Press Release

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2020 full year results

25 February 2021 – Spectris plc (SXS: LSE), the expert in providing insight through precision measurement, announces full year results for the twelve months ended 31 December 2020.

Balanced and socially responsible approach to 2020

- Safeguarding the welfare of our employees and supporting our customers remains our top priority
- Balanced, socially responsible approach, consistent with our values, delivered resilient and sustainable financial performance ahead of expectations
  - LFL sales declined 10.7% to £1,336.2 million; fourth quarter order intake provides momentum coming into 2021
  - Drop-through[1] impact limited to 38%, with resilient adjusted operating margin of 13.0%
  - Adjusted cashflow generation of £244.5 million, ahead of 2019; balance sheet further strengthened
- Continued to execute strategy – profit improvement programme completion and further cost actions in 2020, combined with sale of Millbrook and B&K Vibro, will enhance margins in 2021
- Statutory operating loss of £23.3 million is impacted by impairments at Millbrook, including a goodwill charge of £58.4 million and a £67.5 million charge of acquisition-related intangible assets and other property, plant and equipment.
- Dividend increase of 5% for the full year and £200 million share buyback programme announced
- Group positioned well as markets recover – cost base reduced, capability retained, strong operating leverage opportunity, balance sheet optionality

	2020	2019	Change	Like-for-like change[1]
Adjusted[2]				
Sales (£m)	**1,336.2**	1,632.0	(18%)	(11%)
Operating profit (£m)	**173.6**	258.1	(33%)	(26%)
Operating margin (%)	**13.0%**	15.8%	(280bps)	(270bps)
Profit before tax (£m)	**166.4**	247.4	(33%)	
Earnings per share (pence)	**112.1p**	168.0p	(33%)	
Adjusted cash flow conversion (%)	**141%**	91%	50pp	
Return on gross capital employed (%)	**9.8%**	13.5%	(370bps)	
Statutory				
Sales (£m)	**1,336.2**	1,632.0	(18%)	
Operating (loss)/profit (£m)	**(23.3)**	84.3	n/a	
Operating margin (%)	**(1.7%)**	5.2%	(690bps)	
(Loss)/profit before tax[3] (£m)	**(4.1)**	259.3	n/a	
Basic (loss)/earnings per share (pence)	**(14.6p)**	202.2p	n/a	
Dividend per share for the year[4] (pence)	**68.4p**	65.1p	5%	

1. Profit drop-through is defined as the year-on-year differential in adjusted operating profit as a percentage of the differential in sales, on a like-for-like basis.
2. **Alternative performance measures ('APMs'**) are used consistently throughout this press release and are referred to as 'adjusted' or 'like-for-like' ('LFL'). These are defined in full and reconciled to the reported statutory measures in Note 2 to the Financial Statements.
3. The main adjusting item to statutory profit before tax in 2019 was profit on disposal of businesses of £204.7 million.
4. The 2019 dividend of 65.1p includes the 43.2p 2019 final dividend that was declared on 20 February 2020 and subsequently postponed in response to COVID-19. An additional interim dividend of 43.2p was paid in October 2020.

Commenting on the results, Andrew Heath, Chief Executive, said: "2020 delivered challenges on many fronts as a result of COVID-19. I would again like to acknowledge and thank all our people for their outstanding commitment and for their patience, understanding and self-sacrifice as we pulled together, supported one another and delivered for our customers. I would also like to thank our shareholders for their support during this time.

Throughout 2020, we consciously and purposefully took a balanced, socially responsible approach to managing our business, consistent with our culture and values, ensuring we addressed the needs of all our stakeholders. I believe we have been successful on that front and as a result, the Group delivered a highly resilient performance, reflecting both the quality of our businesses and our people. Although sales were down notably, I am pleased with our underlying margin performance in the circumstances, which was helped by the swift actions taken and the continued execution of our profit improvement programme. At the same time, we were able to protect jobs and the core capabilities of our businesses, while also continuing to execute our strategy, with the divestment of Brüel & Kjær Vibro and Millbrook being notable achievements.

Cash generation was extremely strong and the balance sheet was further strengthened. This enabled us to reverse the temporary cost measures, returning staff to full pay, reinstating full-time working for the majority of employees and repaying the salary sacrifice. It also meant we were able to increase the final dividend and today announce a £200 million share buyback programme.

The stronger order intake in the last three months of 2020 provides momentum for the first quarter of 2021 although, clearly, much uncertainty remains and we expect the immediate economic backdrop to remain challenging. However, the actions taken last year position the Group well for any market recovery in 2021. The cost base has been reduced and capability retained, creating a strong operating leverage opportunity and balance sheet optionality. We will maintain our approach, acting with purpose, and being values-led, to deliver long-term, sustainable financial health."

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A webcast and conference call for analysts and investors will be hosted by Andrew Heath, Chief Executive, and Derek Harding, Chief Financial Officer, at 08.30 today to discuss this statement. This will be available as a live webcast on the company's website at www.spectris.com and a recording will be posted on the website after the meeting. To access the call to ask questions, please dial 0800 640 6441 (UK) or +44 (0) 20 3936 2999 and use pin code: 747571#. Questions will also be taken via the webcast at www.spectris.com.

Copies of this press release are available to the public from the registered office at Heritage House, Church Road, Egham, Surrey TW20 9QD and on the Company's website at www.spectris.com.

About Spectris

Spectris' global group of businesses are focused on delivering value beyond measure for all our stakeholders. We target global, attractive and sustainable markets, where growth and high returns are supported by long-term drivers. Precision is at the heart of what we do. We provide customers with expert insight through our advanced instruments and test equipment, augmented by the power of our software and services. This equips customers with the ability to reduce time to market, improve processes, quality and yield. In this way, Spectris know-how creates value for our wider society, as our customers design, develop, test and manufacture their products to make the world a cleaner, healthier and more productive place. Headquartered in Egham, Surrey, United Kingdom, the Company employs approximately 7,850 people located in more than 30 countries. For more information, visit www.spectris.com.

Chief Executive's review

Balanced and socially responsible approach to 2020

With the onset of the COVID-19 pandemic, we consciously and purposefully took a balanced, socially responsible approach to managing our business, relying on the strengths of our culture and values, to ensure that we emerged from the crisis a stronger and even more resilient business. The approach is working. We delivered a resilient and sustainable financial performance in 2020, despite the drop in market demand. We were able to protect jobs and the core capabilities of our businesses, as we continued to execute our strategy.

Whilst we worked to deliver as strong a financial performance as possible, we also acted to address the needs of all our stakeholders; safeguarding and supporting our people, working more closely and in new ways with customers and suppliers, whilst helping the communities in which we operate, as the way to deliver long-term sustainable value to our shareholders. One example of this is the establishment of the Spectris Foundation, a benevolent fund that will be used for community and charitable projects such as the promotion of STEM education. By taking these steps, we have built stronger relationships with our employees, customers and suppliers, better positioning us to respond positively to the new business environment that has emerged.

Against a challenging market backdrop, we delivered highly resilient results, ahead of our revised expectations, reflecting the quality of our businesses, and the tremendous support and engagement of our employees. Although sales were down notably, I am pleased with our underlying margin performance in the circumstances, which was helped by the swift actions taken and the continued execution of our profit improvement programme. We acted quickly to conserve cash and contain costs, by implementing a number of temporary mitigating actions, including salary cuts and part-time working. This enabled us to protect jobs and core capabilities while continuing to maintain investment in R&D, key capex projects and deploying the Spectris Business System ('SBS'). Cash generation was extremely strong, exceeding 2019, and the balance sheet was further strengthened. This meant we were able to reverse the temporary cost measures, returning staff to full pay and reinstating full-time working for the majority of employees in the third quarter. Additionally, we were able to repay the salary sacrifice in December. This also enabled us to increase the dividend, and today announce a £200 million share buyback programme.

Although uncertainty remains as we enter 2021, the sales decline slowed in the fourth quarter and strong order intake in the last three months of 2020 provides momentum coming into the new year. The actions taken last year position the Group well for the expected market recovery in 2021. The cost base has been reduced and capability retained, creating a strong operating leverage opportunity and balance sheet optionality. We will maintain our approach, acting with purpose, being values led, to deliver long-term, sustainable financial health.

Trading performance

On an organic, constant currency (like-for-like, 'LFL') basis, sales decreased 11%. There was an 8% impact from disposals, primarily related to BTG, and a limited impact from foreign currency exchange movements, resulting in reported sales decreasing by 18% to £1,336.2 million (2019: £1,632.0 million). Order intake was impacted to a lesser degree, with a 7% LFL decline in the year, and slight growth in the fourth quarter providing momentum as we entered 2021.

LFL sales and orders by business

	Q1	Q2	Q3	Q4	FY
Malvern Panalytical	(21%)	(21%)	(4%)	(9%)	**(13%)**
HBK	(2%)	(14%)	(13%)	(7%)	**(9%)**
Omega	(5%)	(21%)	(16%)	(10%)	**(13%)**
Industrial Solutions	(7%)	(18%)	(9%)	(4%)	**(9%)**
Total sales	**(9%)**	**(18%)**	**(9%)**	**(7%)**	**(11%)**
Total orders	**(4%)**	**(17%)**	**(8%)**	**0.2%**	**(7%)**

LFL sales by geography

	Q1	Q2	Q3	Q4	FY
North America	0.4%	(21%)	(6%)	(4%)	**(8%)**
Europe	(11%)	(18%)	(13%)	(9%)	**(13%)**
Asia	(20%)	(13%)	(9%)	(5%)	**(11%)**
Rest of the World	10%	(30%)	(14%)	(20%)	**(15%)**
Total	**(9%)**	**(18%)**	**(9%)**	**(7%)**	**(11%)**

LFL sales declined across all businesses, albeit with different profiles, with recovery starting progressively from the third quarter.

Malvern Panalytical was experiencing weakness in a number of its end markets coming into 2020 and was subsequently further impacted by a reduction in demand, in particular from metals, minerals and mining and from universities and research institutes being closed during the first lockdown. However, they were able to deliver a much-improved performance in the second half, with a strong recovery in pharmaceuticals, in particular.

Being later cycle, the market impact to HBK was delayed and, consequently, has been more muted, with the decline easing in the fourth quarter. A buoyant machine manufacturing sector saw strong growth in the second half, along with strong sales in North America.

Omega saw a similar performance in both halves of the year, impacted by lower US industrial production. However, sales started to recover in the fourth quarter.

The Industrial Solutions division ('ISD') posted 9% lower LFL sales, with a stronger second half performance, particularly in the pharmaceutical and electronics markets.

LFL sales decreased in all regions, with North America down less markedly, and all territories improved in the second half. By end market, the fall in LFL sales was highest in academic research, automotive, energy and utilities. In contrast, the pharmaceutical and machine manufacturing sectors both posted LFL sales growth for the year.

Financial performance

In reaction to the sales decline, we took immediate and decisive action on costs, alongside the activities already underway through the profit improvement programme. Consequently, LFL overheads declined 8%, resulting in a highly resilient operating margin of 13.0% (2019: 15.8%), 270bps lower on a LFL basis. This limited the full year drop-through to only 38% on a LFL basis, ahead of the guidance of 40-50%. Group adjusted operating profit decreased by 33% to £173.6 million (2019: £258.1 million). On a LFL basis, the decrease was 26%, after adjusting for the impact of disposals of 9% and a 0.4% positive foreign currency impact.

The Group incurred restructuring costs of £19.5 million (2019: £52.2 million), and £19.4 million of transaction-related costs in relation to the divestments and the pursuit of acquisition opportunities. £58.4 million was recognised as an impairment of goodwill (2019: £35.1 million) and £98.9 million was recognised as impairments and amortisation of acquisition-related intangible assets and property, plant and equipment (2019: £84.6 million), with impairments primarily in relation to Millbrook. As a result, the Group booked a statutory operating loss of £23.3 million (2019 £84.3 million profit).

The Group recorded a return on gross capital employed of 9.8% (2019: 13.5%), primarily reflecting the decrease in adjusted operating profit.

Cash flow and capital allocation

Our adjusted cashflow generation of £244.5 million was very strong, and ahead of 2019 (£234.2 million). Adjusted cash flow conversion was 141% (2019: 91%).

We have continued to invest to support our core businesses, spending £92.0 million (6.9% of sales) in R&D (2019: £100.9 million, 6.2% of sales) and £42.9 million in capex, net of grants (2019: £81.6 million). In line with the strategy, we reduced capex at Millbrook to a total of £11.2 million in the year (2019: £37.1 million).

Our balance sheet has been strengthened further. The Group ended the year with net cash of £106.1 million (2019: £33.5 million). During the year, there was a net cash inflow from proceeds of disposals of £20.6 million and a further £223 million is expected from the divestments of Millbrook and B&K Vibro in the first quarter of 2021. Our leverage is outside the target range of our long-term policy. Reflecting this, and in order to make the balance sheet more efficient, the Board has approved a share buyback programme of £200 million to take place during 2021 and this will commence as soon as possible. This is in alignment with our capital allocation policy. The Group still has considerable financial flexibility and will continue to target acquisitions in support of its strategy.

The Board is proposing to pay a final dividend of 46.5 pence per share. This would represent a 7.6% increase on the declared 2019 final dividend, which was postponed. The Group paid an additional interim dividend of 43.2 pence in October and the 2020 interim dividend of 21.9 pence in November.

Although the Group took a short-term decision to defer the 2019 final dividend in response to the uncertainty caused by COVID-19, there is no change to our underlying policy of making progressive dividend payments based upon affordability and sustainability. The dividend will be paid on 30 June to shareholders on the register at the close of business on 14 May. The ex-dividend date is 13 May.

Taking a balanced approach to managing the business

2020 delivered challenges on many fronts as a result of COVID-19. However, the Group delivered a highly resilient performance. I would again like to acknowledge and thank all our people for their outstanding commitment and for their patience, understanding and personal sacrifice as we pulled together, supported one another and delivered for our customers. I would also like to thank our shareholders for their support during this time.

Throughout, we have endeavoured to address the needs of all our stakeholders. I believe we have been successful on that front and as a result, the Company is well positioned for the recovery in 2021, and beyond.

In response to COVID-19, we managed the crisis in three phases: React; Respond; Reset.

React – supporting employees, customers and suppliers

The health, safety and wellbeing of our people has been and remains our key priority. We moved quickly to enable working from home arrangements where possible, and implemented revised working practices and heightened safety standards in our facilities to ensure they remained safe and operational. We worked more closely with our suppliers to mitigate any potential supply chain impacts and innovated how we engaged with customers to help keep them operational. As a result, disruption to our manufacturing activities and supply chains has been very limited, enabling us to support our customers, with customer satisfaction scores improving through the year.

Respond – reducing costs and preserving cash to protect the business

As the extent of the impact of COVID-19 started to become apparent, we enacted our business continuity plans and took swift action to protect the Company, while retaining capabilities and protecting jobs for as long as possible.

We prioritised short-term costs savings over structural long-term cost reduction; for example reducing discretionary spend, withdrawing the annual pay award and asking employees to take a salary reduction or working reduced hours, to support our financial performance and mitigate the impact on our capability. These were difficult but necessary actions to protect the Company, and as many jobs as possible, in the face of an unprecedented, emerging crisis.

We also withdrew the special dividend and deferred the 2019 final dividend, in order to conserve cash.

