metrics considered to provide a consistent and measurable overview of the development of the Group's culture. This enables the Board to review the Group's progress in achieving a Values-based, healthy, high performing culture. The Board

Nomination and Governance Committee Report

Nomination and Governance Committee Report

"The Committee spent considerable time reviewing the skills and capabilities of the current Board and identifying areas of focus for future Non-executive Director recruitment."

Mark Williamson

Chairman of the Nomination and Governance Committee

During 2023, the Committee has been focused on the Board's composition, succession planning at a Board and Executive level, the development of the Group's approach to Diversity, Inclusion and Belonging, and the widening of the Committee's remit to incorporate the review of Board oversight and governance activities.

Succession planning

The Committee spent considerable time reviewing the skills and capabilities of the current Board and identifying areas of focus for future Non-executive Director recruitment. Recognising the tenure of Bill Seeger and Ulf Quellmann, particular thought was given to their succession and ensuring the Board would continue to comprise an appropriate mix of skills and experience following their retirement. The key outcome of this work during the year was the appointment of Mandy Gradden who joined the Board in October 2023. Mandy brings to the Board significant experience in finance, investor relations, strategy, digital and software, and will be appointed Chairman of the Audit and Risk Committee following Bill Seeger's retirement from the Board at the 2024 AGM.

The Committee also oversaw the initiation of the succession process for Ulf Quellmann, which remains ongoing at the time of this report. In recognition of the significant strategic experience that Ulf brings to the Board, the Committee recommended to the Board that Ulf continue in role for one further year to support the continuation of the thorough process to select his successor and to ensure the continued depth of Group-related experience following the retirement of Bill. As part of this recommendation it was highlighted that Ulf would not continue his role on any Committee following the 2024 AGM reflecting the Code best practice.

In respect of wider succession planning for the Executive and senior management, the Committee continued to receive regular updates from the Chief Executive and the Group HR Director. Good progress has also been made to develop the skills of the

leadership community within the Group, including the commencement of the second cohort of the Spectris Leadership Development Programme, Ascend. The Committee is pleased with the progress being made in respect of leadership development across the Group and recognises the need to continually refresh the Group's talent pipeline. During the year the Committee members spent time with senior leaders below Executive level in various formal and informal settings to ensure they maintained a good understanding of the depth of senior talent and potential within the Group.

Diversity, Inclusion and Belonging

The Committee and I strongly believe that Board members should bring a blend of expertise and skills with a variety of perspectives, to facilitate constructive discussions and effective, balanced decision-making. This underpins the FTSE Women Leaders Review and the Parker Review, which emphasise the importance of ensuring Boards are diverse in gender, as well as ethnic and social background. The Committee fully endorses this view and is focused on ensuring that diversity is central to its work on succession planning. The composition of the Board is fully compliant with both the FTSE Women Leaders Review and the Parker Review. In 2023, the Committee was proud to oversee the development of the Group's Diversity, Inclusion and Belonging workstream and to endorse the setting of a target of 40% of senior leaders across the Group to be women by 2030. The Committee also oversaw the progress made by the Group to develop an understanding of the ethnic diversity present at a senior management level in the business with the aim of setting an ambition to increase representation across the Group. Further details of the activity undertaken by the Group during the year are set out on pages 56 and 57.

A refreshed remit

As a key outcome of the 2022 external Board evaluation exercise, during the year the Committee's remit was refreshed to formally include oversight of the Group's governance structures. This change was made to reflect the growing importance of wider governance structures at Board level to oversee the Group's approach to environmental, social and governance (ESG) matters. This wider oversight role now formally includes workforce engagement activities overseen by Kjersti Wiklund and the work undertaken by Alison Henwood to oversee the Group's sustainability strategy. To support this work, the Committee received regular updates from the Head of Corporate Affairs on the emerging ESG regulatory landscape to ensure that the Group's governance structures remained appropriate.

Mark Williamson

Chairman of the Nomination and Governance Committee
28 February 2024



Read our Board Diversity Policy
www.spectris.com/corporategovernance

Nomination and Governance Committee Report continued

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. In 2023, the role of the Committee was extended to include the review of the overview of the Group's governance structures and processes, which includes those structures put in place to support the Board's oversight of the Group's sustainability strategy and approach to workforce engagement.



Full terms of reference for the Committee can be found at

www.spectris.com/corporategovernance

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 88.

Membership and attendees

Throughout 2023 all Non-executive Directors were members of the Committee. Regular attendees at the meetings also include the Chief Executive and the Group HR Director. Other attendees joined for topical discussions, including the Chief Financial Officer and Head of Corporate Affairs to discuss the Group's approach to Diversity, Inclusion and Belonging. The biographies of the members of the Committee can be found on pages 80 and 81 and attendance at Committee meetings on page 84.

Activities of the Committee during 2023

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

- a deep dive into the Group's talent strategy and priorities;
- an in-depth review of the results and emerging trends from the Group's third annual employee engagement survey;
- reviewing and recommending to the Board the ambition that at least 40% of senior leadership roles would be filled by women by 2030;
- reviewing and recommending to the Board, the Group's approach to developing a target on ethnic diversity aligned to the requirements of the Parker Review;
- regular updates from Kjersti Wiklund as Workforce Engagement Director;
- considering the independence of each Non-executive Director and their time commitments;
- reviewing relevant legal and regulatory requirements and the Group's proposed response;
- receiving regular updates from Alison Henwood, as the Non-executive Director responsible for sustainability oversight on the progress of the Group's sustainability strategy; and
- the annual review of the Board's skills and capabilities matrix, and succession planning.

During 2023, the Committee placed considerable focus on the Board's succession pipeline, recognising that both Bill Seeger and Ulf Quellmann would have served nine years on the Board ahead of the 2024 AGM. In addition to merit and objective criteria, the Committee ensured that the selection process followed promoted diversity of gender, social and ethnic background, and fully considered the cognitive and personal strengths of the candidates and how their skills, experience and approach would complement the Board. The process also considered the candidates' existing appointments and associated time commitments as well as any actual or potential conflicts prior to their recommendation to the

Board. In support of their considerations, the Committee reviewed the existing skills and capabilities of the Board, the future skill set required and the Board's Diversity Policy. The Committee was supported by the external recruitment agency, the Lygon Group, in the selection process for Bill's successor. Following a thorough process, the Committee oversaw the selection and recommendation of Mandy Gradden as an independent Non-executive Director to the Board. Following Mandy's successful appointment and on-boarding, the Committee further recommended Mandy's appointment as Chairman of the Audit and Risk Committee following Bill's retirement from the Board at the 2024 AGM.

At the same time, the Committee also undertook a high-level market search for a suitable successor to Ulf. However, it was considered important to first secure a suitable successor for Bill, with the necessary skill set to assume the role of Chairman of the Audit and Risk Committee and then reconsider the skills and capabilities present on the Board to ensure that the appointments were complementary.

Following the appointment of Mandy, the Committee then engaged Egon Zehnder to support the active search for a Non-executive Director with complementary skills, focused on Ulf's significant experience and skill in strategy development and implementation. At the date of this report, the search remains in progress.

In line with the requirements of the Code, the Committee can confirm that there is no further connection between the Lygon Group and the Company or individual Directors. Egon Zehnder has also supported the Group with senior leadership recruitment in addition to its role in the Non-executive search process.

Recognising the ongoing nature of the search for Ulf's successor, the Committee has recommended to the Board that Ulf be recommended for re-appointment as a Non-executive Director at the 2024 AGM to serve up to one further year on the Board to

ensure continuity of experience and skills. Recognising the spirit of the Code, Ulf will retire from the Remuneration, Audit and Risk and Nomination and Governance Committee at the 2024 AGM.

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. To maintain this position, ongoing succession planning continues to form an ongoing 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 engagement meetings that took place during 2023. Building on previous engagements, in 2023, Kjersti was accompanied on key workforce engagement interactions by other Non-executive Directors. In April, Ravi Gopinath joined Kjersti on a three-day engagement deep-dive visit to Korea, during which they met with senior management and groups of employees from each business. In September, Alison Henwood joined Kjersti at the HBK facility in Virum where they met with groups of employees based at the site. During the planned Board visit to the Malvern Panalytical facility in Almelo, Cathy Turner joined Kjersti for employee engagement meetings. All meetings took place without senior management present and further details are set out on page 89. In addition to these in-person meetings, Kjersti also met separately with the HR Director of each

Nomination and Governance Committee Report continued

Division and with the Group HR Director to review the trends in employee engagement and key people-related activities.

Board Diversity Policy

During the year the Board's Diversity Policy was reviewed and extended to include the ambition that by 2030, 40% of the Group's senior leadership community would be women.

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 Committee. Any external appointments are carefully considered, including the impact on the individual Director's ability to meet the necessary time commitments. Conflicts of interest are recorded and reviewed together with any evidence of 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 80 and 81.

Director election and re-election

In considering the recommendation of the election and re-election of Directors, the Committee considers a number of factors. These include: 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 are also considered. This review allows the Board to consider any circumstances that are likely to, or could, impair a Non-executive Director's independence. With the support of the Committee's recommendation, the Board has concluded that all Non-executive Directors being recommended for re-election are considered to be independent.

Board skills and experience

	Mark Williamson	Andrew Heath	Derek Harding	Cathy Turner	Ravi Gopinath	Bill Seeger	Ulf Quellmann	Kjersti Wiklund	Alison Henwood	Mandy Gradden
Strategy and M&A	●	●	●	●	●	●	●	●	●	●
Finance and accounting	●	○	●	●	○	●	●	○	●	●
Risk management/ regulation/governance	●	●	●	●	○	●	●	●	●	●
Digital and technology (including cyber and AI)	○	○	●	○	●	○	●	●	○	○
Science and engineering	○	●	○	○	●	○	○	●	●	○
Sustainability	○	●	○	●	○	●	○	●	●	○
Operating model/change management	●	●	●	●	●	●	●	●	●	●
Talent and remuneration	●	●	●	●	●	●	●	●	○	○
International business experience	●	●	●	●	●	●	●	●	●	●
Listed CEO/CFO	●	●	●	●	●	●	●	●	●	●

Non-executive Directors' tenure

The Committee monitors a schedule of the Non-executive Directors' tenure and reviews potential departure dates assuming the relevant Directors are not permitted to serve more than three year terms (nine years) from their appointment date, unless in exceptional circumstances (see the chart below).



Non-Executive Directors

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Ravi Gopinath																			
Mandy Gradden																			
Alison Henwood																			
Ulf Quellmann																			
Bill Seeger*																			
Cathy Turner																			
Kjersti Wiklund																			
Mark Williamson																			

* Bill Seeger completed nine years' of service on the Board in January 2024 and he will retire from the Board at the conclusion of the 2024 AGM. More information on success on planning can be found on page 92

Board overview

Overboarding scores¹

1 mandate	1 Director
2 mandates	1 Directors
3 mandates	5 Directors
4 mandates	3 Directors
5 mandates	No Directors

Nationality of Directors

British	6
American	1
German	1
Norwegian	1
Singaporean	1

Gender

Male	60%
Female	40%

Board tenure

1-3 years	3
3-6 years	3
6 years+	4

¹ Based on 2024 ISS Guidance, which classifies any person with more than 5 mandates at a listed company as overboarded. A Non-executive Directorship counts as 1, a Non-executive chairmanship counts as 2, and an Executive Director position (or comparable role) counts as 3.

Audit and Risk Committee Report

Audit and Risk Committee Report



"The Group has evolved immeasurably during my tenure and the responsibilities and focus of the Committee has evolved successfully to mirror this change."

Bill Seeger

Chairman of the Audit and Risk Committee



This is my final report to you as Chairman of the Audit and Risk Committee as I will retire from the Board following completion of my nine years' tenure at the 2024 AGM. The Group has evolved immeasurably during my tenure and the responsibilities and focus of the Committee has evolved successfully to mirror this change.

I am proud of the oversight structures developed by the Committee and the strength of our relationship with our external and internal auditors and with the management team. I have also been pleased to see the development of the strength of the finance community within the Group under the guidance of Derek Harding.

In October 2023, Mandy Cradden joined the Board and the Committee, and she will succeed me as Chairman of the Committee in May 2024. I have been very impressed with Mandy's experience and approach in our early meetings and feel confident that she will further develop the role and remit of the Committee.

This report sets out the key activities of the Committee during 2023. During the year, the Committee's core duties remained largely unchanged and our usual cadence of activities relating to financial reporting, risk, assurance, and internal controls continued. However, in recognition of the importance of

a continuous focus on risk management we formalised the inclusion of an additional Committee meeting each year focused on the oversight of risk and internal control. The Committee and I were pleased to oversee the continued strengthening of the Group's internal audit provision under PwC.

In 2023, the Committee also focused on the development of its oversight of the Group's ESG reporting and assurance processes, supported by Alison Henwood, who in addition to her Committee responsibilities provides oversight of the Group's sustainability programme. The Group's ESG reporting is supported by limited assurance provided by Deloitte in addition to its role as external auditor and the Committee has benefited from the experience, wider market context and rigour that Deloitte has brought to the review of the Group's ESG reporting.

The Committee members benefited from the Board's visit to the Malvern Panalytical site in Almelo, the Netherlands in October

2023. This visit offered a valuable opportunity to meet key employees within the Malvern Panalytical business and review the development of the Group's strategy. While in Almelo I was pleased to join Derek Harding in meeting with the team leading the ERP transformation project for Malvern Panalytical. We heard more about the progress of work against the stage gate review process being followed prior to launch and the collaboration with HBK to share lessons learned to help mitigate against potential risks, as it also progresses towards its ERP launch.

The Committee as a whole continues to have dedicated time with the external and internal audit teams at each meeting without management present. I have also continued to meet regularly with members of these teams outside the Committee cycle, as well as receiving regular updates from the finance team on accounting judgements and issues, risk and internal controls, and the progress against the internal audit plans.

In 2024, a key focus of the Committee will be overseeing the transition to the new external audit partner, Rob Knight, as he transitions into role following the completion of the 2023 year-end process. Beyond these changes the Committee will focus on adopting the changes in the revised UK Corporate Governance Code released in January 2024 (2024 Code) by further developing the Group's risk management and internal control structures alongside the launch of the new ERP system at Malvern Panalytical and HBK, and the Group's further response to the developing landscape of ESG regulations.

I do hope you find this report useful in reviewing the work undertaken by the Committee in 2023

Bill Seeger

Chairman of the Audit and Risk Committee
28 February 2024

Role of the Committee

Membership and attendees

During 2023 the Committee was comprised solely of the following independent Non-executive Directors:

- Bill Seeger
- Kersti Wiklund
- Ulf Quellmann
- Alison Henwood, and
- Mandy Cradden (from October 2023)

Bill Seeger, Mandy Cradden and Alison Henwood are determined by the Committee to have 'recent and relevant financial experience' as required by the Ccc. 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 CFO, the Head of Risk and Control, and the Head of Corporate Affairs. Representatives from the external auditor, Deloitte, and the internal auditor, PwC, also attend meetings.



Read more about the current members of the Committee on pages 80 and 81

Details of attendance at Committee meetings is set out on page 84

Roles and responsibilities

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 on the fair, balanced and understandable assessment of the information provided;
- reviewing, challenging and approving significant accounting judgements (see pages 97 and 98) proposed by management;

Audit and Risk Committee Report continued

- 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;
- the independence and performance of the Group's internal audit arrangements;
- ensuring that relevant and significant areas of risk management are appropriately considered and addressed; and
- that additional consideration is given to relevant regulatory developments and emerging best practice



The full Terms of Reference setting out the activities of the Audit and Risk Committee are available at

www.spectris.com/corporategovernance

Audit Committee meetings

In response to the 2022 external Board evaluation outcomes and investor feedback, the Committee made the decision to schedule an additional meeting each year, bringing the total scheduled meetings to four. The additional meeting held in October 2023 focused on the effectiveness of the Group's current risk and controls framework and the work undertaken during the year by the external auditor, Deloitte, and the internal Committee. The Terms of Reference for the Committee were amended to include a minimum of four meetings per year. Informal discussions on key topics were also held outside of meetings when required. The Committee retained time around each meeting to meet separately without management present and invites the PwC internal audit co-source partner and representatives from the external auditor to attend for part of this session.

Significant matters considered during the year

The Code requires, on a comply or explain basis, that the Committee report on the significant matters considered during the

year. In 2023, the Committee considers that the most important matters were:

- continuing to support preparations in response to the planned UK regulatory changes on internal control provisions, including receiving updates from the Head of Risk and Control and PwC as well as the views of Deloitte as the external auditor on the enhancements to the internal controls framework;
- consideration and decisions around the accounting for transactions within the business, including the completion of the Concept Life Sciences divestment in March 2023, the planned divestment of Red Lion and the acquisition of MicroStrain, EMS, the XRD product line from Freiberg Instruments and the investment in LumaCyte; and
- providing oversight of the Group's ESG reporting and assurance processes, supported by Alison Henwood.

In July 2023, the Group received a letter from the FRC asking us to explain how our accounting policy to recognise revenue for some installations prior to the performance of any installation service complied with IFRS 15 'Revenue from Contracts with Customers'.

In response, the Committee oversaw the clarification that this component of revenue was not material to the Group's financial statements for the year under review and the explanation of the circumstances under which this revenue had previously been recognised in advance of performing an installation service. The relevant disclosures in this annual report have been updated.

Annual performance evaluation

During 2023, the Committee's performance was assessed as part of the Board's internally conducted annual effectiveness review. The Committee is considered to be operating effectively. Further details on the evaluation process are set out on page 88.

Activities during 2023

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 2023 was principally split into four key areas:

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

These topics are regularly 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 2023, as part of its review of the half-year and annual financial statements, the Committee has:

- considered the viability assessment and scenarios, 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 reviewed best practice and investor comment;
- reviewed the areas of accounting judgements such as revenue recognition and the Vendor Loan Note and Eurazeo investment (which formed part of the consideration for the sale of Millbrook in 2021);
- reviewed the areas of accounting judgements in respect of the Concept Life Sciences disposal and the consolidation requirements relating to the acquisition of EMS, XRD product line from Freiberg

Instruments, MicroStrain and the minority interest investment in LumaCyte incorporated;

- 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;
- reviewed the effectiveness of the external auditor;
- assessed the disclosures in the 2023 Annual Report and Accounts in relation to internal controls and the work of the Committee; and
- reviewed the proposed update to the Group's tax strategy.

The Committee also carried out a regular review of the Group's ongoing litigation matters and associated provisions.

Having reviewed and considered these key areas, and following their review of the process undertaken to ensure that the 2023 Annual Report and Accounts adhered to relevant legal and regulatory requirements, the Committee was able to recommend to the Board that, when taken as a whole, the 2023 Annual Report and Accounts is fair, balanced and understandable and contains all relevant information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The accounting policies are included in the relevant notes to the Consolidated Financial Statements. These are presented on pages 136 to 198. With the support of Deloitte, as external auditor, the Committee has reviewed the suitability of the accounting policies which have been adopted and whether management has made appropriate estimates and judgements.

Audit and Risk Committee Report continued

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

Segmental reporting

Issues and significance

The Group reports its operating segments and reportable operating segments in accordance with IFRS 8. The segmental platform structure reflects the current 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 structure for 2023 remains consistent with the prior year.

The role of the Committee

The Committee assessed whether the signed agreement to dispose of Red Lion would impact the Group having 'Other' as a non-reportable operating segment. The Committee also sought views from Deloitte.

Comments and conclusions

The Committee concluded that for the 2023 Annual Report and Accounts in accordance with IFRS 5 Assets Held for Sale accounting in agreement with Deloitte that the 'Other' non-reportable operating segment would remain. The Committee agreed to review the segmental reporting structure should the Red Lion sale process complete in 2024.

Alternative performance measures (APMs)

Issues and significance

The Group continues to monitor and consider whether the items adjusted in the APMs are appropriate in accordance with the Group's policies. The Board has approved a potential additional £6 million contribution to the Spectris Foundation, subject to strong financial performance up to 2030. As part of this, the first £1 million contribution has been approved and included in 2023. Given the one-off nature of this campaign, this amount has been disclosed as a new separate APM.

The role of the Committee

The Committee reviewed and considered the list of items adjusted for within the APMs as well as the explanation and disclosure of the APMs.

Comments and conclusions

The Committee was satisfied with the list of items adjusted for within the APMs, including the addition of the £1 million contribution, as well as the explanation and disclosure of the APMs and supports that these add clarity to the understanding of the Company's financial performance. The Committee reviewed and concluded that the relative prominence of statutory measures compared to APMs remains balanced.

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 sources of estimation uncertainty disclosed in the Group's 2023 Financial Statements are in relation to the assumptions applied in the calculation of retirement benefit plan assets and liabilities (note 19).

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 considered the appropriateness of disclosures and sensitivities with respect to the turbulent macroeconomic environment particularly around risk factors and their impact on discount rates.

The Committee reviewed and challenged presentations by management and also 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 continued

M&A activity

Issues and significance

Concept Life Sciences (CLS) was divested on 31 March 2023. CLS was not classified as held for sale at the 2022 financial year end as the sale process was not sufficiently advanced at that time.

The divestment of Red Lion was agreed in December 2023. Red Lion is included in the 'Other' non-reportable operating segment. Due to size and significance of the business it was determined that Red Lion should be treated as an Asset Held for Sale in accordance with IFRS 5.

The Group completed four acquisitions during the year. 12.2% of the share capital of LumaCylte was acquired in August 2023. The Committee concluded that the Group has a significant but not controlling interest and will account for the investment and associated transaction costs as an investment on the balance sheet, via the equity method. A purchase agreement was signed in June 2023 to acquire MicroStrain and the acquisition was completed in September 2023. MicroStrain forms part of the Spectris Dynamics operating segment.

EMS was wholly acquired in October 2023 and will form part of the Spectris Scientific operating segment and the PMS cash generating unit. In October 2023, the Group acquired Intellectual Property and know-how of the XRD product line from Freiberg Instruments. This will form part of the Spectris Scientific operating segment.

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. Opinions were sought from Deloitte.

Comments and conclusions

Following the Committee's review of the accounting treatments proposed by management for the four acquisitions and one disposal 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 2023, management reassessed the appropriateness of the Group's existing Principal Risks and considered any additional or emerging risks that might need to be included. As a result of this reassessment no changes were proposed to the existing categories of Group Principal Risk and no new emerging risks were identified for inclusion.

The role of the Committee

The Committee reviewed this process during its December 2023 and February 2024 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 assessment of the Group's Principal Risks, and the respective scenarios considered in the preparation of the Viability Statement.

Going concern and viability

Issues and significance

Management presented the Committee with an updated calculation of going concern and an assessment of the viability of the Group over a five-year period. This included revised forecasts including using the latest Strategic Plan which looked forward to 2027 plus an extrapolation of the results to 2028 to cover the five-year period.

This year further consideration has been given to the impact resulting from the Group's Principal Risks and uncertainties including the impacts from climate change.

The role of the Committee

The Committee reviewed the papers received from management in respect of the assessment of both going concern and viability 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 papers.

Comments and conclusions

The Committee concluded that, given the cash profile and strength of the financial forecast, the position of the Group remained strong and that the financial statements could continue to be prepared on a going concern basis. The Committee also concluded, based on the outcomes of the viability assessment, that it is reasonable to expect that the Group would be able to continue to operate and meet its obligations and liabilities as they fall due over the period to 31 December 2028.

Audit and Risk Committee Report continued

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 ensures that its responsibilities as set out in its Terms of Reference (available at www.spectris.com) are adequately met. This includes:

- evaluating and challenging the results and recommendations of audits undertaken by the internal audit team and the external auditor;
- considering the level of alignment between the Group's Principal Risks and internal audit programme;
- reviewing reports received on significant control issues to the Group and considering and challenging as necessary the adequacy of management's response to any matters raised;
- overseeing the governance and risk management framework, including a definition of risk appetite by risk category and Principal Risk, put in place throughout the Group;
- appraising the Group's response to information security and data protection risks;
- considering key emerging risks and management's approach to the ongoing oversight and management of those risks;
- considering the Group's ethics programme and the anti-bribery and corruption programme;
- considering common control themes identified throughout the business and where themes are identified, ensures that

subsequent action has been taken to minimise the risk; and

- assessing the Group's responsibilities relating to regulated exposures of the Group.

Regular meetings were held between the Head of Internal Audit and the Audit and Risk Committee Chairman, who also held discussions with the Head of Risk and Control. Throughout 2023, the Committee has continued to receive and review risk management updates from the businesses by way of reporting from the operating Business Audit and Risk Committee Chairmen. Updates on the Business 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 therefore not provide absolute assurance against material misstatement or loss.

Preparation for changes in audit and governance reform

In May 2023, the Financial Reporting Council (FRC) launched a public consultation on proposed revisions to the Code, following the UK Government's response to the White Paper on 'Restoring Trust in Audit and Corporate Governance'. Draft legislation setting out additional reporting requirements for companies was also issued in July 2023, which proposed to introduce further disclosures, including the requirement for the publication of an Audit and Assurance Policy. In 2024 the Committee will focus on ensuring that the Group's compliance strategy and methodology for evaluating and concluding on the adequacy and effectiveness of internal controls as required by the 2024 Code. This includes proceeding with changes to the reporting requirements regarding internal controls, albeit with a more targeted and

proportionate Code revision and more time for implementation.

The Group has continued to develop and enhance its internal control and risk management processes in 2023 in readiness for these changes. This work has included, in particular, working alongside critical business transformation projects to ensure adequate controls have been designed, tested and documented as part of the system implementation, and building a group governance, risk and compliance tracker which can track and report on risks, associated controls and further risk mitigation actions as well as on actions arising from internal audit findings.

During the year the Committee received regular updates from the Head of Risk and Control as well as routine updates from the business audit and risk committees. It also received a detailed update at each meeting on the proposed legislative and Code changes and the progress being made to enhance the internal controls framework.

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 meeting in February, specifically reviewed the effectiveness of these.

Key areas of focus for 2024

- continue to work alongside business transformation projects to embed risk and internal controls within the business systems in place across the Group;
- enhance the risk-based approach taken to considering other controls improvement work, specifically for financial, operational and compliance controls;
- oversee the Group's approach to compliance with the Corporate Sustainability Reporting Directive.

- refine the target operating model for risk, control and internal audit and leveraging the Group governance, risk and compliance tracker; and
- continue to oversee the Group's compliance with the implementation of the Corporate Sustainability Reporting Directive.

The ongoing work to further enhance internal controls will lead to better assurance and efficiencies through the opportunities to formalise and automate controls and gain better quality of information for decision-making purposes.

Ethics and 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 58). 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.

2023 Viability Statement

The Committee reviewed the preparation of the 2023 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 over which risks are assessed;
- the approach taken by our peers; and
- proposed changes in corporate reporting requirements regarding long-term resilience.

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.



Read more about the 2023 Viability Statement
on page 51

Audit and Risk Committee Report continued



The Committee reviewed the work performed by PwC throughout 2023 and concludes that the transition to the fully outsourced model was effective, and the assurance provided by the internal audit function remained strong.

Internal audit

The purpose of internal audit 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.

During 2023, the Internal Audit function continued to be led through an outsource arrangement by PwC, with a lead internal audit partner as the Head of Internal Audit, with oversight provided by the Committee. 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

During 2023, the outsource arrangement with PwC operated smoothly, with positive progress made in the delivery of risk-based reviews, engagement with the business, recommendation activities, and subsequent reporting. The outsource function works closely with the divisional structure of Spectris Scientific and Spectris Dynamics, to better utilise the capability and flexibility of PwC, focusing on the key risks across the Group and in each business. The internal audit plan and approach is then tailored to the respective needs of each business.

Internal audit planning

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. The majority of actions raised as part of the 2022 internal audit plan have been implemented with the remaining actions clearly owned and progressing with management.

At its final meeting in 2023, the Committee also considered the internal audit plan for 2024. The plan was developed using a risk-based approach and has taken into consideration the organisational objectives and priorities, as well as possible risks that

may prevent the achievement of those objectives. Internal audit will continue to work closely with the risk and control function to monitor the 2024 internal audit plan and ensure that it remains relevant and responds to any changes in the risk profile of the business. The Committee was pleased to approve the 2024 internal audit plan. The Committee will continue to be updated at each session on the progress against the plan as well as receiving updates on the outcomes of these audits and how promptly actions have been addressed.

Effectiveness of internal audit

Following the transition from a co-source internal audit arrangement during 2022, the Group progressed to a fully-outsourced arrangement with PwC at the start of 2023.

The Committee reviewed the work performed by PwC throughout 2023 and concluded that the transition to the fully outsourced model was effective, and the assurance provided by the internal audit function remained strong.

Business audit and risk committees

In each of its meetings during the year the Committee received an update from one of the businesses in respect of topics discussed by that business's audit and risk committee. These business audit and risk committees, which meet quarterly and are chaired by the business unit CFOs, provide the opportunity for each business to consider actions from internal audit reports, to discuss business risk registers and to review updates in respect of ethics and compliance matters. The Committee was informed about the process by which the business audit and risk committees support the existing internal audit and risk management framework and received assurance on the ways in which businesses track and monitor risk within their functions.

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 seventh year as auditor. Andrew Bond has held the role of lead audit partner since March 2019. Rob Knight will become our new audit partner following the completion of the 2023 year-end process.

External audit process

The external audit for the year ended 31 December 2023 has been carried out with a combination of remote and in-person work. Document repository sites have continued to be utilised as an effective way of reviewing documentation to support the audit. The Committee receives regular reports from Deloitte at its meetings and management and the Chairman of the Committee maintain an ongoing dialogue 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. Andrew Bond has been present in every Committee meeting during the year. Rob Knight, who will become our new audit partner following the completion of the 2023 year-end process, attended a number of meetings as part of the transition into this role. 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 2023 Financial Statements was reviewed by the Committee, and, in accordance with the authority given to the Committee at the 2023 AGM, the Committee reviewed the proposed remuneration of Deloitte. The Committee considered the proposed auditor's remuneration to be appropriate

Audit and Risk Committee Report continued



Following the Committee's own 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.

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/corporategovernance

The Committee's Non-audit Services Policy is used to safeguard Deloitte's independence and objectivity. Non-audit fees for services provided by Deloitte for the year amounted to £0.1 million (3.7% 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 produce an interim review of the Group's Danish subsidiary in accordance with ISRS 4400 for the DPA filing. Deloitte was considered best placed to support the Company in this role as a result of its unique knowledge of the Group, having considered the threats to auditor independence including non-audit service fee caps for the Group and the UK. The work was deemed incidental to the audit service. Further details are included in note 4 to the Consolidated Financial Statements.

The Committee considered the engagement of Deloitte and was comfortable that the engagement did not adversely impact the independence of the external auditor and was in line with the Group's Non-audit Services Policy. Further details are included in note 4 to the Financial Statements.

Effectiveness of the external auditor

To assess the effectiveness of the external auditor the Committee reviewed:

- the external auditor's fulfilment of the agreed audit plan and variations from it (including changes in perceived audit risks and the work undertaken by the external auditors to address those risks); and

- reports highlighting key items that arose during the course of the audit.

