

# spectris

Spectris plc  
Interim report 2009



Enhancing  
Productivity

**Spectris designs**, develops and markets productivity-enhancing instrumentation and controls. Our products, applications and services help customers to improve product quality and performance, improve core manufacturing processes, reduce downtime and wastage and reduce time to market.

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The Interim Report contains certain forward-looking statements with respect to the operations, performance and financial condition of the company. By their nature, these statements involve uncertainties since future events and circumstances can cause actual results to differ materially from those anticipated and no reliance should be placed on them. The forward-looking statements reflect knowledge and information available at the date of preparation of this Interim Report and the company undertakes no obligation to update these forward-looking statements. Nothing in this Interim Report should be construed as a profit forecast.

### Front cover

iView™ 3D visualisation software combines high definition satellite images and terrain data with actual radar flight tracks to help community understanding of the impact of aircraft operations around an airport.

PULSE Reflex™ software enables fast and intuitive analysis of sound and vibration data.

The group comprises four business segments which reflect the applications and end user industries we serve.

### Materials Analysis

Materials Analysis provides a wide range of analytical instrumentation to the metals and mining, pharmaceutical and life sciences, and semiconductor industries.

### Test and Measurement

Test and Measurement supplies test, measurement and analysis equipment and software for product design optimisation and manufacturing control, principally to the aerospace, automotive and consumer electronics industries. Further applications are in environmental monitoring.

### In-line Instrumentation

In-line Instrumentation provides process analytical measurement, asset monitoring and on-line controls for both primary processing and the converting industries.

### Industrial Controls

Industrial Controls supplies automation and control products for the discrete manufacturing industries.

## Highlights

Targeted cost reduction limits impact of lower sales on operating profit

Restructuring and acquisition integration actions on track, benefiting performance in second half

Cash conversion of 164%

Strong balance sheet; ample financing headroom

Dividend maintained

### Financial highlights

	2009 Half year	2008 Half year	Change	Change at CER**
<b>Key operational indicators</b>				
Sales (£m)	371.5	358.5	+4%	-13%
Adjusted operating profit (£m)*	20.0	46.4	-57%	-63%
Adjusted profit before tax (£m)*	14.3	42.6	-66%	
Adjusted earnings per share (pence)*	9.4	26.6	-65%	
Dividend (pence)	6.4	6.4	-	
<b>Statutory</b>				
Profit before tax (£m)	8.6	39.1	-78%	
Basic earnings per share (pence)	6.5	23.5	-72%	

\* Adjusted figures exclude certain non-operational items, as defined in Note 2, but include post-acquisition integration and restructuring charges of £7.0m (H1 2008: £0.2m).

\*\* Constant exchange rates.

Commenting on the results, John O'Higgins, Chief Executive, said:

"After a challenging first half, visibility of customer demand remains limited. However, we expect to see an improving performance in the second half resulting from the benefits of the restructuring and post-acquisition integration actions, a continuation of recent market trends, and contributions from new products. We have a good strategic and financial position, the planned restructuring and acquisition integration actions are on track, and we remain confident that we are well placed for a more sustained recovery when our markets return to growth."

# Chairman's Statement

John Hughes, Chairman



## Introduction

The challenging market conditions that we saw in the second half of 2008 continued into the first half of 2009, with weak demand across all major regions. Nevertheless, on a reported basis, sales for the first six months of 2009 increased by 4% to £371.5 million compared with £358.5 million in the prior year period. This included a 7% contribution from acquisitions and beneficial effects from currency of 17%. On a constant currency organic basis, sales declined by 20%. Notwithstanding the reduction in volume, pricing was sustained and like-for-like gross margins, before the impact of transactional hedging contracts, improved.

Operating profit\* declined by 57% to £20.0 million (H1 2008: £46.4 million) as a result of the sales decline and a one-off charge of £7 million in the first half for post-acquisition integration costs and restructuring activities, partially offset by overhead cost savings of £24 million. On a constant currency basis, operating profit declined by 63%. Operating margins were 5.4%, compared with 13.0% in the prior year period. Profit before tax decreased by 66% to £14.3 million (2008: £42.6 million). The lower operating profit resulted in earnings per share decreasing by 65% from 26.6 pence to 9.4 pence. The effective tax rate was 24.0% (FY 2008: 23.7%).

Cash conversion in the period was strong, with 164% of operating profit converted to operating cash, driven by a continued focus on rigorous

working capital management and reduced capital expenditure. Nonetheless, net debt at the end of the period increased to £179.1 million, compared with £162.1 million at the end of December 2008, following the acquisition of Lochard in February.

The company has sufficient assured liquidity and remains well within its banking covenants. In light of the strong financial position and the Board's confidence in the company's future, the interim dividend is maintained at 6.4p (2008: 6.4p). The dividend will be paid on 13 November 2009 to shareholders on the register at the close of business on 23 October 2009.

## Outlook

After a challenging first half, visibility of customer demand remains limited. However, we expect to see an improving performance in the second half resulting from the benefits of the restructuring and post-acquisition integration actions, a continuation of recent market trends, and contributions from new products. We have a good strategic and financial position, the planned restructuring and acquisition integration actions are on track, and we remain confident that we are well placed for a more sustained recovery when our markets return to growth.

A handwritten signature in black ink, appearing to read 'John Hughes', written over a white background.

John Hughes  
Chairman

\* Unless otherwise stated, figures for operating profit, profit before tax and earnings per share are adjusted measures – for explanation of adjusted figures and reconciliation to the statutory reported figures see Note 2.

# Chief Executive's Review

**John O'Higgins, Chief Executive**



## Introduction

Spectris experienced challenging market conditions during the first half of the year as the global economy continued to deteriorate. On a reported basis, sales increased by 4%, with acquisitions contributing 7% and currency having a favourable impact of 17%. Operating profit declined by 57% as a result of the sales decline and a one-off charge of £7 million in the first half for post-acquisition integration costs and restructuring activities, partially offset by overhead cost savings of £24 million. Research and environment-related areas showed greater resilience in customer activity; however, demand was particularly weak in the automotive and mining sectors. On a regional basis, China grew and the emerging economies fared relatively better than Europe and North America. As a consequence, we continue to build our presence and distribution channels in these markets.

Our strategy for the group remains unchanged, although in the short term our emphasis is on operational excellence. We sought to act fast and determinedly in the face of rapidly declining markets. Restructuring and post-acquisition integration activities were focused on consolidating production facilities and streamlining sales channels, as well as aligning overhead costs to revenues. The total restructuring costs, previously estimated at around £10 million for the full year, are now expected to be slightly higher at £10.8 million. These actions will result in increased benefits for 2009 now estimated to be £14.9 million, with a further £8.5 million in 2010. We have also identified further restructuring actions

at a cost of £3 million which will generate additional benefits of £6 million in 2010. Of these costs, £7.0 million were incurred in the first half and we expect to incur £6.8 million in the second half.