The reduction in discretionary expenditure undertaken through 2020 helped underpin our profit generation and the strong cash flow performance, further strengthening our already robust balance sheet and liquidity position. This also supported continued investment in the business with R&D expenditure similar to prior year levels and capex on key projects upheld.

Reset – preparing for the recovery

As we progressed through the year, it became evident that we were facing an extended recovery. While we continue to believe in the long-term growth prospects for our end markets, it was clear that there would be continued disruptions in the short term.

Consequently, in anticipation that a recovery would extend through 2021, we took the decision to transition away from temporary measures to implementing sustainable reductions in our cost base. In the third quarter, we extended our restructuring programme to further reduce our cost base such that we entered 2021 sized for an extended recovery and able to deliver strong operating leverage. As a result, the permanent cost benefits achieved in 2020 were ahead of expectations at £30 million.

Many of the cost actions being taken revolve around lessons learned from the new ways of working under COVID-19. For example, our people wish to work more flexibly and consequently, a number of physical facilities will be closed or reduced in size. We have also expanded the use of virtual engagement with our customers and this will continue, reducing the need to physically meet and therefore we do not expect to fully reinstate our travel and entertainment spend in 2021. In addition, we have been implementing a targeted headcount reduction programme by business. Headcount reduced by 4% of which the majority was through natural attrition and voluntary means. Of the £20 million of temporary costs saves achieved in 2020, £10 million will be sustained by these actions.

We no longer expect additional material restructuring costs to achieve this, given the achievements in 2020.

I am delighted that, due to our financial performance and cash generation, we were able to reverse most of the temporary measures. During the third quarter, we reinstated dividend payments, returned employees to full salary and, wherever possible, full-time working. Executive Director salaries and Board fees were only reinstated in October, after this was completed. And in the December payroll, it was equally pleasing that we were able to recompense our people for the salary sacrifice they had foregone earlier in the year.

We continue to execute our Strategy for Profitable Growth

We have reviewed both our strategy and business model in light of the events of 2020 and are confident that they remain appropriate and highly relevant. Although our financial performance has been impacted by COVID-19 in 2020, we have continued to be successful in executing our strategy since it was launched in 2019. With significant achievements in terms of improving the Group's cost structure, maintaining investment in R&D and carrying out divestments, the Group is now much better positioned in terms of end market focus, operating leverage and portfolio structure.

We made further progress in successfully implementing our portfolio optimisation strategy in 2020. We will continue to optimise our assets and review the portfolio at both the Group and business level. Further businesses are expected to be sold, along with lower profitability business activities; for example, we sold the CLS food testing business early in 2021.

As markets recover, we turn again to a focus on driving growth and further improving our operating leverage to enhance margins and deliver long-term value to our shareholders. Although we have participated in several buy-side M&A processes last year, we did not consummate any acquisitions, while remaining disciplined to our capital allocation framework. Compounding growth through M&A remains a core part of the strategy.

Delivering value beyond measure for our customers, to drive growth

Driving organic growth remains a key priority. Being close to our customers in 2020 was often difficult to achieve physically. Consequently, we quickly innovated our sales and marketing approach to meet our customers 'where they are', virtually. Order intake held up well in the circumstances, being only 7% down on a LFL basis, underlining the strength of the online support we were able to offer, and the importance and relevance of our products and services.

Our purpose is to harness the power of precision measurement to equip our customers to make the world cleaner, healthier and more productive. In a number of our end markets, the significance of our purpose was heightened in 2020; not more so than in pharmaceuticals and life sciences. Last year, our Servomex business rose to the challenge of supporting the rapid rise in ventilator demand to treat COVID-19 with a significant increase in the production of its Paracube oxygen sensors, supporting six of the world's ten largest ventilator manufacturers. Malvern Panalytical's systems and applications expertise also helped with the rapid development and production of the COVID-19 antigen test and the vital research and development of vaccines.

We maintained our level of spend on R&D in 2020 to ensure we are developing the next generation of products and services that our customers demand and in order to drive growth. As technologies and customers' needs evolve, we are innovating and extending our offering to continue to meet their requirements and provide the valuable insights they need to develop and manufacture their own products and services.

For example, Malvern Panalytical launched OmniTrust and Amplify Analytics, which in combination provide a powerful partnership of instrumentation and analytics know-how, enabling pharmaceutical customers to accelerate successful drug development.

In automotive, to support the proliferation of electric propulsion and simulation, HBK extended its eDrive offering to provide more complete e-powertrain testing and optimisation, including eGrid testing; launched the DiM®400, the first of its new line of high-performance, scalable, cable-driven simulators and expanded its capability with the acquisition of IMTEC Engineering, which provides vehicle driving simulators and machine automation systems.

Omega launched 94 new product lines during 2020, including broadening its temperature offering in response to greater COVID-19-related demand in this segment. And PMS released the

IsoAir® Pro-E Remote Particle Counter, the next generation remote particle counter used to streamline cleanroom monitoring while meeting global manufacturing practice regulations.

These are examples, from a wide range of initiatives, designed to enhance our product proposition for customers, ensuring they get the insights and analysis they need to meet their own challenges. Being positioned in attractive end markets and with products our customers highly value means we are better placed to drive future growth and profitability for our shareholders.

Driving operating leverage with restructuring and deploying the Spectris Business System
Improving operating leverage also remains a key focus, with the aim of returning our margin to at least previous highs. The performance on this front at HBK, resulting from the merger, has been particularly pleasing. Although overheads benefited from £20 million of short-term cost measures in 2020, we remain focused on turning £10 million of these savings into sustainable benefits in 2021 through footprint rationalisation, a reduction in discretionary costs, including more productive ways of working digitally, as well as the headcount reduction in 2020.

In addition, we continued to invest in strengthening and deploying our SBS. While it was more challenging to deliver improvements with remote working and social distancing in our facilities, good progress continued to be made last year. Cross functional teams delivered virtual or socially distanced kaizens, training and improvements in health and safety. As ever, improvements addressed a broad-range of activities, including enhancing productivity, working capital efficiency, sales forecasting, order accuracy, inventory and production planning, lead time reductions and removal of waste. For example, notable improvements were made in inventory management at Malvern Panalytical and on-time delivery at HBK. We further deepened our focus on use of the Hoshin Kanri strategic planning system for effective strategy deployment entering 2021 with clear alignment to our business strategy and competitive process capability.

Portfolio optimisation
In December, in line with our strategy to simplify and focus the portfolio, we announced the divestment of Brüel & Kjær Vibro ('B&K Vibro') and Millbrook for headline values of €180 million (£163 million) and £133 million, respectively. The Millbrook transaction completed in February with B&K Vibro expected to complete in March. Although both are good businesses, they did not have the attributes of a 'Spectris' company and we were pleased to find highly-complementary owners for both businesses. Further portfolio management is planned in 2021.

On the acquisition side, the Group participated in a number of processes during 2020. Of particular note, the Group made an approach to acquire a US publicly-listed company. Following our approach, they conducted a competitive process for the potential sale of the business. Although the Group believes it would have been a value creating opportunity for shareholders, ultimately, we maintained our capital discipline and were unsuccessful in the transaction. If successful, the transaction would have been in line with the Group's strategy to make synergistic acquisitions focused on its existing and potential platforms.

To support the approach and demonstrate our intent, we acquired a minority holding in the company for a total consideration of $19.8 million. At the year end, our holding was valued at $52.3 million (£38.3 million), resulting in a mark-to-market gain of $32.5 million (£23.2 million). It is proposed that £15 million of this gain is used to establish the Spectris Foundation, a benevolent fund that will be used for community and charitable projects.

Our balance sheet gives us good optionality, and during 2021, we will continue to review and renew our opportunity pipeline in order to seek suitable acquisition targets. Delivering long-term, sustainable value creation for shareholders, in a capitally-disciplined manner, will remain the priority.

Our Values and Code of Business Ethics underpin how we behave
Each of our businesses has unique traits and company cultures, yet certain characteristics connect all of us that work at Spectris. How we conduct our business matters to all of us and to our many stakeholders. During 2020, we refreshed the Group's Values and Code of Business Ethics.

Our Values – Be true, Own it, Aim high – underpin our behaviour. They represent Spectris at its best and reflect what we want to see every day: integrity, accountability and ambition.

Our Code of Business Ethics was also revised, in line with our new Values, and rolled out to help us perform and do business the right way. Doing this during the pandemic was seen by employees as a testament to our commitment in conducting business ethically.

New sustainability strategy being implemented

In October, the Board approved a Group-wide sustainability strategy to ensure that we remain a sustainable employer, partner, supplier and investment proposition. The strategy emanates from the Group's business model and builds on our wider purpose – supporting our customers to make the world cleaner, healthier and more productive. The strategy focuses on further embedding sustainable thinking in our operations and business aims. It also works on mitigating the risks arising from changing regulation and evolving stakeholder expectations, while also capturing opportunities from an increasing focus on sustainability across many of our customers, suppliers, communities and our employees.

Following a detailed and externally facilitated materiality assessment process, we identified three areas of focus which form the basis of our strategy over the next two years: environment, people and operations. In line with these focus areas, three UN Sustainability Development Goals (Goal 7 – Affordable and clean energy; Goal 8 – Decent work and economic growth and Goal 9 – Industry, innovation and infrastructure) were identified to inform our strategy, enable prioritisation and planning. During the year, initiatives to support these goals were undertaken. These included: work on diversity and inclusion and the provision of wellbeing and resilience support for our people; the development of Group-wide health and safety reporting in line with OSHA standards; the approval of a five-point plan to accelerate the Group's management of the environmental impact of our operations, including the setting of our Group Net Zero target; and compliance with the Task Force on Climate-related Financial Disclosures recommendations during 2021. On our environmental performance, we were pleased to see an improved CDP B rating during the year.

Our sustainability strategy is deliberately set over the short term to agree a base position. During 2021, we will set stretching and meaningful targets that are relevant to our business for the long term. It will provide a clear line of sight to the key commitments around our people, the environment and our operations to ensure that we are true to our purpose.

We are also committed to creating a positive legacy in the communities in which we live and work and we aim to be industry leading in our approach to social responsibility. To add focus and momentum to our aims, we are launching the Spectris Foundation. The Foundation will receive a one-off investment of £15 million from Spectris and the ongoing costs of the Foundation will be met by Spectris. The Foundation will adopt a general charitable purpose, which means that it is able to donate to a wide variety of charities within the UK and overseas. The intention is to focus on making donations that promote STEM education. The Foundation will enhance and improve our charitable giving at a global level and will also support our operating companies and individual employees in their fundraising efforts. We recognise that the economic impact of COVID-19 may lead to barriers being raised for some young people to enter the field of science. To tackle this challenge, a key aim of the Foundation will be to improve access to a quality STEM education, to enable a cleaner, healthier and more productive world.

Executive Committee changes

There were a number of changes during the year that have further strengthened both the calibre and the diversity of the Executive leadership team. Mark Fleiner, Business Group Director, ISD, was appointed to succeed Paolo Carmassi as President of Malvern Panalytical. Andy Cowan took over as interim Business Group Director, ISD. Rebecca Dunn was appointed to the new role of Head of Sustainability to promote our commitment to environmental, social and governance matters. Judith Wettach joined Spectris as Group Head of Corporate Development and Amit Agarwal joined Omega in October as its President following the departure of Greg Wright. In February 2021, Mary Beth Siddons joined Spectris as the Business Group Director, ISD, replacing Andy Cowan who returned to his role as Finance Director, ISD.

Summary and outlook

2020 delivered challenges on many fronts as a result of COVID-19. I would again like to acknowledge and thank all our people for their outstanding commitment and for their patience, understanding and self-sacrifice as we pulled together, supported one another and delivered for our customers. I would also like to thank our shareholders for their support during this time.

Throughout 2020, we consciously and purposefully took a balanced, socially responsible approach to managing our business, consistent with our culture and values, ensuring we addressed the needs of all our stakeholders. I believe we have been successful on that front and as a result, the Group delivered a highly resilient performance, reflecting both the quality of our businesses and our people. Although sales were down notably, I am pleased with our underlying margin performance in the circumstances, which was helped by the swift actions taken and the continued execution of our profit improvement programme. At the same time, we were able to protect jobs and the core capabilities of our businesses, while also continuing to execute our strategy, with the divestment of Brüel & Kjær Vibro and Millbrook being notable achievements.

Cash generation was extremely strong and the balance sheet was further strengthened. This enabled us to reverse the temporary cost measures, returning staff to full pay, reinstating full-time working for the majority of employees and repaying the salary sacrifice. It also meant we were able to increase the final dividend and today announce a £200 million share buyback programme.

The stronger order intake in the last three months of 2020 provides momentum for the first quarter of 2021 although, clearly, much uncertainty remains and we expect the immediate economic backdrop to remain challenging. However, the actions taken last year position the Group well for any market recovery in 2021. The cost base has been reduced and capability retained, creating a strong operating leverage opportunity and balance sheet optionality. We will maintain our approach, acting with purpose, and being values-led, to deliver long-term, sustainable financial health.

Andrew Heath
Chief Executive

Financial review

Financial performance

Sales decreased by 18% or £295.8 million to £1,336.2 million on a reported basis (2019: £1,632.0 million). LFL sales decreased by £159.2 million (-11%) and the impact of disposals, net of acquisitions, reduced sales by £136.5 million (-8%), whilst favourable foreign exchange movements contributed £0.1 million.

Adjusted operating profit decreased by 33% or £84.5 million to £173.6 million on a reported basis (2019: £258.1 million). LFL adjusted operating profit decreased by £61.0 million (-26%) and the impact of disposals, net of acquisitions was £24.3 million (-9%), whilst favourable foreign exchange movements contributed £0.8 million.

Adjusted operating margins reduced by 280bps, with LFL adjusted operating margins down 270bps compared to 2019. The reduction in the LFL operating margin was due to a 160bps decrease in LFL gross margin to 55.0% (2019: 56.6%), reflecting the high drop-through on the adverse sales volume partially offset by favourable pricing, procurement and production overhead cost savings. This was partially offset by an 8% reduction in LFL overheads. Savings were generated from the cost reduction initiatives put in place across the Group, including hiring freezes, furloughs, part-time working, lower incentive-related accruals and restructuring. These initiatives, as well as significantly lower travel costs, more than offset overhead cost inflation and an increase in depreciation and bad debt provisions.

Investment in our R&D programmes amounted to £92.0 million or 6.9% of sales (including £7.3 million of capitalised development costs) (2019: £100.9 million or 6.2% of sales, including £7.3 million of capitalised cost). R&D investment costs decreased by 1.1% on a like-for-like basis in the year to 31 December 2020.

	2020 £m	2019 £m
Adjusted operating profit	**173.6**	258.1
Restructuring costs	**(19.5)**	(52.2)
Net transaction-related costs and fair value adjustments	**(19.4)**	(6.1)
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	**(0.7)**	(1.0)
Profit on disposal of property	**-**	5.2
Impairment of goodwill	**(58.4)**	(35.1)
Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment	**(98.9)**	(84.6)
Statutory operating (loss)/profit	**(23.3)**	84.3

The statutory operating loss was £23.3 million, a decrease in profit of £107.6 million compared to the 2019 statutory operating profit of £84.3 million. This decrease results from a £177.8 million volume-driven gross profit reduction, offset by a £70.2 million reduction in SG&A expenses. Restructuring costs in the period were £19.5 million. Net transaction costs of £19.4 million were incurred relating to the disposals of Millbrook and B&K Vibro and a number of potential acquisition opportunities, including the costs associated with the pursuit of a US-listed business, which resulted in the £23.2 million investment gain discussed below. Impairment of goodwill in 2020 relates entirely to the Millbrook business, as does £67.5 million of the amortisation and impairment of intangible assets and other property, plant and equipment, with the remaining £31.4 million mainly due to the amortisation and impairment of ongoing activities. Statutory operating margins of -1.7% were 690bps lower than 2019 (5.2%).