During the year, the Committee carried out the annual effectiveness review of the external auditor. 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.

The stakeholder survey was refreshed during the year in light of achieving higher standards of audit quality, and the increased government and regulatory focus on audit/auditor effectiveness in line with the Code, and the planned introduction by the FRC on the minimum standard for audit committees. The resulting assessment was more comprehensive than in previous years.

There were no significant findings following the review and it was concluded that the audit process continued to be effective. Minor findings from the stakeholder survey have been actioned during the year by Deloitte and incorporated into its 2024 work plan.

To fulfil its responsibility for oversight of the external audit process, the Committee is responsible for reviewing:

- the terms, areas of responsibility, associated duties and scope of the audit as set out in the external auditor's engagement letter;
- the overall work plan and fee proposal;
- any significant issues that arose during the course of the audit and their resolution;
- key accounting and audit judgements;
- the level of errors identified during the audit; and
- the content of, and any recommendations made by the external auditor in, their management letters and the adequacy of management's response.

External auditor re-appointment

The Committee reviews annually the appointment of the external auditor, taking into account the auditor's effectiveness and independence, and makes a recommendation to the Board accordingly. Any decision to open the external audit to tender is taken on the recommendation of the Committee.

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 2024 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/AnnualGeneralMeeting

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 2023 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, 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 team members required to rotate at least every seven years. In support of this practice, Rob Knight will succeed Andrew Bond as audit engagement partner in 2024. As detailed above, the Group complied with the Statutory Audit Services Order 2014 throughout 2023.



Read more about the independent external auditor's report to shareholders on pages 129 to 135

Directors' Remuneration Report

Remuneration Committee Chairman's statement



"I remain confident that the Group's Remuneration Policy supports the delivery of the Group's Strategy for Sustainable Growth."

Cathy Turner
Chairman of the Remuneration Committee



On behalf of the Board, I am pleased to present my report as Chairman of the Remuneration Committee for the year ended 31 December 2023.

This report provides a comprehensive picture of the structure and scale of our remuneration framework, its alignment with both the Group's strategy and the wider workforce. The report sets out the decisions made by the Committee as a result of business performance for this year and the intended arrangements for 2024.

2023 Remuneration policy
Shareholders approved the Group's Remuneration Policy (the Policy) at a General Meeting on 13 December 2022. The Policy received over 95% of votes in favour of its approval and came into effect on 1 January 2023. The Committee remains confident that the Policy supports the Group's Strategy for Sustainable Growth and provides a balance between motivating and challenging our Executive Directors and senior management to deliver our business priorities and also driving the long-term sustainable success of the Group

The context of remuneration in 2023
Our performance

In 2023, the Group delivered an excellent performance, delivering on the commitments set out at our Capital Markets Day in 2022. Adjusted operating profit grew by 18% and adjusted earnings per share increased by 25%. The delivery of higher quality, more profitable growth is evidenced by continued margin expansion resulting in an 18.1% adjusted operating margin. This strong performance reflected the Group's successful navigation of challenging markets, geopolitical uncertainty and the continuing conflict in Ukraine and the resulting energy crisis, demonstrating the resilience of our strategy and business model. This continued performance has delivered a further year of dividend per share growth. Over the last year, we delivered continued high returns and strong growth.

Our people

The Group's employees are at the heart of our delivery against our Strategy for Sustainable Growth. The Committee is focused on ensuring that our people are rewarded appropriately based on their experience, location and contribution to the Group. The Committee reviews various aspects of the wider workforce's remuneration and considers such information when determining the approach to executive pay. In 2023, the Committee received regular updates relating to the Group's wider pay arrangements.

As part of the Board's commitment to workforce engagement, I was also pleased to join Kjersti Wiklund in meeting with employees at our Almelo site where we discussed remuneration alongside other aspects of employee engagement. I look forward to taking part in further discussions with employees in 2024.

2023 annual bonus outcome

As highlighted above, the Group's performance in 2023 was excellent, with increases in both like-for-like sales and profit. This contributed to bonus outcomes for 2023 of 95.6% of the maximum bonus opportunity for Andrew Heath and 96.2% of the maximum bonus opportunity for Derek Harding.

Only formulaic adjustments have been made to the annual bonus targets in line with plan rules, to reflect the disposal of companies throughout the year. This approach is consistent with prior years and ensures the bonus outcome accurately reflects the underlying performance of the business. In accordance with the Policy, 50% of any outturn from the bonus will be deferred into shares. No discretion has been applied to the 2023 annual bonus outcome. Full details of the 2023 annual bonus performance outcome are set out on page 107.

2023 LTIP grant

In March 2023, the Committee granted awards under the Long Term Incentive Plan (LTIP) to both Executive Directors in line with the Group's Remuneration Policy.

2021 LTIP outcome

Both Executive Directors were granted an LTIP award in March 2021 that will vest at 71% of the total maximum opportunity on 17 March 2024 and is thereafter subject to a further two-year vesting period. Earnings Per Share (EPS) and Return on gross capital employed (ROGCE) performance has been strong over the period. This has resulted in the award subject to both performance conditions vesting in full. However, based on interim results as at 31 December 2023, the Total Shareholder Return (TSR) performance related multiplier did not meet the threshold performance targets for absolute TSR, despite the very strong relative TSR performance against the peer group during the period. This element of the award is therefore not expected to payout (the final measurement of TSR will be at 16 March 2024). This demonstrates the high level of stretch that is built into the TSR component of the LTIP. No discretion has been applied to the 2021 LTIP outcome. Full details of the estimated 2021 LTIP performance outcome are set out on pages 110 and 111.

2024 remuneration outlook

The Executive Directors' salaries were reviewed by the Committee in February 2024 with a 3.0% increase agreed with effect from 1 April 2024 in line with the average pay increase across the wider Spectris employee population. The fee structure for the Chairman and Non-Executive Directors was also reviewed in February 2024 with increases taking effect from 1 April 2024.

Directors' Remuneration Report continued

Chairman's fee

The Committee reviewed the Chairman's fee in the context of the current size and complexity of the business which has materially increased since his appointment in 2017. This review showed that the Chairman's current fee of £250,000 is significantly below the market levels expected in the FTSE 50-150, which Spectris currently sits around the middle of on a market capitalisation basis. Therefore, the Committee has agreed to increase the Chairman's fee from 1 April 2024 to £350,000. This change reflects the size and complexity of the Chairman's role and aligns with the appropriate fee levels at the median of our peer group. The Chairman's fee will remain subject to review and possible inflationary increases in future years as normal, however no further material changes are expected in the near term.

A summary of the planned implementation of the Policy in 2024 is set out on page 104. The Committee continues to spend considerable time deliberating the right balance between policy, performance and fairness to all stakeholders. We are confident that the Policy and the proposed implementation of the Policy reflects this balance and the Committee therefore recommends this report to shareholders.

Closing remarks

The Committee's performance was assessed as part of the annual Committee evaluation. I am pleased to report that the Committee is regarded as operating effectively and that the Board takes assurance from the quality of the Committee's work.

I would like to thank the Committee for its work during the year and our shareholders for their support. Thanks also to our executive team for their decisive leadership and continued efforts to deliver value to our stakeholders.

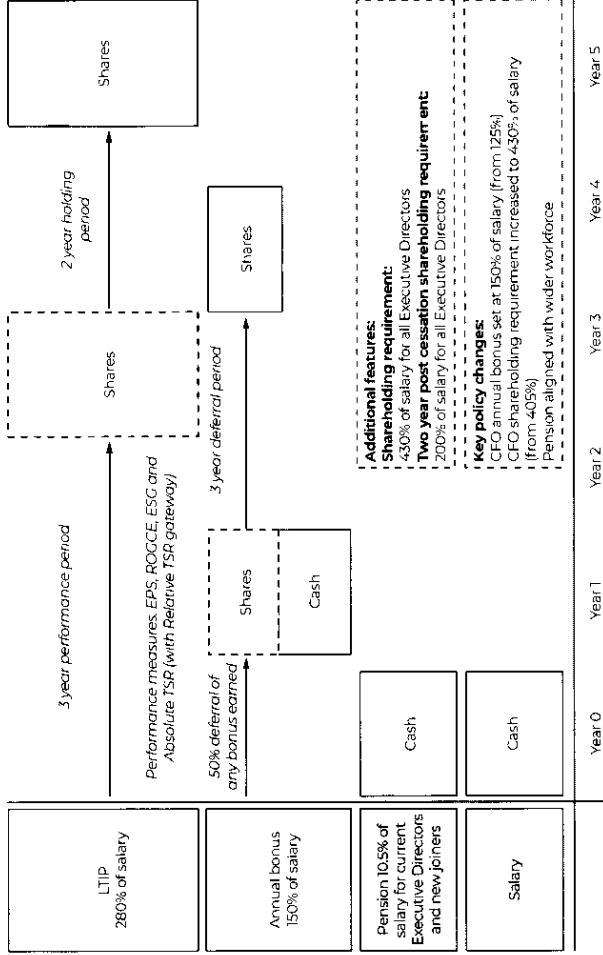
I hope that you will find this report useful in understanding the reward structure in place to support strong and sustainable results and will support the judgements made by the Committee this year. If required I would be happy to discuss any matters contained in this report.

Cathy Turner

Chairman of the Remuneration Committee
28 February 2024

2023 Remuneration Policy – Our Remuneration Structure

The diagram depicts our remuneration structure for the year ended 31 December 2023.



Key principles of our remuneration strategy:

- Reward delivery of the Group's strategy in a simple and transparent way that is aligned to shareholder interests.
- Attract, retain and motivate senior executives with market-competitive reward
- Align performance measures with shareholder returns with stretching targets aligned to long-term value creation.
- Reflect and underpin the Group's Purpose, our Values and wider stakeholder experience.

Directors' Remuneration Report continued

Remuneration arrangements for 2024

Salary/fees
Andrew Heath and Derek Harding will both receive a 3.3% increase in salary for 2024 which is in line with the average increase for Spectris employees
With effect from 1 April 2024, the salaries for the Executive Directors will be:

Andrew Heath -	£772,500
Derek Harding -	£546,250

The Chairman's fee will increase to £350,000 with effect from 1 April 2024. The basic fee for the Non-executive Directors' will increase in line with the average increase for Spectris employees.

Further details of these increases are set out in the statement from the Remuneration Committee Chairman on pages 102 and 103

Pension
The pension contribution for Andrew Heath and Derek Harding for 2024 will remain at 10.5% of base salary which aligns with the wider UK workforce.

Annual Bonus Plan
The maximum annual bonus opportunity for the Executive Directors remains at 150% of salary.
The performance measures for the 2024 award are in line with the 2023 Remuneration Policy and will be as follows:

Like-for-like Sales Growth (30%)
Adjusted Operating Margin (30%)
Adjusted Cash Conversion (20%)
Strategic and Operational Objectives (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) partnership and matching schemes will continue to be operated for 2024. Both Executive Directors are members of the SIP.

Other benefits
No changes will be made to other benefits operated for 2024.

Long Term Incentive Plan
The maximum LTIP opportunity for each of the Executive Directors remains at 280% of salary.
The performance measures for the 2024 LTIP will be as follows.

Base Conditions

Condition	Weighting	Threshold (20%)	Maximum (100%)
EPS growth	33.33%	4% p.a.	10% p.a.
ROCE	33.33%	14%	17%
Employee engagement	16.67%	4.00	4.08
Scope 1 & 2 emission reduction	16.67%	27.5%	35.5%

Multiplier
Up to 1.4 x base award – 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 payout between threshold (1x) and target (1.2x)
A minimum of upper quartile relative TSR required for payout between target (1.2x) and maximum (1.4x)).



For full details on our Remuneration policy please visit www.spectris.com/our-approach/corporate-governance/

Directors' Remuneration Report continued

2023 Remuneration at a Glance

Business performance

A strong performance providing confidence in Spectris as a leading sustainable business. Key highlights include:

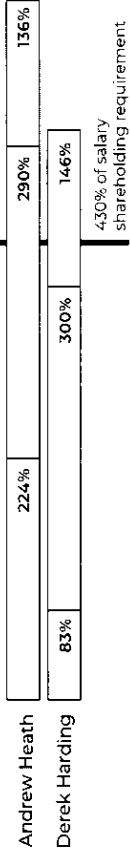
- Strong like-for-like sales growth of 10%.
- Adjusted operating margin increased to 18.1%
- Adjusted operating profit increase of 18%
- Adjusted earnings per share up 25%
- Dividend per share increase of 5.0%, 34 years of consistent dividend growth

Performance outcomes

2023 Annual Bonus Plan		Outcome (% of maximum award)	Outcome (% of maximum award)
Performance conditions			
Like-for-like sales growth (30%)		30.0/30	35.7%
Adjusted operating profit (30%)		30.0/30	35.7%
Adjusted cash conversion (20%)		20.0/20	
Strategic and operational (20%) –			0.0% (estimated)
Andrew Heath		15.6/20	final vesting to be confirmed in March 2024
Derek Harding		16.2/20	
Total			71.4%
Annual Bonus Plan outcome			
Andrew Heath		£1,075,500	Estimated vesting value
Derek Harding		£765,151	£1,387,040

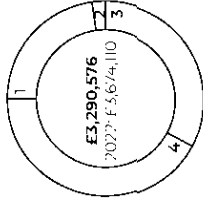
2021 LTIP		Outcome (% weighting of max award)	Outcome (% of maximum award)
Performance conditions			
EPS (35.7%)			35.7%
ROCE (35.7%)			35.7%
TSR Multiplier (28.6%)			0.0% (estimated)
Total			71.4%
LTIP outcome			
Andrew Heath			£1,387,040
Derek Harding			£1,080,061

Executive Directors' shareholdings (% of salary)

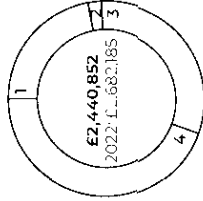


- Shares owned
- Share awards - 10% subject to performance conditions (net of tax)
- 2021 LTIP + 50% DBP part of 2023 Annual Bonus (2023 single total figure of remuneration (SFR) values net of tax)

Total remuneration



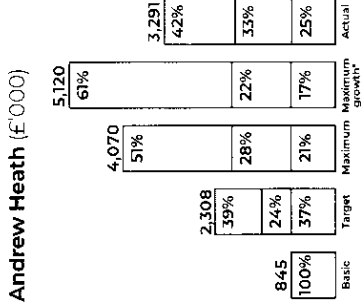
Andrew Heath	
1 Salary and benefits	22.8%
2 Retirement benefits	2.3%
3 Annual bonus	32.7%
4 Long-term incentives	42.2%



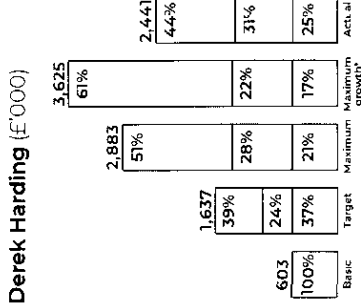
Derek Harding	
1 Salary and benefits	22.1%
2 Retirement benefits	2.3%
3 Annual bonus	31.3%
4 Long-term incentives	44.3%

Outcomes scenarios

Andrew Heath (£'000)



Derek Harding (£'000)



* Maximum with 50% share price growth

- Total fixed pay
- Annual Bonus
- LTIP/PSIP

Each coloured bar shows the percentage of the total comprised by each of the points

Directors' Remuneration Report continued

Remuneration for 2023

This section of the Report sets out the details of the implementation of the 2023 Remuneration Policy during the 2023 financial year. Details of how the Remuneration Committee intends to implement the 2023 Remuneration Policy during 2024 are summarised on page 104. This part of the Report together with the Remuneration Committee Chairman's Statement, the 2023 Remuneration Policy structure 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 2024 AGM 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 ¹	D Fixed pay and benefits (sub-total)	E Annual Bonus ²	F All- employee LTIP ³ share plans	G Variable remuneration (sub-total)	Total
Andrew Heath	2023 734	17	77	828	1,076	1,387	–	2,463 3,291
	2022 673	16	135	824	808	2,043	–	2,851 3,675
Derek Harding	2023 524	17	55	596	765	1,080	–	1,845 2,441
	2022 501	16	75	592	498	1,591	–	2,089 2,681

1. With effect from 1 January 2023, the Executive Directors' pension entitlement reduced to 10.5% of base salary in line with the majority of the UK workforce.
2. In line with the 2023 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 (DBP) on 16 March 2023 can be found on page 111 which satisfies the deferred element of the Executive Directors' 2022 bonus entitlement.
3. A breakdown of how the LTIP values have been determined by year is shown below. Further details of the values for 2022 and 2023 can be found on pages 109 and 111.
 - The 2023 figures relate to the 2021 LTIP awards which are due to vest on 17 March 2024 and are based on estimated vesting levels as at 31 December 2023. The value attributed to share price appreciation in respect of the 2022 award (based on the three-month average share price at 31 December 2023 of 3,346.86 pence per share) was £84,023 and £65,427 for Andrew Heath and Derek Harding respectively. This equates to 6% of the total award vested for both Executive Directors.
 - The 2022 figures have been restated to reflect the actual vesting outcomes for Andrew Heath and Derek Harding's 2020 LTIP award. The value attributed to share price appreciation in respect of the 2020 award (based on a final share price at vesting of 3,497 pence per share) was £735,788 and £572,928 for Andrew Heath and Derek Harding respectively. This equates to 36% of the total award vested for both Executive Directors.

Notes to the single total figure of remuneration table

A. Salary (audited)

Andrew Heath received a 9.2% and Derek Harding a 5.0% salary increase with effect from 1 April 2023. The average salary review increase for employees of Spectris plc in 2023 was 5.0%.

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 2023 are set out in the table below

Executive Director	Car and fuel allowances £	Medical/ healthcare cover £	Total £
Andrew Heath	15,165	1,524	16,689
Derek Harding	15,165	1,524	16,689

C. Retirement benefits (audited)

Executive Directors are entitled to a defined contribution pension contribution.

With effect from 1 January 2023 and as stated in the 2023 Remuneration Policy, both Andrew Heath and Derek Harding receive a 10.5% of base salary entitlement which aligns with the terms applicable to the majority of the UK wider workforce. Prior to 2023, Andrew Heath and Derek Harding received a pension entitlement of 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.

Directors' Remuneration Report continued

Remuneration for 2023 continued

D. 2023 Annual bonus outcome (audited)

The maximum bonus opportunity for the Executive Directors is 150% of base salary. This is unchanged for Andrew Heath, Chief Executive but has increased from 125% to 150% of base salary for Derek Harding, Chief Financial Officer. 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 2023 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)		Payout (% of salary)		Actual Group performance/assessment of personal objective performance	Payout ¹ £	Bonus outcome (% of maximum)
		Threshold	On-target	Maximum				
Andrew Heath (Salary – £750,000)	150%	LFL sales growth (30%)	0%	22.5%	45%	45.0%	337,500	30.0%
		Adjusted operating margin growth (30%)	0%	22.5%	45%	45.0%	337,500	30.0%
		Adjusted cashflow conversion (20%)	0%	15%	30%	30.0%	225,000	20.0%
		Strategic objectives (20%)	0%	15%	30%	23.4%	175,500	15.6%
		Total	0%	75%	150%	143.4%	1,075,500	95.6%
Derek Harding (Salary – £530,250)	150%	LFL sales growth (30%)	0%	22.5%	45%	45.0%	238,613	30.0%
		Adjusted operating margin growth (30%)	0%	22.5%	45%	45.0%	238,612	30.0%
		Adjusted cashflow conversion (20%)	0%	15%	30%	30.0%	159,075	20.0%
		Strategic objectives (20%)	0%	15%	30%	24.3%	128,051	16.2%
		Total	0%	75%	150%	144.3%	765,151	96.2%

1. 50% of the Executive Directors' 2023 bonus will be deferred into shares for three years in line with the 2023 Remuneration Policy

Bonus performance measures

The performance against the 2023 bonus financial metrics was as follows:

Bonus targets ¹	Threshold (0% of max)	Target (50% of max)	Maximum (100% of max)	Actual
LFL sales growth ²	3.5%	6.0%	8.0%	10.1%
Adjusted operating margin growth ²	17.0%	17.5%	18.0%	18.1%
Adjusted cashflow conversion ²	70%	80%	90%	103%

- 2023 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
- LFL sales growth, adjusted operating margin growth and adjusted cashflow conversion are defined and reconciled to the reported statutory measures. The definitions are provided in the appendix to the Consolidated Financial Statements

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 the 2023 bonus, the bonus targets reflect the disposal of Concept Life Sciences during the year to ensure a fair like-for-like comparison with the actual results.

The Committee approved the maximum payout for the LFL sales growth, adjusted operating margin growth and cash conversion metrics.

Directors' Remuneration Report continued

Remuneration for 2023 continued

The 2023 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	Weighting %	Performance summary	% achieved
• Grow the business	18%	In aggregate, all growth initiatives performing at, or above, business case. Vitality index dropped due to the diversion of engineers to address supply chain shortages in late 2022 and higher sales of older products than expected	10%
• Grow the business	18%	Strong and considered strategy agreed with the Board to mitigate the Group's exposure to geopolitical tensions	18%
• Capital allocation	16%	Successfully executed the divestment of Red Lion Controls. Further progress on the population of M&A pipeline, but key acquisition targets not secured due to external competition. Deployed c£60 million of capital on acquisitions and investments while maintaining discipline in line with the Group's capital allocation framework	6%
• Dynamics Division performance	16%	New organisation and operating model implemented. Significant improvement in sales growth (up 10.8%). Delivered an improvement in adjusted operating margin by 220bps.	16%
• Investor engagement	16%	Delivered a targeted programme to drive US share ownership with strong progress made in strengthening US-based share register	15%
• Leadership	16%	Strengthened succession pipelines for the executive management team. Significant development of the gender diversity present in the senior leadership community from 20% to 29% and the establishment of the Group's target to ensure 40% of senior leadership roles are held by women by 2030	13%
Total	100%		78%¹

¹ This represents a bonus payment of 23.4% of salary (maximum 30%) for the strategic objectives part of Andrew Heath's 2023 annual bonus

Derek Harding	Weighting %	Performance summary	% achieved
• Operating model	24%	Actively supported the improvement in performance in the Spectris Dynamics Division, delivering budgeted cost-reduction activity	21%
• Operating model	16%	Introduced an improved financial performance management process including a new, more detailed P&L structure to enable more dynamic reporting of the drivers of cost. Oversaw the streamlining of the monthly business review process	9%
• Process transformation	30%	Oversaw Project Legato, the project to implement the Group's ERP system in HBK and Malvern Panalytical, delivering the project in accordance with the agreed timeline. Led the implementation of the new Group financial consolidation reporting system. Developed a plan to reduce IT operating costs	22%
• Governance, risk controls and internal audit	10%	Significant progress on the implementation of a new risk management system	9%
• Leadership	10%	Strengthened investor relations capability and streamlined and improved effectiveness of Group legal structure.	10%
• Diversity and inclusion	10%	Championed work on developing Group approach to diversity and inclusion	10%
Total	100%		81%

¹ This represents a bonus payment of 24.3% of salary (maximum 30%) for the strategic objectives part of Derek Harding's 2023 annual bonus

Directors' Remuneration Report continued
Remuneration for 2023 continued

E. Long Term Incentive Plan (LTIP)

Awards granted under the LTIP to the Executive Directors between 2020 to 2022 were structured so that 50% of the base award was subject to a Group EPS target, and the remaining 50% to a ROGCE target. A multiplier (up to a maximum of 1.4 times) can potentially be applied to the base award vesting but only on achieving stretching absolute and relative Total Shareholder return (TSR) targets.

Each condition operated over a fixed three-year period, being the three financial years commencing with the financial year in which an award was made in respect of the Group EPS and ROGCE measures; and three years from the date of grant in respect of the absolute and relative TSR measures) with no opportunity for re-testing. The TSR performance condition is measured independently by Aon Hewitt (Aon). A holding period of two years applies to all awards following vesting.

F: All-employee share plans (audited)

There were no payments during the year to Executive Directors under the Spectris all-employee share plans.

Payments for loss of office (audited)

There were no payments for loss of office in 2023.

Payments to past Directors (audited)

There were no payments to past Directors in 2023.

LTIP awards vested in March 2023 (audited)

The 2023 LTIP awards granted to Andrew Heath and Derek Harding matured in March 2023. 71.5% of the total award vested on 25 March 2023 (see table below) and is now subject to the additional two-year holding period. The balance of the award lapsed.

Performance condition	Award level (% of salary)	Threshold (20%)	Maximum (100%)	Actual	Percentage weighted vesting	Percentage of total vested award
EPS	100%	4% p.a.	10% p.a.	8.64% p.a.	81.9%	29.3%
ROGCE	100%	13.7%	15.7%	16.0%	100.0%	35.7%
TSR multiplier (Up to 1.4X multiplier)	Multiplier	Absolute TSR (2019 ROGCE +1%)		Relative TSR gateway Median or above		TSR Actual Absolute: 9.0% p.a. Relative: Above upper quartile
		8% p.a. or less		Median or above		
		1.0X to 1.2X		8% – 10% p.a.		
		1.2X		10% p.a.		
		1.2X to 1.4X		10% – 15% p.a.		
		1.4X	15% p.a.			
Total	280%					71.5%

The 2022 single total figure of remuneration for Andrew Heath and Derek Harding has been restated as shown below to reflect the final vesting outcome:

Executive Director	Total number of shares subject to LTIP 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 (25 March 2023)	Vesting value	Share price appreciation as a % of the total vested award value
Andrew Heath	76,276	£1,707,972	71.5%	54,510	3,988	58,498	3.497p	£2,042,950	36% ²
Derek Harding	59,395	£1,329,973	71.5%	42,445	3,105	45,550	3.497p	£1,590,761	36% ²

1. The face value is based on the average of the closing share price over the five days immediately prior to the date of grant of 2.2392 pence.

2. The value attributed to share price appreciation, based on a final share price at vesting of 3.497 pence per share, was £755,788 and £572,928 for Andrew Heath and Derek Harding respectively. The Committee determined that the 71.5% partial vesting position together with the share price appreciation provided an appropriate level of award fairly representing how the Company had performed over the 2020 LTIP's vesting period.

On vesting, the Committee gave appropriate consideration to the possibility of a windfall gain in respect of the 2020 LTIP, which was granted when the share price was subject to significant market volatility at the start of the COVID-19 pandemic. After meaningful deliberation, the Committee concluded that a discretionary adjustment to the 2020 LTIP was not appropriate.

Directors' Remuneration Report continued

Remuneration for 2023 continued

LTIIP awards vesting in March 2024 (audited)

Both Andrew Heath and Derek Harding were granted LTIIP awards in 2021, which will mature in March 2024. The Committee determined that the 2021 LTIIP vesting outcome has not been subject to windfall gains.

The final vesting position of the EPS and ROGCE conditions as well as the best estimate of the vesting position for the TSR Multiplier (based on Aon's interim report as at 31 December 2023) are provided below.

Performance condition	Award level (% of salary)	Threshold (20%)	Maximum (100%)	Actual	Actual/estimated percentage vesting	Actual/estimated percentage of total vested award
EPS	100%	4% p.a.	10% p.a.	26.5% p.a. ¹	100.0%	35.7%
ROGCE	100%	10.9% (2020 ROGCE +1%) (2020 ROGCE+3%)	12.9%	18.5% ²	100.0%	35.7%
TSR multiplier	80% (Up to 1.4x multiplier)	Absolute TSR	Relative TSR gateway	Estimated TSR	0.0%	0.0%
		1.0X	Absolute: 6.2% p.a. Relative: Above upper quartile ³			
		1.0X to 1.2X				
		1.2X				
1.2X to 1.4X						
Total		280%	1.4x	15% p.a.	Estimated total vesting	71.4%

1 The EPS outcome figure has been calculated on the following basis:

- In order to account for material business divestments which occurred with more than one year remaining of the performance period of the 2021 LTIIP (namely the Millbrook, BK Vibro, ESC, NDCI and Omega disposals), the base performance condition and outcomes have been adjusted to remove the impact of the disposed entities.
- In order to account for material business divestments which occurred with less than one year remaining of the performance period of the 2021 LTIIP (namely the Concept Life Sciences disposal), no changes have been made to the base calculation, but the final outcome has been adjusted to reflect a full year's contribution from the divested business.
- These adjustments ensure that the targets remained as stretching as originally intended and the outcomes are not influenced by the impact of divestments that occurred during the performance period.
- This approach was agreed by the Committee in December 2019, and has been applied consistently to date. A full reconciliation of this outcome from the Adjusted EPS figure (as set out in the appendix to the Consolidated Financial Statements on page 188) is provided below.

	As at 31 December 2020 pence	As at 31 December 2023 pence
Adjusted EPS (reported)	112.1p	199.7p
Adjustments relating to disposals (Millbrook, BK Vibro, ESC, NDCI and Omega)	(12.7p)	
Adjusted EPS (excluding disposals)	99.4p	201.1p
Compound annual growth in EPS		26.5%

2 The Committee determined that the 2023 ROGCE outcome as calculated below is a true reflection of the Company's performance

	31 December 2023 £m
Average gross capital employed (reported)	1,419.2
Adjusted operating profit (reported)	262.5
ROGCE	18.5%

3 TSR performance, both absolute and relative to the FTSE 250 (excluding investment trusts), has been estimated based on the position as at 31 December 2023.

Directors' Remuneration Report continued

Remuneration for 2023 continued

The vesting estimates as at 31 December 2023 are detailed in the table below:

Executive Director	Maximum vesting opportunity under LTIP option ¹	Face value of LTIP award ²	Estimated maximum vesting % of award	Estimated number of shares vesting	Estimated dividend shares ³	Estimated total number of shares vesting	Year-end three-month average share price	Estimated vesting value	Estimated share price appreciation as a % of vested value ⁴
Andrew Heath	54,318	£1,707,975	71.4%	38,799	2,702	41,501	3,346.86p	1,387,040	6%
Derek Harding	42,296	£1,329,955	71.4%	30,212	2,104	32,316	3,346.86p	1,080,061	6%

- 1 The maximum vesting opportunity under the LTIP award equals the base award times a 1.4 TSP multiplier.
- 2 The face value is based on the average closing share price over the five days immediately prior to the date of grant (17 March 2023) of 3,344.4 pence
- 3 The estimated dividend shares are based on dividends paid over the three-year performance period. Dividend shares will accrue from date of grant to the end of the holding period (fifth year anniversary from date of grant) which is the first opportunity the award can be exercised.
- 4 The estimated value attributed to share price appreciation, based on the three-month average share price at 31 December 2023 of 3,346.86 pence per share, was £84,023 and £65,427 for Andrew Heath and Derek Harding respectively. These values are only estimates; however, the Committee has determined that no discretionary adjustment will be made to the final LTIP vesting position.

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.

Deferred Bonus Plan (DBP) awards granted during 2023 (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 16 March 2023, based on their 2022 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	11,666	£403,737
Derek Harding	5p	7,201	£249,212

- 1 The face value is based on the average closing share price over the five days immediately prior to date of grant (16 March 2023) of £3,460.8 pence

Directors' Remuneration Report continued

Remuneration for 2023 continued

LTIP awards granted during 2023 (audited)

The 2023 LTIP awards to Andrew Heath and Derek Harding were granted on 16 March 2023 and are subject to the performance conditions detailed below. An additional vesting period of two years applies to all awards following the three-year performance period.