Despite the challenging economic climate, we decided to maintain our commitment to research and development. On an organic constant currency basis, expenditure was £25 million, a decline of 5% compared with the prior year period. The group re-prioritised programmes in favour of projects which will deliver benefits in the short term.

The integration of the businesses acquired in 2008, as well as Lochard, acquired in February 2009, is proceeding well. In particular, demand for Lochard's portfolio of environmental monitoring services has been strong.

## Operating review

### Materials Analysis Overview

Materials Analysis provides a wide range of analytical instrumentation to the metals and mining, pharmaceutical and life sciences, and semiconductor industries. Our products help customers to improve accuracy and speed of materials analysis in the laboratory and in process manufacturing applications. The operating companies in this segment are Malvern Instruments, PANalytical and Particle Measuring Systems.

### Segment performance

Sales in Materials Analysis showed a slight increase compared with the prior year period at £116.1 million (down 15% at constant currencies). Operating profit declined by 25% to £10.1 million. Operating margins declined from 11.7% to 8.7%.

Demand from the pharmaceutical and life sciences industries was relatively good, with good growth in academic research and development. This benefited both Malvern and Particle Measuring Systems. In the case of Malvern, the Morphologi and Zetasizer Nano range of products serve these applications. Sales of Malvern's Mastersizer systems have now exceeded the 10,000 instruments mark, and these systems are now used by more than 90% of the world's leading chemical and pharmaceutical companies.

For Particle Measuring Systems, demand from the pharmaceutical sector was particularly strong for the newly-launched Lasair III and for facility monitoring systems. The latter include the microbial air sampling products marketed as part of the distribution rights for the Biotrace MicroSafe family of products. Particle Measuring Systems has established a direct sales and service organisation in Japan and is capitalising on the direct presence it established in China in 2008, leading to a number of orders from customers in Asia and the Middle East. Following its investment in Naneum Limited in 2008, the company launched the Nano-ID, the first of the Naneum contamination monitoring products to be marketed. Aimed at the industrial hygiene market, the Nano-ID is designed for applications associated with nano-particle risks to worker health and safety, product quality and environmental control.

This segment saw weaker demand from the metals, minerals and mining industries, with the exception of China and India, where infrastructure developments and upgrading of inefficient cement plants led to good demand. PANalytical extended its family of successful MiniPal compact spectrometers with the introduction of the MiniPal 4 Cement. This product is designed specifically to address the analysis requirements of the building materials industry. PANalytical also saw good demand for food and environmental safety applications, for example for screening toxic elements, and received a number of orders for its Epsilon 5 X-ray analysis system from China and Japan. Demand is also growing for applications in new technology areas such as solar power equipment.

In the semiconductor industry, investment in capital equipment continued to be weak throughout the period and some consolidation within the customer base has begun. Particle Measuring Systems is, however, winning important orders for both its particulate and molecular contamination monitoring products from major semiconductor manufacturers throughout the world.

### Outlook

Demand for our products from the pharmaceutical sector continues to be driven by their research activities, with increasing opportunities in the fields of nano-materials and biotechnology. We expect that academic research and development institutions will continue to provide good demand

for the Materials Analysis segment. Industrial markets remain weak, particularly mining and metals; however, the semiconductor industry appears to be showing some signs of activity, albeit from a very low base.

## Test and Measurement

### Overview

Test and Measurement supplies test, measurement and analysis equipment and software for product design optimisation and manufacturing control, principally to the aerospace, automotive and consumer electronics industries. For customers in the automotive and aerospace industries, our products and applications help them to design safer, more fuel-efficient, environmentally-friendly vehicle platforms whilst reducing time to market. In consumer electronics, our equipment and software enable customers to refine the performance and accuracy of their products. Further applications are in the environmental monitoring market, where the desire for higher standards of community comfort drives increasing demand. The operating companies in this segment are Brüel & Kjær Sound & Vibration and HBM.

### Segment performance

Sales in Test and Measurement increased by 11% (decrease of 26% at organic constant currencies) to £126.1 million. The organic sales decrease was due to a significant decline in demand from automotive customers as research and development spending was severely curtailed. The segment made an operating loss of £6.2 million, of which £4.0 million is attributable to restructuring actions and accelerated post-acquisition integration costs. Operating margins were -4.9% compared with 10.1% in the prior year period.

Recent acquisitions have enhanced our position as a single source of supply for noise, vibration and harshness testing applications and have already resulted in some large orders for integrated hardware and software solutions for aerospace customers. Brüel & Kjær launched PULSE Reflex, the latest version of the popular PULSE noise analysis software for the LAN-XI hardware platform, for acoustic testing in the aerospace and automotive industries. HBM's QuantumX, the new compact, fast data acquisition family launched in 2008, is gaining wide acceptance in test rig

applications. A recent customer is the Swiss Rail network, where the QuantumX is used for mobile testing of freight cars. Demand from the aerospace and defence market was relatively good, with significant orders received for PULSE systems for a satellite manufacturer in Malaysia and a naval shipyard in India.

In the automotive sector, weak consumer demand has led car manufacturers to take a range of cost saving measures, including delaying investment in research and development programmes.

However, China and other parts of Asia continued to grow, with several significant orders won. Recent acquisitions have extended our software capabilities in the area of modelling and simulation of new vehicle designs, providing customers with the technology to carry out fatigue and durability testing and life prediction.

As in Materials Analysis, the Test and Measurement segment also benefited from stronger demand in the academic research area, largely as a result of the increase in government investment to stimulate the economy through research. Our systems are used, for example, in acoustics laboratories within universities.

The environmental noise monitoring business, strengthened by the acquisition of Lochard, saw good demand for its airport noise monitoring systems and secured a number of orders from major airports around the world. This business also benefits from service and maintenance income from long-term contracts with customers and provides opportunities for us to add new service contracts to airports where we had previously only sold monitoring products. We delivered on a contract to supply noise monitoring systems to New Zealand's largest producer of electrical energy for a wind farm where our Noise Monitoring Terminals will be used to determine the change in the overall noise levels to ensure that the wind farm complies with its planning conditions.

## Outlook

We remain cautious about prospects for recovery in automotive markets. We expect demand to continue for academic research and for environmental-based projects. Aerospace and defence projects, as well as growing requirements for environmental noise monitoring, are also expected to continue to generate good opportunities for this segment.