Statutory loss before tax of £4.1 million (2019: £259.3 million profit before tax) is calculated after charging net finance costs of £8.4 million (2019: £3.5 million), lower predominantly as a result of foreign exchange gains in 2019, and benefits from a £23.2 million gain on fair value on equity investments, and £4.4 million predominantly in relation to a net profit on disposal from the sale of the Malvern Panalytical rheology range and the EMS B&K joint venture. Adjusted profit before tax decreased by 33% to £166.4 million (2019: £247.4 million).

The effective tax rate on adjusted profit before tax was 21.8% (2019: 21.4%), an increase of 40bps. On a statutory basis, there is a tax charge on the loss before tax (effective tax rate: -314.6%, 2019: 9.7%), primarily resulting from impairment charges which do not give rise to tax relief. In 2021, the Group expects its effective tax rate on adjusted profit before tax to be broadly in line with the rate in 2020.

The Group's approach to tax matters is set out in its tax strategy which, in compliance with the Finance Act 2017, has been made available on our website at www.spectris.com/sustainability/tax-strategy.

Restructuring costs

The Group has incurred costs of £19.5 million relating to restructuring in 2020 (2019: £52.2 million). These restructuring costs include £8.2 million related to impairments and disposal of owned and right of use property, plant and equipment, £7.8 million of staff-related costs including redundancy and related costs and £3.5 million of other costs.

Acquisitions, disposals and other investments

The Group completed one acquisition during the year with a net cash cost of £2.6 million. £8.3 million was paid in respect of prior year acquisitions, making the net cash outflow in the year £10.9 million. Furthermore, the Group incurred a £19.4 million expense on transaction-related costs, of which £13.6 million was a cash outflow during the year, which makes the total transaction-related cash outflow for the year £24.5 million.

In support of a potential acquisition opportunity, the Group acquired a minority holding in a US-listed entity for a total consideration of £15.2 million. At the year end, our holding was valued at £38.3 million, resulting in a mark-to-market gain of £23.2 million.

On 31 January 2020, the Group sold its interest in the Malvern Panalytical rheology product range to Netzsch Group for consideration of £8.8 million in cash, generating a profit on disposal of £5.9 million. The net assets disposed were £2.1 million, and transaction costs were £0.8 million. The Consolidated Statement of Cash Flows includes £6.9 million of net proceeds from this disposal, which consists of £8.8 million of sales proceeds offset by £1.1 million of tax payments on the disposal and £0.8 million of transaction cost-related payments.

On 28 February 2020, the Group sold its interest in the EMS B&K joint venture for total consideration of £17.7 million, consisting of £16.8 million in cash received in 2020 and £0.9 million in shares in Envirosuite Limited. The net assets disposed were £18.1 million and transaction costs incurred in 2020 were £0.1 million, resulting in a loss on disposal of £0.5 million. The Consolidated Statement of Cash Flows includes £14.0 million of net proceeds related to the EMS B&K joint venture, consisting of £16.8 million in cash proceeds from the sale of the interest offset by £2.6 million payment of deferred consideration relating to the 2018 disposal and £0.2 million of transaction cost related payments.

Also included in profit on disposal of business, is £1.0 million of transactions costs on the sale of BTG. The Consolidated Statement of Cash Flows includes £0.3 million of net payments from the sale of BTG. This consists of £1.2 million of tax payments on the disposals and £0.9 million of transaction fees, offset by £1.8 million of deferred consideration received in cash.

On 10 December 2020, the Group announced that agreement had been reached for the sale of the Group's B&K Vibro and Millbrook businesses, which form part of the Industrial Solutions division. The transactions were subject to customary completion conditions and regulatory approvals. The Millbrook sale completed on 1 February 2021. Completion of the sale of B&K Vibro is expected to take place on 1 March 2021.

During 2020, the Group entered into preliminary discussions for the disposal of Concept Life Sciences' legacy food testing business based in Cambridge, and the sale was completed on 5 January 2021 for sales proceeds of approximately £6 million. This business forms part of the Malvern Panalytical Platform operating segment.

The above operations have been classified as disposal groups held for sale and presented separately in the Consolidated Statement of Financial Position.

The proceeds from the B&K Vibro and the Concept Life Sciences' food testing businesses 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.
Details of the impairment recognised on classification of the Millbrook business as held for sale are provided below.

Impairment of goodwill, acquisition-related intangible assets and other property, plant and equipment

During the year, £58.4 million was recognised as an impairment of goodwill (2019: £35.1 million) and £70.9 million impairment recognised in the amortisation and impairment of acquisition-related intangible assets and other property, plant and equipment line of the Consolidated Income Statement (2019: £47.1 million).

An impairment of the whole of Millbrook's goodwill balance of £58.4 million, £11.0 million of other intangibles and £6.4 million of other property, plant and equipment was charged to the Consolidated Income Statement during the first half of 2020, reflecting the recoverable amount at that time.

During the second half of 2020, a comprehensive sale process relating to Millbrook was concluded resulting in the announcement on 10 December 2020, that agreement had been reached for the sale of the Millbrook business. The structure of the transaction provided an immediate cash inflow plus the chance to participate in the future performance of the combined group, which will now be able to provide a more extensive and comprehensive range of services to its clients. The commercial valuation achieved resulted in a further impairment of £44.8 million of property, plant and equipment and £5.3 million of other intangible assets.

Cash flow

Adjusted cash flow	**2020** **£m**	2019 £m
Adjusted operating profit	**173.6**	258.1
Adjusted depreciation and software amortisation[1]	**60.7**	58.3
Working capital and other non-cash movements	**53.1**	(0.6)
Capital expenditure, net of grants related to capital expenditure	**(42.9)**	(81.6)
Adjusted cash flow[2]	**244.5**	234.2
Adjusted cash flow conversion	**141%**	91%

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.

Adjusted cash flow improved by £10.3 million to £244.5 million during the year, resulting in an adjusted cash flow conversion rate of 141% (2019: 91%). The improvement was driven by proactive working capital management resulting in a reduction in inventories and trade receivables. Capital expenditure was lower throughout the Group as a result of prudency in spending commitments earlier in the year. Given the momentum in the fourth quarter, we expect capital expenditure to be higher in 2021 at circa £50 million.

Capital expenditure (net of grants related to capital expenditure) on property, plant and equipment and intangible assets during the year of £42.9 million (2019: £81.6 million) equated to 3.2% of sales (2019: 5.0%) and was 71% of adjusted depreciation and software amortisation (2019: 140%).

Other cash flows	2020 £m	2019 £m
Tax paid	**(28.6)**	(37.0)
Net interest paid	**(4.5)**	(6.3)
Dividends paid	**(75.7)**	(72.3)
Acquisition of businesses, net of cash acquired	**(10.9)**	(9.7)
Transaction-related costs paid	**(13.6)**	(1.6)
Purchase of equity investments	**(15.2)**	-
Proceeds from disposal of businesses, net of tax paid of £2.3 million (2019: £1.9 million)	**20.6**	260.1
Loan repaid by/(made to) joint venture	**3.0**	(2.2)
Lease payments and associated interest	**(21.6)**	(20.5)
Adjusting proceeds from disposal of property	**-**	9.1
Restructuring costs paid	**(15.1)**	(34.3)
Net proceeds from exercise of share options	**0.3**	1.0
Foreign exchange	**(10.6)**	10.1
Total other cash flows and foreign exchange	**(171.9)**	96.4
Adjusted cash flow	**244.5**	234.2
Increase in net cash	**72.6**	330.6

Financing, treasury and going concern

The Group finances its operations from both retained earnings and third-party borrowings. The 31 December 2020 gross debt balance consists of fixed rate borrowings of £104.5 million plus bank overdrafts of £15.3 million.

In determining the basis of preparation for the Consolidated Financial Statements, the Directors have considered the Group's available resources, current business activities and factors likely to impact on its future development and performance, including the impact of COVID-19 on the Group, which are described in the Chief Executive's Review, Financial Review and Operating Review.

As at 31 December 2020, the Group had £690.5 million of committed facilities denominated in different currencies, consisting of an $800.0 million (£586.0 million) revolving credit facility maturing in July 2025 and a seven-year €116.2 million (£104.5 million) term loan maturing in September 2022. From these facilities, the Group had total gross borrowings of £104.5 million at 31 December 2020. The revolving credit facility ('RCF') was undrawn at 31 December 2020. During the year, the Group requested a further one-year extension of its $800 million RCF, as permitted under the agreement. The extension was approved by all ten banks in the syndicate, ensuring the Group continues to have access to the full amount under the facility until July 2025.

These facilities have a leverage (net debt/EBITDA) covenant of up to 3x for the term loan and up to 3.5x for the RCF. The Group regularly monitors its financial position to ensure that it remains within the terms of its banking covenants. At 31 December 2020, interest cover (defined as adjusted earnings before interest, tax and amortisation divided by net finance charges) was more than 40 times, against a minimum requirement of 3.75 times, and leverage (defined as adjusted earnings before interest, tax, depreciation and amortisation divided by net cash/(debt)) was less than zero due to the Group's net cash position, against a maximum permitted leverage of 3 times.

In addition to the above, after adjusting for £3.7 million of cash and cash equivalents reported under Assets held for sale, at 31 December 2020, the Group had a cash and cash equivalents balance of £225.9 million and various uncommitted facilities and bank overdraft facilities available, resulting in a net cash position of £106.1 million, an increase of £72.6 million from £33.5 million at 31 December 2019.

In April 2020, Spectris successfully applied for access to the Bank of England's Covid Corporate Financing Facility ('CCFF'), resulting in the ability to raise up to £600 million of additional short-term funding, if required, before 23 March 2021 by issuing commercial paper for purchase by the Bank under the programme. The Group is under no obligation to utilise the facility and, in view of the Group's other undrawn facilities and current financial position, we do not anticipate accessing the programme before its expiry.

The Group has prepared and reviewed cash flow forecasts, which reflect forecasted changes in revenue across its business as set out and compared these to a reverse stress test of the forecasts to determine the extent of downturn which would result in a breach of covenants. Assuming similar levels of cash conversion as experienced in recent months since the outbreak of COVID-19 occurred, a monthly decline of revenue well in excess of that experienced in any month during 2020 would need to persist throughout the entire going concern period for a covenant breach to occur, which is considered very unlikely. In addition, the reverse stress test does not take in account any mitigating actions which the Group would implement in the event of a severe and extended revenue decline, which would increase the headroom further. 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 the foreseeable future, 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.

Net bank interest costs for the last 12 months were covered by adjusted operating profit 42 times (2019: 35 times).

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 flows where there is reasonable certainty of an exposure. At 31 December 2020, approximately 66% of the estimated transactional exposures for 2021 were hedged using forward exchange contracts, mainly against Sterling, the Euro, the US Dollar and the Danish Krone.

The largest translational exposures during the period 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.

	2020 (average)	2019 (average)	Change	**2020 (closing)**	2019 (closing)	Change
US Dollar (USD)	**1.28**	1.28	-	**1.37**	1.32	4%
Euro (EUR)	**1.12**	1.14	(2%)	**1.11**	1.17	(5%)
Chinese Yuan Renminbi (CNY)	**8.85**	8.82	-	**8.92**	9.18	(3%)

During the year, currency translation effects resulted in operating profit being £0.8 million higher (2019: £3.0 million higher) than it would have been if calculated using prior year exchange rates. Transactional foreign exchange losses of £1.1 million (2019: £3.5 million loss) were included in administrative expenses, whilst sales include a gain of £0.2 million (2019: £2.9 million loss) arising on forward exchange contracts taken out to hedge transactional exposures in respect of sales.

Brexit

The Group operates in a range of end markets that remain exposed to Brexit developments. Mitigating actions have been put in place following enhanced analysis, including stress testing to determine severe but plausible potential scenarios, and the Group is continuously monitoring events. As part of this analysis, management have considered the measurement impact on the Group's balance sheet. Now that the UK has officially left the EU, close attention is being paid to potential trade deals and their associated impact, both positive and negative, on the Group. Although the longer term outcome of Brexit remains difficult to quantify, we do not expect the direct consequences of Brexit to have a material impact to the Group.

Dividends and share buyback

The Board is proposing to pay a final dividend of 46.5 pence per share (2019: 43.2 pence) which, combined with the interim dividend of 21.9 pence per share (2019: 21.9 pence) paid in November, gives a total dividend of 68.4 pence per share for the year (2019: 65.1 pence), an increase of 5%.

The Board has reviewed the balance sheet in light of the better than expected performance at the end of the year and the outlook for 2021. Given the net cash position and highly cash generative nature of the business, it has approved a £200 million share buyback programme. This still allows adequate bandwidth for M&A opportunities whilst maintaining the Group's leverage discipline.

Annual Report

The Annual Report will be made available to shareholders in March 2021, either by post or online, and will be available to the general public on the Company's website at www.spectris.com or on written request to the registered office at Heritage House, Church Road, Egham, Surrey TW20 9QD.

Operating review

	Malvern Panalytical		HBK		Omega		Industrial Solutions		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Sales (£m)	**372.5**	448.2	**392.6**	429.0	**119.2**	138.3	**451.9**	616.5	**1,336.2**	1,632.0
LFL sales growth/(decline) (%)	**(13%)**		**(9%)**		**(13%)**		**(9%)**		**(11%)**	
Adjusted operating profit (£m)	**54.9**	76.2	**49.1**	60.4	**8.7**	16.9	**60.9**	104.6	**173.6**	258.1
LFL adjusted operating profit growth/(decline) (%)	**(27%)**		**(20%)**		**(49%)**		**(25%)**		**(26%)**	
Adjusted operating margin (%)	**14.7%**	17.0%	**12.5%**	14.1%	**7.3%**	12.2%	**13.5%**	17.0%	**13.0%**	15.8%
LFL adjusted operating margin change (bps)	**(280bps)**		**(170bps)**		**(500bps)**		**(290bps)**		**(270bps)**	
Statutory operating profit/(loss) (£m)	**44.6**	(17.7)[1]	**14.2**	18.1[2]	**1.2**	12.0	**(83.3)[3]**	71.9	**(23.3)**	84.3
Statutory operating margin (%)	**12.0%**	(3.9%)	**3.6%**	4.2%	**1.0%**	8.7%	**(18.4%)**	11.7%	**(1.7%)**	5.2%
Sales % of Group sales	**28%**	27%	**29%**	26%	**9%**	9%	**34%**	38%	**100%**	100%

1. The statutory operating loss of £17.7 million was largely impacted by the £67.5 million impairment of goodwill and intangible assets in CLS.
2. The statutory operating profit of £18.1 million was largely impacted by the costs of restructuring and impairment of intangible assets as a result of the strategic review.
3. The statutory operating loss of £83.3 million was largely impacted by the £125.9 million impairment of goodwill, other acquisition-related intangible assets and other property, plant and equipment at Millbrook.

Throughout this Operating Review, all commentary refers to the adjusted LFL measures unless otherwise stated. A reconciliation of adjusted measures to statutory measures for all segments can be found in Note 2.