Director	Exercise price	Number of shares under base award [% of salary]	Face value of base award at date of grant ¹ (£)
Andrew Heath	5p	39,701 (200% of salary)	£1,373,972
Derek Harding	5p	29,184 (200% of salary)	£1,010,000

2023 LTIP base award performance conditions

	Vesting [% of base award]	Performance targets	Performance period
Adjusted EPS Growth (33.33% of base award)	0%	Less than 4%	1 January 2023 to 31 December 2025
	6.7%	4%	
	6.7% to 33.3% (straight line pro-rata basis)	Between 4% and 10%	
ROGCE (33.33% of base award)	33.3%	10% or more	1 January 2023 to 31 December 2025
	0%	Less than 14% p.a.	
	6.7%	14% p.a.	
Net Zero emissions (16.67% of base award)	6.7% to 33.3% (straight line pro-rata basis)	Between 14% p.a. and 17% p.a.	1 January 2023 to 31 December 2025
	33.3%	17% p.a. or more	
	0%	Less than 27.5% reduction	
Net Zero emissions (16.67% of base award)	3.3%	27.5% reduction	1 January 2023 to 31 December 2025
	3.3% to 16.7% (straight line pro-rata basis)	Between 27.5% and 35.5% reduction	
	16.7%	35.5% reduction or more	
Gallup employee engagement (16.67% of base award)	0%	Gallup score of 3.94 or less	1 January 2023 to 31 December 2025
	3.3%	Gallup score of 3.94	
	3.3% to 16.7% (straight line pro-rata basis)	Gallup score between 3.94 and 4.06	
	16.7%	Gallup score of 4.06 or more	

¹ Face value of base and maximum award based on the average of the closing share price over five days immediately prior to date of grant – £34.608

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 (£)
1.40 x base award	15,880 (80% of salary)	55,581 (280% of salary)	£1,923,547
	11,673 (80% of salary)	40,857 (280% of salary)	£1,413,979

2023 LTIP TSR multiplier performance conditions

TSR multiplier	Absolute TSR growth targets	Relative TSR – assessed against FTSE 250 index (excluding investment trusts)	Performance period
1.00 X	8% p.a. or less		
Between 1.00 X and 1.20 X	Between 8% and 10% p.a.	Median or above	
1.20 X	10% p.a.		15 March 2023 to 15 March 2026
Between 1.20 X and 1.40 X	Between 10% and 15% p.a.	Upper quartile or above	
1.40 X	15% p.a. or more		

The above table details LTIP share options granted to Executive Directors during 2023, in line with the 2023 Remuneration Policy. 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 both absolute and relative stretching TSR targets.

The EPS figure is obtained from the audited Consolidated Financial Statements and the calculation of achievement against growth condition is presented to and approved by the Committee. ROGCE 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 Net Zero emissions condition is aligned to the Company's Net Zero roadmap to 2030 and a key driver for sustainable growth. Improving employee engagement score is key to unlocking workforce productivity, which in turn supports our ability to retain and attract the talent we need to execute the strategy successfully and drive value for all of our stakeholders.

Directors' Remuneration Report continued

Remuneration for 2023 continued

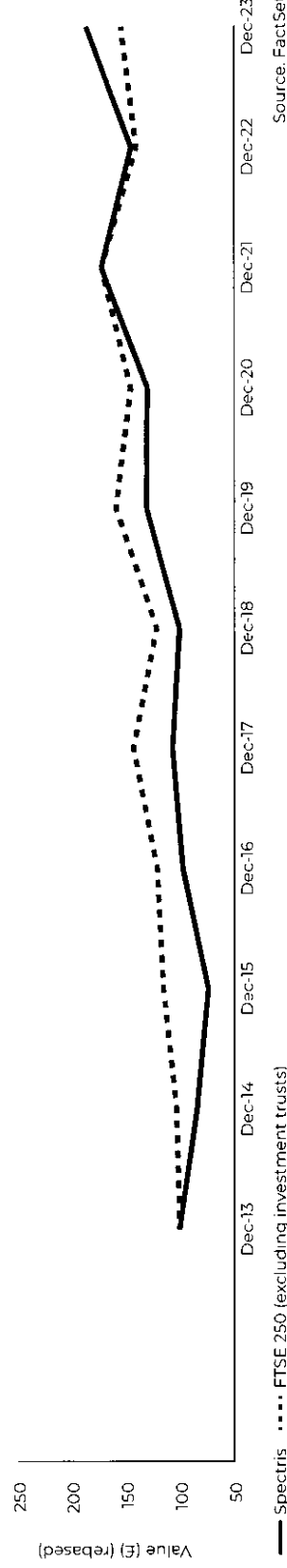
The Committee will monitor outcomes for the LTIP performance conditions to ensure that they achieve the original objectives and may adjust the vesting accordingly. Any exercise of discretion will be justified in the relevant Directors' Remuneration Report.

The multiplier condition requires the achievement of both relative and absolute TSR metrics which means that any additional payout 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 2023 LTIP base award)

Performance Level	EPS Vesting	ROCE Vesting	Net Zero Vesting	Employee Engagement Vesting	Base award Vesting	TSR Multiplier factor	Overall Vesting (as % of base award)
Threshold	6.7% +	6.7% +	3.3% +	3.3% =	20% x	1.0 =	20%
Maximum	33.3% +	33.3% +	16.7% +	16.7% =	100% x	1.4 =	140%

Total shareholder return performance



This graph shows the value, by 31 December 2023, of £100 invested in Spectris on 31 December 2013, compared with the value of £100 invested in the FTSE 250 (excluding investment trusts) 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 payout for each year as a percentage of the potential maximum.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	John O'Higgins	John O'Higgins	John O'Higgins	John O'Higgins	Andrew Heath	Andrew Heath	Andrew Heath	Andrew Heath	Andrew Heath	Andrew Heath
Single total figure of remuneration (£'000)	1,122	729	1,398	1,611	2,253 ²	324 ²	1,163	1,404	2,010	3,291 ^{1*}
Annual bonus (% of maximum)	18%	0%	90%	80%	54%	60%	45%	40%	98%	96%
PSP/LTIP vesting (% of maximum)	28%	0%	0%	10%	68%	N/A	N/A	31%	25%	71% 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 2020 LTIP award

4. Based on estimated vesting for 2021 LTIP award

Directors' Remuneration Report continued

Remuneration for 2023 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 employees between the year ended 31 December 2022 and 31 December 2023. The Group-wide 2023 annual bonus payments will be confirmed in March 2024 and therefore estimated figures for Group employees have been used in the comparison.

	% change 2022-2023			% change 2021-2022			% change 2020-2021		
	Salary/fees ¹	Benefits	Annual bonus ²	Salary/fees	Benefits	Annual bonus	Salary/fees	Benefits	Annual bonus
Executive Directors									
Andrew Heath	9.2%	1.6%	33.2%	91%	(3.6%)	(12.7%)	3.2%	(0.5%)	152.8%
Derek Harding	5.0%	1.6%	53.5%	3.0%	(3.6%)	(16.7%)	3.2%	(0.5%)	151.8%
Chairman and Non-executive Directors									
Mark Williamson	4.6%	n/a	n/a	3.0%	n/a	n/a	5.5%	n/a	n/a
Ravi Gopinath	4.3%	n/a	n/a	2.4%	n/a	n/a	n/a	n/a	n/a
Mandy Cradden	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Alison Henwood	5.4%	n/a	n/a	3.0%	n/a	n/a	n/a	n/a	n/a
Ulf Quellmann	4.3%	n/a	n/a	2.4%	n/a	n/a	4.3%	n/a	n/a
Bill Seeger	(5.8%) ³	n/a	n/a	1.8%	n/a	n/a	7.8%	n/a	n/a
Cathy Turner	23.4% ³	n/a	n/a	2.4%	n/a	n/a	10.8%	n/a	n/a
Kjersti Wiklund	4.5%	n/a	n/a	2.5%	n/a	n/a	11.1%	n/a	n/a
Spectris employees⁴	6.8%	13.5%	27.1%	6.6%⁴	14.9%⁴	(2.6%)*	7.0%	0.3%	120.3%

1. The change in the Executive Directors' salaries plus the Chairman and Non-executive Directors' fees reflects the increases disclosed in the 2022 Remuneration Report. The Chief Executive's 9.2% pay increase was the second part of a two-year structured increase to bring his salary to the median position for the FTSE 50 150 peer group

2. The financial metrics were fully met for the 2023 bonus, whereas they were partially met for the 2022 comparative. The greater percentage increase in Andrew Heath's and Derek Harding's bonus compared to the average Spectris employee reflects that when the financial metrics are only partially met a greater portion of the Executive Directors' bonus opportunity is missed than is the case for the average Spectris employee. The 2022-23 percentage change in annual bonus was greater for Derek Harding, compared to Andrew Heath, because his maximum bonus opportunity increased from 125% to 150% of salary

3. On 26 May 2023, Cathy Turner took over from Bill Seeger as Senior Independent Director as part of a planned succession process. This is the reason for the reduction in Bill Seeger's fee and the substantial increase in Cathy Turner's fee compared to 2022 levels

4. The percentage change figures for Spectris employees has been restated to include all Spectris Group employees. Previously these figures only related to UK Spectris Group employees.

Directors' Remuneration Report continued

Remuneration for 2023 continued

CEO pay ratios

The table below sets out the 2019, 2020, 2021, 2022 and 2023 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	Option A	47:1	36:1	25:1
31 December 2021	Option A	64:1	45:1	32:1
31 December 2022 ¹	Option A	109:1	79:1	55:1
31 December 2023	Option A	86:1	60:1	41:1

1. Restated figures to reflect actual vesting of 2020 LTIP award

Further details on the 2023 total pay figures used for each quartile employee are set out in the table and notes below.

Financial year	No. of UK employees	Chief Executive	Remuneration	25th percentile employee (lower quartile)	50th percentile employee (median)	75th percentile employee (upper quartile)
31 December 2023	1,027					
		Base salary	£734,250	FTE base salary £32,740	FTE base salary £46,688	FTE base salary £64,922
		Total remuneration	£3,290,576	£38,360	£54,669	£79,518
				total FTE	total FTE	total FTE

1. The components of the Chief Executive and UK employees' STIP figure comprises base salary, taxable benefits, pension-related benefits, annual bonus and LTIPs, where applicable

2. The total remuneration for UK employees is calculated on the same basis as the STIP 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 this report. Bonus estimations are based on 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

The Chief Executive's total remuneration as calculated is reported in the table on page 106. The remuneration of the lower, median and upper quartile employees is calculated on 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 PwC's benchmarking report of FTSE 50-150 companies.

The reduction in this year's pay ratio compared to 2022 levels is predominantly the result of the Chief Executive's 2022 LTIP value which was 47.3% higher than his estimated 2023 LTIP value. Consequently there has been a 10.4% reduction in the Chief Executive's 2023 STIP on last year. In comparison, the lower quartile, median and upper quartile of the Group UK employees' STIP compared to 2022 is higher by 13.8%, 177% and 20.0% respectively

The Chief Executive's 2023 remuneration (excluding LTIP values) is 16.7% higher than it was in 2022 which aligns with similar equivalent percentage increases for the lower quartile, median and upper quartile of Group UK employees of 13.8%, 18.0% and 19.4%. The Chief Executive's 2023 remuneration (excluding LTIP values) has increased due to the 9% pay increase and near maximum bonus payout although these increases are partially offset by a reduction in his pension cash allowance to 10.5% of salary to align with the majority of the UK workforce. For Group UK employees, the average increase in salary and bonus payout were lower than the Chief Executive, however their benefits increased with the change in pension entitlements.

Overall the reduction in the CEO pay ratio reflects the greater volatility in the Chief Executive's STIP which has a greater emphasis on variable remuneration to ensure his pay reflects the Group's performance and is better aligned with shareholder interests.

The reward policies and practices for our employees broadly follow those set for the Executive Directors, including the 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 dividend payments between the years ended 31 December 2022 and 31 December 2023. 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.

	2023 £m	2022 £m	% change
Total employees pay	569.2	514.0	10.7%
Dividends paid during the year ¹	79.7	78.6	1.4%
Share buyback during the year	114.9	191.0	(39.8%)
Adjusted profit before tax²	263.6	219.7	20.0%

- The dividend per share during the year increased by 5.1% however the dividends paid during the year only increased by 1.4% because of the reduction in the Company's Issued Share Capital caused by the share buyback programme
- 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 188

Directors' Remuneration Report continued

Remuneration for 2023 continued

Non-executive Directors' remuneration

Chairman and Non-executive Directors' fees

The fee structure for the Non-executive Directors is set out below:

	2024 ¹ £'000	2023 £'000	2022 £'000
Chairman (all-inclusive fee)	350	250	239
Non-executive Director basic fee	65	63	60
Senior Independent Director (SID) fee	15	13	10
Chairman of the Audit and Risk Committee	17	15	14
Chairman of the Remuneration Committee	17	15	14
Workforce Engagement Director	12	12	12
Non-executive responsible for sustainability oversight	12	-	-
Annual travel supplement to be paid to overseas-based Non-executive Directors	15	15	15

¹ A fee review to take effect from 1 April 2024 was undertaken against externally available market data on Non-executive fee structures in the FTSE 50-150, the wider Group pay review process and the Group's position in the FTSE 50-150 peer group. The Chairman's fee will increase to £350,000 to align more closely with the market levels expected for our peer group. Further details explaining the rationale for this fee increase can be found on page 103. The Non-executive Directors' basic fee will increase in line with the average salary review for Spectris plc employees.

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

	2023	Basic fees £'000	Additional fees £'000	Taxable expenses £'000	Total £'000
Mark Williamson¹ Non-executive Chairman	2023	247	-	-	247
	2022	237	-	-	237
Ravi Gopinath²	2023	62	15	-	77
	2022	59	15	-	74
Mandy Cradden³	2023	13	-	-	13
	2022	-	-	-	-
Alison Henwood	2023	62	-	-	62
	2022	59	-	-	59
Ulf Quellmann²	2023	62	15	-	77
	2022	59	15	-	74
Bill Seeger^{2,4} Chairman - Audit and Risk SID (until May 2023)	2023	62	34	-	96
	2022	59	38	-	97
Cathy Turner⁴ Chairman - Remuneration SID (from May 2023)	2023	62	23	-	85
	2022	59	14	-	73
Kjersti Wiklund Workforce Engagement Director	2023	62	12	-	74
	2022	59	12	-	71

¹ Mark Williamson's fee is all-inclusive

² Ravi Gopinath, Ulf Quellmann and Bill Seeger all receive an additional annual travel supplement of £15,000. The travel supplement was not paid during the COVID-19 pandemic from April 2020 until impacted directors were required to travel for their roles. For Bill Seeger, his annual travel supplement was not reinstated until February 2022 so his 2022 fees reflect a pro-rated annual travel supplement for that year.

³ Mandy Cradden joined the Board on 16 October 2023. Her 2023 fees are pro-rated to reflect her date of joining.

⁴ On 26 May 2023, Cathy Turner took over from Bill Seeger as SID as part of a planned succession process. Their 2023 fees include a pro-rated SID fee.

Directors' Remuneration Report continued

Remuneration for 2023 continued

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 (430% 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. Andrew Heath has met this shareholding requirement and it is anticipated that Derek Harding (appointed in March 2019) will achieve the shareholding requirement in March 2024.

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 2023, is:

Director	Interest in share plans					Total shares counting towards shareholding requirement ² 2023 ³	Shareholding as a % of base salary on 31 December 2023 ³	Shareholding requirement met
	Ordinary shares held on 31 December 2023	LTIP ¹ (subject to performance conditions)	LTIP/PSP/DBP ¹ (not subject to performance conditions)	Total interests in shares on 31 December 2023	Total shares counting towards shareholding requirement ² 2023			
Andrew Heath	44,057	176,212	107,701	418	328,388	102,000	513.9%	Yes
Derek Harding	11,234	134,790	78,921	366	225,311	53,680	382.6%	No

1. These LTIP awards are all nominal cost; share options of 5 pence and all currently have outstanding performance conditions attached to them.

2. These LTIP, PSP and DBP awards are all nominal cost share options of 5 pence but are no longer subject to performance conditions. The LTIP/PSP awards are post the application of the respective performance conditions but are now subject to an additional two-year vesting period.

3. Includes Partnership shares purchased 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 2023, Andrew Heath and Derek Harding held 34 and 33 Matching shares respectively, which were still subject to forfeiture rules.

4. This is based on shareholding plus the net of UK income tax and NI contribution value of share options held without performance conditions (see below).

5. Andrew Heath's balance includes 77,809 vested LTIP/PSP share options that are currently subject to an additional two-year vesting period and 34,892 unvested DBP share options with no performance conditions attached. Net of UK income tax and NI contributions, these represent 38,348 and 19,177 shares respectively, and

Derek Harding's balance includes 56,695 vested LTIP/PSP share options that are currently subject to an additional two-year vesting period and 72.7% unvested DBP share options with no performance conditions attached. Net of UK income tax and NI contributions, these represent 29,862 and 17,218 shares respectively.

5. Based on the closing price on 31 December 2023 of 3,779 pence per share.

Directors' shareholding in the SIP

	No. of shares held at 1 January 2023	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 2023
Andrew Heath	345	53	11	9	418
Derek Harding	296	53	10	7	366

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 28 February 2024, Andrew Heath and Derek Harding both purchased eight Partnership shares with Andrew Heath and Derek Harding receiving one and two free Matching shares respectively through the Company's SIP. There were no other movements in share interests during this period.

Directors' Remuneration Report continued

Remuneration for 2023 continued

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 2023	Granted during the year	Exercised during the year	Lapsed during the year	No of shares subject to options at 31 December 2023
Andrew Heath	PSP ^{2,5}	Sept 2018	Sept 2021	Sept 2028	5	2,378.4	508,312	7,403 ⁶	100 ⁷	7,503	-	-
		Mar 2019	Mar 2022	Mar 2029	5	2,669.0	1,220,000	12,780	275 ⁷	-	-	13,055
	LTIP ^{3,5}	Mar 2020	Mar 2023	Mar 2030	5	2,239.2	1,707,372	76,276	5,244 ⁷	-	21,766	59,754
		Mar 2021	Mar 2024	Mar 2031	5	3,144.4	1,707,375	54,318	-	-	-	54,318
		Mar 2022	Mar 2025	Mar 2032	5	2,658.0	1,762,600	66,313 ⁸	-	-	-	66,313
		Mar 2023	Mar 2026	Mar 2033	5	3,460.8	1,923,547	-	55,581	-	-	55,581
DBP ⁴		Mar 2021	Mar 2024	Mar 2031	5	3,144.4	182,973	5,819	-	-	-	5,819
		Mar 2022	Mar 2025	Mar 2032	5	2,658.0	462,678	17,407	-	-	-	17,407
		Mar 2023	Mar 2026	Mar 2033	5	3,460.8	403,757	-	11,666	-	-	11,666
Total								240,316	72,866	7,503	21,766	283,913
Derek Harding	PSP ^{2,5}	Mar 2019	Mar 2022	Mar 2029	5	2,669.0	949,977	9,952 ⁸	214 ⁷	-	-	10,166
	LTIP ^{3,5}	Mar 2020	Mar 2023	Mar 2030	5	2,239.2	1,329,973	59,395	4,084 ⁷	-	16,950	46,529
		Mar 2021	Mar 2024	Mar 2031	5	3,144.4	1,329,955	42,296	-	-	-	42,296
		Mar 2022	Mar 2025	Mar 2032	5	2,658.0	1,372,511	51,637 ⁸	-	-	-	51,637
		Mar 2023	Mar 2026	Mar 2033	5	3,460.8	1,413,979	-	40,857	-	-	40,857
DBP ⁴		Mar 2021	Mar 2024	Mar 2031	5	3,144.4	118,733	3,776	-	-	-	3,776
		Mar 2022	Mar 2025	Mar 2032	5	2,658.0	298,938	11,249	-	-	-	11,249
		Mar 2023	Mar 2026	Mar 2033	5	3,460.8	249,212	-	7,201	-	-	7,201
Total								178,305	52,356	-	16,950	213,711

- 1 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.
- 2 PSP awards granted to the Executive Directors were 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 operated over a fixed three-year period (being the three financial years commencing with the financial year in which an award was 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.
- 3 LTIP awards granted to the Executive Directors are currently structured so that one-third of the base award is subject to an EPS target, one third is subject to a ROCC target and the final third is subject to an economic, social and governance (ESG) target. Prior to the 2023 grant, the base award was 50% subject to the EPS target and 50% subject to the ROCC 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, ROCC and ESG conditions, and three years from the date of grant in respect of the TSR condition) with no opportunity for re-testing.
- 4 DBP awards represent the 50% of each Executive Director's one-tax annual bonus that is compulsorily deferred into shares. No further performance conditions apply to these DBP awards.
- 5 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).
- 6 These PSP and LTIP awards are linked to a grant of market value share options (Linked Awards). Such Linked Awards are granted up to the applicable HMRC's limit as at the date of grant (£30,000 for these awards), and have the same performance and vesting conditions as the PSP and LTIP awards to which they are linked. No additional gross value can be delivered from the exercise of the Linked Awards. Further details are set out in note 22 to the Consolidated Financial Statements.
- 7 These are additional share awards 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).

Directors' Remuneration Report continued

Remuneration for 2023 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 3.22% 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 2023.

Current Non-executive Director	Shares held at 1 January 2023 (or date of joining)	Shares held at 31 December 2023 (or date of cessation)	Shares held at 31 December 2023 (or date of cessation)
Mark Williamson	17,282	18,718	18,718
Ravi Gopinath	–	–	–
Mandy Gradden	–	–	–
Alison Henwood	947	947	947
Ulf Quellmann	2,398	2,477	2,477
Bill Seeger	3,000	3,000	3,000
Cathy Turner	2,660	2,660	2,660
Kjersti Wiklund	1,500	1,500	1,500

There has been no change in the interests in shares of the Chairman and Non-executive Directors between 1 January and 28 February 2024.

Share price

At 31 December 2023, the mid-market closing share price on the London Stock Exchange of a Spectris ordinary share was 3,779 pence per share. The highest mid-market closing share price in the year was 3,841 pence per share and the lowest was 2,935 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 a 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 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 28 February 2024
Executive Director				
Andrew Heath	3 Sept 2018	Rolling contract with no fixed expiry date	12 months	5 years 5 months
Derek Harding	1 Mar 2019	Rolling contract with no fixed expiry date	12 months	4 years 11 months
Non-executive Director				
Mark Williamson	26 May 2017	Renewable at each AGM	6 months	6 years 10 months
Ravi Gopinath	1 Jun 2021	Renewable at each AGM	6 months	2 year 8 months
Mandy Gradden	16 Oct 2023	Renewable at each AGM	6 months	4 months
Alison Henwood	1 Sep 2021	Renewable at each AGM	6 months	2 year 5 months
Ulf Quellmann	1 Jan 2015	Renewable at each AGM	6 months	9 years 1 month
Bill Seeger	1 Jan 2015	Renewable at each AGM	6 months	9 years 1 month
Cathy Turner	1 Sep 2019	Renewable at each AGM	6 months	4 years 5 months
Kjersti Wiklund	19 Jan 2017	Renewable at each AGM	6 months	7 years 1 month

Directors' Remuneration Report continued

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 2023, he received £70,000 (2022: £65,833) in fees for that role. Andrew Heath did not hold any external non-executive appointments during 2023.

Summary of shareholder voting on Directors' remuneration

The 2022 Directors' Remuneration Report was approved by 95.90% of the votes cast at the 2023 AGM held on 26 May 2023. The 2023 Remuneration Policy was approved by shareholders at a General Meeting held on 13 December 2022 by 95.50% of the votes cast, as detailed in the table below:

		Votes for		Votes against		Votes withheld	
		Number	%	Number	%	Number	
2022 General Meeting	2023 Directors' Remuneration Policy	86,543,504	95.50%	4,077,799	4.50%	38,488	
2023 AGM	2022 Directors' Remuneration Report	84,047,913	95.90%	3,595,264	4.10%	38,929	

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.

Directors' Remuneration Report continued

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 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. In 2023, the Committee oversaw the setting of the first ESG targets under the Group's long-term incentive arrangements as part of the implementation of the 2023 Remuneration Policy. 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/corporategovernance

Committee members and attendees

All members of the Committee are independent Non-executive Directors. During 2023, the members were Cathy Turner (Chairman), Ravi Gopinath, Ulf Quellmann and Kjersti Wiklund. Details of each member's attendance are disclosed on page 84. 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), Derek Harding (CFO), Andrew Harvey (Group Human Resources Director) and Rebecca Dunn (Head of Corporate Affairs) to attend certain 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 2023

The Committee addressed the following key agenda items during its five formal meetings in 2023:

January	February	July	October	December
- Reviewed and approved incentive outcomes relating to the 2022 annual bonus plan. - Reviewed and approved outcomes for the 2020 LTIP - Reviewed and considered the possibility of a windfall gain in respect of the 2020 LTIP and agreed that no adjustments be made. - Approved CEO salary increase.	- Approved CFO and Executive Committee salaries and Chairman's fee following annual review. - Approved Executive Directors' and Executive Committee's 2023 bonus arrangements, target performance measures and personal objectives. - Approved 2023 LTIP grant levels and target range for performance measures. - Reviewed Executive Directors and Executive Committee current and projected shareholdings against the requirements set out in the Remuneration Policy. - Reviewed and approved the 2022 Directors' Remuneration Report.	- Reviewed projected outturn of 2021, 2022 and 2023 LTIP. - Considered and approved interim LTIP awards for new joiners and current employees below Board level. - Approved minor changes to LTIP Rules to reflect changes in UK tax regulation. - Reviewed external market practice on remuneration matters with the Committee's external remuneration adviser.	Considered potential increase to Chairman's fee.	- Reviewed likely formulaic outcomes of the 2023 bonus and 2021 LTIP awards and discussed the need for the Committee to consider any upward or downward discretion in relation to those likely outcomes. - Review of projected outturn of 2022 and 2023 LTIP. - Reviewed Executive Directors' and Executive Committee members' shareholdings against the guidelines set out in the Remuneration Policy. - Reviewed the wider external remuneration landscape, focusing on executive pay, with the Committee's remuneration adviser. - Review of the Committee's Terms of Reference.

Directors' Remuneration Report continued

Role of the Remuneration Committee continued

In line with the requirements of the 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 2023 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 2023. In assessing performance against these targets, the Committee has also considered wider stakeholder experience during 2023. The employee engagement survey was also used to obtain feedback from the workforce on remuneration and this will continue in future surveys.

Stakeholder views

Recognising the inflationary pressures on the global workforce, the Committee has worked closely with the Executive team to review the Group's wider pay policies and particular strategies for supporting employees through the cost of living challenges present in key jurisdictions. The Committee focused on ensuring the approach taken to remuneration 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 this inflationary period.

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 in our businesses with the Group. Awards under the Spectris LTIP are granted to each management team within each business to support the alignment of their interests with shareholders. In the UK, the Group also manages a successful all-employee 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.

Directors' Remuneration Report continued
Role of the Remuneration Committee continued

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 therefore voluntarily calculates and discloses 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 57. As in previous years, 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 and mean gender pay gap have reduced by 19.4% and 47.0% respectively compared to 2022 levels. This reduction further validates the Committee's belief 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 is gradually improving but continues to be a core focus of time and attention as we strive towards our commitment that 40% of the senior leadership community will be comprised of women by 2030.

	Non-management			Management			Total	
	Median	Mean	Median	Mean	Median	Mean		
Gender pay gap	15.5%	13.0%	10.3%	22.0%	15.0%	11.5%		
Bonus gap	14.2%	10.1%	12.1%	28.7%	11.2%	11.7%		
	Male	Female	Male	Female	Male	Female		
% receiving a bonus	96.9%	94.8%	100.0%	100.0%	97.1%	95.3%		

Advisers to the Committee

PwC was first appointed as independent remuneration adviser in January 2018. This appointment took place following a competitive tender process. During 2023, 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 relating to executive remuneration;
- analysis on all elements of the implementation of the 2023 Remuneration Policy; and
- advice on the interpretation of investor body guidelines concerning remuneration outcomes.

PwC reports directly to the Committee Chairman. During 2023, PwC also provided certain project advisory and tax services to the Company.

Aon separately supports the Company in relation to the Company's share plans including compiling IFPS 2 'Share-based Payment' reporting on the Company's share plans and providing LTIP TSR performance calculations. Aon does not provide any other services to the Company. Total fees paid during the financial year to these advisers were: PwC £87,250 (2022: £153,081), and Aon £39,360 (2022: £32,760). 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 reviews 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 2023.

Annual performance evaluation

The performance of the Committee was reviewed as part of the wider Board evaluation process, led by the Company Secretary. Further details regarding the process followed are set out on page 88. Following this review and the feedback received, the Committee considered that it had operated effectively during the year.

2024 Remuneration Committee workplan

The Committee intends to focus on the following key areas during 2024:

- setting LTIP and bonus performance targets aligned to the 2023 Remuneration Policy;
- wider workforce remuneration structures and key policies; and
- monitoring of the Group's 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
28 February 2024

This Directors' Remuneration Report for the year ended 31 December 2023 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

Directors' Report

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).

Overview of information required to be disclosed

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 2 to 77 and the Governance section 80 to 127 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 80 to 127 are incorporated by reference, and 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	Pages 40 and 41
Articles of Association	Directors' Report	Page 126
Annual General Meeting	Directors' Report	Page 126
Appointment and removal of Directors	Governance	Page 94
Auditors' re-appointment and remuneration	Directors' Report	Page 126
Authority to allot shares	Directors' Report	Page 127
Business model	Strategic Report	Pages 20 and 21
Branches	Directors' Report	Page 126
Change of control	Directors' Report	Page 126
Community and charitable giving	Strategic Report	Pages 78 and 79
Corporate governance	Governance	Pages 80 to 127
Directors' conflicts of interest	Directors' Report	Page 126
Directors' details	Governance	Pages 80 and 81
Directors' indemnity	Directors' Report	Page 126
Directors' remuneration and interest	Governance	Pages 102 to 123
Directors' responsibility statement	Directors' Report	Page 128
Disclosure of information to auditor	Directors' Report	Page 127
Diversity, equity and inclusion	Strategic Report	Pages 56 and 57
Employee engagement	Strategic Report	Pages 54 and 55
	Governance	and 89 to 91

Disclosure	Reported in	Page reference
Employee equal opportunities	Strategic Report	Pages 56 and 57
Employee share plans	Directors' Report	Page 26
Employees with disabilities	Strategic Report	Page 56
Financial instruments	Directors' Report	Page 26
Future developments and strategic priorities	Chief Executive Review	Pages 12 to 18
Going concern	Directors' Report	Page 26
Internal control and risk management systems	Governance	Page 99
Non-financial information statement and index	Strategic Report	Page 77
Ongoing director training and development	Governance	Page 88
Political donations	Directors' Report	Page 26
Post balance sheet events	Directors' Report	Page 26
Powers of Directors	Directors' Report	Page 26
Principal Risks and risk management	Strategic Report	Pages 46 to 50
Purchase of own shares	Directors' Report	Page 127
Research and development activities	Strategic Report	Page 10 and 11
Results and dividends	Directors' Report	Page 126
Rights and obligations attaching to shares including restrictions on transfer of shares and voting rights	Directors' Report	Page 127
Section 172 statement	Strategic Report	Page 7
	Governance	Pages 86 and 87
Share capital	Directors' Report	Page 127
Stakeholder engagement	Governance	Pages 86 and 87
Streamlined Energy and Carbon disclosures	Strategic Report	Pages 64 and 65
Substantial share interests	Directors' Report	Page 127
Treasury shares	Director's Report	Page 127
Viability Statement	Strategic Report	Page 51

Directors' Report continued

Reporting on Diversity and inclusion

The following data sets out the range of gender and ethnic diversity on our Board and Executive Committee as at 31 December 2023. The data also sets out the range of gender diversity for our Leadership community and employees as at 31 December 2023. We continue to consider the most appropriate way to request and capture ethnicity data for these populations.