## In-line Instrumentation

### Overview

In-line Instrumentation provides process analytical measurement, asset monitoring and on-line controls for both primary processing and the converting industries. Our products and applications provide precision measurement in challenging operating environments, ensuring process quality, asset uptime, safety, and improved yield. The operating companies in this segment are Beta LaserMike, Brüel & Kjær Vibro, BTG Group, Fusion UV Systems, NDC Infrared Engineering and Servomex.

### Segment performance

Sales in In-line Instrumentation declined by 1% (18% at constant currencies) to £107.4 million. Operating profit decreased by 8% to £15.5 million and operating margins decreased from 15.5% in the first half of 2008 to 14.4%.

In the pulp and paper industry, despite widespread temporary papermill shutdowns at the beginning of 2009, increasing market share in tissue production continued to provide strong demand both for BTG's high performance creping blades and in-line instrument applications. BTG launched a range of new analytical instruments designed to improve mill productivity which have been well received in the market.

In the industrial gas and hydrocarbon sector, greenfield investment projects in the Middle East, India and Asia maintained demand. Servomex signed a technology licensing agreement with Norsk Elektro Optikk to incorporate its industry-leading laser measurement technology into its global product range. This technology is suitable for a wide range of process and combustion control applications and enables Servomex to provide a combination of world-leading gas analysis technologies.

Oil and gas and petrochemical processing also provided good demand for remote monitoring systems and safety systems. Furthermore, in the power industry, hydro and wind energy projects have been less affected by the general economic downturn. Brüel & Kjær Vibro received large orders for remote monitoring systems, including retrofitting 80 wind turbines for one of the world's largest wind farms in the North Sea, and a further 120 turbines in North America. The company continued to experience strong demand for its enhanced Compass 6000 condition and performance monitoring software for

a range of industrial applications and launched the Vibrocontrol 1500 compact monitor, which provides a cost-effective solution for smaller machines, combining safety, analysis and predictive monitoring.

In the converting industry, good demand for food packaging benefited NDC as a result of the growth in packaged food products as people eat at home more, and a large order was received for sensors from a major food producer in North America. Activity also increased in the tyre market in China, where car sales are increasing, helped by government incentives.

Beta LaserMike saw good demand from the speciality metal and medical tubing sector and secured orders for new applications in North America. The LaserSpeed product continued to perform well, sustained by investment in the steel-making sector in China and also in Vietnam. The company also secured significant orders for its ultrasonic measurement system from the energy sector for plants in Malaysia and Brazil.

Investments in infrastructure in both China and India have stimulated demand for optical fibre for the telecommunications industry, resulting in increased production of fibre and fibre cable products. This expansion has benefited both Fusion and Beta LaserMike whose UV curing products and measuring equipment, respectively, are used in optical fibre production. The decline in the flat panel display market in Japan impacted sales at Fusion; however, demand is growing in Korea and Taiwan where investment in new capacity is beginning to take place.

### Outlook

In the oil and gas industry, we anticipate that the main areas of continuing investment activity will be in large petrochemical projects in Asia, the Middle East and Latin America. The hydro and wind energy industries appear to be relatively unaffected by the economic conditions and continue to present opportunities, and the initiative by the US government to promote renewable energy has increased the rate of growth in the US market. The outlook for the pulp and paper market remains uncertain in the short term, although demand for tissue is expected to continue to grow. In converting, although core metals and wire markets remain weak, opportunities exist in China in optical fibre as well as speciality metal and medical tubing.

## Industrial Controls

### Overview

Industrial Controls supplies automation and control products for the discrete manufacturing industries. Our products provide identification and tracking solutions during the manufacturing process, displays for process monitoring and control, and data interfaces for a broad range of manufacturing industries. Sales are indirectly to end users via distributors as well as directly to original equipment manufacturers, with a significant proportion of repeat business. The operating companies in this segment are Microscan and Red Lion Controls.

### Segment performance

Sales in Industrial Controls showed a slight increase from £21.1 million to £21.9 million (down 19% at constant currencies). Operating profit was down from £4.6 million to £0.6 million. Operating margins were 2.7% compared with 21.8% in the first half of 2008.

The electronics and general manufacturing sectors started the year with weak conditions on a worldwide basis due to overall de-stocking and low capacity utilisation. At Microscan, the integration of the recent machine vision acquisition is progressing well and two new direct part mark readers were launched. The Visionscape GigE, featuring the industry-leading Visionscape machine vision software, brings quality and productivity benefits to manufacturers. The MiniHawk is a miniature imager which is powerful yet easy to use for barcode and 2D track, trace and control applications and can read damaged or difficult symbols.

In the healthcare market, Red Lion Controls secured an order to provide remote detection of air conditioning failure for mobile MRI scanners, with the company's Data Station within the air handling system helping to keep the scanner on the road. Sales via catalogue channels continued to perform well.

### Outlook

Towards the end of the first half we saw some limited recovery in demand as manufacturing output increased, particularly in China. We expect further progress from our extended product portfolio of track, trace and control solutions, which is enabling us to address new opportunities in the industrial controls sector.

### Conclusion

After a challenging first half, visibility of customer demand remains limited. However, we expect to see an improving performance in the second half resulting from the benefits of the restructuring and post-acquisition integration actions, a continuation of recent market trends, and contributions from new products. We have a good strategic and financial position, the planned restructuring and acquisition integration actions are on track, and we remain confident that we are well placed for a more sustained recovery when our markets return to growth.



**John O'Higgins**  
Chief Executive

**Clive Watson**, Group finance director



Spectris uses adjusted figures as key performance measures in addition to those reported under adopted IFRS. Adjusted figures exclude certain non-operational items which management has defined as amortisation and impairment of acquisition-related intangible assets, profits or losses on the termination or disposal of businesses, unrealised changes in the fair value of financial instruments, gains or losses on retranslation of short-term inter-company loan balances, related tax effects and other tax items which do not form part of the underlying tax rate. Unless otherwise stated, all profit and earnings figures referred to below are adjusted measures – for explanation of adjusted figures and reconciliation to the statutory reported figures see Note 2.

Reported sales in the first half increased by 4% from £358.5 million in 2008 to £371.5 million in 2009. Favourable movements in foreign currency exchange rates had an impact of approximately £60.4 million or 17% on sales, meaning that sales decreased by approximately 13% on a constant currency basis. The year-on-year impact on sales from acquisitions is approximately £25.9 million or 7% (2008: £5.5 million), resulting in an organic constant currency decline of 20%.