Malvern Panalytical

	2020	2019	Change	LFL change
Sales (£m)	**372.5**	448.2	(17%)	(13%)
Adjusted operating profit[1] (£m)	**54.9**	76.2	(28%)	(27%)
Adjusted operating margin[1] (%)	**14.7%**	17.0%	(230bps)	(280bps)
Statutory operating profit/(loss) (£m)	**44.6**	(17.7)	n/a	
Statutory operating margin (%)	**12.0%**	(3.9%)	1590bps	

1. This is an alternative performance measure ('APM'). APMs are defined in full and reconciled to the reported statutory measures in Note 2 to the Financial Statements.

Financial performance

Sales decreased 17% to £372.5 million, reflecting a 13% decrease in LFL sales, a minimal negative impact from foreign currency exchange movements and a 4% impact from disposals (the rheology and environmental consultancy and testing businesses). All regions saw lower LFL sales with North America faring slightly better than Asia and Europe. All geographies saw an improved performance in the second half, with China posting 7% growth in this period. Orders, similarly, had an improved performance in the second half. Our order book is stronger than in prior years and with customers having adapted to COVID-19-related restrictions and our now extended experience in remote working, we have a positive outlook for 2021.

On a LFL basis, adjusted operating profit decreased 27% and adjusted operating margins declined 280bps. Despite an adverse volume and mix impact, gross margin improved. Overheads were lower, reflecting favourable production overheads, receipt of government subsidies, employee costs savings, a reduction in discretionary spend, including travel and entertainment, and lower selling costs.

Strategic initiatives and product launches

During 2020, Malvern Panalytical launched a number of new products to enhance its customer offering, with software, services and analytics being a key focus area. In June, Amplify Analytics was launched, combining Malvern Panalytical's instruments, analytical expertise, and pharmaceutical discovery and development services. Amplify Analytics focuses on accelerating and de-risking drug development by helping customers rapidly identify those drug candidates that meet bio-availability and processability requirements.

OmniTrust was launched in October, offering a new, comprehensive suite of data integrity and compliance software solutions for regulated environments, such as pharmaceutical development and manufacture. In combination, OmniTrust and Amplify Analytics services and software provide a powerful partnership of instruments, analytics know-how and validation support. The combination enables customers to ensure accelerated and successful development, whilst easing the regulatory burden associated with data integrity and compliance.

In July, a new and expanded Zetasizer range was unveiled. The Zetasizer Advance gives greater flexibility for customers, including the ability to upgrade the instrument remotely, to both match and future-proof customer requirements across a wide variety of applications. In August, Malvern Panalytical launched its new 1Der ('Wonder') detector for its Empyrean X-ray diffractometer ('XRD') platform. This new addition has improved processing sensitivity that excludes unwanted fluorescence background from the final data, providing significant increases in XRD system capability and a step-change in data quality.

In January 2021, the legacy Concept Life Sciences' food testing business was sold. It is based in a single site laboratory and serves UK-based food retailers, food processors and manufacturers. The sale was undertaken given the lack of synergy with the food instrumentation business of Malvern Panalytical.

Market trends and outlook

Pharmaceutical and food

LFL sales to the pharmaceutical sector were slightly up in 2020, with a decline in the first half of the year offset by good growth in the second half. LFL sales into Europe were flat, with Asia lower year-on-year, although China recorded good growth. North America saw a notable recovery with a strong second half, leading to good growth for the full year. We see opportunities in both North America and China returning to pre-COVID levels in 2021. This is supported by an increase in onshoring in the traditional small molecule areas in these two markets, prompting investment in pharmaceutical facilities as healthcare providers look to increase the robustness of supply chains. We see good opportunities for our new Amplify Analytics solutions, as customers seek to access additional expertise, to de-risk and accelerate their development pipelines.

Although COVID-19 led to an initial pause in activity in the first half of 2020, due to laboratory closures and social distancing requirements, there has been a significant uplift across the industry in support of vaccine and viral vector manufacturing. The growth rate for the vaccine market is projected to double as a result, with the largest markets being North America, Europe, China and India. Malvern Panalytical has supported the global effort to develop treatments and new vaccines, providing analytical instruments and expert support to vaccine labs around the world. For example, its Zetasizer systems and applications expertise have been used in the development and production of a COVID-19 antigen test as well as supporting rapid development of the manufacturing process for vaccines. We are also seeing accelerated investment in the research, development and manufacture of novel drug delivery systems and biologics-based therapies.

Demand at academic research institutes was also impacted earlier in the year by closures. Although activity levels have risen, new lockdowns, such as those announced in Europe, will continue to have an impact. Revenue in this particular segment is therefore not expected to return to 2019 levels this year. We will continue to look for opportunities within industry, for example from pharmaceutical companies, as this is where government funding is focused in response to COVID-19.

LFL sales to the food sector were lower and although more resilient within manufacturing and quality control, we saw customers dedicating less time to food development projects. However, the continued focus on sustainable sourcing and manufacture, food quality and safety, represent opportunities relevant to our solution portfolio moving forward.

Primary materials

LFL sales were notably lower year-on-year, with all regions impacted by COVID-19 installation delays. Sales into Europe were down more markedly than other regions and have remained slow.

Within mining, social distancing requirements earlier in the year meant some sites were closed or placed on restricted operations, leading to lower demand. An economic recovery will drive demand, which is already increasing in certain countries, with India, south-east Asia and Australia seeing a revival in mining and building materials. A key contract win in this area was with Hyundai Steel to develop the world's first XRD on-line system to monitor the galvannealed coating of steel.

Amongst oil and chemicals customers, we have seen a material decline in requests from petrochemical companies. Recovery is expected to be slow as companies close sites and rationalise their businesses to focus on value over volume.

In the metals market, the second half performance was significantly better, but with many metal suppliers dependent on customers significantly impacted by COVID-19 (e.g. automotive), we expect this market to be uncertain in the near-term, and potentially recovering in the second half of 2021.

Against this backdrop, customers will need to further focus on delivering improved yields, productivity, product quality and lowering cost. This is a helpful trend towards greater automation and digital solutions, as well as a focus on sustainability. Malvern Panalytical is well placed to help customers deliver on these fronts and will look to provide customer specific products, services and specialised solutions to its extensive installed base to generate additional revenues.

Advanced materials

LFL sales to advanced materials customers were also lower year-on-year. With research institutes being closed, demand reduced in the first half of 2020, although we saw a strong return in the second half. Lower demand from the automotive and aerospace sectors has been a negative factor in additive manufacturing. However, we expect this softening to be temporary and for investment to expand. COVID-19 demonstrated with PPE and medical devices how this versatile technology can help with shorter production runs, on-demand solutions and more resilient supply chains.

Demand within the battery segment also declined. However, given the prevalence of emerging battery technologies and growth in electric vehicles and new applications, we expect demand to recover in 2021. This is especially the case in R&D where our instruments help customers control both the quality and function of battery materials, enhancing both performance and cycle life.

We expect growth in this sector overall to recover in the second half of 2021, with Asia being the key driver. Other trends, such as a greater environmental focus and a shift to digital solutions, will support the research, development and manufacturing of these new materials.

HBK

	2020	2019	Change	LFL change
Sales (£m)	**392.6**	429.0	(8%)	(9%)
Adjusted operating profit[1] (£m)	**49.1**	60.4	(19%)	(20%)
Adjusted operating margin[1] (%)	**12.5%**	14.1%	(160bps)	(170bps)
Statutory operating profit (£m)	**14.2**	18.1	(21.5%)	
Statutory operating margin (%)	**3.6%**	4.2%	(60bps)	

1. This is an alternative performance measure ('APM'). APMs are defined in full and reconciled to the reported statutory measures in Note 2 to the Financial Statements.

Financial performance

HBK delivered a resilient performance in 2020. For the year, LFL sales only decreased 9%, with a robust machine manufacturing sector, offset by broader weakness in the automotive sector. There was a 1% positive impact from foreign currency exchange movements leading to an overall 8% sales decline.

In North America, growth in aerospace, defence and machine manufacturing offset lower sales to automotive customers, such that LFL sales were flat. Europe and Asia both recorded a notable decrease in LFL sales, although there was very strong growth to machine manufacturers in Europe.

Adjusted operating profit decreased 20% on a LFL basis, while LFL adjusted operating margin decreased 170bps. The restructuring activities through the merger and other measures taken in 2020 have better positioned HBK. The impact of lower volume and adverse mix was partly mitigated by improved pricing, labour cost reductions and resilient software sales. Net overheads, a key focus area of the merger activities, were also lower, with operational improvements arising from the profit improvement programme and temporary COVID-19-related cost saving measures .

Strategic initiatives and product launches

As part of its ongoing merger initiatives, HBK has been building a global standardised operating model for sales covering organisational structure, processes and tools. In support of this, a new singular customer engagement platform has been selected and will be deployed in 2021. Alongside this, a digital marketing transformation project has been initiated. Both of these programmes will enhance the sales and marketing effort in order to further drive growth and better serve customers.

Following the launch last year of HBK's new eDrive testing system for electrical inverters and machines, new products have been launched to extend the offering to a more complete e-powertrain testing and optimisation offering, as well as expanding into eGrid (energy distribution systems) testing. The new package for eDrive and eGrid consists of measurement hardware, intuitive software packages and accessories, designed to optimise costs.

Simulation in product design and development is becoming more prevalent and more important. To tap into this trend, HBK's existing noise and vibration simulation technology was consolidated into VI-grade in the first half of 2020, with a new suite of simulator and simulation tools made available. The combination provides a unique set of tools to simulate noise, vibration and harshness, driving dynamics and advanced driver assistance systems ('ADAS'). New products included the initial release of WorldSim, a rich and immersive simulation software environment for testing ADAS and autonomous driving scenarios. With the release of the DiM®400 platform, VI-grade also launched a new line of high-performance and highly scalable, cable-driven driver-in-motion simulators. It brings a host of new technologies to advance driving – including a longer exposure to steady state acceleration and better immersion through improved motion. A key customer order for VI-grade's products was from Goodyear in the USA for its DiM®250 simulators.

During the year, VI-grade acquired IMTEC Engineering ('IMTEC'), a provider of larger vehicle driving simulators and machine automation systems. With this new addition, VI-grade augments its offering, blending the software pedigree and expertise of VI-grade with the mechatronic hardware expertise of IMTEC, to help customers reduce time-to-market for new products, while lowering risk and cost. Prior to acquisition, IMTEC was awarded a project by a major automotive OEM to build a full-scale vehicle vibration simulator.

With several new launches in 2020, HBK has further advanced its leadership in force measurement technology. New ultra-miniature transducers, highly robust strain gauge-based force washers and miniature force sensors, with in-line amplifiers, have been added to the portfolio. The latest addition is a further step in building a portfolio of smart sensors.

During the year, HBK also launched B&K Tescia, a new software solution targeting high channel count vibration, acoustics testing and monitoring of rotating machinery. The system incorporates unique capabilities and a user-centric workflow to reduce set-up time, safeguard the equipment under test, and improve data quality and test-result validation. The system is structured to address the needs of users for each stage in the testing process.

Market trends and outlook

Automotive

Within automotive, a material reduction in sales reflected the impact of a continued slowdown in the overall sector where the OEMs have faced lower cashflows. LFL sales fell in all regions, with a more marked decline in Europe and after LFL sales growth in the first half of 2020 in North America, sales were down notably in the second half.

The electric vehicle market continues to remain a bright spot as OEMs maintain spend on R&D budgets in this area. Manufacturers are competing to release newer electric and hybrid models to capture market share. HBK secured a large order for its QuantumX and Somat XR data acquisition systems from a major European automotive OEM to be used for powertrain, battery and component part testing.

Machine manufacturing

LFL sales to the machine manufacturing sector rose strongly during the year. Sales into North America were particularly strong due to the exposure to the automotive supply chain, which rebounded quickly, and good onward demand for weighing technologies from the process and medical markets. LFL sales also rose very strongly in Europe reflecting similar trends, but were lower in Asia.

Aerospace and defence

LFL sales to this sector declined sharply, driven by Europe and Asia. In contrast, North America posted very strong growth, with a particularly robust performance in the second half. Although the commercial aerospace sector has been heavily impacted by COVID-19 and disruption is expected to continue in 2021, HBK's exposure to commercial aviation is limited and aerospace firms have kept large investment programmes running. Investment in new carbon-neutral propulsion concepts using hybrid or full electric concepts, as well as hydrogen or synthetic fuels, is expected to support demand going forward. HBK is more exposed to defence and satellite/space markets where there has been less of an impact on spending, and this has underpinned the growth in North America within the software and services area. Key wins in analysis software, vibration testing and data acquisition underpinned continued growth in the sector.

Consumer electronics and telecoms

LFL sales to electronics and telecoms customers were notably lower in the year, with both Europe and Asia much weaker, whilst sales were flat in North America. Underlying demand in the consumer electronics and telecoms markets was impacted by the continued weaker macro-economic backdrop and the resulting lower levels of customer spending. We would expect demand to improve as we go through 2021. A notable order received in the year was from a virtual reality equipment manufacturer for HBK's high-frequency head and torso simulators ('HATS') to assess acoustical performance during development. Building on the success of HATS since its launch in 2017, a new tabletop version was launched in 2020 to support customers looking to test headphones on their desk or in small anechoic chambers.

Omega

	2020	2019	Change	LFL change
Sales (£m)	**119.2**	138.3	(14%)	(13%)
Adjusted operating profit[1] (£m)	**8.7**	16.9	(49%)	(49%)
Adjusted operating margin[1] (%)	**7.3%**	12.2%	(490bps)	(500bps)
Statutory operating profit (£m)	**1.2**	12.0	(90%)	
Statutory operating margin (%)	**1.0%**	8.7%	(770bps)	

1. This is an alternative performance measure ('APM'). APMs are defined in full and reconciled to the reported statutory measures in Note 2 to the Financial Statements.

Financial performance

LFL sales decreased 13%. There was a 1% negative impact from foreign currency exchange movements, resulting in reported sales being 14% lower year-on-year. Omega has a high exposure to North America (69%), where it recorded a notable decline in LFL sales, the majority of which was driven by the temporary closure of many US businesses during COVID-19 lockdowns. Similarly, LFL sales growth was notably lower in Europe. In contrast, Asia experienced growth, driven by a very strong performance in South Korea reflecting high electronics and semiconductor demand and market share gains.

LFL adjusted operating profit declined 49% and LFL operating margins fell 500bps. This resulted from the lower LFL sales and headwinds in overheads, due to higher licence and depreciation costs in relation to the new digital platform, partially offset by other cost reductions.

Strategic initiatives and product launches

The performance of Omega remains unsatisfactory. In October, Amit Agarwal was appointed as the new President. Amit has spent over 20 years with Thermo Fisher Scientific, including a three-year period leading Cole-Parmer Instrument Company; the scientific, laboratory, industrial equipment and supplies distribution business. He started his career in finance, before spending the last 14 years managing global businesses based in the USA, Australia and India, where he led several turnarounds and delivered growth. He brings significant and relevant experience to lead the required turnaround in performance.

Achieving greater scale through organic sales growth is a key requirement for the recovery in performance at Omega. Four focused initiatives have been enacted to drive above market growth and in turn, recover lost margin: enhancing the digital experience; expanding the sales channels; accelerating product development and improving operational performance.