The gender and ethnic diversity data for our Board members was collected through a questionnaire which asked each Director how they identified themselves using the categorisations set out in the Listing Rules. Where we already held gender and ethnicity data for the Executive Committee through Workday, we have used that data, which already has consents in place to use it for reporting purposes on an anonymous basis. The gender diversity data for our Leadership community and employees was also collected through Workday.

Gender diversity of the Board¹ and the Group's employees as at 31 December 2023

Gender diversity	Board members	% of the Board	Senior positions on the Board (CEO, CFO, SID and Chairman)			% of Executive Committee	Leadership community	% of Leadership community	wider employee population	% of wider employee population
			3	5	71.43%		144	71.3%	4,589	6714%
Men	6	60%	3	5	71.43%		144	71.3%	4,589	6714%
Women	4	40%	1	2	28.57%		58	28.7% ²	2,390	32.86% ³
Not specified prefer not to say	0	0	0	0	0		0	0	0	0

1. The Chief Executive and CFO are members of the Board and the Executive Committee and have been included in both the Board and Executive Committee gender data

2. 2022 20% of Leadership community

3. 2022 34.01% of wider employee population

Ethnic diversity of the Board¹ and Executive Committee as at 31 December 2023

Ethnic diversity	Board members	% of the Board	Senior positions on the Board (CEO, CFO, SID and Chairman)		Executive Committee	% of Executive Committee
			4	7		
White British or other White (including minority-white groups)	9	90%	4	7		100%
Asian/Asian British	1	10%	0	0	0	0
Mixed/Multiple Ethnic Groups	0	0	0	0	0	0
Black/African/Caribbean/Black British	0	0	0	0	0	0
Other ethnic group including Arab	0	0	0	0	0	0
Not specified prefer not to say	0	0	0	0	0	0

1. The Chief Executive and CFO are members of the Board and the Executive Committee and have been included in both the Board and Executive Committee ethnicity data

Directors' Report: continued

Results and dividends	The financial results for the financial year ended 31 December 2023 are set out on pages 136 to 203. Adjusted operating profit for the year amounts to £262.5 million (2022: £222.4 million). An interim dividend of 25.3 pence per share was paid on 10 November 2023 in respect of the half year ended 30 June 2023. The Board is recommending a final dividend of 53.9 pence per share for the year ended 31 December 2023. Together with the interim dividend paid in November 2023, subject to shareholder approval of the final dividend, total dividends for the year ended 31 December 2023 will amount to 79.2 pence per share. Dividend details are given in note 8 to the Consolidated Financial Statements on page 154. Subject to the approval of shareholders at the 2024 AGM, the final dividend will be paid on 28 June 2024 to those shareholders on the register on 17 May 2024.
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 2024 AGM will be held at 3:00pm on Thursday 23 May 2024 at Melbourne House, 5th floor, 44-46 Aldwych, London WC2B 4LL. The Notice of the AGM accompanies this Annual Report and is available at www.spectris.com/AnnualGeneralMeeting.
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 and Risk Committee, to agree the remuneration of the auditor are to be proposed at the 2024 AGM.
Branches	The Spectris Group, through various subsidiaries, has established branches in a number of different countries in which the business operates.
Change of 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 80 and 81. Mandy Cradden was appointed to the Board on 16 October 2023. Directors are appointed and replaced in accordance with the Articles, the Act and the Code.
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 102 to 123.
Indemnity provisions	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. During the year and at the date of this report, the Company has in place Pension Trustee Liability Insurance for the Trustees of the Spectris pension plan.
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 Consolidated Financial Statements on page 169 to 173.
Financial instruments	Details of the Group's financial risk management in relation to its financial instruments are given in note 27 to the Consolidated Financial Statements on pages 181 to 184.
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 51.
Political donations	The Group's policy is not to make any political donations and none were made during the financial year ended 31 December 2023 (2022: nil).
Post balance sheet events	None.

Directors' Report continued

Purchase of own shares

The Company was authorised by shareholders at the 2023 AGM to purchase in the market ordinary shares with a nominal value of 5 pence each up to an amount not exceeding 10% of the Company's issued share capital, as permitted under the Company's Articles.

During the year ended 31 December 2023, 3,382,896 ordinary shares were repurchased and cancelled by the Group, in the final tranches of the £300 million share buyback programme announced on 19 April 2022 and part of the first tranche of the £150 million share buyback announced on 11 December 2023. This resulted in a cash outflow of £114.9 million, including transaction fees of £1.2 million. The shares repurchased in 2023 represented 3.33 % of the Company's issued share capital, excluding the shares held in treasury, on 31 December 2023.

The £150 million share buyback programme which commenced on 13 December 2023 was launched having considered the future acquisition pipeline of the Group alongside its balance sheet position. The initial tranche for £50 million was launched pursuant to the authority granted by the Company's shareholders at the 2023 AGM and is expected to be completed by 31 May 2024.

This standard authority is renewable annually and the Directors will seek to renew this authority at the 2024 AGM in order to complete the remaining £100 million of the share buyback programme.

Details of related party transactions are set out in note 31 to the Financial Statements on page 184.

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 169.

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 or voting rights (under any agreement or otherwise) 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 2024 AGM are set out in the Notice of AGM accompanying this Annual Report.

Substantial shareholders

As at 31 December 2023, the Company had received formal notifications of the following holdings in its ordinary shares in accordance with DTR 5:

	Shareholding in Spectris shares	Date of notification	Percentage of issued share capital at date of notification
FMR LLC	8,682,229	01 Jan 2020	7.48%
BlackRock	6,409,477	19 June 2023	6.12%
UBS	5,954,961	11 Jan 2021	5.12%
Massachusetts Financial Services Company	5,178,500	15 Mar 2022	4.67%

Between 31 December 2023 and the date of this report, the Company received the following notifications from:

- BlackRock, on 8 January 2024, of a holding of 4.89% of voting rights attached to shares + 1.75% of voting rights through financial instruments held totalling 6.64% (6,764,388).
- BlackRock, on 11 January 2024, of a holding of 5.12 % voting rights attached to shares + 1.60% voting rights through financial instruments held totalling 6.72% (6,836,308).

A list of the Company's major shareholders is set out on page 203.

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 102 to 123.

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

Rebecca Dunn

Head of Corporate Affairs and Company Secretary
28 February 2024



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

Company law requires Directors to prepare the Group Financial Statements in accordance with the UK Adopted International Financial Reporting Standards. Under company law, Directors must prepare Group and Company 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 UK Adopted International Financial Reporting 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.

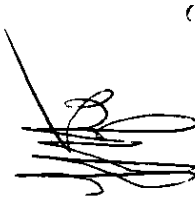
Directors' responsibility statement

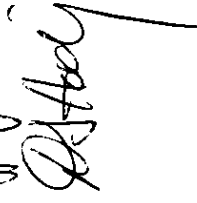
We confirm that to the best of our knowledge:

- 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 2 to 77 and the Directors' Report on pages 80 to 127 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 28 February 2024.

By order of the Board


Andrew Heath
Chief Executive


Derek Harding
Chief Financial Officer
28 February 2024

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 2023 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 Financial Position;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated Statement of Cash Flows;
- the Notes to the Consolidated Accounts 1 to 33 and Notes to the Parent Company Accounts 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 matter that we identified in the current year was: Revenue recognition
Materiality	The materiality that we used for the Group financial statements was £13.1 million which equates to 5% of adjusted profit before tax.
Scoping	Full scope audit work was completed on 36 components and specified audit procedures were undertaken on a further 4 components. Our full scope and specified audit procedures represent 76% of total Group revenue and 70% of Group adjusted profit before tax.
Significant changes in our approach	Our audit approach is consistent with the previous year with the exception of the change in the number of components in full scope audits and specified audit procedures. This change reflects the developments in the business relating to the Group's acquisitions and disposals in the year

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, and other supporting evidence, such as business disposal agreements and the current macroeconomic environment;
 - recalculating and assessing 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.

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. Revenue recognition

Key audit matter description

The Group recognised revenue of £1,449 million (2022: £1,327 million) predominantly through the provision of goods and services accounted for under IFRS 15 Revenue from Contracts with Customers. Given the number of businesses 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 respect to control environments underpinned our risk assessment and the basis for our planned audit procedures.

We 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 value of revenue is recognised in December 2023 compared to the rest of the year

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.

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 has been identified. Consequently, we have performed a combination of the following audit procedures as relevant:

- Obtained an understanding of the relevant controls over the revenue recognition process, specifically in relation to cut-off and in one instance tested the operating effectiveness of these relevant controls;
- Assessed a sample of revenue recognised in December 2023 and January 2024 against third-party supporting evidence to determine when the performance obligations had been satisfied and whether the appropriate cut-off was applied;
- Considered material contracts with multiple performance obligations and assessed the identification of separate performance obligations, the timing of revenue recognition and the evidence of the performance obligations being satisfied;
- Challenged the appropriateness of accrued income recognised by agreeing a sample to supporting evidence and assessing whether the performance obligation had been met or partially met (as appropriate); and
- Obtained a schedule of adjusting and manual journals posted in December 2023 with a credit impact on revenue; and on a sample basis, assessed the adjustments and manual journals against supporting evidence.

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	£13.1 million (2022: £10.9 million)	£8.3 million (2022: £6.7 million)
Basis for determining materiality	5% (2022: 5%) of adjusted profit before tax	1% (2022: 1%) of the Parent Company's net assets.
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% (2022: 70%) of Group materiality	70% (2022: 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 previous audits.	

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.6 million (2022: £0.5 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7.

7.1. 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.

Within the Group, financial information is reported through individual reporting entities, which combine to make up the segments reported externally to the market. We have defined each component to be at the reporting entity level. In determining the audit scope, we have considered the following at the component level to obtain sufficient coverage over the risks of material misstatement and for the Group as a whole:

- Qualitative and quantitative risk factors which are risk driven and based on the risks of materiality range of £3.4 million to £8.3 million;
- The importance of the divisional businesses as part of the overall Group strategy;
- Changes in the legal entity structure and local statutory environment;
- The ability to centralise audit effort into fewer locations.

Given the highly disaggregated nature of the Group's components, we have also considered coverage over key benchmarks, being revenue and adjusted profit before tax when determining the appropriateness of the audit scope to support the Group audit opinion. We have scoped the Group in a way that allows us to obtain sufficient coverage not only at a Group level but also across the Group's two divisions and other businesses. This is consistent with previous years in both methodology and quantum of expected coverage. Full scope audit work was completed on 36 (2022: 44) components and specified audit procedures were undertaken on a further four (2022: two) components.

Our full scope and specified audit procedures represent 76% (2022: 73%) of total Group revenue and 70% (2022: 83%) 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, including the Parent Company, was executed at levels of materiality applicable to each individual component, which were lower than Group materiality and ranged from £3.4 million to £8.3 million (2022: £3.3 million to £6.7 million).

At the Group level we also tested the consolidation process and carried out analytical procedures to obtain further assurance 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 process. This can vary by geography and/or reporting entity. 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 entities using our IT specialists.

In the current year we did not plan to rely on the operating effectiveness of controls. This strategy reflected our historic knowledge of the control environment, which was reconfirmed in the current year, as well as our understanding of the Group's business and has both IT and business control aspects. Therefore, in addition to the internal control framework controls described above, additional audit work on controls was limited to obtaining an understanding of the relevant controls in key financial reporting process cycles to inform our risk assessment.

The Group continues to invest time in responding to and addressing our observations. Management determines their response to these observations and continues to monitor the resolution with reporting to and oversight from the Audit and Risk Committee as explained in the Audit and Risk Committee report on pages 95 to 101. As management develops and completes the business transformation project, we expect our audit approach to evolve in future years 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 this remains a principal risk for the Group. The risk has also been considered and embedded into the businesses as explained in the Strategic Report.

As 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 the key sources of estimation uncertainty in the financial statements as at 31 December 2023 as explained in note 1 on page 139.

We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transactions 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 detailed 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 meetings to interact on any related audit and accounting matters which arose. We also visited and were visited by some component audit teams and held in-person discussions.

Dedicated members of the Group audit team were assigned to each component to facilitate an effective and consistent approach to component oversight.

8. Other information

The other information comprises the information included in the annual report (including the Strategic Report, Governance, Appendix - Alternative Performance Measures, and Additional Information), 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, the directors and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- 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 significant 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

Independent auditor's report to the members of Spectris plc continued

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 and Risk 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 internal specialists and significant component audit teams, 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 126;
- 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 126;
- the directors' statement on fair, balanced and understandable, set out on page 128;
- 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 99; and
- the section describing the work of the Audit and Risk Committee, set out on page 95.

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.

Independent auditor's report to the members of Spectris plc continued

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

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit and Risk 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 seven years, covering the years ending 31 December 2017 to 31 December 2023.

15.2. Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk 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) 4.1.15R – DTR 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R

Andrew Bond, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London UK

28 February 2024

Consolidated Income Statement

For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Continuing operations			
Revenue	2,3	1,449.2	1,327.4
Cost of sales		(611.1)	(576.6)
Gross profit		838.1	750.8
Indirect production and engineering expenses		(126.9)	(114.1)
Sales and marketing expenses		(249.6)	(233.0)
Administrative expenses		(273.0)	(231.1)
Operating profit		188.6	172.6
Fair value through profit and loss movements on debt investments	2,4	2.8	(4.1)
Share of post-tax results of associates	2	(0.1)	-
(Loss)/profit on disposal of businesses	24	(12.6)	0.3
Financial income	6	11.0	1.9
Finance costs	6	(4.1)	(19.2)
Profit before tax		185.6	151.5
Taxation charge	7	(40.2)	(36.7)
Profit for the year from continuing operations		145.4	114.8
Profit for the year from discontinued operations	24	-	286.7
Profit for the year from continuing and discontinued operations attributable to owners of the Company		145.4	401.5

Earnings per share

From continuing operations			
Basic	9	140.3p	106.7p
Diluted	9	139.4p	106.0p
From continuing and discontinued operations			
Basic	9	140.3p	373.1p
Diluted	9	139.4p	370.7p

Dividends – amounts arising in respect of the year

Interim dividend paid and final dividend proposed/paid for the year (per share)	8	79.2p	75.4p
Dividends paid during the year (per share)	8	76.6p	72.9p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Profit for the year attributable to owners of the Company		145.4	401.5
Other comprehensive (loss)/income:			
Items that will not be reclassified to the Consolidated Income Statement:			
Re-measurement of net defined benefit obligation	19	(0.6)	13.1
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	(5.0)	5.0
Tax credit/(charge) on items above	7	0.2	(4.0)
		(5.4)	14.1
Items that are or may be reclassified subsequently to the Consolidated Income Statement:			
Net gain on effective portion of changes in fair value of forward exchange contracts on cash flow hedges		6.1	0.4
Foreign exchange movements on translation of overseas operations		(42.5)	105.1
Currency translation differences transferred to profit on disposal of business	24	-	(86.7)
Tax charge on items above	7	(1.1)	-
		(37.5)	18.8
Total other comprehensive (loss)/income		(42.9)	32.9
Total comprehensive income for the year attributable to owners of the Company		102.5	434.4

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	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 2023		5.5	231.4	1,113.0	86.0	(3.1)	3.1	1.0	1,436.9
Profit for the year		-	-	145.4	-	-	-	-	145.4
Other comprehensive (loss)/income		-	-	(4.9)	(43.0)	5.0	-	-	(42.9)
Total comprehensive income/(loss) for the year		-	-	140.5	(43.0)	5.0	-	-	102.5
Transactions with owners recorded directly in equity:									
Equity dividends paid by the Company	8	-	-	(79.7)	-	-	-	-	(79.7)
Own shares acquired for share buyback programme	21	(0.2)	-	(160.8)	-	-	-	0.2	(160.8)
Share-based payments, net of tax	22	-	-	16.4	-	-	-	-	16.4
Proceeds from exercise of equity-settled options		-	-	0.6	-	-	-	-	0.6
At 31 December 2023		5.3	231.4	1,030.0	43.0	1.9	3.1	1.2	1,315.9

For the year ended 31 December 2022

	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 2022		5.8	231.4	957.6	66.2	(3.5)	3.1	0.7	1,261.3
Profit for the year		-	-	401.5	-	-	-	-	401.5
Other comprehensive income		-	-	12.7	19.8	0.4	-	-	32.9
Total comprehensive income for the year		-	-	414.2	19.8	0.4	-	-	434.4
Transactions with owners recorded directly in equity:									
Equity dividends paid by the Company	8	-	-	(78.6)	-	-	-	-	(78.6)
Own shares acquired for share buyback programme	21	(0.3)	-	(191.0)	-	-	-	0.3	(191.0)
Share-based payments, net of tax	22	-	-	10.6	-	-	-	-	10.6
Proceeds from exercise of equity-settled options		-	-	0.2	-	-	-	-	0.2
At 31 December 2022		5.5	231.4	1,113.0	86.0	(3.1)	3.1	1.0	1,436.9

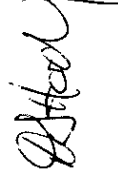
Consolidated Statement of Financial Position

As at 31 December 2023

	Note	2023 £m	2022 £m
ASSETS			
Non-current assets			
Goodwill	10	565.5	636.1
Other intangible assets	10	167.1	134.1
Property, plant and equipment	11	136.2	160.7
Right-of-use assets	11	58.1	59.7
Investments in equity instruments	12	24.3	29.3
Investment in debt instruments	27	21.7	8.9
Investment in associates	12	10.8	2.9
Derivative financial instruments	27	0.4	0.4
Other receivables	14	5.9	4.2
Deferred tax assets	20	26.6	6.2
Retirement benefit assets	19	2.4	–
		1,019.0	1,062.5
Current assets			
Inventories	13	231.8	263.3
Current tax assets		7.2	8.6
Trade and other receivables	14	317.9	362.5
Derivative financial instruments	27	5.8	1.3
Cash and cash equivalents	15	138.5	228.1
Assets held for sale	24	97.5	1.7
		798.7	865.5
Total assets		1,817.7	1,948.0
LIABILITIES			
Current liabilities			
Borrowings	16	–	(0.1)
Derivative financial instruments	27	(0.1)	(2.3)
Trade and other payables	17	(369.4)	(373.7)
Lease liabilities		(14.4)	(14.9)
Current tax liabilities		(12.6)	(14.2)
Provisions	18	(8.5)	(12.8)
Liabilities held for sale	24	(17.8)	–
		(422.8)	(413.0)
Net current assets		375.9	447.5

	Note	2023 £m	2022 £m
Non-current liabilities			
Other payables	17	(15.1)	(13.8)
Derivative financial instruments	27	(0.1)	(0.2)
Lease liabilities		(48.3)	(50.2)
Provisions	18	(2.6)	(4.4)
Retirement benefit obligations	19	(11.6)	(8.9)
Deferred tax liabilities	20	(1.3)	(15.6)
		(79.0)	(93.1)
Total liabilities		(501.8)	(511.1)
Net assets		1,315.9	1,436.9
EQUITY			
Share capital	21	5.3	5.5
Share premium		231.4	231.4
Retained earnings		1,030.0	1,113.0
Translation reserve	21	43.0	86.0
Hedging reserve	21	1.9	(3.1)
Merger reserve	21	3.1	3.1
Capital redemption reserve	21	1.2	1.0
Total equity attributable to owners of the Company		1,315.9	1,436.9

The Financial Statements on pages 136 to 189 were approved by the Board of Directors on 28 February 2024 and were signed on its behalf by:


Derek Harding
 Chief Financial Officer

Company Registration No. 02025003

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Cash generated from operations	25	245.5	166.8
Net income taxes paid		(50.3)	(46.8)
Net cash inflow from operating activities		195.2	120.0
Cash flows from investing activities		(24.7)	(44.9)
Purchase of property, plant and equipment and intangible assets			
Proceeds from disposal of property, plant and equipment and software		3.1	13.4
Acquisition of businesses, net of cash acquired	23	(49.5)	(114.7)
Purchase of investment in associates	12	(7.8)	(2.9)
Proceeds from disposal of businesses, net of tax paid of £5.9m (2022: £27.9m)	24	3.3	365.4
Interest received		5.4	1.9
Net cash (used in)/inflow from investing activities		(70.2)	218.2
Cash flows used in financing activities			
Interest paid on borrowings	16	(1.0)	(1.4)
Interest paid on lease liabilities		(0.2)	(2.5)
Dividends paid	8	(79.7)	(78.6)
Share buyback purchase of shares	21	(114.9)	(191.0)
Net proceeds from exercise of share options		0.6	0.2
Payments on principal portion of lease liabilities	16	(15.4)	(13.9)
Proceeds from borrowings	16	–	326.2
Repayment of borrowings	16	(0.1)	(326.8)
Net cash outflow used in financing activities		(210.7)	(287.8)
Net (decrease)/increase in cash and cash equivalents		(85.7)	50.4
Cash and cash equivalents at beginning of year		228.1	167.8
Effect of foreign exchange rate changes		(3.6)	9.9
Cash and cash equivalents at end of year	15	138.8	228.1

Notes to the Accounts

1. Basis of preparation and summary of material 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 136 to 189 have been prepared using consistent accounting policies. In the current year there are no new standards and interpretations that have had a material impact on the Group's Statement of Financial Position. 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 2023 and the Group's financial performance for the year ended 31 December 2023, which incorporate the Financial Statements of Spectris plc and its subsidiaries and include its share of the results of associates using the equity method of accounting. The Group recognises its direct rights to (and its share of) jointly held assets, liabilities, revenues and expenses of joint operations under the appropriate headings in the Consolidated Financial Statements.

i. Subsidiaries

A subsidiary is an entity that is controlled by another entity, known as the parent or investor (such as the Group). An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the year are consolidated from and up to the date of change of control. Where necessary, accounting policies of subsidiaries have been aligned with the policies adopted by the Group. All intra-group transactions including any gains or losses, balances, income or expenses are eliminated in full on consolidation.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between the aggregate of the fair value of the consideration received and the amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

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.

ii. Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Notes to the Accounts continued

1. Basis of preparation and summary of material accounting policies continued

Under the equity method, an investment in an associate is recognised initially 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 associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's Consolidated Financial Statements only to the extent of interests in the associate or joint venture that are not related to the Group.

iii. Joint operations

Joint arrangements 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. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. As a result, the Group recognises its interest in the joint operation, including its share of any assets, liabilities, revenue and expenses of the joint operation. The Group accounts for the assets, liabilities, revenue and expenses relating to its interest in a joint operation in accordance with the IFRS Standards applicable to the particular assets, liabilities, revenue and expenses. When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

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 current macroeconomic factors 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 2 to 77. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 40 to 43. 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.

The Group finances its operations from retained earnings and, where appropriate, from third-party borrowings. Total borrowings as at 31 December 2023 were £nil (2022: £0.1m).

As at 31 December 2023, the Group had £393.1m of committed facilities, consisting entirely of a \$500m multi-currency revolving credit facility (RCF) maturing in July 2025. The RCF was undrawn at 31 December 2023 (2022: undrawn).

The RCF has a leverage (covenant defined net debt/EBITDA) covenant of up to 3.5 times. The Group regularly monitors its financial position to ensure that it remains within the terms of its banking covenants. At 31 December 2023, there was net finance income for covenant purposes of £3.9m, resulting in the interest cover ratio being n/a (31 December 2022: n/a). The minimum covenant interest cover requirement is 3.75 times (covenant defined earnings before interest, tax and amortisation divided by net finance charges). Leverage (covenant defined earnings before interest, tax, depreciation, and amortisation divided by net cash) was less than zero (31 December 2022: 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, after adjusting for £0.3m of cash and cash equivalents included in the 'assets held for sale' line of the Consolidated Statement of Financial Position, at 31 December 2023, the Group had a cash and cash equivalents balance of £138.5m. The Group also had various uncommitted facilities and bank overdraft facilities available which were all undrawn, resulting in a net cash position of £138.8m, including cash in 'assets held for sale': a decrease of £89.2m from £228.0m at 31 December 2022.

The Group has prepared and reviewed cash flow forecasts for the period to 31 December 2028, 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 insufficient liquidity or a breach of banking covenants. Revenue would have to reduce by 38% over the period under review for the Group to breach covenants on 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.

1. Basis of preparation and summary of material accounting policies continued

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 51 in the Viability Statement.

Climate risks reflected in the Consolidated Financial Statements

The Consolidated Financial Statements have been prepared with full consideration of both physical and transition risks resulting from climate change, our journey towards achieving our Net Zero ambition and in accordance with our Task Force for Climate Change Related Financial Disclosures (TCFD) report.

In conjunction with our Net Zero ambition and TCFD report a review has been performed in the following areas that are deemed most at risk of being impacted by climate change aligned with our Principal Risks and uncertainties. The review covered sensitivities to future cash flows and discount rates and/or its suppliers making different choices in the achievement of Net Zero objectives, the potential impact that moving to a more sustainable supply chain may have on profits and cash flows, and the cash flows of mitigating potential physical risks, such as potential site moves resulting from increased water levels.

Intangible assets – The Group has assessed future economic benefits, predominantly technology related to our product portfolio and the transition risk to our scope 1 and 2 Net Zero ambitions. This incorporates any known change or potential change from our customers in our scope 3 ambitions.

Property, plant and equipment, remeasurement of leases and intangible assets – The Group has reviewed the useful economic life of these non-current assets with respect to the physical risk of all property, plant and equipment, lease right-of-use assets and intangible assets have been checked to ensure that useful economic lives are in line with current and foreseeable transition plans.

Inventories and associated provision for obsolescence – The Group has performed reviews taking into account the potential risks and subsequent impact of transitioning our product range to the use of sustainable raw materials and having considered the support to our customers and suppliers in achieving their scope 3 ambitions.

For all the aforementioned climate risks, the Group considers that it is too early to forecast any adjustment to carrying value for the year ended 31 December 2023 and that the sensitivities used to test going concern adequately cover foreseeable risks.

New standards and interpretations adopted
In the current year there are no 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:

Amendments to IFRS 16	Amendments to IAS 7 and IFRS 17
Amendment to IAS 1	Amendments to IAS 1
Amendments to IAS 1	Amendments to IAS 1

Lease liability in a sale and leaseback

Supplier finance arrangements

Non-current liabilities with covenants

Classification of liabilities as current or non-current

Deferral of effective date

Lack of exchangeability

General requirements for disclosure of sustainability-related Financial Information

Climate-related disclosures

The Directors do not expect that the adoption of the IFRS 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 assumptions that are believed to be reasonable under the circumstances, including the impact current macroeconomic factors and climate change on the Group.

Critical accounting judgements
There are no critical accounting judgements at 31 December 2023.

Key sources of estimation uncertainty
Management considers the following to be the sole key source 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) 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 167 and the accounting policies applied in respect of retirement benefit plans are set out on page 146.

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.

Notes to the Accounts continued

Notes to the Accounts continued

1. Basis of preparation and summary of material accounting policies continued

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 of 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 consideration is in excess of the identifiable net assets acquired, the difference is recognised as goodwill. Goodwill 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 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 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 value of goodwill at the date of transition to IFRS has been treated as deemed cost.

Goodwill 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 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 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 value of goodwill at the date of transition to IFRS has been treated as deemed cost.

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 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 value of goodwill at the date of transition to IFRS has been treated as deemed cost.

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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 of the asset, and 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 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.

Notes to the Accounts continued

1. Basis of preparation and summary of material accounting policies continued

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.

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 2 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.

Notes to the Accounts continued

1. Basis of preparation and summary of material accounting policies continued

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.

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.

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.

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

The Group has adopted the amendments to IAS 12 for the first time in the current year. The International Accounting Standards Board (IASB) amended the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD), including tax law that implements qualified domestic minimum top up taxes described in those rules. The amendments introduce a temporary exception, which the Group has applied, to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Group will be required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

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 Consolidated 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.

Notes to the Accounts continued

1. Basis of preparation and summary of material accounting policies continued

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.

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, 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-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.

Notes to the Accounts continued

1. Basis of preparation and summary of material accounting policies continued

When hedge accounting is discontinued 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. 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 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 at provisions based on lifetime expected credit losses

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.

Notes to the Accounts continued

1. Basis of preparation and summary of material accounting policies continued

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 (Spectris Scientific, Spectris Dynamics, and Other non-reportable segments).

Further details of the nature of each major revenue stream are provided in the following section.

Spectris Scientific

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 when the performance obligation is satisfied.

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.

For contracts where the sale of goods is combined with a complex installation, revenue is recognised at a point in time when installation is complete as the installation is not distinct, since the customer would not expect it to be readily available.

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. These are accounted for under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' in note 18.

Notes to the Accounts continued

1. Basis of preparation and summary of material accounting policies continued

Spectris Dynamics

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 when the performance obligation is satisfied.

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.

Contracts where the sale of goods are combined with a simple installation are those which the customer perceives as a separate performance obligation within the overall contract to deliver goods. Revenue is recognised for these 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. These are accounted for under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' in note 18.

Other

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.

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. These are accounted for under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' in note 18.

2. Operating segments

The Group's reportable segments are described below. The segmental divisional structure reflects the current 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, where the costs are attributable to a segment. Costs of running the PLC are reported separately as Group costs.

The following summarises the operations in each of the Group's reportable segments:

- Spectris Scientific provides advanced measurement and materials characterisation, accelerating innovation and efficiency in R&D and manufacturing. The operating companies in this segment are Malvern Panalytical and Particle Measuring Systems;
- Spectris Dynamics provides differentiated sensing, data acquisition, analysis modelling and simulation solutions to help customers accelerate product development and enhance product performance;
- The Other non-reportable segments are a portfolio of high-value precision in-line sensing and monitoring businesses. The operating companies in this segment are Red Lion Controls and Servomex; and
- Group costs consist of costs of running the PLC.

Notes to the Accounts continued

2. Operating segments continued

Further details of the nature of these segments and the products and services they provide are contained in the Strategic Report on pages 2 to 79.