Reported operating profits decreased by 57% from £46.4 million in 2008 to £20.0 million in 2009. Movements in foreign currency exchange rates had a positive effect on operating profit of approximately £2.8 million or 6%. Volume reductions had a negative impact of £45.2 million, which was partially offset by overhead cost savings of £24.0 million. On a constant currency basis, profits decreased by approximately

63%. The year-on-year impact from acquisitions is a loss of approximately £1.2 million, before post-acquisition integration charges of approximately £4.0 million. With the integration into our businesses substantially complete, we are expecting a strong recovery from our acquisitions in the second half.

Unadjusted statutory operating profits, after including acquisition-related intangible asset amortisation charges of £3.2 million (2008: £1.7 million), decreased from £44.7 million in 2008 to £16.8 million in 2009.

The year-on-year increase in interest costs is £1.9 million (from £3.8 million in 2008 to £5.7 million in 2009). This includes £1.0 million relating to foreign exchange and the balance is due to average net debt being £55 million higher than the same period in 2008 as a result of acquisitions offset by lower interest rates. Profit before tax decreased by 66% from £42.6 million to £14.3 million.

Based on the forecast for the full year, the effective tax rate for the half year is 24% (2008 full year: 23.7%). Corporation tax paid at £17.7 million is higher than the tax charge due to payments required in respect of prior years.

The lower operating profits resulted in earnings per share decreasing by 65% from 26.6 pence to 9.4 pence.

Operating cash flow of £32.8 million is £8.7 million lower than the prior year (£41.5 million), despite the reduced operating profit. Rigorous working capital management and reduced capital expenditure led to cash conversion at 164% (2008: 89%). Nonetheless, net debt increased by £17.0 million (2008: increase of £13.2 million) from £162.1 million at 31 December 2008 to £179.1 million, mainly due to acquisitions.



**Clive Watson**

Group finance director

### Statement of Directors' Responsibilities in Respect of the Interim Report

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

The directors of Spectris plc are listed in the 2008 report and accounts. A list of current directors is available for inspection at the company's registered office located at Station Road, Egham, Surrey TW20 9NP.

By order of the Board



**John O'Higgins**

Chief Executive

### Principal Risks and Uncertainties

The group has in place processes for identifying, evaluating and managing the key risks which could have an impact upon the group's performance.

These risks, together with a description of the approach to managing them, are set out in the 2008 Annual Report (pages 23-24) which is available on the group's website at [www.spectris.com](http://www.spectris.com).

The group has reviewed these risks and concluded that they continue to remain relevant for the second half of the financial year. They comprise:

- Acquisition integration
- New product development
- Competitive activity
- Supply chain disruption
- Seasonal fluctuations in sales
- Fluctuations in exchange rates
- Liquidity and interest rate risk
- Intellectual property
- Information technology/business disruption
- Political and economic environment

There has been a material adverse change in the economic conditions in the majority of the markets in which the group operates which may have a negative effect on the group's performance for the second half of the year. The group has taken a number of actions over the past 12 months to mitigate the impact of these adverse conditions and will take additional actions as needed should conditions deteriorate further, whilst keeping the resources in place to deliver on its longer-term strategy. It is considered that by taking these actions, together with a strong focus on cash management, maintaining a strong balance sheet and financial position, the group should be well placed to manage this risk.

# Condensed Consolidated Statement of Income

For the six months ended 30 June 2009

	Note	2009 Half year £m	2008 Half year £m	2008 Full year £m
<b>Continuing operations</b>				
Revenue	3	<b>371.5</b>	358.5	787.1
Cost of sales		<b>(163.6)</b>	(153.3)	(334.5)
<b>Gross profit</b>		<b>207.9</b>	205.2	452.6
Net operating expenses		<b>(191.1)</b>	(160.5)	(338.9)
<b>Operating profit</b>				
Operating profit before amortisation of acquisition-related intangibles		<b>20.0</b>	46.4	118.3
Amortisation of acquisition-related intangibles		<b>(3.2)</b>	(1.7)	(4.6)
	2,3	<b>16.8</b>	44.7	113.7
Profit on disposal of businesses	4	–	0.3	0.3
Financial income	6	<b>4.0</b>	4.5	7.8
Finance costs	6	<b>(12.2)</b>	(10.4)	(15.7)
<b>Profit before tax</b>		<b>8.6</b>	39.1	106.1
Taxation – UK	7	<b>1.6</b>	(0.8)	1.5
Taxation – Overseas	7	<b>(2.7)</b>	(11.1)	(26.5)
<b>Profit after tax for the year from continuing operations attributable to owners of the company</b>		<b>7.5</b>	27.2	81.1
Basic earnings per share (pence)	8	<b>6.5p</b>	23.5p	70.3p
Diluted earnings per share (pence)	8	<b>6.5p</b>	23.5p	69.8p
Interim dividends proposed for the period (per share)	9	<b>6.4p</b>	6.4p	23.4p
Dividends paid during the period (per share)	9	<b>17.0p</b>	15.25p	21.7p

Spectris uses adjusted figures as key performance measures in addition to those reported under adopted IFRS. Adjusted figures are stated before amortisation and impairment of acquisition-related intangible assets, profits or losses on termination or disposal of businesses, unrealised changes in the fair value of financial instruments, gains or losses on retranslation of short-term inter-company loan balances, related tax effects and other tax items which do not form part of the underlying tax rate.

Reconciliations showing how the adjusted performance measures are derived from those reported under adopted IFRS are set out in Note 2.

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	<b>2009</b> Half year £m	2008 Half year £m	2008 Full year £m
Profit for the period attributable to owners of the company	<b>7.5</b>	27.2	81.1
Other comprehensive income:			
Net gain/(loss) on effective portion of changes in fair value of forward exchange contracts	<b>6.9</b>	1.0	(8.2)
Foreign exchange movements on translation of overseas operations	<b>(59.7)</b>	27.5	136.5
Net gain/(loss) on changes in fair value of effective portion of net investment hedges in overseas operations	<b>19.9</b>	(6.5)	(41.4)
Actuarial (loss)/gain arising on pension schemes	<b>(17.9)</b>	(0.3)	1.8
Tax on items recognised directly in comprehensive income	<b>3.2</b>	(0.2)	3.0
<b>Total comprehensive income for the period attributable to the owners of the company</b>	<b>(40.1)</b>	48.7	172.8