Omega made progress in all four focus areas last year, despite the COVID-19-related disruption. Further refinements to the digital platform were implemented through 2020, completing in November, to simplify the user experience and improve search functionality. Additional enhancements are planned for 2021 to improve functionality and enhance product content.

Efforts to increase sales growth through focusing on key accounts and under-penetrated channels started to bear fruit. Omega has been expanding its distribution channels both in North America, and globally, by developing new partnerships to complement its omni-channel go-to-market strategy. For example, in 2020, it notably increased the revenue through its partnership with Newark (part of Avnet group) in the USA and is now looking to expand this partnership into Europe and Asia. Its efforts to develop strategic accounts also made progress, with a key win in 2020 to supply temperature sensors, pressure sensors and load cells to a major space exploration customer.

Investment was maintained in R&D and Omega launched 94 new products in key growth areas. The temperature offering was broadened in response to greater demand. To enable customers to achieve excellent repeatability or eliminate point measurement errors in high-speed processes, Omega launched several new infra-red sensors. These are used to measure objects in motion across a wide range of applications from food processing, automotive and asphalt. Omega also introduced a new range of resistance temperature detectors ('RTD's). The new PR RTD Series now offers higher accuracy, extreme temperature measurements for semiconductor, food and beverage and R&D applications.

As a result of COVID-19, Omega significantly increased the supply of its hand-held temperature products, such as the OS820-series digital display forehead thermometer, used as a non-contact screening device to measure body temperature. This is suitable for initial screening in areas such as large gatherings, buildings, factories, schools and universities.

In pressure, Omega released the first wave of the DPG509 series, a digital pressure gauge designed to offer a broad range of configurations with its modular design. A new, user-friendly interface has been incorporated alongside an engineered thermoplastic housing to provide greater durability in harsh environments and a longer-lasting power supply.

In flow, Omega added a compact, Bluetooth-compatible, electromagnetic flow meter to its portfolio. This product is compatible with most established industrial networking systems and captures the growing demand for lower-cost electromagnetic flow meters for non-hazardous location use, providing reliable monitoring of industrial, cooling, heating or rinsing water.

We expect the trend towards greater connectivity and wireless sensing to continue to grow. Through the course of 2020, Omega expanded its IIoT solution range to provide customers with an eco-system of smart devices that provides more insight and control, allowing access to process data remotely and on demand. This helps Omega's customers accurately measure environmental conditions for a wide range of applications and connect and display the information in one place via Omega's cloud-based solution.

Significant progress was also made in improving operational performance and customer satisfaction, with 35 kaizen events undertaken in 2020. The kaizen events focused on material flow, production cell layout optimisation and the creation of more flexible assembly capabilities to support Omega's configurable product offering.

Market trends and outlook

Industrial production was negatively impacted globally by COVID-19. Consequently, LFL sales growth was down in North America, with the main driver being the temporary closure of many US businesses during the various lockdowns. Growth is expected to be modest in the first six months of 2021, with the recovery gaining pace in the second half. US industrial production is expected to grow, rising through 2023.

In Europe, LFL sales decreased, also impacted by nationwide lockdowns and customers not being able to access premises. In contrast, LFL sales in Asia increased, led by strong performance in South Korea, due to high demand from customers in the semiconductor market and continued share gains. The global semiconductor market is on track for further growth in 2021 with global wafer shipments expected to reach a record high in 2022, despite geopolitical tensions and the COVID-19 pandemic.

Industrial Solutions

	2020	2019	Change	LFL change
Sales (£m)	**451.9**	616.5	(27%)	(9%)
Adjusted operating profit[1] (£m)	**60.9**	104.6	(42%)	(25%)
Adjusted operating margin[1] (%)	**13.5%**	17.0%	(350bps)	(290bps)
Statutory operating (loss)/profit (£m)	**(83.3)**	71.9	n/a	
Statutory operating margin (%)	**(18.4%)**	11.7%	(3010bps)	

1. This is an alternative performance measure ('APM'). APMs are defined in full and reconciled to the reported statutory measures in Note 2 to the Financial Statements.

Financial performance

In 2020, LFL sales only decreased 9%. There was a minimal impact from foreign currency exchange movements and an 19% negative impact from the disposal of BTG, resulting in reported sales falling 27% to £451.9 million. On a regional basis, LFL sales fell in all regions, more so in Asia although orders in this region grew. For the division overall, orders only declined 3% for the year, setting up a stronger 2021. Key order highlights included significant growth to key electronics and semiconductor customers at Particle Measuring Systems ('PMS'), food and drink customers at NDC Technologies and healthcare at Servomex. LFL adjusted operating profit decreased 25% and LFL adjusted operating margins decreased 290bps. This primarily resulted from the decrease in LFL sales. Notably, Servomex and PMS, which are higher margin, were particularly resilient, with only a 6% and 4% sales decline, respectively. Overheads were lower from the successful implementation of the profit improvement programme and temporary costs measures across the operating companies.

Divisional strategy

In February 2021, Mary Beth Siddons joined Spectris as the Business Group Director, ISD, replacing Andy Cowan who returned to his role as Finance Director, ISD. Mary Beth brings extensive experience in leading and successfully developing global industrial businesses, optimising operations and driving profitability. She was previously Sector President at Marmon Group, a Berkshire Hathaway Company, responsible for the strategic direction of 15 global businesses and prior to that, was CEO of Spatz Laboratories and spent more than seven years at Illinois Tool Works.

Good progress has been made in executing the strategy in 2020, improving the performance of the businesses, as well as executing on the divestment strategy. In December, the divestments of B&K Vibro and Millbrook were announced for headline values of £163 million (23x EBITDA) and £133 million (23x EBITDA), respectively. Both businesses were dilutive to the Division's and Group's profitability, and the sale of Millbrook significantly reduces the future capital expenditure profile for the Group. The Millbrook divestment completed in February with that of B&K Vibro expected in March 2021. The divestment of these businesses enhances the margin for the Industrial Solutions Divisions. On a pro-forma basis, the adjusted operating margin in 2020, excluding B&K Vibro and Millbrook, would have been 18.1%, with only a 51bps reduction compared with 2019.

Market trends and outlook

Semiconductor and electronics

Sales to the semiconductor industry declined notably due to a strong comparator in 2019, with much lower sales in Asia, in particular South Korea and China. In contrast, orders have grown very well, including expansion in North America and China. PMS continue to benefit from the growth drivers in the semiconductor industry, with rising demand for chips expected to drive an increase in global fabricated equipment spending in 2021. In particular, it has seen strong order growth in particle measuring counters and cleanroom monitors coming from chip manufacturers.

Sales in electronics recovered in 2020, recording strong growth, driven by a recovery in North America and Asia. The pipeline for sales into the electronics industry continues to strengthen supported by LED demand in consumer products, cloud computing and 5G infrastructure roll-out, as well as the development of new consumer 'smart' electronic products.

Pharmaceutical and life sciences

The pharmaceutical and life sciences industries saw strong LFL sales growth in 2020, particularly so in North America, and good growth in Asia. Demand from pharmaceutical customers is increasing due to the large investment in vaccine production taking place across many countries, including nearshoring of production, which should benefit PMS. In 2020, PMS released the next generation IsoAir® Pro-E Remote Particle Counter to streamline cleanroom monitoring while meeting good manufacturing practice regulations. Additionally, PMS helped Walwax Biotechnology build a world-class environmental monitoring data management system, through the customer deploying its PharmaIntegrity contamination monitoring solution. This integrated solution helps identify contamination in production processes before it occurs. With the ability to pre-emptively correct a problem it is easier to achieve and maintain a state of control. This helps maintain consistent product quality, improving yield and reducing the costly risk associated with product recalls.

In response to COVID-19, we have supported manufacturers in increasing the production of ventilators. The Paracube oxygen sensors, manufactured by Servomex's sensor technology brand Hummingbird, are used in ventilators to monitor the amount of oxygen administered. Servomex swiftly expanded its production to meet the new increase in demand. It also launched a new variant of the Paracube that meets the specific requirements of its customers, yet is much faster to manufacture, at much greater volumes. This rapid development project saw 18 months of development work being done in under three months. NDC Technologies is also aiding in the effort, supplying a manufacturer of medical hose for oxygen supply and ventilators with its AccuScan and BenchMike gauges, providing high-accuracy, off-line diameter and ovality measurement of the hose products.

Energy and utilities

In energy, the COVID-19 demand shock and supply-side actions have led to lower sales at Servomex year-on-year. However, the drive to reduce emissions, driven by climate change concerns, is expected to create demand for Servomex's products which deliver effective solutions for process control, safety and quality in a wide range of midstream and downstream applications.

B&K Vibro saw LFL sales to this end market fall in in all regions. This was largely driven by declines in sales to industrial customers only partially offset by a strong performance in wind. There were a number of large project orders in 2020 which helped grow the backlog compared to the prior year.

At ESG, LFL sales were lower to both energy and mining customers, with induced-seismic monitoring and hydraulic fracture monitoring sales both lower. Activity is expected to increase as the recent rise in energy prices will potentially improve capex demand.

Automotive

LFL sales into automotive fell notably, reflecting a wider slowdown in the automotive industry and reduced capex spending by Millbrook's customers. To counter this, Millbrook continues to push into the EV testing market. In October, Millbrook opened a battery turnover facility to simulate rollover crash scenarios, continually improving the safety of EVs. The new facility will particularly help customers looking to test battery coolants and is a result of the growing demand for safer batteries as well as longer battery life and higher power output. In August, Millbrook secured funding for an additional electrical feed to its proving ground, allowing it to continue to expand its test facilities.

Industrial and other markets

In our other end markets, Red Lion saw notably lower LFL sales with industrial production slowdown in its main market, North America, and the weaker oil and gas market impacting demand. Orders fared slightly better, with Ethernet product orders showing growth year-on-year. A key achievement in 2020 was the launch of its FlexEdge™ Intelligent Edge Automation Platform which allows industrial customers to effortlessly connect systems and process data, and is available with advanced automation features. Its ease of use helps customers make productivity gains as they digitise their factories.

NDC Technologies experienced a decline in sales in the converting and film extrusion industries and in cable and tubing However, LFL sales into food and beverage increased, with a strong order performance in Europe and Asia, with the snack products market showing good demand.

Derek Harding
Chief Financial Officer

Consolidated Income Statement

For the year ended 31 December 2020

Continuing operations	Note	2020 £m	2019 £m
Revenue	3	**1,336.2**	1,632.0
Cost of sales		**(599.8)**	(717.8)
Gross profit		**736.4**	914.2
Indirect production and engineering expenses		**(96.7)**	(108.2)
Sales and marketing expenses		**(268.3)**	(345.7)
Administrative expenses		**(394.7)**	(376.0)
Adjusted operating profit	2	**173.6**	258.1
Restructuring costs	2	**(19.5)**	(52.2)
Net transaction-related costs and fair value adjustments	2	**(19.4)**	(6.1)
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	2	**(0.7)**	(1.0)
Profit on disposal of property	2	**-**	5.2
Impairment of goodwill	2,8	**(58.4)**	(35.1)
Amortisation and impairment of acquisition-related intangible assets and other property, plant and equipment	2,8	**(98.9)**	(84.6)
Operating (loss)/profit	2,3	**(23.3)**	84.3
Fair value through profit and loss movements on equity investments		**23.2**	-
Share of post-tax results of joint venture	2	**-**	(4.9)
Impairment of non-current receivable from joint venture	2	**-**	(21.3)
Profit on disposal of businesses	13	**4.4**	204.7
Financial income	4	**1.8**	7.9
Finance costs	4	**(10.2)**	(11.4)
(Loss)/profit before tax		**(4.1)**	259.3
Taxation charge	5	**(12.9)**	(25.2)
(Loss)/profit for the year from continuing operations attributable to owners of the Company		**(17.0)**	234.1
Basic (loss)/earnings per share	7	**(14.6p)**	202.2p
Diluted (loss)/earnings per share	7	**(14.6p)**	201.6p
2020: interim and additional interim dividends paid and final dividend proposed for the year (2019: interim dividend paid for the year) (per share)	6	**111.6p**	21.9p
Dividends paid during the year (per share)	6	**65.1p**	62.4p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	2020 £m	2019 £m
(Loss)/profit for the year attributable to owners of the Company	**(17.0)**	234.1
Other comprehensive income:		
Items that will not be reclassified to the Consolidated Income Statement:		
Re-measurement of net defined benefit obligation	**8.5**	(10.6)
Fair value gain on investment in equity instruments designated as at fair value through other comprehensive income	**0.1**	-
Tax (charge)/credit on items above	**(1.3)**	1.7
	7.3	(8.9)
Items that are or may be reclassified subsequently to the Consolidated Income Statement:		
Net (loss)/gain on effective portion of changes in fair value of forward exchange contracts on cash flow hedges	**(0.6)**	3.1
Foreign exchange movements on translation of overseas operations	**(0.6)**	(32.7)
Currency translation differences transferred to profit on disposal of business	**-**	(35.8)
Tax credit/(charge) on items above	**0.1**	(0.6)
	(1.1)	(66.0)
Total other comprehensive income/(loss)	**6.2**	(74.9)
Total comprehensive (loss)/income for the year attributable to owners of the Company	**(10.8)**	159.2

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Capital redemption reserve £m	Total equity £m
At 1 January 2020	**6.0**	**231.4**	**983.3**	**98.6**	**(1.4)**	**3.1**	**0.5**	**1,321.5**
Loss for the year	–	–	**(17.0)**	–	–	–	–	**(17.0)**
Other comprehensive income/(loss)	–	–	**7.3**	**(0.6)**	**(0.5)**	–	–	**6.2**
Total comprehensive loss for the year	–	–	**(9.7)**	**(0.6)**	**(0.5)**	–	–	**(10.8)**
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company	–	–	**(75.7)**	–	–	–	–	**(75.7)**
Share-based payments, net of tax	–	–	**3.3**	–	–	–	–	**3.3**
Proceeds from exercise of equity-settled share options	–	–	**0.3**	–	–	–	–	**0.3**
At 31 December 2020	**6.0**	**231.4**	**901.5**	**98.0**	**(1.9)**	**3.1**	**0.5**	**1,238.6**

	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 2019	6.0	231.4	828.7	167.1	(3.9)	3.1	0.5	1,232.9
Adoption of IFRS 16 and IFRIC 23	–	–	(2.9)	–	–	–	–	(2.9)
At 1 January 2019 (restated)	6.0	231.4	825.8	167.1	(3.9)	3.1	0.5	1,230.0
Profit for the year	–	–	234.1	–	–	–	–	234.1
Other comprehensive income	–	–	(8.9)	(68.5)	2.5	–	–	(74.9)
Total comprehensive income for the year	–	–	225.2	(68.5)	2.5	–	–	159.2
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company	–	–	(72.3)	–	–	–	–	(72.3)
Share-based payments, net of tax	–	–	3.6	–	–	–	–	3.6
Proceeds from exercise of equity-settled share options	–	–	1.0	–	–	–	–	1.0
At 31 December 2019	6.0	231.4	983.3	98.6	(1.4)	3.1	0.5	1,321.5