Information about continuing reportable segments	Spectris Scientific £m	Spectris Dynamics £m	Other £m	Group costs ¹ £m	2023 Total £m
Segment revenues	704.4	542.8	202.2	–	1,449.4
Inter-segment revenue	(0.2)	–	–	–	(0.2)
External revenue	704.2	542.8	202.2	–	1,449.2
Operating profit	124.4	56.2	33.2	(25.2)	188.6
Share of post-tax results of associates	(0.4)	0.3	–	–	(0.1)
Fair value through profit and loss movements on debt investments ¹					2.8
Loss on disposal of businesses ¹					(12.6)
Financial income ¹					11.0
Finance costs ¹					(4.1)
Profit before tax¹	185.6				185.6
Taxation charge ¹					(40.2)
Profit after tax from continuing operations¹	145.4				145.4
– Not allocated to reportable segments					
Information about continuing reportable segments	Spectris Scientific £m	Spectris Dynamics £m	Other £m	Group costs ¹ £m	2022 Total £m
Segment revenues	658.0	492.4	177.4	–	1,327.8
Inter-segment revenue	(0.2)	(0.2)	–	–	(0.4)
External revenue	657.8	492.2	177.4	–	1,327.4
Operating profit	118.3	46.5	26.2	(18.4)	172.6
Fair value through profit and loss movements on debt investments ¹					(4.1)
Profit on disposal of businesses ¹					0.3
Financial income ¹					1.9
Finance costs ¹					(19.2)
Profit before tax¹	151.5				151.5
Taxation charge ¹					(36.7)
Profit after tax from continuing operations¹	114.8				114.8

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	
	2023 £m	2022 £m	2023 £m	2022 £m
Spectris Scientific	655.0	673.8	(217.6)	(237.7)
Spectris Dynamics	746.8	766.1	(210.4)	(193.5)
Other	188.3	202.7	(32.5)	(31.9)
Group-related	0.4	2.6	(8.9)	(6.7)
Total segment assets and liabilities	1,590.5	1,645.2	(469.4)	(469.8)
Cash and borrowings	138.5	228.1	–	(0.1)
Derivative financial instruments	6.2	1.7	(0.2)	(2.5)
Assets and liabilities held for sale that are not allocable to a segment	0.3	–	(6.7)	–
Investment in debt instruments	21.7	18.9	–	–
Investment in equity instruments	24.3	29.3	–	–
Retirement benefit assets and liabilities	2.4	–	(11.6)	(8.9)
Taxation	33.8	24.8	(13.9)	(29.8)
Consolidated total assets and liabilities	1,817.7	1,948.0	(501.8)	(511.1)

Segment assets comprise: goodwill, other intangible assets, property, plant and equipment, right-of-use assets, inventories and trade and other receivables, investments in associates 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 which can be reasonably attributed to the reported operating segment. Unallocated items represent all components of net cash, derivative financial instruments, assets held for sale that are not allocable to a segment, investment in debt instruments, investment in equity instruments, retirement benefit assets and liabilities and current and deferred taxation balances.

	Additions to non-current assets from continuing and non-continuing operations		Depreciation, amortisation and impairment from continuing and non-continuing operations	
	2023 £m	2022 £m	2023 £m	2022 £m
Spectris Scientific	45.7	68.9	18.5	23.9
Spectris Dynamics	45.7	85.7	30.8	27.9
Omega	–	0.7	–	–
Others	5.0	18.0	7.9	6.9
Group-related	–	0.6	0.5	0.6
Consolidated total	96.4	173.9	57.7	59.3

Notes to the Accounts continued

2. Operating segments continued

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 from continuing operations by geographical destination

	Spectris Scientific £m	Spectris Dynamics £m	Other £m	2023 Total £m
UK	27.8	21.8	6.5	56.1
Germany	31.6	103.7	6.3	141.5
France	20.5	27.0	3.6	51.1
Rest of Europe	96.0	86.8	14.5	197.3
USA	133.6	145.7	98.2	377.5
Rest of North America	21.7	7.6	7.8	37.1
Japan	41.3	30.1	6.9	78.3
China	149.5	73.9	26.4	249.8
South Korea	36.6	11.2	4.7	52.5
Rest of Asia	98.7	22.8	21.2	142.7
Rest of the world	46.9	12.2	6.1	65.2
	704.2	542.8	202.2	1,449.2

	Spectris Scientific £m	Spectris Dynamics £m	Other £m	2022 Total £m
UK	27.8	18.5	4.9	51.2
Germany	31.5	85.4	6.5	123.4
France	18.2	22.7	3.9	44.8
Rest of Europe	87.8	72.6	12.0	172.4
USA	137.1	133.1	89.7	359.9
Rest of North America	16.6	6.7	6.7	30.0
Japan	36.6	29.9	3.0	69.5
China	132.4	74.8	26.4	233.6
South Korea	42.5	10.6	5.3	58.4
Rest of Asia	85.0	25.8	14.7	125.5
Rest of the world	42.3	12.1	4.3	58.7
	657.8	492.2	177.4	1,327.4

	2023 £m	2022 £m
UK	218.8	239.3
Germany	70.5	86.8
France	7.1	7.0
Rest of Europe ¹	301.2	283.4
USA	355.1	406.4
Rest of North America	13.2	16.0
Japan	4.7	5.3
China	9.7	9.7
South Korea	0.9	1.2
Rest of Asia	8.3	8.6
Rest of the world	2.9	2.6
	992.4	1,066.3
Deferred tax assets ²	26.6	16.2
Total non-current assets	1,019.0	1,082.5

1 Principally in Switzerland, Netherlands and Denmark (2022: Switzerland, Netherlands and Denmark)

2 Not allocated to reportable geographic area in reporting to the Chief Operating Decision Maker

Notes to the Accounts continued

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 reportable 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 from continuing operations	2023 £m	2022 £m
At a point in time:		
Spectris Scientific	642.4	577.6
Spectris Dynamics	483.4	432.1
Others	202.2	177.4
	1,328.0	1,187.1
Over time:		
Spectris Scientific	61.8	80.2
Spectris Dynamics	59.4	60.1
	121.2	140.3
Revenue from continuing operations	1,449.2	1,327.4

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 2023 (2022: 1%).

Total revenue for the Group from continuing operations, after including financial income of £11.0m (2022: £1.9m) (see note 6), was £1,460.2m (2022: £1,329.3m)

4. Operating profit

Operating profit from continuing operations is stated after charging/(crediting):

Note	2023 £m	2022 £m
Net foreign exchange losses/(gains) included in operating profit	5.8	(0.3)
Research and development expense	108.4	102.9
Amortisation and other non-cash adjustments made to intangible assets	24.9	25.1
Depreciation of owned property, plant and equipment	19.4	20.0
Depreciation and impairment of right-of-use assets	13.4	14.0
Income from sub-leasing right-of-use assets	(0.5)	(0.3)
Expenses relating to short-term and low-value leases	0.1	0.1
Donations to the Spectris Foundation	1.1	0.1
Cost of inventories recognised as expense	361.2	351.9
Profit on disposal and re-measurements of property, plant and equipment and associated lease liabilities	(0.5)	(1.5)

The Group's operating profit in the current year includes £1.6m spend on climate-related transition risk activities. These costs include all the activities disclosed in the Sustainability section of the Strategic Report

Auditor's remuneration	2023 £m	2022 £m
Fees payable to the Company's auditor for audit of the Company's annual accounts pursuant to legislation	0.8	0.7
Total audit-related fees	1.7	1.7
Fees payable to the Company's auditor for other services:	2.5	2.4
- audit-related assurance services ¹	0.1	0.1
- other non-audit services ²	0.1	0.2
	2.7	2.7

¹ Review of the half-year Financial Statements

² Assurance work over ESG disclosures

Notes to the Accounts continued

5. Employee costs and other information

Employee costs, including Directors' remuneration, comprise:

	Continuing operations		Total continuing and discontinued operations	
	2023 £m	2022 £m	2023 £m	2022 £m
Wages and salaries	453.0	414.4	453.0	433.0
Social security costs	78.5	68.3	78.5	72.6
Defined benefit pension plans:				
– current service cost (see note 19)	0.7	0.4	0.7	0.4
– past service credit (see note 19)	(0.1)	(0.1)	(0.1)	(0.1)
Defined contribution pension plans	22.9	20.0	22.9	20.1
Equity-settled share-based payment expense	13.1	10.1	13.1	10.3
Cash-settled share-based payment expense	1.1	0.9	1.1	0.8
	569.2	514.0	569.2	537.1

	Continuing operations		Total continuing and discontinued operations	
	2023 Number	2022 Number	2023 Number	2022 Number
Average number of employees	3,569	3,642	3,569	3,844
Production and engineering	2,767	2,764	2,767	2,860
Sales, marketing and service	930	870	930	900
Administrative	7,266	7,276	7,266	7,604

	2023 £m	2022 £m
Directors' remuneration		
Short-term benefits	3.1	2.8
Equity-settled share-based payment expense	2.0	1.6
	5.1	4.4

Further details of Directors' remuneration and share options are given in the Directors' Remuneration Report on pages 102 to 123.

6. Financial income and finance costs

	2023 £m	2022 £m
Financial income from continuing operations		
Interest receivable	(5.3)	(1.9)
Net gain on retranslation of short-term inter-company loan balances	(5.7)	–
	(11.0)	(1.9)
Finance costs from continuing operations		
Interest payable on loans and overdrafts	1.4	1.8
Net loss on retranslation of short-term inter-company loan balances	–	14.6
Unwinding of discount factor on lease liabilities	2.4	2.5
Net interest cost on pension plan obligations	0.3	0.3
	4.1	19.2
Net finance (credit)/costs from continuing operations	(6.9)	17.3

Net interest credit of £3.9m (2022: credit of £0.1m), for the purposes of the calculation of interest cover, comprises interest receivable of £5.3m (2022: £1.9m) and interest payable on loans and overdrafts of £1.4m (2022: £1.8m).

The net finance credit of £6.9m (2022: £17.3m charge) includes £5.7m of unrealised gains on inter-company loan balances (2022: losses of £14.6m)

Notes to the Accounts continued

7. Taxation

	2023			2022		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Current tax charge	5.3	54.3	59.6	4.8	41.2	46.0
Adjustments in respect of current tax of prior years	(0.5)	(0.3)	(0.8)	(1.4)	(1.4)	(2.8)
Deferred tax – origination and reversal of temporary differences (note 20)	(1.9)	(16.7)	(18.6)	(1.3)	(5.2)	(6.5)
Taxation charge from continuing operations	2.9	37.3	40.2	2.1	34.6	36.7

The standard rate of corporation tax for the year, based on the weighted average of tax rates applied to the Group's profits, is 24.2% (2022: 23.8%). The tax charge for the year is lower (2022: higher) than the tax charge using the standard rate of corporation tax for the reasons set out in the following reconciliation.

	2023 £m	2022 £m
Profit before taxation from continuing operations	185.6	151.5
Corporation tax charge at standard rate of 24.2% (2022: 23.8%)	44.9	36.1
Permanent tax differences on loss/(profit) on disposal of businesses	2.8	(0.1)
Other non-deductible expenditure	4.5	9.1
Tax credits and incentives	(9.9)	(7.6)
Adjustments to prior year current and deferred tax charges	(2.1)	(0.8)
Taxation charge	40.2	36.7

The Group's standard rate of corporation tax of 24.2% is marginally higher than the prior year rate (23.8%), principally due to profits being made in countries with higher statutory tax rates.

'Permanent tax differences on loss/(profit) on disposal of businesses' in the current year relates to the restriction of tax deductions for losses on the sale of shares in certain countries.

'Other non-deductible expenditure' in the prior year includes the £3.4m impact of non-deductible foreign exchange losses.

'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.

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

	2023 £m	2022 £m
Tax on items recognised directly in the Consolidated Statement of Comprehensive Income		
Tax charge on net gain on effective portion of changes in fair value of forward exchange contracts	1.1	–
Tax (credit)/charge on investment in equity instruments designated as at fair value through other comprehensive income	(0.1)	0.6
Tax (credit)/charge on re-measurement of net defined benefit obligations, net of foreign exchange	(0.1)	3.4
Aggregate current and deferred tax charge relating to items recognised directly in the Consolidated Statement of Comprehensive Income	0.9	4.0

	2023 £m	2022 £m
Tax on items recognised directly in the Consolidated Statement of Changes in Equity		
Tax credit in relation to share-based payments	(3.2)	(0.2)
Aggregate current and deferred tax credit relating to items recognised directly in the Consolidated Statement of Changes in Equity	(3.2)	(0.2)

The following tax (credits)/charges relate to items of income and expense that are excluded from the Group's adjusted performance measures

	2023 £m	2022 £m
Tax on items of income and expense that are excluded from the Group's adjusted profit before tax		
Tax credit on amortisation of acquisition-related intangible assets and impairment of other property, plant and equipment	(4.7)	(4.6)
Tax credit on net transaction-related costs and fair value adjustments	(1.7)	(0.5)
Tax charge on retranslation of short-term inter-company loan balances	0.3	0.6
Tax credit on loss on disposal of businesses	(0.2)	–
Tax credit on configuration and customisation costs carried out by third parties on material SaaS projects	(10.8)	(5.1)
Tax charge/(credit) on fair value through profit and loss movements on debt and equity investments	0.6	(1.4)
Total tax credit	(16.5)	(11.0)

Notes to the Accounts continued

7. Taxation continued

The effective adjusted tax rate for the year was 21.5% (2022: 21.7%) as set out in the reconciliation below

	2023 £m	2022 £m
Reconciliation of the statutory taxation charge to the adjusted taxation charge		
Statutory taxation charge	40.2	36.7
Tax credit on items of income and expense that are excluded from the Group's adjusted profit before tax	16.5	11.0
Adjusted taxation charge	56.7	47.7

The Group has applied the temporary exception included in IAS 12 'Income Taxes' from recognising or disclosing information about deferred tax related to 'Pillar Two' income taxes. This mandatory temporary exception was included in the narrow scope amendments to IAS 12 published by the IASB in May 2023.

The UK legislation to implement the OECD BEPS 'Pillar Two' or 'GloBE' minimum tax rules was substantively enacted in June 2023. The rules will apply to Spectris from 1 January 2024. We anticipate that these legislative changes could give rise to limited upward pressure on the Group's adjusted effective tax rate from 2024. We currently estimate that the GloBE rules could increase the Group's adjusted effective tax rate by in the region of 1 percentage point for 2024. The impact is expected to arise due to the Group receiving tax incentives for innovation under local laws in certain countries which, in limited circumstances, can reduce effective tax rates below 15%. The Group is continuing to assess the impact of Pillar Two income tax legislation.

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.

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 from the estimates recorded in these Consolidated Financial Statements.

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.

8. Dividends

Amounts recognised and paid as distributions to owners of the Company in the year	2023 £m	2022 £m
Interim dividend for the year ended 31 December 2023 of 25.3p (2022: 24.1p) per share	26.0	25.3
Final dividend for the year ended 31 December 2022 of 51.3p (2022: 48.8p) per share	53.7	53.3
	79.7	78.6

Amounts arising in respect of the year	2023 £m	2022 £m
Interim dividend for the year ended 31 December 2023 of 25.3p (2022: 24.1p) per share	26.0	25.3
Proposed final dividend for the year ended 31 December 2023 of 53.9p (2022: 51.3p) per share	54.8	53.6
	80.8	78.9

The proposed final 2023 dividend is subject to approval by shareholders at the AGM on 23 May 2024 and has not been included as a liability in these Consolidated Financial Statements.

Notes to the Accounts continued

9. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares).

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year but adjusted for the effects of dilutive options. The key features of the Company's share option schemes are described in note 22.

	2023	2022
Basic earnings per share from continuing operations		
Profit after tax from continuing operations (£m)	145.4	114.8
Weighted average number of shares outstanding (millions)	103.6	107.6
Basic earnings per share from continuing operations (pence)	140.3	106.7

	2023	2022
Diluted earnings per share from continuing operations		
Profit after tax from continuing operations (£m)	145.4	114.8
Basic weighted average number of shares outstanding (millions)	103.6	107.6
Weighted average number of dilutive 5p ordinary shares under option (millions)	0.9	0.9
Weighted average number of 5p ordinary shares that would have been issued at average market value from proceeds of dilutive share options (millions)	(0.2)	(0.2)
Diluted weighted average number of shares outstanding (millions)	104.3	108.3
Diluted earnings per share from continuing operations (pence)	139.4	106.0

	2023	2022
Basic earnings per share from discontinued operations		
Profit after tax from discontinued operations (£m)	-	286.7
Weighted average number of shares outstanding (millions)	103.6	107.6
Basic earnings per share from discontinued operations (pence)	-	266.4

	2023	2022
Diluted earnings per share from discontinued operations		
Profit after tax from discontinued operations (£m)	-	286.7
Diluted weighted average number of shares outstanding (millions)	104.3	108.3
Diluted earnings per share from discontinued operations (pence)	-	264.7

The denominators used for diluted earnings per share from discontinued operations are the same as those used for diluted earnings per share from continuing operations.

10. Goodwill and other intangible assets

Cost	Note	Goodwill £m	Patents, contractual rights and technology £m	Customer- related and trade names £m	Software £m	Total £m
At 1 January 2022		788.9	162.0	226.8	54.3	1,232.0
Measurement period adjustments		(0.8)	-	-	-	(0.8)
Additions – separately acquired		-	-	-	1.0	1.0
Additions – internal development		-	3.4	-	-	3.4
Additions – business combinations	23	49.7	22.9	36.5	-	109.1
Reclassifications		-	-	-	0.3	0.3
Disposals		-	-	-	(1.3)	(1.3)
Disposals of business Foreign exchange difference	24	(213.4)	(36.9)	(81.4)	(8.0)	(339.7)
		57.9	16.9	20.1	2.6	97.5
At 31 December 2022		682.3	168.3	202.0	48.9	1,101.5
Additions – separately acquired		-	-	-	0.8	0.8
Additions – internal development		-	3.2	-	-	3.2
Additions – business combinations	23	24.6	6.9	14.8	-	46.3
Reclassifications		-	-	-	1.9	1.9
Transfers to assets held for sale	24	(46.0)	(11.0)	(3.1)	(2.8)	(62.9)
Disposals		-	-	(0.4)	(7.3)	(7.7)
Disposals of business Foreign exchange difference	24	(38.6)	(11.8)	(40.6)	(0.1)	(91.1)
		(16.2)	(4.6)	(8.0)	(0.9)	(29.7)
At 31 December 2023		606.1	151.0	164.7	40.5	962.3

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 trade names £m	Software £m	Total £m
At 1 January 2022		157.5	102.5	125.3	46.2	431.5
Charge for the year		-	15.4	7.7	3.2	26.3
Disposals		-	-	-	(1.3)	(1.3)
Disposals of business	24	(92.1)	(36.9)	(42.9)	(6.6)	(178.5)
Foreign exchange difference		10.8	10.2	9.9	2.4	33.3
At 31 December 2022		76.2	91.2	100.0	43.9	311.3
Charge for the year		-	15.1	7.2	2.6	24.9
Reclassifications		-	-	-	0.1	0.1
Transfers to assets held for sale	24	-	(4.5)	(0.7)	(2.8)	(8.0)
Disposals		-	-	(0.4)	(7.3)	(7.7)
Disposals of business	24	(35.1)	(9.7)	(38.7)	-	(83.5)
Foreign exchange difference		(0.5)	(3.4)	(2.8)	(0.7)	(7.4)
At 31 December 2023		40.6	88.7	64.6	35.8	229.7

Carrying amount

At 31 December 2023	565.5	62.3	100.1	4.7	732.6
At 31 December 2022	606.1	77.1	102.0	5.0	790.2

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

The Group's identified cash-generating units total five, smaller than the three reportable segments, being the two operating companies in the Spectris Scientific Division (Malvern Panalytical and Particle Measuring Systems), the Spectris Dynamics Division, and the two operating companies in the Other non-reportable segment (Red Lion Controls and Servomex) as at 31 December 2023 (2022: five). 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:

	2023 £m	2022 £m
Malvern Panalytical	235.8	234.6
Spectris Dynamics	294.9	290.4
Non-significant CGUs	34.8	81.1
	565.5	606.1

Goodwill at 31 December 2023 excludes balances transferred to assets held for sale totalling £46.0m (2022: £nil).

Included within 'Non-significant CGUs' are two – Particle Measuring Systems and Servomex (2022: three – 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 cash-generating unit, 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 cash-generating unit.

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 2028 (five 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 2028 and relate to revenue forecasts, expected project outcomes and forecast operating margins in each of the operating companies. Impact of macroeconomic trends such as rising inflation rates has been applied to CGUs. 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 2028 and onwards.

Notes to the Accounts continued

10. Goodwill and other intangible assets continued

The Group has considered the potential impact of climate change on future cash flows in the impairment test. This took into consideration the quantification of the risks and opportunities identified in the TCFD disclosures outlined in the Sustainability section of the Strategic Report on pages 52 to 77, as well as the commitments made in our journey towards achieving our Net Zero ambition. This included assessing the impact and likelihood of climate change as set out in the Principal Risks and uncertainties on pages 48 to 50. In terms of physical risk, this could result in a reduction of our ability to conduct business operations from certain locations on a temporary or permanent basis or risk of harm to employees or physical assets. In terms of transition risk this could lead to increased costs through market regulation or additional taxes. After taking into account the potential impact of climate change, significant headroom remained in the model.

The Group calculates value in use using the strategic plans relevant to each CGU. A long-term growth rate of 2.0% (2022: 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 14.1% (2022: 12.9%). 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 14.6% to 15.9% (2022: 13.5% to 15.0%) across the CGU groups. The following table discloses the discount rates and short-term growth rates for each significant CGU, and the average across the non-significant CGUs. Red Lion Controls has been included in our assessment.

	Risk Adjusted discount rates		Short-term growth rates	
	2023 %	2022 %	2023 %	2022 %
Malvern Panalytical	14.6	13.5	9.8	7.6
Spectris Dynamics	14.7	14.1	9.4	8.3
Non-significant CGUs	15.9	15.0	10.1	13.0

Impairment of goodwill and acquisition-related intangible assets 2023 and 2022

There were no impairments of goodwill and intangible assets recognised in 2023 and 2022.

Sensitivity analysis

For all cash-generating units with goodwill balances at 31 December 2023 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 £3.2m of internally-generated intangible assets from development expenditure in 2023 (2022: £3.4m). Accumulated amortisation on internally-generated intangible assets was £8.6m (2022: £5.5m).

The customer-related assets recognised on the acquisition of Concurrent Real Time (Concurrent-RT) in 2021, Dytran Instruments Inc (Dytran) in 2022, and MicroStrain Sensing Systems Business (MicroStrain) in 2023, and included within the Spectris Dynamics reportable segment, are considered significant by the Directors as they represent 50% (2022: 57%, 28% (2022: 31%) and 12% (2022: nil) of the NBV of total customer-related and trade names respectively. The carrying amount of the Concurrent-RT customer-related intangible assets at 31 December 2023 is £48.4m (2022: £54.0m) and is being amortised over 20 years with the remaining amortisation period being 16.5 years. The carrying amount of the Dytran customer-related intangible assets at 31 December 2023 is £23.4m (2022: 26.0m) and is being amortised over 20 years with the remaining amortisation period being 18.75 years. The carrying amount of the MicroStrain customer-related intangible assets at 31 December 2023 is £7.3m (2022: nil) and is being amortised over 14.7 years with the remaining amortisation period being 14.45 years. The technology assets recognised on the acquisition of Concurrent-RT in 2021 and Creoptix AG in 2022, and included within the Spectris Dynamics and Spectris Scientific reportable segments respectively, are considered significant by the Directors. Concurrent-RT represents 22% (2022: 24%) of total NBV of patents, contractual rights and technology. The carrying amount of the Concurrent-RT technology intangible assets at 31 December 2023 is £15.3m (2022: £18.5m) and is being amortised over ten years with the remaining amortisation period being six and a half years. Creoptix AG represents 25% (2022: 24%) of total NBV of patents, contractual rights and technology. The carrying amount of the Creoptix AG technology intangible assets at 31 December 2023 is £16.9m (2022: £18.3m) and is being amortised over ten years with the remaining amortisation period being eight 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 2022		131.1	25.0	197.6	353.7
Additions – separately acquired		19.0	2.5	18.9	40.4
Additions – business combinations	23	1.0	0.6	1.4	3.0
Reclassifications		–	–	(0.3)	(0.3)
Transfer to assets held for sale	24	(3.3)	–	–	(3.3)
Disposals		(0.5)	(0.7)	(6.8)	(8.1)
Disposal of business	24	(17.3)	(1.8)	(14.4)	(33.5)
Foreign exchange difference		9.2	1.6	11.2	22.0
At 31 December 2022		139.1	27.2	207.6	373.9
Additions – separately acquired		2.7	1.9	16.0	20.6
Additions – business combinations	23	–	–	0.7	0.7
Reclassifications		(4.5)	4.7	(2.1)	(1.9)
Transfers to assets held for sale	24	(6.3)	(1.4)	(9.2)	(16.9)
Disposals		(3.9)	(1.0)	(21.9)	(26.8)
Disposal of business	24	(4.1)	(0.3)	(13.5)	(17.9)
Foreign exchange difference		(3.7)	(1.0)	(5.5)	(10.2)
At 31 December 2023		119.3	30.1	172.1	321.5
Accumulated depreciation and impairment					
At 1 January 2022		50.4	13.1	139.7	203.2
Charge for the year		3.5	2.5	14.6	20.6
Reclassifications		–	0.1	–	0.1
Transfers to assets held for sale	24	(1.5)	–	–	(1.6)
Disposals		–	(0.7)	(6.0)	(6.7)
Disposal of business	24	(3.4)	(1.2)	(10.2)	(14.8)
Foreign exchange difference		3.2	0.8	8.4	12.4
At 31 December 2022		52.1	14.6	146.5	213.2
Charge for the year		3.4	2.3	13.7	19.4
Reclassifications		(1.0)	1.0	(0.1)	(0.1)
Transfers to assets held for sale	24	(0.3)	(1.3)	(7.0)	(8.6)
Disposals		(3.5)	(0.9)	(21.4)	(25.8)
Disposal of business	24	(1.7)	(0.1)	(4.7)	(6.5)
Foreign exchange difference		(1.4)	(0.8)	(4.1)	(6.3)
At 31 December 2023		47.6	14.8	122.9	185.3
Carrying amount					
At 31 December 2023		71.7	15.3	49.2	136.2
At 31 December 2022		87.0	12.6	61.1	160.7

The amount included in the cost of plant and equipment of assets in the course of construction was £15.4m (2022: £15.4m).

No borrowing costs were capitalised during either year.

Of the total depreciation charge of £19.4m (2022: £20.6m), the amount attributable to the depreciation on fair value adjustments to acquisition-related property, plant and equipment was £nil (2022: £0.2m).

There were no additions relating to the receipt of government grants in 2023 (2022: £nil).

Of the total additions of £20.6m the amount attributable to climate-related capital expenditure is £16m that has been counted towards achieving our Net Zero ambition. These costs include all the activities disclosed in the Sustainability section of the Strategic Report.

Property, plant and equipment: right-of-use

	Note	Property £m	Plant and equipment £m	Total £m
At 1 January 2022		54.7	5.8	60.5
Additions		9.2	3.9	13.1
Depreciation and impairment		(10.2)	(4.0)	(14.2)
Disposals		(2.2)	(0.3)	(2.5)
Disposal of business	24	(1.8)	–	(1.8)
Additions – business combinations	23	1.0	–	1.0
Re-measurement		–	0.2	0.2
Foreign exchange difference		3.1	0.3	3.4
At 31 December 2022		53.8	5.9	59.7
Additions		10.6	5.4	16.0
Depreciation and impairment		(9.5)	(3.9)	(13.4)
Disposals		(0.1)	(0.4)	(0.5)
Disposal of business	24	(3.2)	–	(3.2)
Transfers to assets held for sale	24	(0.8)	–	(0.8)
Additions – business combinations	23	1.1	–	1.1
Re-measurement		–	0.4	0.4
Foreign exchange difference		(1.1)	(0.1)	(1.2)
At 31 December 2023		50.8	7.3	58.1
Property, plant and equipment: owned				
Property, plant and equipment: owned			2023 £m	2022 £m
			136.2	160.7
Property, plant and equipment: right-of-use				
			58.1	59.7
			194.3	220.4

Notes to the Accounts continued

12. Investments in equity instruments, investment in associates and joint operation
Investments in equity instruments

	2023 £m	2022 £m
Investments in equity instruments designated as at fair value through other comprehensive income	24.3	29.3
Total investment in equity instruments at 31 December	24.3	29.3

At 31 December 2023, the Group's investments in equity instruments designated to be measured at fair value through other comprehensive income consists of a) 27752,567 AI investment units in the EZ Ring FPCI (the fund holding the combined UTAC-Millbrook group), which has a fair value of £23.9m (2022: £28.6m) b) 10,000,000 shares in Envirosuite Ltd, which has a fair value of £0.4m (2022: £0.7m).

These investments were not held for trading at initial recognition and were not contingent consideration. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the Group 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 these 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.

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 powers or rights over the businesses.

No dividends have been recognised on investments in equity instruments during the year (2022: £nil).

Investment in associates

The Group's investments in associates at 31 December 2023 were as follows:

Name of associates	Principal activity	Country of incorporation or registration	Percentage shareholding
CM Labs Simulations Inc.	Manufacturer of turnkey solutions	Canada	19.4%
LumaCyte Incorporated	Bioanalytic instrumentation	United States	12.2%

Summarised financial information in respect of the Group's immaterial associates are set out below. The summarised information has been presented in accordance with IFRS (after adjustments by the Group for equity accounting purposes and to comply with the Group's accounting policies).

	2023 £m	2022 £m
At 1 January	2.9	–
Arising on acquisition of associates	7.8	2.9
Share of loss of associates	(0.1)	–
Foreign exchange difference	0.2	–
At 31 December	10.8	2.9

There was no other comprehensive income or dividends received from associates in the year (2022: £nil).

2023

On 21 August 2023, the Group acquired 12.2% (10.9% fully diluted) of the shares of LumaCyte Incorporated (LumaCyte) for total consideration of USD10.0m (£7.8m), settled in cash. LumaCyte is an advanced bioanalytic instrumentation company based in Virginia, United States, and will provide Spectris with further exposure and deeper insights into the high growth and disruptive area of Cell and Gene Therapy and vaccine markets. As a result of the rights and powers attached to the Group's shareholding, the Group has concluded that it has significant influence and, as a result, will equity account for its share of LumaCyte's results, as an investment in associate. This investment in associate is considered immaterial to the Group on an individual basis.

2022

On 8 April 2022, the Group acquired 19.4% (17.2% fully diluted) of the shares of CM Labs Simulations Inc. (CM Labs) for total consideration of CAD4.3m (£2.6m), settled in cash. CM Labs is a manufacturer of turnkey solutions for operator training simulators in the heavy equipment industries. These simulators are developed using CM Labs' proprietary Vortex software, which is also commercially available as a machinery virtual prototyping software platform for tasks ranging from product development to creation of custom simulators. Its principal place of business is Montreal, Quebec, Canada. As a result of the rights and powers attached to the Group's shareholding, the Group has concluded that it has significant influence and, as a result, will equity account for its share of CM Labs' results, as an investment in associate. This investment in associate is considered immaterial to the Group on an individual basis.