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	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
Balance at 1 January 2009	6.2	231.4	117.3	93.0	(8.1)	3.1	0.3	<b>443.2</b>
Total comprehensive income attributable to the owners of the company	–	–	(5.8)	(39.3)	5.0	–	–	<b>(40.1)</b>
Distributions to and transactions with owners:								
Equity dividends paid	–	–	(19.6)	–	–	–	–	<b>(19.6)</b>
Share-based payments	–	–	(0.6)	–	–	–	–	<b>(0.6)</b>
Own shares (Employee Benefit Trust) purchased	–	–	(0.2)	–	–	–	–	<b>(0.2)</b>
Share options exercised from shares held by Employee Benefit Trust	–	–	0.1	–	–	–	–	<b>0.1</b>
<b>Balance at 30 June 2009</b>	<b>6.2</b>	<b>231.4</b>	<b>91.2</b>	<b>53.7</b>	<b>(3.1)</b>	<b>3.1</b>	<b>0.3</b>	<b>382.8</b>

For the six months ended 30 June 2008

	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
Balance at 1 January 2008	6.2	231.4	63.8	(2.1)	0.1	3.1	0.3	302.8
Total comprehensive income attributable to the owners of the company	–	–	26.7	21.0	1.0	–	–	48.7
Distributions to and transactions with owners:								
Equity dividends paid	–	–	(17.6)	–	–	–	–	(17.6)
Share-based payments	–	–	1.2	–	–	–	–	1.2
Own shares (treasury) purchased	–	–	(9.3)	–	–	–	–	(9.3)
Own shares (Employee Benefit Trust) purchased	–	–	(0.1)	–	–	–	–	(0.1)
Share options exercised from shares held by Employee Benefit Trust	–	–	0.1	–	–	–	–	0.1
<b>Balance at 30 June 2008</b>	<b>6.2</b>	<b>231.4</b>	<b>64.8</b>	<b>18.9</b>	<b>1.1</b>	<b>3.1</b>	<b>0.3</b>	<b>325.8</b>

# Condensed Consolidated Statement of Financial Position

At 30 June 2009

	2009 Half year £m	2008 Half year £m	2008 Full year £m
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	329.6	239.2	342.6
Other intangible assets	48.3	19.5	43.9
Property, plant and equipment	105.6	93.8	118.2
Equity accounted investment	0.6	–	0.6
Deferred tax asset	33.9	23.5	30.7
	<b>518.0</b>	376.0	536.0
<b>Current assets</b>			
Inventories	122.2	107.6	148.0
Taxation recoverable	1.4	–	1.4
Trade and other receivables	147.5	145.6	207.8
Derivative financial instruments	–	1.2	–
Cash and cash equivalents	33.9	49.0	64.4
Assets held for sale	–	1.2	–
	<b>305.0</b>	304.6	421.6
<b>Total assets</b>	<b>823.0</b>	680.6	957.6
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term borrowings	(8.0)	(8.4)	(35.0)
Derivative financial instruments	(0.8)	–	(9.2)
Trade and other payables	(148.3)	(146.3)	(197.9)
Current tax liabilities	(21.3)	(32.1)	(38.4)
Provisions	(16.8)	(19.1)	(23.1)
	<b>(195.2)</b>	(205.9)	(303.6)
<b>Net current assets</b>	<b>109.8</b>	98.7	118.0
<b>Non-current liabilities</b>			
Medium- and long-term borrowings	(188.6)	(109.7)	(173.6)
Derivative financial instruments	(18.9)	(20.0)	(16.9)
Other payables	(8.7)	(7.3)	(10.1)
Retirement benefit obligations	(24.5)	(10.9)	(8.5)
Deferred tax liability	(4.3)	(1.0)	(1.7)
	<b>(245.0)</b>	(148.9)	(210.8)
<b>Total liabilities</b>	<b>(440.2)</b>	(354.8)	(514.4)
<b>Net assets</b>	<b>382.8</b>	325.8	443.2
<b>Equity</b>			
Issued share capital	6.2	6.2	6.2
Share premium	231.4	231.4	231.4
Retained earnings	91.2	64.8	117.3
Translation reserve	53.7	18.9	93.0
Hedging reserve	(3.1)	1.1	(8.1)
Merger reserve	3.1	3.1	3.1
Capital redemption reserve	0.3	0.3	0.3
<b>Total equity attributable to equity holders of the company</b>	<b>382.8</b>	325.8	443.2
<b>Total equity and liabilities</b>	<b>823.0</b>	680.6	957.6

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2009

	Note	2009 Half year £m	2008 Half year £m	2008 Full year £m
<b>Cash flows from operating activities</b>				
Profit after tax		7.5	27.2	81.1
Adjustments for:				
Tax	7	1.1	11.9	25.0
Profit on disposal of businesses		–	(0.3)	(0.3)
Finance costs	6	12.2	10.4	15.7
Financial income	6	(4.0)	(4.5)	(7.8)
Depreciation		7.1	6.5	10.4
Amortisation of intangible assets		4.7	1.7	7.7
(Gain)/loss on sale of property, plant and equipment		(0.4)	0.4	0.1
Equity settled share-based payment expense		(0.6)	1.3	1.8
<b>Operating profit before changes in working capital and provisions</b>		<b>27.6</b>	54.6	133.7
Decrease in trade and other receivables		45.4	17.1	7.8
Decrease/(increase) in inventories		10.7	(9.5)	(10.1)
Decrease in trade and other payables		(37.7)	(5.4)	(1.4)
Decrease in provisions and employee benefits		(7.9)	(4.0)	(6.9)
Corporation tax paid		(17.7)	(11.5)	(24.0)
<b>Net cash from operating activities</b>		<b>20.4</b>	41.3	99.1
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(6.6)	(11.3)	(21.9)
Proceeds from sale of property, plant and equipment		1.3	–	0.9
Acquisition of businesses, net of cash acquired		(26.4)	(7.7)	(87.2)
Acquisition of an associate undertaking		–	–	(0.6)
Disposal of businesses		–	0.3	1.5
Interest received		0.1	0.7	1.6
<b>Net cash flows used in investing activities</b>		<b>(31.6)</b>	(18.0)	(105.7)
<b>Cash flows from financing activities</b>				
Interest paid		(6.0)	(4.9)	(10.1)
Dividends paid to equity holders of the parent		(19.6)	(17.6)	(25.0)
Share options exercised from shares held by Employee Benefit Trust		0.1	0.1	0.1
Share options exercised from treasury shares		–	–	0.2
Purchase of own shares by Employee Benefit Trust		(0.2)	(0.1)	(0.2)
Purchase of own shares – treasury shares		–	(9.3)	(9.3)
Proceeds from borrowings		49.0	–	50.0
Repayment of borrowings		(34.8)	–	–
<b>Net cash flows used in financing activities</b>		<b>(11.5)</b>	(31.8)	5.7
<b>Net decrease in cash and cash equivalents</b>		<b>(22.7)</b>	(8.5)	(0.9)
<b>Cash and cash equivalents at beginning of period</b>		<b>54.8</b>	47.4	47.4
Effect of foreign exchange rate changes		(6.2)	1.7	8.3
<b>Cash and cash equivalents at end of period</b>		<b>25.9</b>	40.6	54.8