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	2020 £m	2019 £m
ASSETS			
Non-current assets			
Intangible assets:			
Goodwill	8	**577.0**	646.8
Other intangible assets	8	**133.5**	178.5
		710.5	825.3
Property, plant and equipment		**187.1**	369.0
Investment in equity instruments		**39.4**	–
Deferred tax assets		**14.6**	9.0
		951.6	1,203.3
Current assets			
Inventories		**168.5**	197.2
Current tax assets		**4.1**	4.1
Trade and other receivables		**291.8**	335.7
Derivative financial instruments		**1.9**	1.5
Cash and cash equivalents		**222.2**	213.1
Assets held for sale	13	**178.7**	18.9
		867.2	770.5
Total assets		**1,818.8**	1,973.8
LIABILITIES			
Current liabilities			
Borrowings		**(13.1)**	(80.7)
Derivative financial instruments		**(0.1)**	(0.1)
Trade and other payables		**(288.3)**	(296.8)
Lease liabilities		**(12.9)**	(15.1)
Current tax liabilities		**(16.7)**	(20.8)
Provisions		**(24.7)**	(27.3)
Liabilities held for sale	13	**(37.3)**	–
		(393.1)	(440.8)
Net current assets		**474.1**	329.7
Non-current liabilities			
Borrowings		**(104.5)**	(98.9)
Other payables		**(24.7)**	(21.3)
Lease liabilities		**(26.0)**	(45.4)
Provisions		**(3.8)**	(5.6)
Retirement benefit obligations		**(20.4)**	(27.5)
Deferred tax liabilities		**(7.7)**	(12.8)
		(187.1)	(211.5)
Total liabilities		**(580.2)**	(652.3)
Net assets		**1,238.6**	1,321.5
EQUITY			
Share capital		**6.0**	6.0
Share premium		**231.4**	231.4
Retained earnings		**901.5**	983.3
Translation reserve		**98.0**	98.6
Hedging reserve		**(1.9)**	(1.4)
Merger reserve		**3.1**	3.1
Capital redemption reserve		**0.5**	0.5
Total equity attributable to owners of the Company		**1,238.6**	1,321.5

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 £m	2019 £m
Cash generated from operations	10	**254.6**	277.8
Net income taxes paid		**(28.6)**	(37.0)
Net cash inflow from operating activities		**226.0**	240.8
Cash flows (used in)/from investing activities			
Purchase of property, plant and equipment and intangible assets		**(43.1)**	(86.6)
Proceeds from disposal of property, plant and equipment and software		**4.1**	11.2
Acquisition of businesses, net of cash acquired	12	**(10.9)**	(9.7)
Purchase of equity investments		**(15.2)**	-
Proceeds from disposal of businesses, net of tax paid of £2.3m (2019: £1.2m)		**20.6**	260.1
Proceeds from government grants related to purchase of property, plant and equipment and intangible assets		**0.2**	5.0
Interest received		**2.4**	0.7
Net cash flows (used in)/from investing activities		**(41.9)**	180.7
Cash flows used in financing activities			
Interest paid on borrowings		**(6.9)**	(7.0)
Interest paid on lease liabilities		**(2.3)**	(2.9)
Dividends paid	6	**(75.7)**	(72.3)
Net proceeds from exercise of share options		**0.3**	1.0
Payments on principal portion of lease liabilities		**(19.3)**	(17.6)
Loan repaid/(made) by/(to) joint venture		**3.0**	(2.2)
Proceeds from borrowings		**0.3**	193.2
Repayment of borrowings		**(86.4)**	(363.5)
Net cash flows used in financing activities		**(187.0)**	(271.3)
Net (decrease)/increase in cash and cash equivalents		**(2.9)**	150.2
Cash and cash equivalents at beginning of year		**213.1**	67.3
Effect of foreign exchange rate changes		**0.7**	(4.4)
Cash and cash equivalents at end of year		**210.9**	213.1

	Note	2020 £m	2019 £m
Reconciliation of changes in cash and cash equivalents to movements in net cash/(debt)			
Net (decrease)/increase in cash and cash equivalents		**(2.9)**	150.2
Proceeds from borrowings		**(0.3)**	(193.2)
Repayment of borrowings		**86.4**	363.5
Effect of foreign exchange rate changes		**(10.6)**	10.1
Movement in net cash		**72.6**	330.6
Net cash/(debt) at beginning of year		**33.5**	(297.1)
Net cash at end of year	2	**106.1**	33.5

Notes to the accounts

1. Basis of preparation and accounting policies

a) Basis of accounting

The Consolidated Financial Statements have been prepared on a historical cost basis except for items that are required by 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 IFRS adopted pursuant to Regulation (EC) No. 1606/2002, as it applies in the European Union. The Consolidated Financial Statements have been prepared on a going concern basis. The full year results announcement is presented in millions of pounds Sterling rounded to the nearest one decimal place, which is the Group's presentational currency.

The Consolidated Financial Statements have been prepared using consistent accounting policies with those of the previous financial year.

The financial information included in the full year results announcement does not constitute statutory accounts of the Company for the years ended 31 December 2020 and 2019. Statutory accounts for the year ended 31 December 2019 have been reported on by the Company's auditor and delivered to the Registrar of Companies. Statutory accounts for the year ended 31 December 2020 have been audited and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The report of the auditors for both years was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

These results were approved by the Board of Directors on 24 February 2021.

b) Going concern

In determining the basis of preparation for the Consolidated Financial Statements the Directors have considered the Group's available resources, current business activities and factors likely to impact on its future development and performance, including the impact of COVID-19 on the Group, which are described in the Chief Executive's review, financial review and operating review.

As at 31 December 2020, the Group had £690.5 million of committed facilities denominated in different currencies, consisting of an $800.0 million (£586.0 million) revolving credit facility maturing in July 2025 and a seven-year €116.2 million (£104.5 million) term loan maturing in September 2022. From these facilities, the Group had total gross borrowings of £104.5 million at 31 December 2020. The revolving credit facility ('RCF') was undrawn at 31 December 2020. During the year the Group requested a further one-year extension of its $800 million RCF, as permitted under the agreement. The extension was approved by all ten banks in the syndicate, ensuring the Group continues to have access to the full amount under the facility until July 2025.

These facilities have a leverage (net debt/EBITDA) covenant of up to 3x for the term loan and up to 3.5x for the RCF. The Group regularly monitors its financial position to ensure that it remains within the terms of its banking covenants. At 31 December 2020, interest cover (defined as adjusted earnings before interest, tax and amortisation divided by net finance charges) was more than 40 times, against a minimum requirement of 3.75 times, and leverage (defined as adjusted earnings before interest, tax, depreciation and amortisation divided by net cash/(debt)) was less than zero due to the Group's net cash position, against a maximum permitted leverage of 3 times.

In addition to the above, after adjusting for £3.7 million of cash and cash equivalents reported under Assets held for sale, at 31 December 2020, the Group had a cash and cash equivalents balance of £225.9 million and various uncommitted facilities and bank overdraft facilities available, resulting in a net cash position of £106.1 million, an increase of £72.6 million from £33.5 million at 31 December 2019.

1. Basis of preparation and accounting policies (continued)

In April 2020, Spectris successfully applied for access to the Bank of England's Covid Corporate Financing Facility ('CCFF'), resulting in the ability to raise up to £600 million of additional short-term funding, if required, before 23 March 2021 by issuing commercial paper for purchase by the Bank under the programme. The Group is under no obligation to utilise the facility and, in view of the Group's other undrawn facilities and current financial position, we do not anticipate accessing the programme before its expiry.

The Group has prepared and reviewed cash flow forecasts, which reflect forecasted changes in revenue across its business as set out and compared these to a reverse stress test of the forecasts to determine the extent of downturn which would result in a breach of covenants. Assuming similar levels of cash conversion as experienced in recent months since the outbreak occurred, a monthly decline of revenue well in excess of that experienced in any month during 2020 would need to persist throughout the going concern period for a covenant breach to occur, which is considered very unlikely. In addition, the reverse stress test does not take in account any mitigating actions which the Group would implement in the event of a severe and extended revenue decline, which would increase the headroom further. 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 the foreseeable future, 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 Condensed Consolidated Financial Statements.

2. Alternative performance measures

Policy

Spectris uses adjusted figures as key performance measures in addition to those reported under IFRS, as management believe these measures enable management and stakeholders to assess the underlying trading performance of the businesses as they exclude certain items that are considered to be significant in nature and/or quantum, foreign exchange movements and the impact of acquisitions and disposals.

The alternative performance measures ('APMs') are consistent with how the businesses' performance is planned and reported within the internal management reporting to the Board and Operating Committees. Some of these measures are used for the purpose of setting remuneration targets. The key APMs that the Group uses include like-for-like ('LFL') organic performance measures and adjusted measures for the income statement together with adjusted financial position and cash flow measures. Explanations of how they are calculated and how they are reconciled to an IFRS statutory measure are set out below.

2. Alternative performance measures (continued)

Adjusted measures

The Group's policy is to exclude items that are considered to be significant in nature and/or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to assess the period-on-period trading performance of the Group. The Group excludes such items which management have defined as:

- restructuring costs from significant programmes;
- amortisation and impairment of acquisition-related goodwill and other intangible assets;
- impairment of property, plant and equipment;
- bargain purchase on acquisition;
- depreciation of acquisition-related fair value adjustments to property, plant and equipment;
- transaction-related costs, deferred and contingent consideration fair value adjustments;
- profits or losses on termination or disposal of businesses;
- impairment of non-current receivable from joint venture and share of impairment of investment in joint venture;
- unwinding of the discount factor on deferred and contingent consideration;
- unrealised changes in the fair value of financial instruments;
- fair value through profit and loss movements on equity investments;
- gains or losses on retranslation of short-term inter-company loan balances; and
- related tax effects on the above and other tax items which do not form part of the underlying tax rate (see Note 5).

During 2019, a profit on disposal of property of £5.2m in Omega was treated as an adjusting item since it was significant in quantum and would distort the underlying trading performance if included.

In November 2018, the Group announced the implementation of a Group-wide profit improvement programme. The total cost of implementation of this programme is considered to be significant in both nature and amount. On this basis the costs of the implementation of this programme is excluded from adjusted operating profit. Adjusted operating profit (including on a LFL basis) is therefore presented before the impact of the Group profit improvement programme. The ongoing benefits arising from this programme is considered to be part of underlying trading.

LFL measures

The Board reviews and compares current and prior year segmental sales and adjusted operating profit at constant exchange rates and excludes the impact of acquisitions and disposals during the year.

The constant exchange rate comparison uses the current year segmental information, stated in each entity's functional currency, and translates the results into its presentation currency using the prior year's monthly exchange rates, irrespective of the underlying transactional currency.

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 10 October 2019, Malvern Panalytical's environment consultancy and testing business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for Malvern Panalytical for 2019 exclude the trading results of the environment consultancy and testing business.

On 1 December 2019, the Group completed the disposal of BTG and, as a result, the segmental LFL adjusted sales and adjusted operating profit for Industrial Solutions for 2019 exclude the trading results of BTG.

2. Alternative performance measures (continued)

On 31 January 2020, Malvern Panalytical's rheology business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for Malvern Panalytical for 2019 exclude the trading results of the rheology business for the 11-month period from February 2019 to December 2019.

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

2020 sales by segment	**Malvern Panalytical £m**	**HBK £m**	**Omega £m**	**Industrial Solutions £m**	**2020 Total £m**
Sales	**372.5**	**392.6**	**119.2**	**451.9**	**1,336.2**
Constant exchange rate adjustment	**1.4**	**(2.4)**	**0.9**	**0.2**	**0.1**
Acquisitions	**-**	**(0.4)**	**-**	**-**	**(0.4)**
LFL adjusted sales	**373.9**	**389.8**	**120.1**	**452.1**	**1,335.9**

2019 sales by segment	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2019 Total £m
Sales	448.2	429.0	138.3	616.5	1,632.0
Disposal of businesses	(18.0)	–	–	(118.9)	(136.9)
LFL adjusted sales	430.2	429.0	138.3	497.6	1,495.1

b) Adjusted operating profit, operating margin and adjusted EBITDA

2020 adjusted operating profit	**Malvern Panalytical £m**	**HBK £m**	**Omega £m**	**Industrial Solutions £m**	**2020 Total £m**
Statutory operating profit/(loss)	**44.6**	**14.2**	**1.2**	**(83.3)**	**(23.3)**
Restructuring costs	**3.0**	**16.1**	**-**	**0.4**	**19.5**
Net transaction-related costs and fair value adjustments	**0.6**	**11.3**	**-**	**7.5**	**19.4**
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	**0.2**	**-**	**-**	**0.5**	**0.7**
Profit on disposal of property					
Impairment of goodwill	**-**	**-**	**-**	**58.4**	**58.4**
Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment	**6.5**	**7.5**	**7.5**	**77.4**	**98.9**
Adjusted operating profit	**54.9**	**49.1**	**8.7**	**60.9**	**173.6**
Constant exchange rate adjustment	**(0.3)**	**(1.1)**	**-**	**0.6**	**(0.8)**
Acquisitions	**-**	**0.4**	**-**	**-**	**0.4**
LFL adjusted operating profit	**54.6**	**48.4**	**8.7**	**61.5**	**173.2**

2. Alternative performance measures (continued)

2019 adjusted operating profit	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2019 Total £m
Statutory operating (loss)/profit	(17.7)	18.1	12.0	71.9	84.3
Restructuring costs	16.4	17.7	2.2	15.9	52.2
Net transaction-related costs and fair value adjustments	(0.3)	3.1	–	3.3	6.1
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.4	–	–	0.6	1.0
Profit on disposal of property	–	–	(5.2)	–	(5.2)
Impairment of goodwill	35.1	–	–	–	35.1
Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment	42.3	21.5	7.9	12.9	84.6
Adjusted operating profit	76.2	60.4	16.9	104.6	258.1
Disposal of businesses	(1.3)	–	–	(22.6)	(23.9)
LFL adjusted operating profit	74.9	60.4	16.9	82.0	234.2

2020 operating margin	**Malvern Panalytical %**	**HBK %**	**Omega %**	**Industrial Solutions %**	**2020 Total %**
Statutory operating margin[1]	**12.0**	**3.6**	**1.0**	**(18.4)**	**(1.7)**
Adjusted operating margin[2]	**14.7**	**12.5**	**7.3**	**13.5**	**13.0**
LFL adjusted operating margin[3]	**14.6**	**12.4**	**7.2**	**13.6**	**13.0**

2019 operating margin	Malvern Panalytical %	HBK %	Omega %	Industrial Solutions %	2019 Total %
Statutory operating margin[1]	(3.9)	4.2	8.7	11.7	5.2
Adjusted operating margin[2]	17.0	14.1	12.2	17.0	15.8
LFL adjusted operating margin[3]	17.4	14.1	12.2	16.5	15.7

1. Statutory operating margin is calculated as statutory operating profit/(loss) dividend by sales
2. Adjusted operating margin is calculated as adjusted operating profit divided by sales
3. LFL adjusted operating margin is calculated as LFL adjusted operating profit divided by LFL adjusted sales. Refer to the tables above for a reconciliation of the nearest GAAP measure (sales/operating profit respectively) to LFL adjusted sales/LFL adjusted operating profit.