Notes to the Accounts continued

12. Investments in equity instruments, investment in associates and joint operation**continued****Joint operation**

The Group's immaterial joint operation has share capital consisting solely of ordinary shares and is indirectly held, and principally operates in Slovenia. The financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for all but an insignificant amount of the output to be consumed by the shareholders.

Name of joint operation	Principal activity	Country of incorporation or registration	Percentage shareholding
Blueberry d.o.o.	Research and development activities	Slovenia	50%

Significant judgement made by Group in determining the nature of its interest and the type of joint arrangement

Blueberry d.o.o. is a joint arrangement that is primarily designed for the provision of output to the parties sharing joint control; this indicates that the parties have rights to substantially all the economic benefits of the assets. The liabilities of the arrangements are in essence satisfied by cash flows received from both parties; this dependence indicates that the parties in effect have obligations for the liabilities. It is these facts and circumstances that give rise to the classification of this entity as a joint operation.

13. Inventories

	2023 £m	2022 £m
Raw materials	110.3	129.1
Work in progress	43.5	49.0
Finished goods and goods held for resale	78.0	85.2
	231.8	263.3

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 £12.9m (2022: £10.5m) for the Group

Finished goods and goods held for resale expected to be utilised after 12 months amounted to £0.3m (2022: £0.2 m).

14. Trade and other receivables

Current	2023 £m	2022 £m
Trade receivables	239.5	283.3
Prepayments	27.6	28.8
VAT and similar taxes receivable	32.2	27.2
Research and development credits recoverable	1.6	2.9
Deferred and contingent consideration on acquisitions	0.5	–
Other receivables	8.6	10.1
Contract assets	7.9	10.2
	317.9	362.5

Non-current	2023 £m	2022 £m
Prepayments	3.7	2.3
Other receivables	2.2	1.9
	5.9	4.2

Other current and non-current receivables include advances to suppliers of £4.1m (2022: £2.4m) and other debtors of £6.7m (2022: £9.6m).

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 £7.5m (2022: £5.3m).

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:

	2023 £m	2022 £m
UK	9.1	9.8
Germany	19.0	23.8
France	15.7	16.7
Rest of Europe	43.9	46.1
USA	55.3	77.1
Rest of North America	8.3	9.8
Japan	14.8	15.0
China	20.2	25.0
South Korea	8.6	9.5
Rest of Asia	30.5	37.1
Rest of the world	14.1	13.4
	239.5	283.3

Notes to the Accounts continued

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:

	2023		2022	
	Gross £m	Impairment £m	Gross £m	Impairment £m
Not past due	161.4	-	199.0	-
One month past due	33.6	-	36.3	-
Two months past due	15.6	-	14.7	-
Three months past due	7.3	-	10.5	-
Four months past due	5.7	-	5.6	-
More than four months past due	23.4	7.5	22.5	5.3
	247.0	7.5	288.6	5.3

The movement in the provision for impairment in respect of trade receivables during the year was as follows:

	2023 £m	2022 £m
At 1 January	5.3	6.1
Provision for impairment of receivables	2.9	0.2
Impairment loss utilised	(0.5)	(1.1)
Disposal of business	(0.1)	(0.4)
Foreign exchange difference	(0.1)	0.5
At 31 December	7.5	5.3

All of the above impairment losses relate to receivables arising from contracts with customers

Significant changes in contract assets during the year

2023
There were no significant movements in contract assets in 2023.

2022
There were no significant movements in contract assets in 2022.

15. Cash and cash equivalents

	Note	2023 £m	2022 £m
Cash and cash equivalents included in current assets			
Cash and cash equivalents included in assets held for sale	24	138.5	228.1
Cash and cash equivalents		138.8	228.1

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 27

Included in Cash and Cash Equivalents is restricted cash of £4.1m (2022: £2.4m) held in India. There are controls in place over the cross-border transfer of Indian Rupees, meaning that the Group cannot readily access these funds.

16. Borrowings

Current	Interest rate	Repayable date	2023 £m	2022 £m
Bank overdrafts		On demand	-	0.1
Bank loans unsecured - £45.0m (2022: £45.0m) uncommitted facility	Determined on draw down	On demand	-	-
Total current borrowings			-	0.1
Non-current	Interest rate	Maturity date	2023 £m	2022 £m
Bank loans unsecured - \$500.0m revolving credit facilities	Relevant RFR/IBOR +55bps	31 July 2025	-	-
Total non-current borrowings			-	-
Total current and non-current borrowings			-	0.1
Total unsecured borrowings			-	0.1

At 31 December 2023, the \$500m (£393.1m) revolving credit facilities were undrawn (31 December 2022: the \$500m (£414.9m) facilities were undrawn).

Movements in total unsecured borrowings are reconciled as follows:

	2023 £m	2022 £m
At 1 January	0.1	-
Proceeds from borrowings	-	326.2
Repayment of borrowings	(0.1)	(326.8)
Effect of foreign exchange rates	-	0.7
At 31 December	-	0.1

Notes to the Accounts continued

16. Borrowings continued**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 2022	Financing cash flows ¹	New leases	Acquisitions of businesses	Disposal of businesses	Other non-cash movement	Exchange movement	At 31 December 2023
Bank overdrafts (including notional cash-pool related bank overdrafts)	15	0.1	(0.1)	–	–	–	–	–	–
Total borrowings		0.1	(0.1)	–	–	–	–	–	–
Lease liabilities (including lease liabilities classified as liabilities held for sale) ²		65.1	(15.6)	16.1	1.0	(3.6)	2.1	(1.6)	63.5
Total liabilities from financing arrangements		65.2	(15.7)	16.1	1.0	(3.6)	2.1	(1.6)	63.5

£m	Note	At 31 December 2021	Financing cash flows ¹	New leases	Acquisitions of businesses	Disposal of businesses	Other non-cash movement	Exchange movement	At 31 December 2022
Bank overdrafts (including notional cash-pool related bank overdrafts)	15	–	0.1	–	–	–	–	–	0.1
Debt		–	(0.7)	–	0.1	–	(0.1)	0.7	–
Total borrowings		–	(0.6)	–	0.1	–	(0.1)	0.7	0.1
Lease liabilities		65.9	(16.4)	13.2	1.0	(3.2)	0.3	4.3	65.1
Total liabilities from financing arrangements		65.9	(17.0)	13.2	1.1	(3.2)	0.2	5.0	65.2

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 2023 includes £0.8m of liabilities classified as held for sale (2022: £nil, 2021: £nil)

Notes to the Accounts continued

17. Trade and other payables

Current	2023 £m	2022 £m
Trade payables	42.8	62.8
Accruals	114.9	114.0
Customer advances	31.8	48.5
Contract liabilities	85.5	98.4
Deferred and contingent consideration on acquisitions	10.6	3.3
VAT and similar taxes payable	27.6	27.0
Goods received not invoiced	7.9	14.9
Share buyback accrual	45.9	–
Other payables	2.4	4.8
	369.4	373.7

Non-current	2023 £m	2022 £m
Contract liabilities	4.0	3.9
Accruals	11.1	9.9
	15.1	13.8

See note 21 in the Consolidated Financial Statements for further details on the Group's share buyback accrual.

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.

	2023 £m	2022 £m
Spectris Scientific	58.0	71.5
Spectris Dynamics	31.4	30.6
Others	0.1	0.2
	89.5	102.3

Revenue recognised in 2023 that was included in the contract liabilities balance at the beginning of the year amounts to £48.1m (2022: £57.2m).

Significant changes in contract liabilities during the year 2023

The decrease in contract liabilities reflects decrease in systems-related orders in Spectris Scientific.

2022

During 2022, £1.4m of contract liabilities balances were recognised as part of the acquisition of Creoptix, in the Spectris Scientific product group. The remainder of the increase primarily reflects increased systems-related orders in Spectris Scient fic.

There were no other significant changes in contract liabilities balances during 2022.

18. Provisions

	Note	Reorganisation £m	Product warranty £m	Legal, contractual and other £m	Total £m
At 1 January 2023		3.1	7.0	7.1	17.2
Balance transferred to Defined Benefit Obligation Plans		–	–	(1.4)	(1.4)
Provision during the year		0.5	5.2	1.5	7.2
Disposal of business	24	–	–	(0.4)	(0.4)
Utilised during the year		(2.8)	(4.4)	(2.2)	(9.4)
Released during the year		(0.1)	(0.2)	(0.4)	(0.7)
Transfer to liabilities held for sale		–	(0.7)	(0.2)	(0.9)
Foreign exchange difference		(0.1)	(0.2)	(0.2)	(0.5)
At 31 December 2023		0.6	6.7	3.8	11.1

Reorganisation

Reorganisation provisions relate to committed restructuring plans in place within the business. 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 Group 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.

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.

Notes to the Accounts continued

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 2023, 17 overseas subsidiaries (2022: 16) in six overseas countries (2022: six) 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 pension benefits in and at retirement, death in service and, in some cases, disability benefits to members. The pension benefits are 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, whilst the Japanese and French plans provide lump sum benefits to members on retirement.

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 fund's 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 2023.

The last full actuarial valuation for the UK plan was 31 December 2020 and for the overseas plans was 31 December 2022, where available. Where applicable, the valuations were updated to 31 December 2023 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 2023 were £2.5m (2022: £2.0m). Contributions for 2024 are expected to be £1.2m for the UK plan and £1.3m 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:

	2023			2022		
	UK plan % p.a.	Overseas plans % p.a.		UK plan % p.a.	Overseas plans % p.a.	
Discount rate	4.54	1.35-3.30		4.85	2.15-3.80	
Salary increases	n/a	1.50-3.00		n/a	1.50-3.00	
Pension increases in payment	1.95-3.62	0.00-2.25		2.30-3.41	0.00-2.25	
Pension increases in deferment	2.52-2.95	n/a		2.55-3.02	n/a	
Inflation assumption	2.52-2.95	1.25-3.5		2.55-3.02	1.25-3.50	
Interest credit rate	n/a	1.00		n/a	1.00	

The weighted average duration of the defined benefit obligation at 31 December 2023 was approximately 11 years (2022: 12 years) for the UK plan and 15.2 years (2022: 14.3 years) for the overseas plans.

Notes to the Accounts continued

19. Retirement benefit plans continued

Pensioner life expectancy assumed in the 31 December 2023 valuation is based on the following tables:

UK plan	103% and 106% of the S3PA tables centred in 2013 for males and females respectively. Future improvements in line with the core CML 2022 model subject to a long-term improvement rate of 1.25% per annum, an initial addition of 0.2% and a 25% weighting on 2022 mortality experience.
French plans	INSEE tables (2013, 2017-2019 or 2018-2020 depending on plan)
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

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 2023	85.8-87.0	88.6-89.2		
Pensioners aged 65 in 2043	87.6-89.0	90.0-91.4		

Amounts recognised in the Consolidated Income Statement	UK plan		Overseas plans		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Current service cost	-	-	0.7	0.4	0.7	0.4
Past service credit	-	-	(0.1)	(0.1)	(0.1)	(0.1)
Administrative cost	-	-	0.1	-	0.1	-
Settlement/curtailment	-	-	-	(0.1)	-	(0.1)
Net interest cost	-	0.2	0.3	0.1	0.3	0.3
	-	0.2	1.0	0.3	1.0	0.5

The current service cost, past service credit, administrative cost and settlement/curtailment 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. 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 £0.4m (2022: £0.4m) were paid.

There was a total return on plan assets in the year of £8.0m (2022: -£32.1m).

Amounts recognised in the Consolidated Statement of Comprehensive Income	UK plan		Overseas plans		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Actuarial gains/(losses) recognised in the current year	1.4	9.8	(2.0)	3.3	(0.6)	13.1
Foreign exchange gains/(losses) in the current year	-	-	0.2	(0.7)	0.2	(0.7)
Total gains/(losses) recognised in the current year	1.4	9.8	(1.8)	2.6	(0.4)	12.4
Amounts recognised in the Consolidated Statement of Financial Position	UK plan		Overseas plans		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Present value of defined benefit obligations	(91.0)	(90.6)	(27.0)	(22.4)	(118.0)	(113.0)
Fair value of plan assets	93.4	90.4	15.4	13.7	108.8	104.1
Net surplus/(deficit) in plans	2.4	(0.2)	(11.6)	(8.7)	(9.2)	(8.9)
Reconciliation of movement in net deficit	UK plan		Overseas plans		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
At 1 January	(0.2)	(11.0)	(8.7)	(11.3)	(8.9)	(22.3)
Balance transferred from other operating provisions	-	-	(1.4)	-	(1.4)	-
Current service cost	-	-	(0.7)	(0.4)	(0.7)	(0.4)
Net interest cost	-	(0.2)	(0.3)	(0.1)	(0.3)	(0.3)
Plan administrative cost	-	-	(0.1)	-	(0.1)	-
Settlement/curtailment	-	-	-	0.1	-	0.1
Acquisitions of businesses	-	-	-	(0.5)	-	(0.5)
Past service credit	-	-	0.1	0.1	0.1	0.1
Contributions from sponsoring company and plan members	1.2	1.2	0.7	0.3	1.9	1.5
Benefits paid	-	-	0.6	0.5	0.6	0.5
Actuarial gains/(losses)	1.4	9.8	(2.0)	3.3	(0.6)	13.1
Foreign exchange difference	-	-	0.2	(0.7)	0.2	(0.7)
At 31 December	2.4	(0.2)	(11.6)	(8.7)	(9.2)	(8.9)

Notes to the Accounts continued

19. Retirement benefit plans continued

Analysis of movement in the present value of the defined benefit obligation	UK plan		Overseas plans		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
At 1 January	90.6	133.2	22.4	26.5	113.0	159.7
Balance transferred from other operating provisions	-	-	1.3	-	1.3	-
Current service cost	-	-	0.7	0.4	0.7	0.4
Interest cost	4.3	2.4	0.7	0.2	5.0	2.6
Settlement/curtailment	-	-	-	(0.1)	-	(0.1)
Acquisitions of businesses	-	-	-	2.6	-	2.6
Past service credit	-	-	(0.1)	(0.1)	(0.1)	(0.1)
Contributions from plan members	-	-	0.4	0.2	0.4	0.2
Actuarial losses/(gains) – financial	1.9	(44.5)	1.8	(7.7)	3.7	(52.2)
Actuarial (gains)/losses – demographic	(0.9)	(1.2)	-	-	(0.9)	(1.2)
Actuarial losses/(gains) – experience	0.5	6.0	0.5	(0.1)	1.0	5.9
Benefits paid	(5.4)	(5.3)	(0.8)	(1.4)	(6.2)	(6.7)
Foreign exchange difference	-	-	0.1	1.9	0.1	1.9
At 31 December	91.0	90.6	27.0	22.4	118.0	113.0
Analysed as:						
Present value of unfunded defined benefit obligation	-	-	8.9	5.0	8.9	5.0
Present value of funded defined benefit obligation	91.0	90.6	18.1	17.4	109.1	108.0

Reconciliation of movement in fair value of plan assets	UK plan		Overseas plans		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
At 1 January	90.4	122.2	13.7	15.2	104.1	137.4
Interest income on assets	4.3	2.2	0.4	0.1	4.7	2.3
Plan administration cost	-	-	(0.1)	-	(0.1)	-
Acquisitions of businesses	-	-	-	2.1	0.0	2.1
Contributions from sponsoring company	1.2	1.2	0.7	0.3	1.9	1.5
Contributions from plan members	-	-	0.4	0.2	0.4	0.2
Actuarial gains/(losses)	2.9	(29.9)	0.4	(4.5)	3.3	(34.4)
Benefits paid	(5.4)	(5.3)	(0.2)	(0.9)	(5.6)	(6.2)
Foreign exchange difference	-	-	0.1	1.2	0.1	1.2
At 31 December	93.4	90.4	15.4	13.7	108.8	104.1
Fair value of assets	UK plan		Overseas plans		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Equity instruments	3.0	1.7	-	-	3.0	1.7
Corporate bonds	71.5	67.1	-	-	71.5	67.1
Government bonds	14.0	12.5	-	-	14.0	12.5
Cash and financial derivatives and other (net)	4.8	9.0	-	-	4.8	9.0
Insurance policies	0.1	0.1	15.4	13.7	15.5	13.8
	93.4	90.4	15.4	13.7	108.8	104.1

Asset class	UK plan		Overseas plans	
	2023 %	2022 %	2023 %	2022 %
i. Equity	3.2	1.9	-	-
ii. Corporate Bonds	76.6	74.2	-	-
iii. Government Bonds	15.0	13.8	-	-
iv. Cash and financial derivatives and other (net)	5.1	10.0	-	-
v. Insurance contracts	0.1	0.1	100.0	100.0
	100.0	100.0	100.0	100.0

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 2023		
	Change in assumption	UK plan £m	Overseas plans £m
Discount rate	+1.00%	(9.2)	(3.0)
Rate of price inflation (RPI)	+1.00%	3.0	1.6
Assumed life expectancy at age 65	+1 year	2.5	0.7

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 £22.9m (2022: £20.1m). 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 (assets)/liability is shown below.

	Note	2023 £m	2022 £m
At 1 January		(0.6)	1.8
Measurement period adjustments		–	(1.4)
Foreign exchange difference		0.3	2.0
Acquisition of subsidiary undertakings	23	0.6	2.5
Disposal of businesses		(0.6)	(8.6)
Transfer of liabilities held for sale		(6.0)	–
Deferred tax on changes in fair value of forward exchange contracts recognised in the Consolidated Statement of Comprehensive Income		0.9	(0.1)
Deferred tax on re-measurement of net defined benefit liability recognised in the Consolidated Statement of Comprehensive Income		0.3	3.4
Deferred tax on share-based payments recognised in equity		(1.6)	(0.1)
Deferred tax charge on discontinued operations		–	6.4
Credited to the Consolidated Income Statement	7	(18.6)	(6.5)
At 31 December		(25.3)	(0.6)

Comprising:

Deferred tax liabilities	1.3	15.6
Deferred tax assets	(26.6)	(16.2)
	(25.3)	(0.6)

The movements in deferred tax assets and liabilities during the year are shown on the following table. 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.

Notes to the Accounts continued

20. Deferred tax continued

	Accelerated tax depreciation £m	Accruals and provisions £m	Tax losses £m	Unrealised profit on inter-company transactions £m	Pension plans £m	Goodwill and other intangible assets £m	Other £m	2023 Total £m
Net deferred tax (assets)/liabilities	2.1	(23.4)	(4.3)	(10.5)	(2.7)	35.1	3.1	(0.6)
At 1 January 2023								
Foreign exchange difference	-	-	-	0.6	-	(0.3)	-	0.3
Acquisition of subsidiary undertakings	-	-	-	-	-	0.6	-	0.6
Disposal of businesses	-	-	-	-	-	(0.6)	-	(0.6)
Transfer of liabilities held for sale	(0.8)	2.2	-	-	-	(7.4)	-	(6.0)
Deferred tax on changes in fair value of forward exchange contracts recognised in the Consolidated Statement of Comprehensive Income	-	-	-	-	-	-	0.9	0.9
Deferred tax on re-measurement of net defined benefit obligation recognised in the Consolidated Statement of Comprehensive Income	-	-	-	-	0.3	-	-	0.3
Deferred tax on share-based payments recognised in equity	-	-	-	-	-	-	(1.6)	(1.6)
(Credited)/charged to the Consolidated Income Statement	-	(8.4)	(0.4)	0.5	0.2	(2.6)	(7.9)	(18.6)
At 31 December 2023	1.3	(29.6)	(4.7)	(9.4)	(2.2)	24.8	(5.5)	(25.3)

	Accelerated tax depreciation £m	Accruals and provisions £m	Tax losses £m	Unrealised profit on inter-company transactions £m	Pension plans £m	Goodwill and other intangible assets £m	Other £m	2022 Total £m
Net deferred tax (assets)/liabilities	0.4	(18.2)	(0.3)	(7.0)	(6.0)	36.1	(3.2)	1.8
At 1 January 2022								
Measurement period adjustments	-	-	(1.4)	-	-	-	-	(1.4)
Foreign exchange difference	-	-	-	-	-	2.0	-	2.0
Acquisition of subsidiary undertakings	-	0.2	(2.2)	-	(0.1)	4.6	-	2.5
Disposal of businesses	0.1	0.6	-	-	-	(9.3)	-	(8.6)
Deferred tax on changes in fair value of forward exchange contracts recognised in the Consolidated Statement of Comprehensive Income	-	-	-	-	-	-	(0.1)	(0.1)
Deferred tax on re-measurement of net defined benefit obligation recognised in the Consolidated Statement of Comprehensive Income	-	-	-	-	3.4	-	-	3.4
Deferred tax on share-based payments recognised in equity	-	-	-	-	-	-	(0.1)	(0.1)
Discontinued Operations deferred tax charge	0.1	0.4	-	-	-	0.1	5.8	6.4
Charge/(credited) to the Consolidated Income Statement	1.5	(6.4)	(0.4)	(3.5)	-	1.6	0.7	(6.5)
At 31 December 2022	2.1	(23.4)	(4.3)	(10.5)	(2.7)	35.1	3.1	(0.6)

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 £19.0m which mainly comprise of UK capital losses.

	2023 £m	2022 £m
Tax losses	21.0	25.1
	21.0	25.1

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, £287.1m (2022: £306.6m) 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 £14.9m (2022: £16.3m), of which only £3.2m (2022: £4.5m) 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

	2023		2022	
	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	105.8	5.3	109.1	5.5

During the year ended 31 December 2023, 3,382,896 ordinary shares were repurchased and cancelled by the Group, in the final tranches of the £300m share buyback programme announced on 19 April 2022 and part of the first tranche of the £150m share buyback announced on 11 December 2023. This resulted in a cash outflow of £114.9m, including transaction fees of £1.2m. The Consolidated Statement of Financial Position also includes an accrual of £45.9m for the share buyback accrual as at 31 December 2023.

During the year ended 31 December 2022, 6,439,493 ordinary shares were repurchased and cancelled by the Group as part of the £300m share buyback programme announced on 19 April 2022, resulting in a cash outflow of £191.0m, including transaction fees of £1.2m. No ordinary shares were issued upon exercise under share option schemes during the year (2022: nil).

At 31 December 2023, the Group held 4,128,036 treasury shares (2022: 4,596,698). During the year, 468,662 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 (2022: 170,408).

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 2023, the EBT held 51,807 shares which were purchased from the market during the year (31 December 2022: 55,570). 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 (2022: £0.3m), 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 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.

Notes to the Accounts continued

22. Share-based payments continued

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, however the only outstanding PSP awards remaining are all settled in equity

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 the 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 the HMRC's limit at time of grant (£30,000 up to 5 April 2023, £60,000 from 6 April 2023 onwards). 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

From 2023 onwards, the LTIP base awards granted to Executive Directors and Executive Committee members are subject to an adjusted earnings per share growth target, a return on gross capital employed (ROGCE) target and an Environmental, Social and Governance (ESG) 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 two-ninths EPS, two-ninths ROGCE, two-ninths ESG 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 one-third EPS, one-third ROGCE and one third ESG.

Prior to 2023, LTIP awards did not have any ESG condition so the performance related part of the LTIP base award was evenly split between the EPS and ROGCE targets and the TSR multiplier still being applied to Executive Directors and Executive Committee members' awards

PSP performance conditions

Outstanding PSP awards granted to Executive Directors were subject to the following performance conditions: one-third EPS; one-third economic profit (EP); and one-third relative TSR. The vesting outcome against the PSP performance conditions have been confirmed and the Executive Directors' outstanding PSP awards are currently in the additional two-year holding period

PSP awards granted to other members of the Executive Committee in 2017 and 2018 were 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 until 2016 had two-thirds subject to an operating company profit target and one-third subject to EPS. In 2017 and 2018, the performance conditions were 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

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.

Notes to the Accounts continued

22. Share-based payments continued
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.

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 those shares are potentially subject to forfeiture. The Company incurs a charge on any Matching shares awarded under the SIP. The charge in 2023 was £0.1m (2022: £0.1m).

The number of outstanding share incentives are summarised below:

Incentive plan	2023	2022
Number thousands	Number thousands	Number thousands
Equity-settled:		
Long Term Incentive Plan	1,423	1,385
Performance Share Plan	76	135
Long Term Incentive Plan (Linked tax-advantaged)	92	99
Performance Share Plan (Linked tax-advantaged)	3	8
Spectris Reward Plan	183	262
Deferred Bonus Plan	57	38
Total equity-settled	1,834	1,927
Cash-settled:		
Long Term Incentive Plan Cash	64	71
Spectris Reward Plan Cash	13	15
Total cash-settled	77	86
Total outstanding	1,911	2,013

Share options outstanding at the end of the year (equity settled)

Long Term Incentive Plan, Performance Share Plan, Spectris Peward Plan and Deferred Bonus Plan	2023			2022		
	Remaining contractual life of options	Weighted average exercise price £	Number thousands	Weighted average exercise price £	Number thousands	
Year of grant						
2015	PSP	2 years	1	0.05	1	0.05
2016	PSP	3 years	6	0.05	9	0.05
2017	PSP	4 years	10	0.05	37	0.05
2018	PSP	5 years	11	0.05	26	0.05
2019	PSP	6 years	48	0.05	62	0.05
2020	LTIP/SRP	7 years	170	0.05	515	0.05
2021	LTIP/SRP/DBP	8 years	428	0.05	533	0.05
2022	LTIP/SRP/DBP	9 years	583	0.05	637	0.05
2023	LTIP/SRP/DBP	10 years	482	0.05	–	–
			1,739	0.05	1,820	0.05

The weighted average remaining contractual life of these LTIP, SRP and PSP equity settled awards is 8.68 years (2022: 8.85 years).

	2023			2022		
	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 £
Long Term Incentive Plan, Spectris Reward Plan and Performance Share Plan (equity awards)						
At 1 January	1,820	0.05		1,776	0.05	21.13
Shares granted	508	0.05	30.22	711	0.05	
Addition of reinvested dividends	38	–		17	–	
Exercised	(436)	0.05		(166)	0.05	
Forfeited	(191)	0.05		(518)	0.05	
At 31 December	1,739	0.05		1,820	0.05	
Exercisable at 31 December	128	0.05		120	0.05	

Notes to the Accounts continued

22. Share-based payments continued

Long Term Incentive Plan and Performance Share Plan (Linked tax-advantaged)	Year of grant	Remaining contractual life of options	2023		2022
			Number thousands	Weighted average exercise price £	Weighted average exercise price £
	2017	PSP 4 years	1	26.31	1 26.31
	2018	PSP 5 years	–	26.77	1 25.80
	2019	PSP 6 years	2	26.69	5 26.69
	2020	LTIP 7 years	4	22.39	29 22.72
	2021	LTIP 8 years	27	32.01	30 31.95
	2022	LTIP 9 years	38	26.77	41 26.76
	2023	LTIP 10 years	23	34.54	–
			95	29.99	107 27.11

The weighted average remaining contractual life of the PSP and LTIP (Linked tax-advantaged) awards is 8.77 years (2022: 8.93 years).

Long Term Incentive Plan and Performance Share Plan (Linked tax-advantaged)	Number thousands	Weighted average exercise price £	Weighted average fair value at grant date £	2023		2022
				Number thousands	Weighted average exercise price £	Weighted average fair value at grant date £
At 1 January	107	27.11		101	27.05	
Shares granted	28	34.55	7.84	45	26.74	5.81
Exercised	(28)	23.60		(6)	25.99	
Forfeited	(12)	29.86		(33)	26.62	
At 31 December	95	29.99		107	27.11	
Exercisable at 31 December	7	24.13		7	26.76	

Share options outstanding at the end of the year (cash-settled)

Long Term Incentive Plan, Spectris Reward Plan and Performance Share Plan (Phantom allocations)	Year of grant	Remaining contractual life of options	2023		2022
			Number thousands	Weighted average exercise price £	Weighted average exercise price £
	2020	LTIP/SRP	–	–	28 0.05
	2021	LTIP/SRP	1 year	0.05	27 0.05
	2022	LTIP/SRP	2 years	0.05	31 0.05
	2023	LTIP/SRP	3 years	0.05	–
			77	0.05	86 0.05

The weighted average remaining contractual life of the cash-settled awards is 2.06 years (2022: 1.99 years).

Long Term Incentive Plan, Spectris Reward Plan and Performance Share Plan (Phantom allocations)	Number thousands	Exercise £	Weighted average fair value at grant date £	2023		2022
				Number thousands	Exercise £	Weighted average fair value at grant date £
At 1 January	86	0.05		67	0.05	
Shares granted	30	0.05	34.64	33	0.05	26.93
Addition of reinvested dividends	2	–		–	–	
Exercised	(31)	0.05		(4)	0.05	
Forfeited	(10)	0.05		(10)	0.05	
At 31 December	77	0.05		86	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 2023 and 2022, the fair value of options granted and the assumptions used in the calculation, are as follows:

	Share awards LTIP & SRP		Equity-settled (Linked tax-advantaged) LTIP & SRP		Cash-settled LTIP Cash & SRP Cash	
	2023	2022	2023	2022	2023	2022
Weighted average share price at date of grant (£)	34.68	26.94	34.60	26.97	34.69	26.98
Weighted average exercise price (£)						
Expected volatility	0.05	0.05	34.55	26.74	34.61	0.05
Expected life	26.67%	28.41%	26.61%	28.55%	26.67%	28.58%
Risk-free rate	3.36 yrs	3.30 yrs	3 yrs	3.07 yrs	3 yrs	3 yrs
Expected dividends (expressed as a yield)	3.31%	1.37%	3.40%	1.39%	3.31%	1.39%
Weighted average fair values at date of grant (£):						
TSR condition	25.19	10.25	n/a	n/a	n/a	n/a
ESG condition	29.49	n/a	7.84	n/a	34.64	n/a
ROGCE condition	29.49	20.38	7.84	5.81	34.64	26.91
Service condition	29.49	20.38	7.84	5.81	34.64	26.91
Weighted average fair values at 31 December (£):	33.83	26.48	7.83	5.84	34.64	26.98
ROGCE condition (cash-settled)						
ESG condition (cash-settled)					36.86	29.09
EPS condition (cash-settled)					36.09	n/a
Service condition (cash-settled)					36.86	29.09
(cash-settled)					36.81	29.12

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 2023 was £35.50 (2022: £28.27). The weighted average fair value of cash-settled options outstanding at 31 December 2023 is £36.79 (2022: £29.10). The Group recognised a total share-based payment charge from continuing and discontinued operations of £14.2m (2022: £11.1m) in the Consolidated Income Statement, of which £13.1m (2022: £10.4m) related to equity-settled share-based payment transactions.

23. Acquisitions

2023

MicroStrain

On 19 September 2023, the Group acquired the MicroStrain Sensing Systems Business (MicroStrain) for a gross consideration of £29.1m (consisting of £29.6m of cash paid and £0.5m estimated completion true-up receivable included in deferred consideration). MicroStrain is an OEM and retailer of inertial and wireless sensor systems serving industrial and tactical applications across different industries. The transaction is in line with Spectris' strategy to make synergistic acquisitions to enhance and grow its businesses. MicroStrain will be integrated into the Spectris Dynamics reportable segment and cash generating unit.