## Condensed Consolidated Statement of Cash Flows continued

For the six months ended 30 June 2009

<b>Reconciliation of changes in cash and cash equivalents to movements in net debt</b>	<b>2009 Half year £m</b>	2008 Half year £m	2008 Full year £m
Net decrease in cash and cash equivalents	<b>(22.7)</b>	(8.5)	(0.9)
Proceeds from borrowings	<b>(49.0)</b>	–	(50.0)
Repayment of borrowings	<b>34.8</b>	–	–
Effect of foreign exchange rate changes	<b>19.9</b>	(4.7)	(33.9)
Movement in net debt	<b>(17.0)</b>	(13.2)	(84.8)
Net debt at start of period	<b>(162.1)</b>	(77.3)	(77.3)
Net debt at end of period	<b>(179.1)</b>	(90.5)	(162.1)

# Notes to the Interim Financial Statements

## 1. Principal accounting policies and basis of preparation

Spectris plc is a public limited company incorporated and domiciled in the United Kingdom, whose shares are publicly traded on the London Stock Exchange.

The condensed consolidated interim financial statements of the company for the six months ended 30 June 2009 comprise the company and its subsidiaries, together referred to as the group. These condensed consolidated interim financial statements are presented in pounds sterling. The consolidated financial statements of the group for the year ended 31 December 2008 are available upon request from the company's registered office at Station Road, Egham, Surrey TW20 9NP.

These condensed consolidated interim financial statements have been prepared in accordance with adopted International Financial Reporting Standard (IFRS) IAS 34 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the group for the year ended 31 December 2008.

Except as described below, the accounting policies applied by the group in these condensed consolidated interim financial statements are the same as those applied by the group in its consolidated financial statements for the year ended 31 December 2008.

The directors have considered the group's forecasts and projections, the impact of restructuring actions taken and planned, and reasonably possible changes in trading performance. Taking account of the financial position at 30 June 2009, the directors consider that the group will be able to operate within the level of its committed facilities for the next 12 months even should the £50 million facility maturing at the end of 2009 not be renewed. The group is in active discussions with its provider to renew this facility and no matter has arisen to suggest it will not be renewed on market terms in due course.

Accordingly, after making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. The going concern basis is therefore appropriate for preparing the condensed consolidated interim financial statements.

During the period, the group has applied IAS 1 'Presentation of Financial Statements (revised 2007)' which has introduced a number of terminology changes (including titles for the condensed primary statements) and has resulted in a number of changes in presentation and disclosures. The revised standard has had no impact on the reported results or financial position of the group.

Since 1 January 2009, the group has capitalised borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously, the group immediately recognised borrowing costs as an expense. This change in accounting policy was due to the prospective adoption of IAS 23 'Borrowing Costs (2007)' and in accordance with the transitional provisions of this standard, comparative figures have not been restated. The change in accounting policy had no material impact on assets, profit or earnings per share in the interim period ended 30 June 2009.

As of 1 January 2009, the group has adopted IFRS 8 'Operating Segments'. The reportable segments disclosed under IFRS 8 are consistent with the operating segments determined and presented in accordance with IAS 14 'Segment Reporting'. The group has four reportable segments, as described below, which are the group's strategic business units. These units offer different applications, assist companies at various stages of the production cycle or assist specific industries. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision Maker (considered to be the Board of Directors) on a regular basis. The following summary describes the operations in each of the group's reportable segments:

# Notes to the Interim Financial Statements continued

## 1. Principal accounting policies and basis of preparation continued

- Materials Analysis provides a wide range of analytical instrumentation to the metals and mining, pharmaceutical and life sciences, and semiconductor industries.
- Test and Measurement supplies test, measurement and analysis equipment and software for product design optimisation and manufacturing control, principally to the aerospace, automotive and consumer electronics industries. Further applications are in the environmental monitoring market.
- In-line Instrumentation provides process analytical measurement, asset monitoring and on-line controls for both primary processing and the converting industries.
- Industrial Controls supplies automation and control products for the discrete manufacturing industries.

The interim results are unaudited. The comparative figures for the financial year ended 31 December 2008 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors 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 237(2) or (3) of the Companies Act 1985.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates. Except as described below, in preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated statements for the year ended 31 December 2008.

The group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2008.

These condensed consolidated interim financial statements were approved by the Board of Directors on 25 August 2009.

## 2. Adjusted performance measures

Spectris uses adjusted figures as key performance measures in addition to those reported under adopted IFRS. Adjusted figures are stated before amortisation and impairment of acquisition-related intangible assets, profits or losses on termination or disposal of businesses, unrealised changes in the fair value of financial instruments, gains or losses on retranslation of short-term inter-company loan balances, related tax effects and other tax items which do not form part of the underlying tax rate.

		2009 Half year £m	2008 Half year £m	2008 Full year £m
<b>Adjusted operating profit</b>	Note			
Operating profit as reported under adopted IFRS		<b>16.8</b>	44.7	113.7
Amortisation of acquisition-related intangible assets		<b>3.2</b>	1.7	4.6
Adjusted operating profit	3	<b>20.0</b>	46.4	118.3
Restructuring and post-acquisition integration charges		<b>7.0</b>	0.2	1.6
Adjusted operating profit before restructuring and post-acquisition integration charges		<b>27.0</b>	46.6	119.9

<b>Adjusted operating profit by segment – June 2009</b>	Note	Materials Analysis £m	Test and Measurement £m	In-line Instrumentation £m	Industrial Controls £m	2009 Half year Total £m
Operating profit under adopted IFRS		<b>8.9</b>	<b>(7.3)</b>	<b>15.1</b>	<b>0.1</b>	<b>16.8</b>
Amortisation of acquisition-related intangible assets		<b>1.2</b>	<b>1.1</b>	<b>0.4</b>	<b>0.5</b>	<b>3.2</b>
Adjusted operating profit: segment result under adopted IFRS	3	<b>10.1</b>	<b>(6.2)</b>	<b>15.5</b>	<b>0.6</b>	<b>20.0</b>
Restructuring and post-acquisition integration charges		<b>1.4</b>	<b>4.0</b>	<b>0.5</b>	<b>1.1</b>	<b>7.0</b>
Adjusted operating profit before restructuring and post-acquisition integration charges		<b>11.5</b>	<b>(2.2)</b>	<b>16.0</b>	<b>1.7</b>	<b>27.0</b>