Adjusted EBITDA	**2020 £m**	2019 £m
Statutory operating (loss)/profit	**(23.3)**	84.3
Depreciation and impairment of owned assets	**86.7**	35.5
Depreciation and impairment of right-of-use assets	**22.2**	22.1
Amortisation and impairment of intangible assets	**57.9**	95.2
Impairment of goodwill	**58.4**	35.1
EBITDA	**201.9**	272.2
Profit on disposal property classified as a separate adjusting item	**-**	(5.2)
Restructuring costs excluding £6.5m impairment of owned and right-of-use property, plant and equipment and intangible assets (2019: £8.8m)	**13.0**	43.4
Net transaction-related costs and fair value adjustments	**19.4**	6.1
Adjusted EBITDA	**234.3**	316.5

EBITDA is calculated as statutory operating (loss)/profit before depreciation, amortisation and impairment of property, plant and equipment, intangible assets and goodwill. Adjusted EBITDA is calculated as EBITDA excluding other adjusting items as defined previously. This measure is used for the purpose of assessing capital management and covenant compliance and is reported to the Group Executive Committee.

2. Alternative performance measures (continued)

c) Adjusted net finance costs

	2020 £m	2019 £m
Statutory net finance costs	**(8.4)**	(3.5)
Net loss/(gain) on retranslation of short-term inter-company loan balances	**0.8**	(4.0)
Unwinding of discount factor on deferred and contingent consideration	**0.4**	0.7
Adjusted net finance costs	**(7.2)**	(6.8)

d) Adjusted profit before taxation

	2020 £m	2019 £m
Adjusted operating profit	**173.6**	258.1
Adjusted share of post-tax results of joint venture	**-**	(3.9)
Adjusted net finance costs	**(7.2)**	(6.8)
Adjusted profit before taxation	**166.4**	247.4

In 2019, the share of post-tax results of the joint venture was adjusted to exclude £1.0m of impairment of acquisition-related intangible assets consistent with the Group's treatment of adjusted operating profit measures. Adjusted share of post-tax results of joint venture is an alternative performance measure and is defined as share of post-tax joint venture (2020: £nil, 2019: £4.9m) less impairment of acquisition-related intangible assets (2020: £nil; 2019: £1.0m).

e) Adjusted earnings per share

Adjusted earnings	2020 £m	2019 £m
Statutory (loss)/profit after tax	**(17.0)**	234.1
Adjusted for:		
Restructuring costs	**19.5**	52.2
Net transaction-related costs and fair value adjustments	**19.4**	6.1
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	**0.7**	1.0
Profit on disposal of property	**-**	(5.2)
Impairment of goodwill	**58.4**	35.1
Amortisation and impairment of acquisition-related intangible assets and other property, plant and equipment	**98.9**	84.6
Fair value through profit and loss movements on equity investments	**(23.2)**	-
Profit on disposal of businesses	**(4.4)**	(204.7)
Impairment of non-current receivable from joint venture	**-**	21.3
Share of impairment of acquisition-related intangible in joint venture	**-**	1.0
Net loss/(gain) on retranslation of short-term inter-company loan balances	**0.8**	(4.0)
Unwinding of discount factor on deferred and contingent consideration	**0.4**	0.7
Tax effect of the above and other non-recurring items	**(23.4)**	(27.7)
Adjusted earnings	**130.1**	194.5

Adjusted earnings per share	2020	2019
Weighted average number of shares outstanding (millions)	**116.1**	115.8
Adjusted earnings per share (pence)	**112.1**	168.0

Basic (loss)/earnings per share in accordance with IAS 33 'Earnings Per Share' are disclosed in Note 7.

2. Alternative performance measures (continued)

Financial position measures
f) Net cash

	2020 £m	2019 £m
Bank overdrafts	(13.1)	–
Bank overdrafts included in liabilities held for sale	(2.2)	–
Bank loans unsecured	(104.5)	(179.6)
Total borrowings	(119.8)	(179.6)
Cash and cash equivalents included in current assets	222.2	213.1
Cash and cash equivalents included in assets held for sale	3.7	–
Net cash	106.1	33.5

Net cash excludes lease liabilities arising under IFRS 16 as this aligns with the definition of net cash under the Group's bank covenants.

Cash flow measures
g) Adjusted cash flow

	2020 £m	2019 £m
Net cash inflow from operating activities	226.0	240.8
Transaction-related costs paid	13.6	1.6
Restructuring cash outflow	15.1	34.3
Net income taxes paid	28.6	37.0
Purchase of property, plant and equipment and intangible assets	(43.1)	(86.6)
Proceeds from government grants related to purchase of property, plant and equipment and intangible assets	0.2	5.0
Proceeds from disposal of property, plant and equipment and software[2]	4.1	2.1
Adjusted cash flow	244.5	234.2
Adjusted cash flow conversion[1]	141%	91%

1. Adjusted cash flow conversion is calculated as adjusted cash flow as a proportion of adjusted operating profit.

2. Excludes the proceeds from disposal of property of £9.1m in 2019 classified as an adjusting item. This item was treated as an adjusting item since it was significant in quantum and would distort the underlying trading performance if included.

Other measures

h) Return on gross capital employed ('ROGCE')
The return on gross capital employed is calculated as adjusted operating profit for the last 12 months divided by the average of opening and closing gross capital employed. Gross capital employed is calculated as net assets excluding net (cash)/debt and excluding accumulated amortisation and impairment of acquisition-related intangible assets including goodwill.

	31 December 2020 £m	31 December 2019 £m	31 December 2018 £m
Net (cash)/debt	(104.6)	(33.5)	297.1
Accumulated impairment losses on goodwill	178.6	179.4	148.8
Accumulated amortisation and impairment of acquisition-related intangible assets	407.6	366.3	306.1
Shareholders' equity	1,238.6	1,321.5	1,232.9
Gross capital employed	1,720.2	1,833.7	1,984.9
Average gross capital employed (current and prior year) [1]	1,777.0	1,909.4	
Adjusted operating profit for year (see Note 2b)	173.6	258.1	
Return on gross capital employed	9.8%	13.5%	

1. Average gross capital employed is calculated as current period gross capital employed divided by comparative period gross capital employed.

2. Alternative performance measures (continued)

i) Net transaction-related costs and fair value adjustments

Net transaction-related costs and fair value adjustments comprise transaction costs of £21.6m (2019: £2.1m) that have been recognised in the Consolidated Income Statement under IFRS 3 (Revised) 'Business Combinations' and other fair value adjustments relating to deferred and contingent consideration comprising a credit of £2.2m (2019: £4.0m charge). 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 £13.6m (2019: £1.6m) have been excluded from the adjusted cash flow.

3. Operating segments

The Group has four reportable segments, as described below. The segmental platform structure reflects the internal reporting provided to the Chief Operating Decision Maker (considered to be the Board) on a regular basis to assist in making decisions on capital allocated to each segment and to assess performance. The operating segment results include an allocation of head office costs. The following summarises the operations in each of the Group's reportable segments:

- the Malvern Panalytical platform provides products and services that enable customers to determine structure, composition, quantity and quality of particles and materials during their research and product development processes, when assessing materials before production, or during the manufacturing process. The operating companies in this segment are Malvern Panalytical and Concept Life Sciences;
- the HBK platform supplies test, measurement and analysis equipment, software and services for product design optimisation, and manufacturing control. The operating companies in this segment are Hottinger, Brüel & Kjær and VI-grade;
- the Omega platform is a global leader in the technical marketplace, offering products for measurement and control of temperature, humidity, pressure, strain, force, flow, level, pH and conductivity. Omega also provides a complete line of data acquisition, electric heating and custom-engineered products. The operating company in this segment is Omega Engineering;
- the Industrial Solutions division ('ISD') comprises a portfolio of high-value, niche businesses. A number of ISD companies have platform potential, with strong market positions, growth prospects and margins. The operating companies in this segment are Brüel & Kjær Vibro, ESG Solutions, Millbrook, NDC Technologies, Particle Measuring Systems, Red Lion Controls, Servomex and BTG (disposed on 1 December 2019).

Information about reportable segments	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2020 Total £m
Segment revenues	372.6	393.3	119.3	452.2	1,337.4
Inter-segment revenue	(0.1)	(0.7)	(0.1)	(0.3)	(1.2)
External revenue	372.5	392.6	119.2	451.9	1,336.2
Operating profit/(loss)	44.6	14.2	1.2	(83.3)	(23.3)
Fair value through profit and loss movements on equity investments movements[1]					23.2
Profit on disposal of businesses[1]					4.4
Financial income[1]					1.8
Finance costs[1]					(10.2)
Loss before tax[1]					(4.1)
Taxation charge[1]					(12.9)
Loss after tax[1]					(17.0)

1. Not allocated to reportable segments

3. Operating segments (continued)

Information about reportable segments	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2019 Total £m
Segment revenues	448.4	430.7	138.5	616.7	1,634.3
Inter-segment revenue	(0.2)	(1.7)	(0.2)	(0.2)	(2.3)
External revenue	448.2	429.0	138.3	616.5	1,632.0
Operating (loss)/profit	(17.7)	18.1	12.0	71.9	84.3
Share of post-tax results of joint venture[1]					(4.9)
Impairment of non-current receivable from joint venture[1]					(21.3)
Profit on disposal of businesses[1]					204.7
Financial income[1]					7.9
Finance costs[1]					(11.4)
Profit before tax[1]					259.3
Taxation charge[1]					(25.2)
Profit after tax[1]					234.1

1. Not allocated to reportable segments

Geographical segments

The Group's operating segments are each located in several geographical locations and sell to external customers in all parts of the world. No individual country amounts to more than 3% of revenue by location of customer, other than those noted below. The following is an analysis of revenue by geographical destination.

	Malvern Panalytical £m	**HBK £m**	**Omega £m**	**Industrial Solutions £m**	**2020 Total £m**
UK	**28.2**	**11.9**	**3.4**	**57.9**	**101.4**
Germany	**20.7**	**70.3**	**3.8**	**19.9**	**114.7**
France	**12.8**	**20.6**	**0.8**	**7.7**	**41.9**
Rest of Europe	**53.6**	**71.5**	**4.4**	**52.7**	**182.2**
USA	**72.5**	**89.3**	**75.4**	**149.1**	**386.3**
Rest of North America	**13.9**	**4.5**	**6.8**	**12.7**	**37.9**
Japan	**25.2**	**29.6**	**2.6**	**15.6**	**73.0**
China	**66.4**	**57.5**	**9.8**	**56.7**	**190.4**
South Korea	**10.4**	**9.1**	**4.7**	**17.4**	**41.6**
Rest of Asia	**41.6**	**16.3**	**5.7**	**42.7**	**106.3**
Rest of the world	**27.2**	**12.0**	**1.8**	**19.5**	**60.5**
	372.5	**392.6**	**119.2**	**451.9**	**1,336.2**

	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2019 Total £m
UK	42.7	13.4	4.0	64.7	124.8
Germany	25.9	80.4	5.4	30.8	142.5
France	16.0	25.4	1.1	10.9	53.4
Rest of Europe	60.9	79.1	5.3	76.2	221.5
USA	84.9	88.3	89.9	195.3	458.4
Rest of North America	14.7	5.6	7.7	20.9	48.9
Japan	31.2	32.3	2.5	23.3	89.3
China	70.9	60.8	9.9	76.5	218.1
South Korea	12.4	10.1	4.1	27.4	54.0
Rest of Asia	50.9	20.1	6.0	60.6	137.6
Rest of the world	37.7	13.5	2.4	29.9	83.5
	448.2	429.0	138.3	616.5	1,632.0

4. Financial income and finance costs

Financial income	2020 £m	2019 £m
Interest receivable	**(1.8)**	(0.7)
Income on receivable from joint venture	**-**	(3.2)
Net gain on retranslation of short-term inter-company loan balances	**-**	(4.0)
	(1.8)	(7.9)

Finance costs	2020 £m	2019 £m
Interest payable on loans and overdrafts	**6.0**	7.1
Net loss on retranslation of short-term inter-company loan balances	**0.8**	–
Unwinding of discount factor on lease liabilities	**2.3**	2.9
Unwinding of discount factor on deferred and contingent consideration	**0.4**	0.7
Net interest cost on pension plan obligations	**0.4**	0.6
Other finance costs	**0.3**	0.1
	10.2	11.4

Net finance costs	**8.4**	3.5

5. Taxation

	2020			2019		
	UK £m	**Overseas £m**	**Total £m**	UK £m	Overseas £m	Total £m
Current tax charge	**3.9**	**23.5**	**27.4**	2.1	36.7	38.8
Adjustments in respect of current tax of prior years	**(0.3)**	**(1.1)**	**(1.4)**	–	(1.7)	(1.7)
Deferred tax – origination and reversal of temporary differences	**(8.0)**	**(5.1)**	**(13.1)**	(7.4)	(4.5)	(11.9)
Taxation charge	**(4.4)**	**17.3**	**12.9**	(5.3)	30.5	25.2

The standard rate of corporation tax for the year, based on the weighted average of tax rates applied to the Group's profits, is -85.4% (2019: 18.6%). The tax charge for the year is higher (2019: lower) than the standard rate of corporation tax for the reasons set out in the following reconciliation.

	2020 £m	2019 £m
(Loss)/profit before taxation	**(4.1)**	259.3
Corporation tax charge at standard rate of -85.4% (2019: 18.6%)	**3.5**	48.2
Profit on disposal of business taxed at higher/(lower) rate	**0.3**	(29.8)
Non-deductible impairments	**11.1**	9.9
Other non-deductible expenditure	**5.6**	3.3
Movements on unrecognised deferred tax assets	**(2.6)**	0.5
Tax credits and incentives	**(4.5)**	(5.1)
Change in tax rates	**1.1**	–
Adjustments to prior year current and deferred tax charges	**(1.6)**	(1.8)
Taxation charge	**12.9**	25.2

The Group's standard rate of corporation tax of -85.4% is lower than the prior year rate (18.6%), principally due to impairments being made in countries with lower statutory rates.

'Change in tax rates' above, in the current year principally refers to the tax effect of revaluing deferred tax liabilities at a tax rate of 19% following the UK Government's decision to reverse the legislation reducing the corporation tax rate to 17%. '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.

5. Taxation (continued)

The following tax (credits)/charges relate to items of income and expense that are excluded from the Group's adjusted performance measures.

	2020 £m	2019 £m
Tax credit on amortisation and impairment of acquisition-related intangible assets and other property, plant and equipment	**(18.8)**	(16.9)
Tax credit on depreciation of acquisition-related fair value adjustments to property, plant and equipment	**(0.1)**	(0.2)
Tax credit on impairment of goodwill	**(0.9)**	–
Tax credit on net transaction-related costs and fair value adjustments	**(1.6)**	(0.8)
Tax charge on profit on disposal of property	**-**	1.2
Tax credit on retranslation of short-term inter-company loan balances	**(0.4)**	(0.1)
Tax charge on profit on disposal of businesses	**1.1**	3.2
Tax credit relating to prior year acquisitions	**-**	(2.2)
Tax charge on air value through profit and loss movements on equity investments	**1.8**	-
Tax credit on restructuring costs	**(4.5)**	(11.9)
Total tax credit	**(23.4)**	(27.7)

The effective adjusted tax rate for the year was 21.8% (2019: 21.4%) as set out in the reconciliation below:

Reconciliation of the statutory taxation charge to the adjusted taxation charge	2020 £m	2019 £m
Statutory taxation charge	**12.9**	25.2
Tax credit on items of income and expense that are excluded from the Group's adjusted profit before tax	**23.4**	27.7
Adjusted taxation charge	**36.3**	52.9

The UK's dividend taxation regime prior to July 2009 is the subject of long-running litigation between HMRC and other taxpayers in relation to the tax charge on dividends received from EU-based companies. The outcome of this dispute is likely to be relevant to the Group in respect of certain dividends received by UK Group companies before that date. The Group is currently engaged in active dialogue with HMRC with a view to reaching a settlement on this matter and during 2020 made a payment of £1.1m in respect of tax and accrued interest relating to the amounts in dispute. Pending resolution of this issue, an amount of £8.3m (2019: £8.8m) continues to be held as a tax creditor for the potential tax liabilities arising if the final conclusion is in HMRC's favour. An amount of £5.3m (2019: £5.5m) relating to accrued interest on the potential tax liabilities is also held as a tax-related provision and an amount of £1.0m (2019: £0.9m) has been booked as a deferred tax asset in respect of future tax relief on the accrued interest.