The fair value of the assets and liabilities acquired have been provisionally determined based on the information available at the time. 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: assembled workforce, synergies from cross-selling goods and services and cost synergies.

In the Consolidated Income Statement for the year ended 31 December 2023, sales of £3.3m and statutory operating loss of £0.8m have been included for the acquisition of MicroStrain. 31 December 2023 would have been £1,461.0m and £189.9m, 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 of intangible asset assumptions consist of future growth rates, expected inflation and attrition rates, discount rates used and useful economic lives. 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).

Acquisition-related costs (included in administrative expenses) amount to £1.5m.

EMS

On 2 October 2023, the Group acquired 100% of the share capital of Particle Measuring

Technique Ireland Limited (EMS) and its subsidiaries for net consideration of £6.4m, made up of £9.0m gross consideration in cash less £2.6m net cash acquired. There was £0.4m deferred consideration recognised on this acquisition, which is payable at a future date subject to no unexpected disputes relating to the acquisition arising. EMS is a long-established partner and exclusive distributor of Spectris Scientific's PMS products in the UK and Ireland. The transaction is in line with Spectris' strategy to make synergistic acquisitions to enhance and grow its businesses. EMS will be integrated into the Spectris Scientific reportable segment and the PMS 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, order book and goodwill. Goodwill arising is attributable to the assembled workforce, synergies from cross-selling goods and services and cost synergies.

Notes to the Accounts continued

23. Acquisitions continued

In the Consolidated Income Statement for the year ended 31 December 2023, sales of £0.4m and statutory operating loss of £0.2m have been included for the acquisition of EMS. Group revenue and statutory operating profit from continuing operations for the year ended 31 December 2023 would have been £1,453.9m and £189.6m, 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. The valuation of the above intangible and tangible assets requires the use of assumptions and estimates. Intangible asset assumptions consist of future growth rates, attrition rates, discount rates used and useful economic lives. 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).

Acquisition-related costs (included in administrative expenses) amount to £0.3m.

XRD product line

On 27 October 2023, the Group completed a technology and asset purchase agreement with Freiberg Instruments to acquire the technology to the product line for six X-ray diffraction (XRD) products for gross consideration of £13.0m. There was £2.6m deferred consideration recognised on this acquisition. The transaction strengthens Spectris Scientific portfolio in the semiconductor market. There are no material contingent liabilities recognised in accordance with IFRS 3 (Revised). The fair value of the net assets is final. The acquisition is included in the Spectris Scientific reportable segment and the Malvern Panalytical 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 a technology intangible asset and goodwill. Goodwill arising is attributable to the synergies from cross-selling goods and services and cost synergies.

In the Consolidated Income Statement for the year ended 31 December 2023, statutory operating profit included £0.1m of costs relating to the XRD product line. Group revenue and statutory operating profit for the year ended 31 December 2023 would have been £1,452.0m and £188.9m, respectively, had this acquisition taken place on the first day of the financial year.

Acquisition-related costs (included in administrative expenses) amounted to £0.8m in 2023.

The fair values included in the table below relate to the acquisition of MicroStrain, EMS and XRD product line during the year:

	MicroStrain £m	EMS £m	XRD product line £m	2023 Total fair value £m
Intangible assets	11.2	4.5	6.0	21.7
Property, plant and equipment	0.7	-	-	0.7
Right-of-use assets	1.0	0.1	-	1.1
Inventories	2.8	0.2	-	3.0
Trade and other receivables	0.2	1.4	-	1.6
Cash and cash equivalents	-	2.6	-	2.6
Trade and other payables	(1.0)	(1.5)	-	(2.5)
Lease liabilities	(1.0)	-	-	(1.0)
Current tax liabilities	-	(0.1)	-	(0.1)
Deferred tax liabilities	-	(0.6)	-	(0.6)
Net assets acquired	13.9	6.6	6.0	26.5
Goodwill	15.2	2.4	7.0	24.6
Gross consideration	29.1	9.0	13.0	51.1
Adjustment for cash acquired	-	(2.6)	-	(2.6)
Net consideration	29.1	6.4	13.0	48.5
Analysis of cash outflow in Consolidated Statement of Cash Flows				
		2023 £m		2022 £m
Gross consideration in respect of acquisitions during the year		51.1		116.8
Adjustment for net cash acquired		(2.6)		(1.5)
Net consideration in respect of acquisitions during the year		48.5		115.3
Deferred and contingent consideration on acquisitions included in net consideration during the year to be paid in future years		(2.5)		(2.2)
Cash paid during the year in respect of acquisitions during the year		46.0		113.1
Cash paid in respect of prior years' acquisitions		3.5		1.6
Net cash outflow relating to acquisitions		49.5		114.7

2022**Creoptix**

On 7 January 2022, the Group acquired 100% of the share capital of Creoptix AG (Creoptix) for net consideration of £37.0m, made up of £37.3m of gross consideration (consisting of £35.1m of cash paid and £2.2m of contingent consideration) less £0.3m of cash acquired. Creoptix 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 businesses. Creoptix is included in the Spectris Scientific reportable segment and the Malvern Panalytical cash generating unit.

Notes to the Accounts continued

23. Acquisitions continued

The excess of the fair value of consideration paid over the fair value of the net tangible assets acquired is represented by a technology intangible asset and goodwill. Goodwill arising is attributable to the assembled workforce, in process research, expected future customer relationships and synergies from cross-selling goods and services.

In the Consolidated Income Statement for the year ended 31 December 2022, sales of £3.9m and statutory operating loss of £4.2m have been included for the acquisition of Creoptix. As Creoptix was acquired near to the start of the current reporting period, Group revenue and statutory operating profit from continuing operations for the year ended 31 December 2022 would be the approximately the same had this acquisition taken place on the first day of the financial period.

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. 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).

Acquisition-related costs (included in administrative expenses) amount to £2.8m in 2022.

MB connect line

On 31 March 2022, the Group acquired 100% of the share capital of MB connect line GmbH (MB connect) for net consideration of £8.7m, made up of £9.0m gross consideration in cash less £0.3m net cash acquired. There was no contingent consideration recognised on this acquisition. MB connect is a leading provider of secure connections between machines and plants for remote access, data collection, and M2M-communication. The transaction is in line with Spectris' strategy to make synergistic acquisitions to enhance and grow its businesses.

MB connect is included in the Other non-reportable segments and the Red Lion Controls 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, technology, brand and goodwill. Goodwill arising is attributable to the assembled workforce, synergies from cross-selling goods and services and cost synergies.

In the Consolidated Income Statement for the year ended 31 December 2022, sales of £4.2m and statutory operating profit of £0.5m have been included for the acquisition of MB connect. Group revenue and statutory operating profit from continuing operations for the year ended 31 December 2022 would have been £1,328.6m and £172.6m, 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. 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).

Acquisition-related costs (included in administrative expenses) amount to £0.1m in 2022.

Dytran

On 1 September 2022, the Group acquired 100% of the share capital of Dytran Instruments, Inc (Dytran) for net consideration of £69.6m, made up of £70.5m gross consideration in cash less £0.9m net cash acquired. There was no contingent consideration recognised on this acquisition. Dytran is a leading designer and manufacturer of piezo-electric and MEMS-based accelerometers and sensors for measuring dynamic force, pressure and vibration, with its largest market in North America. The transaction is in line with Spectris' strategy to make synergistic acquisitions to enhance and grow its businesses. The acquisition strengthens Spectris Dynamics' piezoelectric offering, adds new MEMS capability and expands sales into North America. The acquisition also allows both companies to leverage complementary capabilities and provide enhanced customer offerings and solutions to enable accelerated product development. Dytran is included in the Spectris Dynamics 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, brand, order backlog and goodwill. Goodwill arising is attributable to the assembled workforce, synergies from cross-selling goods and services and cost synergies.

In the Consolidated Income Statement for the year ended 31 December 2022, sales of £8.3m and statutory operating profit of £1.3m have been included for the acquisition of Dytran. Group revenue and statutory operating profit from continuing operations for the year ended

31 December 2022 would have been £1,343.5m and £174.3m, 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. 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).

Acquisition-related costs (included in administrative expenses) amount to £1.9m in 2022.

Notes to the Accounts continued

23. Acquisitions continued

The fair values included in the table below relate to the acquisition of Creoptix, MB connect and Dytran during 2022:

	Creoptix £m	MB connect £m	Dytran £m	2022 Total fair value £m
Intangible assets	18.5	5.1	35.8	59.4
Property, plant and equipment	0.1	1.2	1.7	3.0
Right of use assets	1.0	-	-	1.0
Inventories	0.6	0.3	5.2	6.1
Trade and other receivables	1.6	0.1	2.9	4.6
Cash and cash equivalents	0.3	0.3	0.9	1.5
Borrowings	-	(0.1)	-	(0.1)
Trade and other payables	(1.9)	(0.1)	(2.3)	(4.3)
Retirement benefit obligations	(0.5)	-	-	(0.5)
Lease liabilities	(1.0)	-	-	(1.0)
Current tax liabilities	-	(0.1)	-	(0.1)
Deferred tax liabilities	(0.9)	(1.6)	-	(2.5)
Net assets acquired	17.8	5.1	44.2	67.1
Goodwill	15.5	3.9	26.3	49.7
Gross consideration	37.3	9.0	70.5	116.8
Adjustment for cash acquired	(0.3)	(0.3)	(0.9)	(1.5)
Net consideration	37.0	8.7	69.6	115.3

24. Business disposals and disposal groups held for sale
Business disposals**2023**

On 31 March 2023, the Group disposed of 100% of the remaining part of its Concept Life Sciences business, which formed part of the Spectris Scientific Division. The consideration received was £15.5m, settled in cash received. The divestment was effected to offer a better opportunity to generate returns for shareholders and further enhance Group margins.

The loss on disposal of the Concept Life Sciences business was calculated as follows:

	2023 Concept Life Sciences £m
Goodwill	3.5
Other intangible assets	4.1
Property, plant and equipment – owned and right-of-use assets	14.6
Inventories	0.6
Trade and other receivables	6.1
Cash and cash equivalents	1.9
Trade and other payables	(3.0)
Lease liabilities	(3.6)
Current and deferred tax liabilities	(0.6)
Net assets of disposed businesses	23.6
Consideration received	
Settled in cash	15.5
Total consideration received	15.5
Transaction expenses booked to loss on disposal of business	(2.2)
Net consideration from disposal of business	13.3
Net assets disposed of (including cash and cash equivalents held by disposal group)	(23.6)
Loss on disposal of business	(10.3)
Net proceeds recognised in the Consolidated Statement of Cash Flows	
Consideration received settled in cash	15.5
Cash and cash equivalents held by disposed business	(1.9)
Transaction fees paid	(2.2)
Net proceeds recognised in the Consolidated Statement of Cash Flows in respect of current year disposals	11.4
Payments made in respect of prior years' disposals of businesses	(2.2)
Tax paid on prior year disposal of businesses	(5.9)
Net proceeds recognised in the Consolidated Statement of Cash Flows	3.3

Also included in loss on disposal of business in the Consolidated Income Statement is £2.3m of transaction costs relating to prior year disposals.

Notes to the Accounts continued

24. Business disposals and disposal groups held for sale continued

2022

On 1 July 2022, the Group disposed of the Omega reportable segment. The consideration received was £417.9m, settled in cash received. This generated a pre-tax profit on disposal of £293.9m. The divestment was effected to offer a better opportunity to generate returns for shareholders and further enhance Group margins.

The profit on disposal of the Omega reportable segment was calculated as follows:

	2022 Omega £m
Goodwill	121.3
Other intangible assets	39.9
Property, plant and equipment – owned and right of use assets	20.5
Current tax assets	0.1
Inventories	20.8
Trade and other receivables	18.0
Cash and cash equivalents	7.7
Trade and other payables	(19.9)
Lease liabilities	(3.2)
Current and deferred tax liabilities	(8.6)
Provisions	(0.2)
Net assets of disposed businesses	196.4

Consideration received	417.9
Settled in cash	417.9
Total consideration received	417.9
Transaction expenses booked to profit on disposal of business	(14.3)
Net consideration from disposal of business	403.6
Net assets disposed of (including cash and cash equivalents held by disposal group)	(196.4)
Currency translation differences transferred from translation reserve	86.7
Pre-tax profit on disposal of the Omega reportable segment	293.9

Net proceeds recognised in the Consolidated Statement of Cash Flows	417.9
Consideration received settled in cash	(7.7)
Cash and cash equivalents held by disposed business	(14.3)
Transaction fees paid	(15.3)
Tax paid on current year disposal of business	
Net proceeds recognised in the Consolidated Statement of Cash Flows in respect of current year disposals	380.6
Payments made in respect of prior years' disposals of businesses	(2.6)
Tax paid on prior year disposal of businesses	(12.6)
Net proceeds recognised in the Consolidated Statement of Cash Flows	365.4

The Omega reportable segment has been classified as discontinued operations in the Consolidated Income Statement. The results of these discontinued operations, which have been included in the profit for the year, were as follows:

	2022 £m
Revenue	73.9
Expenses included in adjusted operating profit	(59.9)
Adjusted operating profit	14.0
Other expenses	(1.1)
Profit before tax	12.9
Attributable tax expense	(2.7)
	10.2
Profit on disposal of discontinued operations	293.9
Tax expense attributable to profit on disposal of discontinued operations	(17.4)
Profit after tax from discontinued operations for the year attributable to owners of the Company	286.7

During 2022, discontinued operations contributed £6.5m to the Group's net cash inflow from operating activities; received £379.8m in respect of investing activities and paid £0.5m in respect of financing activities.

Disposal groups held for sale

2023

On 11 December 2023, the Group announced that agreement had been reached for the sale of the Group's Red Lion Controls business, which forms part of the Other operating segment. The required regulatory approvals were received in January and February 2024 and the completion of the Red Lion Controls business sale is expected to take place during the second quarter of 2024.

The above operation, which is expected to be sold within 12 months, has been classified as a disposal group held for sale and presented separately in the Consolidated Statement of Financial Position.

The proceeds from the disposal of the Red Lion Controls business are expected to exceed the book value of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale.

Notes to the Accounts continued

24. Business disposals and disposal groups held for sale continued

The major classes of assets and liabilities comprising the operations classified as held for sale at 31 December 2023 are as follows:

	2023 £m
Goodwill	46.0
Other intangible assets	8.9
Property, plant and equipment	8.3
Right-of-use assets	0.8
Inventories	22.9
Trade and other receivables	10.3
Cash and cash equivalents	0.3
Total assets classified as held for sale	97.5
Derivative financial instruments	(0.1)
Trade and other payables	(9.4)
Provisions	(0.9)
Lease liabilities	(0.8)
Current tax liabilities	(0.6)
Deferred tax liabilities	(6.0)
Total liabilities classified as held for sale	(17.8)
Net assets of disposal group	79.7

The net assets held for sale in the year 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.

2022

Assets classified as held for sale at 31 December 2022 consist of the Group's former headquarters building in Egham, Surrey, UK.

The assets held for sale in the period 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.

25. Cash generated from operations

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Profit after tax		145.4	401.5
Adjustments for:			
Taxation charge		40.2	56.8
Share of post-tax results of associates		0.1	
Loss/(profit) on disposal of businesses	24	12.6	(294.2)
Finance costs	6	4.1	19.2
Financial income	6	(11.0)	(1.9)
Depreciation and impairment of property, plant and equipment	11	32.8	34.8
Amortisation, impairment and other non-cash adjustments made to intangible assets	10	24.9	26.3
Transaction-related fair value adjustments	27	7.5	1.0
Fair value through profit and loss movements on debt investments	27	(2.8)	4.1
Profit on disposal and re-measurements of property, plant and equipment and associated lease liabilities		(0.5)	(1.5)
Equity-settled share-based payment expense	5	13.1	10.4
Operating cash flow before changes in working capital and provisions		266.4	256.5
Decrease/(increase) in trade and other receivables		16.0	(47.9)
Decrease/(increase) in inventories		1.5	(75.6)
(Decrease)/increase in trade and other payables		(33.0)	40.9
Decrease in provisions and retirement benefits		(5.4)	(7.1)
Cash generated from operations		245.5	166.8

Notes to the Accounts continued

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, 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.

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	
	2023 £m	2022 £m	2023 £m	2022 £m
Cash flow hedges¹				
Currency risk – forward exchange contracts				
Less than 6 months	4.2	(0.8)	4.2	(0.8)
6 to 12 months	1.5	(0.1)	1.5	(0.1)
12 to 18 months	0.3	0.1	0.3	0.1
	6.0	(0.8)	6.0	(0.8)

1. Cash flow hedges includes £0.1m liability in liabilities held for sale split evenly between less than six months and six to 12 months

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	
	2023 £m	2022 £m	2023 £m	2022 £m
Currency risk				
Forecast sales ¹	(6.0)	0.8	(6.0)	0.8

1. Cash flow hedges includes £0.1m liability in liabilities held for sale split evenly between less than six months and six to 12 months

Notes to the Accounts continued

26. Financial risk management continued**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 2023 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 S&P LT Issuer Rating range of AAA to BBB-. 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.

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:

	2023 £m	2022 £m
Equity shareholders' funds	1,315.9	1,436.9
Undrawn committed debt facilities	393.1	414.9
	1,709.0	1,851.8

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 2023, 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 2023, 3,382,896 ordinary shares were repurchased and cancelled by the Group resulting in a cash outflow of £114.9m, including transaction fees of £12m. On the 11 December 2023 the Group announced a further £150.0m share buyback programme, of which the first tranche of £50.0m commenced in December 2023.

There were no changes to the Group's approach to capital management during 2023 and 2022.

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

Notes to the Accounts continued

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

	2023			
Fair value and carrying amount of financial instruments	Level 1 fair value £m	Level 2 fair value £m	Level 3 fair value £m	Carrying amount £m
Trade and other receivables excluding prepayments and contract assets	-	-	0.5	284.6
Trade and other payables excluding contract liabilities and customer advances	-	-	(10.6)	(263.2)
Investments in equity instruments designated at initial recognition at fair value through other comprehensive income (see note 12)	0.4	-	23.9	24.3
Investment in debt instruments	-	-	21.7	21.7
Financial instruments included in assets held for sale (see note 24)	-	0.3	-	10.6
Financial instruments included in liabilities held for sale (see note 24)	-	(0.1)	(1.3)	(9.5)
Forward exchange contract assets	-	6.2	-	6.2
Cash and cash equivalents	-	138.5	-	138.5
Forward exchange contract liabilities	-	(0.1)	-	(0.1)
				213.1

	2022			
Fair value and carrying amount of financial instruments	Level 1 fair value £m	Level 2 fair value £m	Level 3 fair value £m	Carrying amount £m
Trade and other receivables excluding prepayments and contract assets	-	-	-	327.3
Trade and other payables excluding contract liabilities and customer advances	-	-	(3.3)	(236.8)
Investments in equity instruments designated at initial recognition at fair value through other comprehensive income (see note 12)	0.7	-	28.6	29.3
Investment in debt instruments	-	-	18.9	18.9
Forward exchange contract assets	-	1.7	-	1.7
Cash and cash equivalents	-	228.1	-	228.1
Forward exchange contract liabilities	-	(2.5)	-	(2.5)
				366.0

There were no movements between the different levels of the fair value hierarchy in the year.

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 level 1 £0.4m (2022: £0.7m) of investments in equity instruments is calculated using quoted market prices in an active market at the balance sheet date.

The level 2 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 2023 is a net asset of £6.0m including a £0.1m liability in liabilities held for sale (2022: liability £0.8m), of which £2.0m has been debited from the hedging reserve (2022: credit of £3.0m) and £4.5m credited to the Consolidated Income Statement (2022: £3.7m debited). 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 2023 and 2022 were deemed to be effective.

The level 2 and level 3 fair value of cash and cash equivalents, receivables and payables approximates to the carrying amount because of the short maturity of these instruments

Notes to the Accounts continued

27. Financial instruments continued

The level 3 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 (2023: £0.9m, 2022: £0.7m) and non-financial (2023: £9.3m, 2022: £2.6m) milestones on current and prior year acquisitions. The financial milestones are mainly sensitive to annual future revenue targets.

Reconciliation of level 3 fair value for deferred and contingent consideration receivable/payable on acquisitions	2023 £m	2022 £m
At 1 January	(3.3)	(1.5)
Deferred and contingent consideration arising from current year acquisitions payable in future years	(3.0)	(2.2)
Deferred and contingent consideration arising from current year acquisitions receivable in future years	0.5	-
Deferred and contingent consideration paid in the current year relating to previous years' acquisitions	1.9	1.6
Deferred and contingent consideration transferred to liabilities held for sale	1.3	-
Costs charged to the Consolidated Income Statement:		
Subsequent adjustments on acquisitions and disposals	(7.5)	(1.0)
Foreign exchange difference	-	(0.2)
At 31 December	(10.1)	(3.3)

The level 3 £23.9m (2022: £28.6m) of investment in equity instruments consists of the investment units in EZ Ring FPCI, the fund holding the combined UTAC-Millbrook group. This investment is recognised at fair value, using the income approach, with the key input being a discounted cash flow. A 1% to 5% decrease in net asset value per share would cause a £0.3m to £1.4m decrease in the fair value.

Reconciliation of level 3 fair value for investment in equity instruments	2023 £m	2022 £m
At 1 January	28.6	23.1
Fair value movement on level 3 investment in equity instruments	(4.2)	4.1
Foreign exchange difference	(0.5)	1.4
At 31 December	23.9	28.6

The level 3 £21.7m (2022: £18.9m) of investment in debt instruments consists of a vendor loan note receivable received as part of the sales proceeds from the Millbrook business disposal in 2021. This investment is recognised at fair value by establishing an appropriate market yield. The key inputs used were synthetic credit ratings and market interest rates. The Group has performed sensitivity analysis of reasonable possible changes in key inputs. A 1% decrease in market interest rates would cause a £0.7m increase in the fair value and 1% increase would cause a £0.7m decrease in the fair value.

Reconciliation of level 3 fair value for investment in debt instruments	2023 £m	2022 £m
At 1 January	18.9	23.0
Fair value movement on level 3 investment in debt instruments	2.8	(4.1)
At 31 December	21.7	18.9

Analysis of movements in hedging reserve, net of tax

At 1 January	2023 £m	2022 £m
Amounts removed from the Consolidated Statement of Changes in Equity and included in the Consolidated Income Statement during the year	(3.1)	(3.5)
Amounts recognised in the Consolidated Statement of Changes in Equity during the year	(4.5)	3.7
At 31 December	9.5	(3.3)
	1.9	(3.1)

The amount included in the Consolidated Income Statement is split between revenue and administrative expenses depending on the nature of the hedged item.

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	2023 £m	2022 £m
Foreign currency sale amount (£m)	175.4	117.2
Percentage of total:		
US Dollar	44%	36%
Chinese Yuan Renminbi	23%	25%
Euro	10%	15%
Japanese Yen	14%	15%
Other	9%	9%

Notes to the Accounts continued

27. Financial instruments continued

A maturity profile of the gross cash flows related to financial liabilities is:

	2023					2022		
Maturity of financial liabilities ¹	Derivative financial liabilities £m	Overdrafts £m	Unsecured loans £m	Total £m	Derivative financial liabilities £m	Overdrafts £m	Unsecured loans £m	Total £m
Due within one year	0.1	-	-	0.1	2.3	0.1	-	2.4
Due between one and two years	0.1	-	-	0.1	0.2	-	-	0.2
	0.2	-	-	0.2	2.5	0.1	-	2.6

1. Includes £0.1m in liabilities held for sale

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.

	Financial assets					Financial liabilities			
	Fixed rate £m	Floating rate £m	Non interest bearing £m	Total £m		Fixed rate £m	Floating rate £m	Total £m	2023 Net financial assets £m
Interest rate exposure of financial assets and liabilities by currency ¹									
Sterling	35.1	1.9	7.1	44.1	-	-	-	-	44.1
Euro	2.0	0.6	19.5	22.1	-	-	-	-	22.1
US Dollar	4.5	4.2	17.4	26.1	-	-	-	-	26.1
Other	3.4	23.9	19.2	46.5	-	-	-	-	46.5
	45.0	30.6	63.2	138.8	-	-	-	-	138.8

1. Includes £0.1m in liabilities held for sale

	Financial assets					Financial liabilities			
	Fixed rate £m	Floating rate £m	Non interest bearing £m	Total £m		Fixed rate £m	Floating rate £m	Total £m	2022 Net financial assets £m
Interest rate exposure of financial assets and liabilities by currency									
Sterling	90.2	13.7	8.2	112.1	-	-	-	-	112.1
Euro	0.1	0.5	21.9	22.5	-	-	-	-	22.5
US Dollar	1.4	5.1	19.6	26.1	(0.1)	-	-	(0.1)	26.0
Other	0.2	36.2	31.0	67.4	-	-	-	-	67.4
	91.9	55.5	80.7	228.1	(0.1)	-	-	(0.1)	228.0

Notes to the Accounts continued

27. Financial instruments continued
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 Renminb. represent the main foreign exchange translational exposures for the Group.

	2023		2022	
	Decrease/ (increase) in profit before tax from continuing operations £m	Decrease/ (increase) in equity £m	Decrease/ (increase) in profit before tax from continuing operations £m	Decrease/ (increase) in equity £m
Impact on foreign exchange translational exposures against Sterling				
10% weakening in the US Dollar	128.3	7.9	130.2	6.9
10% weakening in the Euro/Danish Krone	78.4	8.0	78.0	4.8
10% weakening in the Chinese Yuan Renminbi	4.2	2.0	5.5	3.6

Impact of interest rate movements

1pp increase in interest rates	(0.3)	(0.3)	(0.6)	(0.6)
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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 £22.7m (2022: £20.4m). Contingent liabilities in respect of taxation are disclosed in note 7.

29. Lease liabilities

	2023			2022		
	Property £m	Plant and equipment £m	Total £m	Property £m	Plant and equipment £m	Total £m
Undiscounted lease liability maturity analysis under IFRS 16						
Less than one year	9.7	3.6	13.3	10.8	3.1	13.9
One to five years	23.8	5.2	29.0	25.0	3.9	28.9
More than five years	33.9	–	33.9	34.9	0.1	35.0
Total undiscounted lease liabilities at 31 December	67.4	8.8	76.2	70.7	7.1	77.8

The total cash outflow on lease liabilities made in the year was £15.6m (2022: £16.4m).

30. Capital commitments

At 31 December 2023, the Group had entered into contractual commitments for the purchase of property, plant and equipment and software amounting to £3.1m (2022: £1.7m) and £0.1m (2022: £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 202, with its associate 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:

	2023 £m	2022 £m
Short-term benefits	6.8	7.2
Post-employment benefits	0.1	0.1
Equity-settled share-based payment expense	3.5	3.1
	10.4	10.4

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 102 to 123.

Transactions with associates

There were no related party transactions and no balance payables/receivable with the Group's associates, CM Labs and LumaCyte, in 2023 (2022: £nil). See note 12 for further details.

There were no other related party transactions in either 2023 or 2022.

Notes to the Accounts continued

32. Subsidiary undertakings

The table below lists the Group's principal subsidiary undertakings at 31 December 2023. 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 Bruel & Kjaer GmbH	Germany
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 pages 199 to 202.

33. Events after the balance sheet date

There were no material post balance sheet events.

Appendix – Alternative performance measures

Policy

Spectris uses adjusted and underlying 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 performance of the businesses as they exclude certain items that are considered to be significant in nature 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 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

Some of these items are material in nature and the costs are expected to be incurred over more than one reporting period

The Group excludes such items which management have defined for 2023 and 2022 as:

Items excluded	Significant in nature/ quantum
Amortisation of acquisition-related intangible assets	Nature
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	Nature
Transaction-related costs, deferred and contingent consideration fair value adjustments	Nature
Spectris Foundation Contribution ¹	Nature
Configuration and customisation costs carried out by third parties on material SaaS projects ¹	Quantum
Profits or losses on disposal of businesses	Nature
Unrealised changes in the fair value of financial instruments	Nature
Fair value through profit and loss movements on debt investments	Nature
Gains or losses on retranslation of short-term inter-company loan balances	Nature
Related tax effects on the above and other tax items which do not form part of the underlying tax rate (see note 7)	Dependent on above classification

1 Multi-year project, where the cost is expected to continue beyond the current reporting period

LFL measures

Reference is made to LFL and organic measures throughout this document. LFL and organic have the same definition, as set out below

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

Appendix – Alternative performance measures continued

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. 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 March 2023, the Concept Life Sciences business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for the Spectris Scientific segment for 2022 exclude the trading results of the Concept Life Sciences business for the period from April 2022 to December 2022.

The Omega business has been classified as a discontinued operation under IFRS 5, following the completion of its disposal on 1 July 2022. As a result, the financial data for 2022 excludes the trading results of the Omega business.