  

<b>Adjusted operating profit by segment – June 2008</b>	Note	Materials Analysis £m	Test and Measurement £m	In-line Instrumentation £m	Industrial Controls £m	2008 Half year Total £m
Operating profit under adopted IFRS		12.1	11.5	16.5	4.6	44.7
Amortisation of acquisition-related intangible assets		1.4	–	0.3	–	1.7
Adjusted operating profit: segment result under adopted IFRS	3	13.5	11.5	16.8	4.6	46.4
Restructuring and post-acquisition integration charges		0.2	–	–	–	0.2
Adjusted operating profit before restructuring and post-acquisition integration charges		13.7	11.5	16.8	4.6	46.6

  

<b>Adjusted operating profit by segment – December 2008</b>	Note	Materials Analysis £m	Test and Measurement £m	In-line Instrumentation £m	Industrial Controls £m	2008 Full year Total £m
Operating profit under adopted IFRS		34.9	28.6	42.0	8.2	113.7
Amortisation of acquisition-related intangible assets		2.6	1.1	0.7	0.2	4.6
Adjusted operating profit: segment result under adopted IFRS	3	37.5	29.7	42.7	8.4	118.3
Restructuring and post-acquisition integration charges		0.3	0.9	(0.1)	0.5	1.6
Adjusted operating profit before restructuring and post-acquisition integration charges		37.8	30.6	42.6	8.9	119.9

# Notes to the Interim Financial Statements continued

## 2. Adjusted performance measures continued

	Note	2009 Half year £m	2008 Half year £m	2008 Full year £m
<b>Reconciliation of adjusted operating profit</b>				
Profit before tax as reported under adopted IFRS		<b>8.6</b>	39.1	106.1
Amortisation of acquisition-related intangible assets		<b>3.2</b>	1.7	4.6
Net (gains)/losses on retranslation of short-term inter-company loan balances	6	<b>(1.1)</b>	3.4	0.6
Profit on disposal of businesses	4	–	(0.3)	(0.3)
Unrealised change in fair value of cross-currency interest rate swaps	6	<b>3.6</b>	(1.3)	(0.9)
Adjusted profit before tax		<b>14.3</b>	42.6	110.1
Adjusted net interest (see below)		<b>5.7</b>	3.8	8.2
Adjusted operating profit		<b>20.0</b>	46.4	118.3

		2009 Half year £m	2008 Half year £m	2008 Full year £m
<b>Adjusted net interest</b>				
Net interest costs as reported under adopted IFRS		<b>(8.2)</b>	(5.9)	(7.9)
Change in fair value of cross-currency interest rate swaps		<b>3.6</b>	(1.3)	(0.9)
Net gains on retranslation of short-term inter-company loan balances		<b>(1.1)</b>	3.4	0.6
Adjusted net interest costs		<b>(5.7)</b>	(3.8)	(8.2)

		2009 Half year £m	2008 Half year £m	2008 Full year £m
<b>Operating cash flow</b>				
Net cash from operating activities under adopted IFRS		<b>20.4</b>	41.3	99.1
Corporation tax paid		<b>17.7</b>	11.5	24.0
Purchase of property, plant and equipment		<b>(6.6)</b>	(11.3)	(21.9)
Proceeds from sale of property, plant and equipment		<b>1.3</b>	–	0.9
Operating cash flow for management purposes		<b>32.8</b>	41.5	102.1

	Note	2009 Half year £m	2008 Half year £m	2008 Full year £m
<b>Adjusted earnings per share</b>				
Profit after tax as reported under adopted IFRS		<b>7.5</b>	27.2	81.1
Adjusted for:				
Amortisation of acquisition-related intangible assets		<b>3.2</b>	1.7	4.6
Profit on disposal of businesses	4	–	(0.3)	(0.3)
Unrealised change in fair value of cross-currency interest rate swaps	6	<b>3.6</b>	(1.3)	(0.9)
Net (gains)/losses on retranslation of short-term inter-company loan balances	6	<b>(1.1)</b>	(3.4)	0.6
Tax effect of the above	7	<b>(2.3)</b>	–	(1.1)
Adjusted earnings		<b>10.9</b>	30.7	84.0
Weighted average number of shares outstanding (millions)		<b>115.3</b>	115.5	115.4
Adjusted earnings per share (pence)		<b>9.4</b>	26.6	72.8

	Note	2009 Half year	2008 Half year	2008 Full year
<b>Adjusted diluted earnings per share</b>				
Adjusted earnings (as above) (£m)		<b>10.9</b>	30.7	84.0
Diluted weighted average number of shares outstanding (millions)	8	<b>115.4</b>	115.9	116.2
Adjusted diluted earnings per share (pence)		<b>9.4</b>	26.5	72.2

Basic and diluted earnings per share in accordance with IAS 33 are disclosed in Note 8.

	2009 Half year £m	2008 Half year £m	2008 Full year £m
<b>Analysis of net debt for management purposes</b>			
Bank overdrafts	<b>8.0</b>	8.4	9.6
Bank loans – secured	<b>2.6</b>	2.2	3.1
Bank loans – unsecured	<b>58.5</b>	–	50.0
Unsecured loan notes	<b>127.5</b>	107.5	145.9
Cross-currency interest rate swaps – currency portion	<b>16.4</b>	21.4	17.9
Total borrowings	<b>213.0</b>	139.5	226.5
Cash balances	<b>(33.9)</b>	(49.0)	(64.4)
Net debt	<b>179.1</b>	90.5	162.1

### 3. Operating segments

The group has four reportable segments, which are the group's strategic business units. These reportable segments remain unchanged from the 31 December 2008 consolidated accounts.