In October 2017, the EU Commission opened a formal State Aid investigation into an exemption within the UK's Controlled Foreign Company regime for certain finance income. A final decision was published by the Commission during 2019, concluding that certain aspects of the exemption (as it was implemented in UK law for the years 2013-2018) constituted State Aid and requiring the UK to recover such aid from affected parties. Spectris is impacted by this decision since we have claimed the benefit of the group finance exemption during the period in question.

5. Taxation (continued)

The Group, along with the UK government and a number of other affected taxpayers, has sought annulment of the EU Commission's decision through the EU Courts. No provision has been made in respect of this matter since we believe that it is more likely than not that the decision will subsequently be annulled and no additional tax will be due. In the event that the Commission's decision is upheld then, as at 31 December 2020, the Group's maximum estimated exposure is £19.5m (2019: £19.0m) in respect of tax and £1.3m (2019: £1.0m) in respect of interest. However, quantification of the liability in accordance with the Commission's judgement is complex and depends on the facts of each individual case, and therefore the Group's liability may ultimately be determined to be less than this amount.

6. Dividends

Amounts recognised and paid as distributions to owners of the Company in the year	**2020** **£m**	2019 £m
Final dividend for the year ended 31 December 2018 of 40.5p per share	**-**	46.9
Interim dividend for the year ended 31 December 2020 of 21.9p (2019: 21.9p) per share	**25.5**	25.4
Additional interim dividend of 43.2p per share	**50.2**	-
	75.7	72.3

Amounts arising in respect of the year	**2020** **£m**	2019 £m
Interim dividend for the year ended 31 December 2020 of 21.9p (2019: 21.9p) per share	**25.5**	25.4
Additional interim dividend of 43.2p per share	**50.2**	-
Proposed final dividend for the year ended 31 December 2020 of 46.5p per share	**54.1**	-
	129.8	25.4

On 6 April 2020 the Group announced the withdrawal of the £50.1m proposed 2019 final dividend of 43.2 pence per share and the £175.0m proposed special dividend of 150.0p per share. On 4 August 2020, the Group declared an additional £50.2m interim dividend of 43.2 pence per share, which was paid on 2 October 2020.

The proposed final 2020 dividend is subject to approval by shareholders at the AGM on 14 May 2021 and have not been included as a liability in these Financial Statements.

7. (Loss)/earnings per share

Basic (loss)/earnings per share amounts are calculated by dividing the net (loss)/profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares).

Diluted (loss)/earnings per share amounts are calculated by dividing the net (loss)/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. This additional adjustment is not made when there is a net loss attributable to ordinary shareholders.

Basic (loss)/earnings per share	**2020**	2019
(Loss)/profit after tax (£m)	**(17.0)**	234.1
Weighted average number of shares outstanding (millions)	**116.1**	115.8
Basic (loss)/earnings per share (pence)	**(14.6)**	202.2

Diluted (loss)/earnings per share	**2020**	2019
(Loss)/profit after tax (£m)	**(17.0)**	234.1
Basic weighted average number of shares outstanding (millions)	**116.1**	115.8
Weighted average number of dilutive 5p ordinary shares under option (millions)	**N/a**	0.4
Weighted average number of 5p ordinary shares that would have been issued at average market value from proceeds of dilutive share options (millions)	**N/a**	(0.1)
Diluted weighted average number of shares outstanding (millions)	**116.1**	116.1
Diluted (loss)/earnings per share (pence)	**(14.6)**	201.6

8. Goodwill and other intangible assets

Cost	Goodwill £m	Other intangible assets £m	Total £m
At 1 January 2020	**826.2**	**597.8**	**1,424.0**
Additions	**1.2**	**15.2**	**16.4**
Disposals	**-**	**(1.6)**	**(1.6)**
Disposal of business	**(0.5)**	**-**	**(0.5)**
Transfer to held for sale assets	**(74.3)**	**(31.2)**	**(105.5)**
Foreign exchange difference	**3.0**	**(6.8)**	**(3.8)**
At 31 December 2020	**755.6**	**573.4**	**1,329.0**
Accumulated amortisation and impairment			
At 1 January 2020	**179.4**	**419.3**	**598.7**
Charge for the year	**-**	**38.2**	**38.2**
Impairment	**58.4**	**19.7**	**78.1**
Disposals	**-**	**(1.5)**	**(1.5)**
Transfer to held for sale assets	**(57.9)**	**(29.7)**	**(87.6)**
Foreign exchange difference	**(1.3)**	**(6.1)**	**(7.4)**
At 31 December 2020	**178.6**	**439.9**	**618.5**
Carrying amount			
At 31 December 2020	**577.0**	**133.5**	**710.5**
At 1 January 2020	646.8	178.5	825.3

Impairment of goodwill and other intangible assets

During the year, £58.4 million was recognised as an impairment of goodwill (2019: £35.1 million) and £70.9 million impairment recognised in the 'amortisation and impairment of acquisition-related intangible assets and other property, plant and equipment' line of the Consolidated Income Statement (2019: £47.1 million). Of this, goodwill of £58.4 million, £16.3 million of the intangible asset impairment and £51.2 million of the property, plant and equipment impairment related to Millbrook.

During the first half of 2020, Millbrook's business was impacted by a number of factors:

1. There was reduced demand from automotive customers, who have delayed development projects (and therefore testing) in response to the impact of COVID-19 on their businesses.
2. On 31 March 2020, a large customer decided to in-house all outsourced engine testing services for the period from April 2020 through to April 2021.
3. Millbrook's events business was largely shut down as a result of COVID-19 restrictions.

These factors led to an impairment of the whole of Millbrook's goodwill balance of £58.4 million, £11.0 million of other intangibles and £6.4 million of other property, plant and equipment being charged to the Consolidated Income Statement during the first half of 2020, reflecting the recoverable amount at that time. This impairment reflects the loss of value from the acquired workforce and the loss of expected future customer relationships. The estimated recoverable amount of the Millbrook cash generating unit at 30 June 2020 was £157.6 million, which was determined on a value in use basis using a pre-tax discount rate of 12.1% (31 December 2019: 12.1%).

During the second half of 2020 a comprehensive sale process relating to Millbrook was concluded resulting in the announcement on 10 December 2020, that agreement had been reached for the sale of the Millbrook business, which forms part of the Industrial Solutions operating segment. The transaction was subject to customary completion conditions and regulatory approvals, and the sale completed on 1 February 2021. The disposal proceeds from the Millbrook business are expected to be £114.7 million, net of costs to sell. The structure of the transaction provided an immediate cash inflow plus the chance to participate in the future performance of the combined group, which will now be able to provide a more extensive and comprehensive range of services to its clients. The commercial valuation achieved resulted in a further impairment of £44.8 million of property, plant and equipment and £5.3 million of other intangible assets. The remaining £3.4 million impairment of intangible assets relates to other items within Industrial Solutions with short remaining useful economic lives.

9. Government Support

Government grants

Included in the Consolidated Income Statement is £10.0 million of grant income from various COVID-19-related government support packages (2019: nil). This amount relates to a number of different government support packages, the largest of which is £3.0 million from China schemes and £2.5 million from the Netherlands scheme (phase one). The China schemes provide support by reducing certain payroll-related social benefit payments which are ordinarily mandatory and covers the period from February 2020 to December 2020. The Netherlands phase one scheme provided support based on the revenue decrease in March 2020 to May 2020. There are no material unfulfilled conditions associated with grants recognised in the year.

The Group has presented this amount as a credit in administrative expenses in the Consolidated Income Statement. Government support grants are recognised in the Consolidated Income Statement on a systematic basis over the periods in which the related revenue or expense for which the grants are intended to compensate.

During the year, the Group also received government grants totalling £0.2 million in respect of purchases of property, plant and equipment and intangible assets (2019: £5.0 million).

Other assistance

In April 2020, Spectris successfully applied for access to the Bank of England's Covid Corporate Financing Facility ('CCFF'), resulting in the ability to raise up to £600 million of additional short-term funding, if required, before 23 March 2021 by issuing commercial paper for purchase by the Bank under the programme. The Group is under no obligation to utilise the facility and, in view of the Group's other undrawn facilities and current financial position, we do not anticipate accessing the programme before its expiry.

10. Cash generated from operations

	2020 £m	2019 £m
Cash flows from operating activities		
(Loss)/profit after tax	**(17.0)**	234.1
Adjustments for:		
Taxation charge	**12.9**	25.2
Profit on disposal of businesses	**(4.4)**	(204.7)
Share of post-tax results of joint venture	**-**	4.9
Finance costs	**10.2**	11.4
Financial income	**(1.8)**	(7.9)
Depreciation and impairment and of property, plant and equipment	**108.9**	57.6
Amortisation and impairment of intangible assets	**57.9**	95.2
Impairment of non-current receivable from joint venture	**-**	21.3
Impairment of goodwill	**58.4**	35.1
Transaction-related fair value adjustments	**(2.2)**	4.0
Fair value through profit and loss movements on equity investments	**(23.2)**	-
Profit on disposal and remeasurements of property, plant and equipment and associated lease liabilities	**(0.1)**	(4.9)
Equity-settled share-based payment expense	**2.9**	3.0
Operating cash flow before changes in working capital and provisions	**202.5**	274.3
Decrease in trade and other receivables	**8.0**	13.9
Decrease/(increase) in inventories	**24.4**	(3.3)
Increase/(decrease) in trade and other payables	**24.5**	(10.0)
(Decrease)/increase in provisions and retirement benefits	**(4.8)**	2.9
Cash generated from operations	**254.6**	277.8

11. Share capital, treasury shares and employee benefit trust shares

At 31 December 2020, the Group held 4,934,567 treasury shares (2019: 5,182,366). During the year, 247,799 (2019: 453,787) 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.

12. Acquisitions

The Group completed the acquisition of 100% of IMTEC Gmbh ('IMTEC') on 26 October 2020 for a gross consideration of £3.7m, including £0.6m of deferred consideration. IMTEC is a mechatronic hardware specialist, the acquisition of which will allow HBK's VI-grade business to position itself to more rapidly scale its global simulator business. The provisional fair value of net assets acquired was £2.5m, including £1.0m of intangible assets, £0.5m of net cash and £0.1m of deferred tax liabilities. As a result £1.2m of goodwill was generated. There are no material contingent liabilities recognised in accordance with IFRS 3 (Revised). The fair value of the net assets is provisional, reflecting the timing of the acquisition, and is expected to be finalised within 12 months of the acquisition date. The acquisition is included in the HBK segment and cash generating unit.

Analysis of cash outflow in Consolidated Statement of Cash Flows	**2020 £m**	2019 £m
Gross consideration in respect of acquisitions during the year	**3.7**	3.8
Adjustment for net cash acquired	**(0.5)**	-
Net consideration in respect of acquisitions during the year	**3.2**	3.8
Deferred and contingent consideration on acquisitions during the year to be paid in future years	**(0.6)**	–
Cash paid during the year in respect of acquisitions during the year	**2.6**	3.8
Cash paid in respect of prior years' acquisitions	**8.3**	5.9
Net cash outflow relating to acquisitions	**10.9**	9.7

13. Business disposals

On 31 January 2020, the Group sold its interest in the rheology range of products to Netzsch Group for consideration of £8.8m in cash, generating a profit on disposal of £5.9m. The net assets disposed were £2.1m, and transaction costs were £0.8m. The Consolidated Statement of Cash Flows includes £6.9m of net proceeds from this disposal, which consists of £8.8m of sales proceeds, offset by £1.1m of tax payments on the disposal and £0.8m of transaction cost related payments.

On 28 February 2020, the Group sold its interest in the EMS B&K joint venture for total consideration of £17.7m, consisting of £16.8m in cash received in 2020 and £0.9m in shares in Envirosuite Limited. The net assets disposed were £18.1m and transaction costs in 2020 were £0.1m, resulting in a loss on disposal of £0.5m. The Consolidated Statement of Cash Flows includes £14.0m of net proceeds related to the EMS B&K joint venture, consisting of £16.8m in cash proceeds from the sale of the interest offset by £2.6m payment of deferred consideration relating to the 2018 disposal and £0.2m of transaction cost related payments (including £0.1m of costs accrued in 2019).

Also included in profit on disposal of business is £1.0m of transactions costs on the sale of BTG. The Consolidated Statement of Cash Flows includes £0.3m of net payments from the sale of BTG. This consists of £1.2m of tax payments on the disposals and £0.9m of transaction fees, offset by £1.8m of deferred consideration received in cash.

On 10 December 2020, the Group announced that agreement had been reached for the sale of the Group's Brüel & Kjaer Vibro and Millbrook businesses, which form part of the Industrial Solutions operating segment. The transactions were subject to customary completion conditions and regulatory approvals. The Millbrook sale completed on 1 February 2021. Completion on the sale of Brüel & Kjær Vibro is expected to take place on 1 March 2021.

During 2020, the Group entered into preliminary discussions for the disposal of its Concept Life Sciences' legacy food testing business based in Cambridge, and the sale was completed on 5 January 2021 for sales proceeds of approximately £6m. This business forms part of the Malvern Panalytical Platform operating segment.

The above operations have been classified as disposal groups held for sale and presented separately in the Consolidated Statement of Financial Position.

13. Business disposals (continued)

The proceeds from the Brüel & Kjaer Vibro and the Concept Life Sciences' food testing businesses 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.

Details of the impairment recognised on classification of the Millbrook business as held for sale are provided in note 9.

These transactions 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 have been made.

The major classes of assets and liabilities comprising the operations classified as held for sale at 31 December 2020 are as follows:

	2020 £m
Goodwill	16.4
Other intangible assets	1.5
Property, plant and equipment	114.0
Current and deferred tax assets	3.2
Inventories	6.5
Trade and other receivables	33.4
Cash and cash equivalents	3.7
Total assets classified as held for sale	178.7
Bank overdrafts	(2.2)
Trade and other payables	(21.0)
Lease liabilities	(11.9)
Current and deferred tax liabilities	(0.7)
Provisions	(1.0)
Retirement benefit obligations	(0.5)
Total liabilities classified as held for sale	(37.3)
Net assets of disposal groups	141.4

14. Subsequent events

The sale of Concept Life Science's legacy food testing business completed on 5 January 2021. The sale of the Millbrook business completed on 1 February 2021. See Note 13 for further details on these transactions.

In February 2021, the Group proposed the commencement of a £200 million share buyback programme.

Dividend timetable

Event	Date
Final Dividend Ex-dividend Date	13 May 2021
Annual General Meeting	12.00pm on 14 May 2021
Final Dividend Record Date	14 May 2021
Payment of the Final Dividend to Shareholders	30 June 2021

Cautionary statement

This press release 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 press release. All forward-looking statements contained in this press release 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 press release to reflect any change in circumstances or its expectations.