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

2023 LFL adjusted sales versus 2022 LFL adjusted sales

2023 sales by segment	Spectris Scientific £m	Spectris Dynamics £m	Other £m	2023 Total £m
Sales	704.2	542.8	202.2	1,449.2
Constant exchange rate adjustment to 2022 exchange rates	13.2	1.9	0.9	16.0
Acquisitions	(0.4)	(21.3)	(1.4)	(23.1)
LFL adjusted sales	717.0	523.4	201.7	1,442.1

2022 sales by segment	Spectris Scientific £m	Spectris Dynamics £m	Other £m	2022 Total £m
Sales	657.8	492.2	177.4	1,327.4
Disposal of businesses	(17.7)	–	–	(17.7)
LFL adjusted sales	640.1	492.2	177.4	1,309.7

b) Adjusted operating profit and operating margin 2023 LFL adjusted operating profit versus 2022 LFL adjusted operating profit

2023 adjusted operating profit	Spectris Scientific £m	Spectris Dynamics £m	Other £m	Group costs £m	2023 Total £m
Statutory operating profit	124.4	56.2	33.2	(25.2)	188.6
Net transaction-related costs and fair value adjustments	6.4	3.1	4.5	–	14.0
Spectris Foundation Contribution	–	–	–	1.0	1.0
Configuration and customisation costs carried out by third parties on material SaaS projects	19.4	20.6	–	–	40.0
Amortisation of acquisition-related intangible assets	5.0	13.2	0.7	–	18.9
Adjusted operating profit	155.2	93.1	38.4	(24.2)	262.5
Constant exchange rate adjustment to 2022 exchange rates	1.5	0.5	(0.1)	–	1.9
Acquisitions	0.2	(2.5)	(0.3)	–	(2.6)
LFL adjusted operating profit	156.9	91.1	38.0	(24.2)	261.8

2022 adjusted operating profit	Spectris Scientific £m	Spectris Dynamics £m	Other £m	Group costs £m	2022 Total £m
Statutory operating profit	118.3	46.5	26.2	(18.4)	172.6
Net transaction-related costs and fair value adjustments	5.1	2.8	0.4	–	8.3
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	8.7	13.0	–	–	21.7
Amortisation of acquisition-related intangible assets	7.7	11.3	0.6	–	19.6
Adjusted operating profit	140.0	73.6	27.2	(18.4)	222.4
Disposal of businesses	(0.7)	–	–	–	(0.7)
LFL adjusted operating profit	139.3	73.6	27.2	(18.4)	221.7

Appendix – Alternative performance measures continued

2023 operating margin	Spectris Scientific %	Spectris Dynamics %	Other %	2023 Total %
Statutory operating margin	17.7	10.4	16.4	13.0
Adjusted operating margin ²	22.0	17.2	19.0	18.1
LFL adjusted operating margin ³	21.9	17.4	18.8	18.2

2022 operating margin	Spectris Scientific %	Spectris Dynamics %	Other %	2022 Total %
Statutory operating margin ¹	18.0	9.4	14.8	13.0
Adjusted operating margin ²	21.3	15.0	15.3	16.8
LFL adjusted operating margin ³	21.8	15.0	15.3	16.9

1. Statutory operating margin is calculated as statutory operating profit 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.

c) LFL adjusted gross profit and adjusted gross margin

2023 LFL adjusted gross profit versus 2022 LFL adjusted gross profit

2023 adjusted gross profit	2023 Total £m
Statutory gross profit	838.1
Constant exchange rate adjustment to 2022 exchange rates	2.7
Acquisitions	(9.8)
LFL adjusted gross profit	831.0

2022 adjusted gross profit	2022 Total £m
Statutory gross profit	750.8
Disposal of businesses	(8.0)
LFL adjusted gross profit	742.8

2023 gross margin	2023 Total %
Statutory gross margin ¹	57.8
LFL adjusted gross margin ²	57.6

2022 gross margin	2022 Total %
Statutory gross margin	56.6
LFL adjusted gross margin ²	56.7

1. Statutory gross margin is calculated as statutory gross profit divided by sales.

2. LFL adjusted gross margin is calculated as LFL adjusted gross profit divided by LFL adjusted sales. Refer to the tables above for a reconciliation of the nearest GAAP measure (sales/gross profit respectively) to LFL adjusted sales/LFL adjusted gross profit.

d) LFL adjusted overheads

2023 LFL adjusted overheads	2023 Total £m
Statutory indirect production and engineering expenses	(126.9)
Statutory sales and marketing expenses	(249.6)
Statutory administrative expenses	(273.0)
Total overheads	(649.5)
Net transaction-related costs and fair value adjustments	14.0
Spectris Foundation Contribution	1.0
Configuration and customisation costs carried out by third parties on material SaaS projects	40.0
Amortisation of acquisition-related intangible assets	18.9
Constant exchange rate adjustment to 2022 exchange rates	(0.8)
Acquisitions	7.2
LFL adjusted overheads	(569.2)

2022 LFL adjusted overheads	2022 Total £m
Statutory indirect production and engineering expenses	(114.1)
Statutory sales and marketing expenses	(233.0)
Statutory administrative expenses	(231.1)
Total overheads	(578.2)
Net transaction-related costs and fair value adjustments	8.3
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	21.7
Amortisation of acquisition-related intangible assets	19.6
Disposal of businesses	7.3
LFL adjusted overheads	(521.1)

2023 LFL adjusted overheads as a percentage of sales	2023 Total %
LFL adjusted overheads as a percentage of sales	39.5

2022 LFL adjusted overheads as a percentage of sales	2022 Total %
LFL adjusted overheads as a percentage of sales¹	39.8

¹ LFL overheads as a percentage of sales is calculated as LFL adjusted overheads divided by LFL adjusted sales.

Refer to the tables above for a reconciliation of the nearest GAAP measure (sales/total overheads respectively) to LFL adjusted sales/LFL adjusted overheads

Appendix – Alternative performance measures continued

e) Adjusted net finance costs

	Note	2023 £m	2022 £m
Statutory net finance credit/(costs)	6	6.9	(17.3)
Net (gain)/loss on retranslation of short-term inter-company loan balances			
Adjusted net finance credit/(costs)	6	(5.7)	14.6
Adjusted net finance credit/(costs)		1.2	(2.7)

f) Adjusted profit before taxation

	2023 £m	2022 £m
Adjusted operating profit	262.5	222.4
Share of post-tax results of associates	(0.1)	–
Adjusted net finance credit/(costs)	1.2	(2.7)
Adjusted profit before taxation	263.6	219.7

g) Adjusted earnings per share from continuing operations

	Note	2023 £m	2022 £m
Statutory profit after tax from continuing operations		145.4	114.8
Adjusted for:			
Net transaction-related costs and fair value adjustments		14.0	8.3
Spectris Foundation Contribution		1.0	–
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	11	–	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects		40.0	21.7
Amortisation of acquisition-related intangible assets	10	18.9	19.6
Fair value through profit and loss movements on debt investments	27	(2.8)	4.1
Loss/(profit) on disposal of businesses	24	12.6	(0.3)
Net (gain)/loss on retranslation of short-term inter-company loan balances	6	(5.7)	14.6
Tax effect of the above and other non-recurring items	7	(16.5)	(11.0)
Adjusted earnings from continuing operations		206.9	172.0
Weighted average number of shares outstanding (millions)	9	103.6	107.6
Adjusted earnings per share from continuing operations (pence)		199.7	159.9

Basic earnings per share in accordance with IAS 33 'Earnings per share' are disclosed in note 9.

Financial position measures

h) Net cash

	Note	2023 £m	2022 £m
Bank overdrafts	16	–	(0.1)
Total borrowings		–	(0.1)
Cash and cash equivalents included in current assets	15	138.5	228.1
Cash and cash equivalents included in assets held for sale	15, 24	0.3	–
Net cash		138.8	228.0

Net cash excludes lease liabilities arising under IFRS 16 as this aligns with the definition of net cash under the Group's bank covenants.

	2023 £m	2022 £m
Reconciliation of changes in cash and cash equivalents to movements in net cash		
Net (decrease)/increase in cash and cash equivalents	(85.7)	50.4
Proceeds from borrowings	–	(326.2)
Repayment of borrowings	0.1	326.8
Effect of foreign exchange rate changes	(3.6)	9.2
Movement in net cash	(89.2)	60.2
Net cash at beginning of year	228.0	167.8
Net cash at end of year	138.8	228.0

Cash flow measures

i) Adjusted cash flow

	2023 £m	2022 £m
Cash generated from operations (from continuing and discontinued operations)	245.5	166.8
Net income taxes paid	(50.3)	(46.8)
Net cash inflow from operating activities	195.2	120.0
Transaction-related costs paid	5.8	6.5
Restructuring cash outflow	1.4	7.6
Net income taxes paid	50.3	46.8
Purchase of property, plant and equipment and intangible assets (from continuing and discontinued operations)	(24.7)	(44.9)
SaaS-related cash expenditure	40.0	21.7
Proceeds from disposal of property, plant and equipment and software	3.1	13.4
Adjusted cash flow from discontinued operations	–	(7.3)
Adjusted cash flow from continuing operations	271.1	163.8
Adjusted cash flow conversion from continuing operations¹	103%	74%

1. Adjusted cash flow conversion from continuing operations is calculated as adjusted cash flow as a proportion of adjusted operating profit.

Appendix – Alternative performance measures continued

Other measures

j) ROGCE

The ROGCE is calculated as adjusted operating profit from continuing and discontinued operations 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.

	2023 £m	2022 £m
Net cash (see APM h)	(138.8)	(228.0)
Accumulated impairment losses on goodwill including items transferred to assets held for sale (see note 10)	40.6	76.2
Accumulated amortisation and impairment of acquisition-related intangible assets including items transferred to assets held for sale	149.9	185.7
Shareholders' equity	1,315.9	1,436.9
Gross capital employed	1,367.6	1,470.8
Average gross capital employed (current and prior year)¹	1,419.2	1,473.4
Adjusted operating profit from continuing operations (see APM b)	262.5	222.4
Adjusted operating profit from discontinued operations (see note 24)	–	14.2
Total adjusted operating profit for last 12 months	262.5	236.4
ROGCE	18.5%	16.0%

¹ Average gross capital employed is calculated as current year gross capital employed divided by comparative year gross capital employed.

k) Net transaction-related costs and fair value adjustments

Net transaction-related costs and fair value adjustments comprise transaction costs of £6.5m (2022: £7.3m) that have been recognised in the continuing Consolidated Income Statement under IFRS 3 (Revised) 'Business Combinations' and other fair value adjustments relating to deferred and contingent consideration comprising a charge of £7.5m (2022: charge of £1.0m).

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 £5.8m (2022: £6.5m) have been excluded from the adjusted cash flow.

l) Order intake, order book and book-to-bill

Order intake is defined as the monetary value of contractual commitments towards future product fulfilment recorded within the financial period. The order book is defined as the volume of outstanding contractual commitments for future product fulfilment measured at period end. Book-to-bill is defined as the ratio of order intake to sales within the financial period. These measures cannot be reconciled because they do not derive from the Consolidated Financial Statements, and are presented because they are indicative of potential future revenues.

m) Vitality index

Vitality index measures revenue recognised in the current year from products released over the previous five years as a percentage of total revenue in the current year, as shown in the Consolidated Income Statement:

	2023 £m	2022 £m
Sales (see APM a)	1,449.2	1,327.4
Sales recognised in the current year from products released over the previous five years	315.9	337.2
Vitality index	22%	25%

Spectris plc Statement of Financial Position

As at 31 December 2023

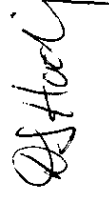
	Note	2023 £m	2022 £m
ASSETS			
Non-current assets			
Intangible assets	4	–	0.1
Property, plant and equipment	5	0.3	0.9
Investments in subsidiary undertakings	6	1,134.6	1,123.9
Derivative financial instruments		0.4	0.6
Deferred tax assets		5.2	3.6
Retirement benefit assets	11	2.4	–
		1,142.9	1,134.1
Current assets			
Current tax assets		16.9	13.8
Other receivables (due after more than one year: £138.4m (2022: £138.8m))	7	194.1	196.6
Derivative financial instruments		5.9	3.6
Cash and cash equivalents		59.4	117.9
Assets held for sale	5	–	1.7
		276.3	333.6
Total assets		1,419.2	1,467.7
LIABILITIES			
Current liabilities			
Derivative financial instruments		(5.9)	(3.6)
Other payables	9	(538.1)	(569.1)
		(544.0)	(572.7)
Net current liabilities		(267.7)	(239.1)

	Note	2023 £m	2022 £m
Non-current liabilities			
Derivative financial instruments		(0.4)	(0.6)
Other payables	9	(42.4)	(132.4)
Retirement benefit obligations	11	–	(0.2)
		(42.8)	(133.2)
Total liabilities		(586.8)	(705.9)
Net assets		832.4	761.8
EQUITY			
Share capital	10	5.3	5.5
Share premium		231.4	231.4
Retained earnings		557.3	486.7
Merger reserve	10	3.1	3.1
Capital redemption reserve	10	1.2	1.0
Special reserve	10	34.1	34.1
Total equity		832.4	761.8

The Company's profit for the year was £295.5m (2022: profit £373.1m).

The Financial Statements on pages 190 to 202 were approved by the Board of Directors on 28 February 2024 and were signed on its behalf by:

Derek Harding
Chief Financial Officer



Company Registration No. 02025003

Spectris plc Statement of Changes in Equity

For the year ended 31 December 2023

	Note	Share capital £m	Share premium £m	Retained earnings £m	Merger reserve £m	Capital redemption reserve £m	Special reserve £m	Total equity £m
At 1 January 2023		5.5	231.4	486.7	3.1	1.0	34.1	761.8
Profit for the year		-	-	295.5	-	-	-	295.5
Other comprehensive income		-	-	-	-	-	-	-
Re-measurement of net defined benefit obligations, net of tax		-	-	1.2	-	-	-	1.2
Total comprehensive income for the year		-	-	296.7	-	-	-	296.7
Transactions with owners recorded directly in equity:								
Own shares acquired for share buyback programme	10	(0.2)	-	(160.8)	-	0.2	-	(160.8)
Equity dividends paid	13	-	-	(79.7)	-	-	-	(79.7)
Capital contribution relating to share-based payments		-	-	7.5	-	-	-	7.5
Share-based payments, net of tax		-	-	6.3	-	-	-	6.3
Utilisation of treasury shares		-	-	0.6	-	-	-	0.6
At 31 December 2023		5.3	231.4	557.3	3.1	1.2	34.1	832.4

For the year ended 31 December 2022

	Note	Share capital £m	Share premium £m	Retained earnings £m	Merger reserve £m	Capital redemption reserve £m	Special reserve £m	Total equity £m
At 1 January 2022		5.8	231.4	365.8	3.1	0.7	34.1	640.9
Profit for the year		-	-	373.1	-	-	-	373.1
Other comprehensive income:								
Re-measurement of net defined benefit obligations, net of tax		-	-	7.3	-	-	-	7.3
Total comprehensive income for the year		-	-	380.4	-	-	-	380.4
Transactions with owners recorded directly in equity:								
Own shares acquired for share buyback programme	10	(0.3)	-	(191.0)	-	0.3	-	(191.0)
Equity dividends paid	13	-	-	(78.6)	-	-	-	(78.6)
Capital contribution relating to share-based payments		-	-	5.6	-	-	-	5.6
Share-based payments, net of tax		-	-	4.3	-	-	-	4.3
Utilisation of treasury shares		-	-	0.2	-	-	-	0.2
At 31 December 2022		5.5	231.4	486.7	3.1	1.0	34.1	761.8

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; and
- 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 136 to 185) 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; and
- Certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instrument Disclosures'.

The Financial Statements have been prepared on the historical cost basis, except for 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 Company'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, represent a key source of estimation uncertainty for the Company. Details of the accounting policies applied and the related sensitivities in respect of the UK scheme for the Company retirement benefit plans are set out on page 167.

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.

Notes to the Company Accounts continued

1. Basis of preparation and summary of significant accounting policies continued**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 assets 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:

- Short leasehold property over the period of the lease.
- Office equipment – 3 to 20 years.

Investments

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

Assets held for sale

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets 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 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.

Trade and other receivables

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

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.

Trade and other payables

Trade and other payables are recognised at the amounts expected to be paid to counterparties and subsequently held at amortised cost.

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 provisions 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.

Notes to the Company Accounts continued

1. Basis of preparation and summary of significant accounting policies continued

Financial instruments

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 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 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.

When hedge accounting is discontinued any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the Income Statement.

Derecognition

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

Impairment of financial assets

The Company assesses at each Statement of Financial Position reporting date whether there is any objective evidence that a financial asset, or 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.

Notes to the Company Accounts continued

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:

	2023		2022	
	Number		Number	
Administrative	66		67	
Employee costs, including Directors' remuneration, are as follows:				
		2023		2022
		£m		£m
Wages and salaries	13.7		11.6	
Social security costs	4.0		2.6	
Defined contribution pension plans	0.7		0.7	
Equity-settled share-based payment expense	5.2		4.4	
Cash-settled share-based payment expense	0.1		0.1	
	23.7		19.4	

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 102 to 123

Tax losses

As at 31 December 2023, the Company had capital tax losses of £16.1m (2022: £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.

Notes to the Company Accounts continued

4. Intangible assets

Cost	Software £m
At 1 January 2023	4.6
Disposals	(2.7)
At 31 December 2023	1.9
Accumulated amortisation and impairment	
At 1 January 2023	4.5
Reclassification	0.1
Disposals	(2.7)
At 31 December 2023	1.9

Carrying amount

At 31 December 2023	–
At 31 December 2022	0.1

5. Property, plant and equipment (PPE)

Cost	Leasehold Improvements £m	Right-of-Use PPE £m	Office equipment £m	Total £m
At 1 January 2023	0.4	0.3	1.5	2.2
Disposals	–	–	(1.1)	(1.1)
At 31 December 2023	0.4	0.3	0.4	1.1

Accumulated depreciation and impairment

At 1 January 2023	0.1	0.1	1.1	1.3
Reclassification	–	–	0.1	0.1
Charge for the year	0.2	0.1	0.2	0.5
Disposals	–	–	(1.1)	(1.1)
At 31 December 2023	0.3	0.2	0.3	0.8

Carrying amount

At 31 December 2023	0.1	0.1	0.1	0.3
At 31 December 2022	0.3	0.2	0.4	0.9

During 2023 the Company disposed of its former headquarters building in Egham, Surrey, UK for a profit of £0.5m.

At 31 December 2022 this was classified as held for sale but it did not meet the definition of discontinued operations given in IFRS 5.

6. Investments in subsidiary undertakings

Cost and carrying amount	Investment in subsidiary undertakings £m
At 1 January 2023	1,128.9
Movements relating to share options granted to subsidiary employees	5.7
At 31 December 2023	1,134.6

Details of the Company's subsidiaries are given in note 14

7. Other receivables

Current	2023 £m	2022 £m
Amounts owed by Group undertakings	2.4	9.0
Loans owed by Group undertakings	44.9	44.6
Prepayments	4.8	3.5
Other receivables	3.6	0.7
	55.7	57.8

Non-current	2023 £m	2022 £m
Loans owed by Group undertakings	138.1	138.0
Prepayments	0.3	0.8
	138.4	138.8

Total other receivables

	194.1	196.6
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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 market reference rate plus 2%. The structure and terms of these intra-group loans are unchanged from 2022. Other amounts owed by Group undertakings are non-interest bearing and repayable on demand.

Notes to the Company Accounts continued

8. Borrowings

Current	Interest rate	Repayable date	2023 £m	2022 £m
Bank overdrafts		on demand	–	–
Bank loans unsecured – £45.0m (2022: £45.0m)	determined on drawdown			
uncommitted facility		on demand	–	–
Total current borrowings			–	–

Further details of borrowings are provided in note 16 to the Group Consolidated Financial Statements

9. Other payables

Current	2023 £m	2022 £m
Amounts owed to Group undertakings	15.6	7.3
Loans owed to Group undertakings	460.3	547.4
Share buyback accrual	45.9	–
Accruals	16.3	14.4
	538.1	569.1

Non-current	2023 £m	2022 £m
Loans owed to Group undertakings	42.4	132.4

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 market reference rate minus 0.25%. The structure and terms of these intra-group loans are unchanged from 2022. Other amounts owed to Group undertakings are non-interest bearing and repayable on demand.

See note 10 for further details on the Company's share buyback accrual.

10. Share capital and reserves

	Number of shares millions	2023 £m	2022 £m
Issued and fully paid (ordinary shares of 5p each):			
At 1 January and 31 December	105.8	5.3	109.1
			5.5

During the year ended 31 December 2023, 3,382,896 ordinary shares were repurchased and cancelled by the Company, in the final tranches of the £300m share buyback programme announced on 19 April 2022 and part of the first tranche of the £150m share buyback announced on 11 December 2023. This resulted in a cash outflow of £114.9m, including transaction fees of £1.2m. The Statement of Financial Position also includes an accrual of £45.9m for share buyback accrual as at 31 December 2023.

During the year ended 31 December 2022, 6,439,493 ordinary shares were repurchased and cancelled by the Company as part of the £300m share buyback programme announced on 19 April 2022, resulting in a cash outflow of £191.0m, including transaction fees of £1.2m.

No ordinary shares were issued upon exercise under share option schemes during the year (2022: nil).

At 31 December 2023, the Company held 4,128,036 treasury shares (2022: 4,596,698). During the year, 468,662 of these shares were issued to satisfy options exercised by, and SLP Matching shares awarded to, employees which were granted under the Company's share schemes (2022: 170,408).

The Company 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 2023, the EBT held 51,907 shares which were purchased from the market during the year (31 December 2022: 55,570). 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 2023 are £512.9m (2022: £452.0m).

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 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 (2022: £0.3m), 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.

Notes to the Company Accounts continued

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 £1.2m of Company contributions made to the defined benefit plan during the year (2022: £1.2m).

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 £22.7m (2022: £20.4m).

13. Dividends

Amounts recognised and paid as distributions to owners of the Company in the year	2023 £m	2022 £m
Interim dividend for the year ended 31 December 2023 of 25.3p (2022: 24.1p) per share	26.0	25.3
Final dividend for the year ended 31 December 2022 of 51.3p (2022: 48.8p) per share	53.7	53.3
	79.7	78.6
Amounts arising in respect of the year	2023 £m	2022 £m
Interim dividend for the year ended 31 December 2023 of 25.3p (2022: 24.1p) per share	26.0	25.3
Proposed final dividend for the year ended 31 December 2023 of 53.9p (2022: 51.3p) per share	54.8	53.6
	80.8	78.9

The proposed final 2023 dividend is subject to approval by shareholders at the AGM on 23 May 2024 and has not been included as a liability in these Financial Statements.

Notes to the Company Accounts continued

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 2023.

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
Blueberryje d.o.o.	12, Gabrsko (dvanajst), Trbovlje, 1420, Slovenia	Slovenia
Bruel & Kjaer UK Limited ¹	Jarman Way, Royston, Hertfordshire, SG8 5BQ	England & Wales
Bruel & Kjaer VTS Limited ¹	Jarman Way, Royston, Hertfordshire, SG8 5BQ	England & Wales
Burnfield Limited	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
Concurrent High Performance Solutions Europe S.A.	Immeuble Uranus Parc Ariane, Rue Hélène Boucher, 78280 Guyancourt	France
Concurrent Nippon Kabushiki Kaisha	Yanagibashi First Bldg, 4F 19-6, 2-chome, Taito-ku, Tokyo 111-0052	Japan
Concurrent Real-Time Asia, Inc.	Cogency Global Inc, 850 New Burton Road, Suite 201, Dover, DE, 19904, United States	USA
Concurrent Real-Time, Inc.	Cogency Global Inc, 850 New Burton Road, Suite 201, Dover, DE, 19904, United States	USA
Creoptix AG	Zugerstrasse 76, 8820 Wädenswil	Switzerland
DISCOM Elektronische Systeme und Komponenten GmbH	Maschmühlenweg 81, Göttingen, 37081	Germany
DYTRAN Instruments, Inc	21592 Marilla Street, Chatsworth, CA 91311	USA
HBK FiberSensing SA	Rua Vasconcelos Costa 277, Moreira, Maia	Portugal
Hottinger Bruel & Kjaer Solutions LLC	100 Research Boulevard, Starkville, Mississippi, 39759	USA
HBM Prensia s.p.a.	Aleje Jerolimskie 181 A, 02-222 Warsaw	Poland
Hottinger Bruel & Kjaer Inc.	19 Bartlett Street, Marlborough, Massachusetts 01752	USA
Hottinger Bruel & Kjaer A/S	Teknikerbyen 28, 2830 Virum	Denmark
Hottinger Bruel & Kjaer Austria GmbH	Lemböckgasse 63/2, A-1230, Wien, Vienna	Austria
Hottinger Bruel & Kjaer Benelux BV.	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	2 Rue Benjamin Franklin, 94370 Sucy-en-Brie, France	France
Hottinger Bruel & Kjaer GmbH	m Tiefen See 45, Darmstadt, D-64293	Germany
Hottinger Bruel & Kjaer Iberica, 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 & Kjaer Norway AS	Rosenholmveien 25, Trøllasen, 1414	Norway
Hottinger Bruel & Kjaer Poland Sp z o.o.	Aleje Jerolimskie 181 A, 02-222 Warsaw	Poland
Hottinger Bruel & Kjaer UK Limited	Technology Centre, Advanced Manufacturing Park, Brunel Way, Catliffe, Rotherham, South Yorkshire, S60 5WG	England & Wales
IMTEC GmbH	Am Posengarten 1, 14621 Schonwalde-Clien OT Wansdorf	Germany
International Applied Reliability Symposium LLC ²	5210 E Williams Cir, 2nd Floor, Suite 240, Tucson Arizona 85711	USA
Malvern Panalytical BV	Lelyweg 1, 7602EA, Almelo	Netherlands
Malvern Panalytical GmbH	Nurnbergerstr 113, D 34123 Kassel	Germany

Notes to the Company Accounts continued

Name	Registered address	Country of incorporation
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	Vallongatan 1, 752 28 Uppsala	Sweden
Malvern Panalytical S.A.S.	24 Rue Émile Baudot, Bâtiment le Phenix 91120 Palaiseau	France
Malvern Panalytical srl	Via G. Oberdan, 36, 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
Novisim Limited	Jarman Way, Royston, Hertfordshire, SG8 5BQ	England & Wales
PANalytical Limited ¹	Enigma Business Park, Grovewood Road, Malvern, Worcestershire, WR14 1XZ	England & Wales
Particle Measuring Systems AC	Reinluftweg 1, Zurich, CH-9630	Switzerland
Particle Measuring Systems Germany GmbH	Im Tiefen See 45, Darmstadt, D-64293	Germany
Particle Measuring Systems S.R.L.	Via di Crotte Portella, Frascati, Rome, 34-C0044	Italy
Particle Measuring Systems, Inc.	5475 Airport Boulevard, Boulder, Colorado 80301	USA
Particles Measuring Systems U.K. Limited	Compass House Vision Park, Chivers Way Histon, Cambridge, CB24 9AD	England & Wales
Particle Measuring Systems Ireland Limited	Unit 1c Three Rock Road, Sandford Industrial Estate, Sandford Dublin 18, Sandford, Dublin, D18PB84, Ireland	Ireland
Particle Measuring Technique Limited	Unit 1c Three Rock Road, Sandford Industrial Estate, Sandford Dublin 18, Sandford, Dublin, D18PB84, Ireland	Ireland
RealTime Acquisition Co.	Cogency Global Inc, 850 New Burton Road, Suite 201, Dover, DE, 19904, United States	USA
RealTime Holdco, LLC ²	Cogency Global Inc, 850 New Burton Road, Suite 201, Dover, DE, 19904, United States	USA
Red Lion Controls B.V.	De Nieuwe Erven 3, Unit 10200, 5431NL, Cuijk	Netherlands
Red Lion Controls, Inc. ³	1750 Fifth Avenue, York, PA 17403	USA
Red Lion Europe GmbH ³	Geschäftsanschrift, Winnettener Str. 6, Dir kelsbuhl, 91550	Germany
ReliaSoft India Private Limited	5th Floor, Arhant Nitco Park, 90, Dr Radhakrishnan Salai, Mylapore Chennai - 600 004 India	India
Right-Hook Inc	45 Jackson Street, San Jose, CA 95112-5102	USA
Servomex B.V.	Lelyweg 1, 7602EA, Almelo	Netherlands
Servomex Company	12300 Dairy Ashford Road #400, Sugar Land, Texas 77478	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. ²	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 Australia Pty Ltd	C/- Intertrust Australia PTY Ltd, Suite 2, Level 25, 100 Miller Street, North Sydney, NSW 2060	Australia
Spectris Canada Inc.	4915 Place Olivia, St-Laurent, Quebec, H4R 2V6	Canada
Spectris China Limited	Unit A, 22/F, Wing Cheong Comm. Bldg., 23 Jervois Street, Sheung Wan, Hong Kong	Hong Kong
Spectris Co., Ltd	Kawasaki Nisshincho Building, 7-1 Nisshincho, Kawasaki-ku, Kawasaki-shi, Kanagawa 210-0024, Japan	Japan

Notes to the Company Accounts continued

Name	Registered address	Country of incorporation
Spectris Denmark ApS	Teknikerbyen 28, 2830 Virum	Denmark
Spectris Do Brasil Instrumentos Eletronicos Ltda.	Rua Luis Correia de Melo, 92 – Conj. 251-252, Vila Cruzeiro, CEP 04726-220, Sao Paulo SP	Brazil
Spectris Funding BV	Lelyweg 1, 7602EA, Almelo	Netherlands
Spectris Germany GmbH	Im Tiefen See 45, Darmstadt, D-64293	Germany
Spectris Group Holdings Limited ¹	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	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.	7F, N Tower Garden Bldg., 26, HwangSaeWoo-ro 200beon-gil, Bundang-gu, Seongnam-si, Kyunggi-do, 13595, Korea.	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 BV	Lelyweg 1, 7602 EA Almelo	Netherlands
Spectris Netherlands Cooperatief W.A. i.v.	Lelyweg 1, 7602 EA Almelo	Netherlands
Spectris Pension Trustees Limited ¹	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
Spectris Pte Ltd	31 Kaki Bukit Road 3, Techlink #04-05/07, 417818	Singapore
Spectris Taiwan Limited	4F, No. 417, Ruiguang Rd., Neihu Dist., Taipei City 114690, Taiwan	Taiwan
Spectris Technologies Private Limited	A-1/367, 2nd Floor, Janakpuri A-3, New Delhi-110058, India	India
Spectris UK Holdings Limited ³	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
Spectris US Holdings Limited	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
System Level Simulation Inc.	75 East Santa Clara St., Suite 900, San Jose, CA 95113	United States
VI-grade GmbH	Im Tiefen See 45, Darmstadt, D-64293	Germany
VI-grade Japan Ltd.	6-26-5, Kameido, Koto-ku Tokyo 136-0071, Japan	Japan
VI-grade Limited	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
VI-grade s.r.l.	Via Galileo Galilei 42, 33010 Tavagnacco (Udine)	Italy
Viscotek Europe Limited	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
Zhuohai Omec Instruments Co., Ltd	2F, No.3 Factory, No.33 Keji San Road, Tangjiawan Town, Gaoxin District, Zhuohai City, Guangdong Province, China	China

1. Wholly owned by Spectris plc.
2. All LLC, Cooperative 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. An announcement was released to the market via the Regulatory News Service on 11 December 2023 that this entity will be sold in the first half of 2024.

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 2023 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 £23 million 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
Bruel & Kjaer VTS Limited	01539186
Bruel & Kjaer UK Limited	04066051
Burnfield Limited	01522736
Hottinger Bruel & Kjaer UK Limited	01589921
Novisim Limited	05269664
Spectris UK Holdings Limited	04451903
Spectris US Holdings Limited	04451883
VI-grade Limited	08245242
Particle Measuring Systems U.K. Limited	07786895

Additional Information

Shareholder Information Financial calendar

Q1 trading update	2 May 2024
Ex-dividend date for 2023 final dividend	16 May 2024
Record date for 2023 final dividend	17 May 2024
Annual General Meeting	23 May 2024
Record date for participation in the Dividend Reinvestment Plan for the 2023 final dividend	7 June 2024
2023 final dividend payable	28 June 2024
2024 half-year results	30 July 2024

Company Secretary

Rebecca Dunn
Email: coscc@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

Barclays Bank plc
BofA Securities

Financial PR adviser

Teneo

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 2023

	Shareholding in Spectris shares	Percentage of issued share capital
Fidelity Management & Research	8,285,165	8.15%
BlackRock	7,472,905	7.35%
UBS Asset Management	6,593,445	6.49%
Wellington Management	5,143,245	5.06%
Vanguard Group	5,041,831	4.96%
Sprucegrove Investment Management	3,832,503	3.77%
Liontrust Asset Management	3,326,286	3.27%
Artemis Investment Management	3,199,101	3.15%
Royal London Asset Management	3,110,059	3.06%
Legal & General Investment Management	2,540,132	2.50%

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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