#### Information about reportable segments

	External customer revenue			Reportable segment profit before income tax		
	2009 Half year £m	2008 Half year £m	2008 Full year £m	2009 Half year £m	2008 Half year £m	2008 Full year £m
Materials Analysis	<b>116.1</b>	115.6	253.2	<b>10.1</b>	13.5	37.5
Test and Measurement	<b>126.1</b>	113.5	254.9	<b>(6.2)</b>	11.5	29.7
In-line Instrumentation	<b>107.4</b>	108.3	233.3	<b>15.5</b>	16.8	42.7
Industrial Controls	<b>21.9</b>	21.1	45.7	<b>0.6</b>	4.6	8.4
Total	<b>371.5</b>	358.5	787.1	<b>20.0</b>	46.4	118.3
Amortisation of acquisition-related intangibles				<b>(3.2)</b>	(1.7)	(4.6)
Operating profit				<b>16.8</b>	44.7	113.7
Profit on disposal of business				–	0.3	0.3
Financial income				<b>4.0</b>	4.5	7.8
Finance costs				<b>(12.2)</b>	(10.4)	(15.7)
Profit before tax				<b>8.6</b>	39.1	106.1
Tax				<b>(1.1)</b>	(11.9)	(25.0)
Profit after tax				<b>7.5</b>	27.2	81.1

Reportable segment profit is consistent with that presented to the Chief Operating Decision Maker.

## 3. Operating segments continued

### Geographical information

The group's reportable segments are each located in several geographical locations, and sell on to external customers in all parts of the world.

The following is an analysis of revenue by geographical destination.

	<b>2009</b> Half year £m	2008 Half year £m	2008 Full year £m
UK	<b>15.3</b>	13.4	30.3
Continental Europe	<b>140.2</b>	142.6	301.9
North America	<b>88.1</b>	81.1	178.0
Japan	<b>23.8</b>	27.6	60.1
China	<b>40.3</b>	30.0	68.8
Rest of Asia Pacific	<b>38.9</b>	39.6	90.3
Rest of the world	<b>24.9</b>	24.2	57.7
	<b>371.5</b>	358.5	787.1

## 4. Disposal of businesses

During the period the group did not divest any businesses. In the period to 30 June 2008 and 31 December 2008 a gain of £0.3m arose in relation to the Luxtron divestment in 2002.

## 5. Acquisitions

On 6 February 2009, the group acquired 100% of the share capital of Lochard Limited, a company servicing the airport industry, as well as environmental noise and air quality monitoring and management. The assets and liabilities acquired, together with the aggregate purchase consideration, are summarised below. The profit contribution of the acquired company to the group's results for the period was £0.4m. Group revenue and operating profit would have been £372.7m and £17.2m, respectively, had the acquisition taken place on the first day of the year. Fair values are provisional at 30 June 2009.

The allocation of the residual balance of goodwill between goodwill and the fair value of intangible assets on the Lochard and LDS (acquired in December 2008) acquisitions are yet to be finalised. Where the fair value of acquired intangible assets has been provisionally identified, the residual goodwill represents the synergies that can be achieved through the integration of the acquired entity into the group, the future potential to develop new technologies, and the potential future relationships and contracts.

	Book value	Fair value adjustments	2009 Half year Fair value
	£m	£m	£m
<b>Net assets acquired</b>			
Intangible fixed assets	1.9	8.6	10.5
Tangible fixed assets	0.9	–	0.9
Deferred tax asset	1.3	–	1.3
Inventories	2.0	–	2.0
Trade and other receivables	1.8	–	1.8
Trade and other payables	(4.5)	–	(4.5)
Deferred tax liabilities	(0.6)	(2.6)	(3.2)
Cash	0.2	–	0.2
Net assets acquired	3.0	6.0	9.0
Goodwill			14.5
Total consideration			23.5
Adjustment for cash acquired			(0.2)
Net consideration			23.3
<b>Analysis of cash outflow in consolidated cash flow statement</b>			
Total consideration			23.5
Deferred and contingent consideration to be paid in future years			(3.4)
Cash paid (including directly attributable costs)			20.1
<b>Prior year acquisitions</b>			
Purchase price adjustment re prior year acquisition			–
Deferred consideration in relation to prior year acquisitions			6.5
			6.5
Total cash outflow relating to acquisitions			26.6
Cash acquired on acquisition			(0.2)
Net cash outflow relating to acquisitions			26.4

## Notes to the Interim Financial Statements continued

### 5. Acquisitions continued

In the first half of 2008, the group acquired Viscotek Corporation and a number of distributors in markets where a direct presence was sought. The assets and liabilities acquired, together with the aggregate purchase consideration, are summarised below.

	Book value £m	Fair value adjustments £m	2008 Half year Fair value £m
<b>Net assets acquired</b>			
Intangible fixed assets	–	–	–
Tangible fixed assets	0.2	(0.1)	0.1
Inventories	0.7	–	0.7
Trade and other receivables	3.8	–	3.8
Trade and other payables	(2.2)	(0.2)	(2.4)
Deferred tax liabilities	(1.3)	–	(1.3)
Cash	1.7	–	1.7
Net assets acquired	2.9	(0.3)	2.6
Goodwill			7.9
Total consideration			10.5
Adjustment for cash acquired			(1.7)
Net consideration			8.8
<b>Analysis of cash outflow in consolidated cash flow statement</b>			
Total consideration			10.5
Deferred and contingent consideration to be paid in future years			(2.3)
Cash paid (including directly attributable costs)			8.2
<b>Prior year acquisitions</b>			
Purchase price adjustment re prior year acquisition			0.2
Deferred consideration in relation to prior year acquisitions			1.0
			1.2
Total cash outflow relating to acquisitions			9.4
Cash acquired on acquisition			(1.7)
Net cash outflow relating to acquisitions			7.7

## 6. Finance costs and financial income

	2009 Half year £m	2008 Half year £m	2008 Full year £m
<b>Financial income</b>			
Bank interest receivable	0.2	0.6	1.6
Change in fair value of cross-currency interest rate swaps	–	1.3	0.9
Net gain on retranslation of short-term inter-company loan balances	1.1	–	–
Expected return on pension scheme assets	2.7	2.6	5.3
	<b>4.0</b>	4.5	7.8
	2009 Half year £m	2008 Half year £m	2008 Full year £m
<b>Finance costs</b>			
Interest payable on bank loans and overdrafts	5.5	0.2	9.7
Interest payable on other loans	0.2	4.1	0.1
Total interest payable	5.7	4.3	9.8
Unrealised change in fair value of cross-currency interest rate swaps	3.6	–	–
Net losses on retranslation of short-term inter-company loan balances	–	3.4	0.6
Interest cost on pension scheme liabilities	2.9	2.7	5.3
	<b>12.2</b>	10.4	15.7

Net interest costs of £5.5m (30 June 2008: £3.7m; 31 December 2008: £8.2m) for the purposes of the calculation of interest cover comprise of bank interest receivable of £0.2m (30 June 2008: £0.6m; 31 December 2008: £1.6m), and interest payable on bank loans and other loans and overdrafts of £5.7m (30 June 2008: £4.3m; 31 December 2008: £9.8m).

## 7. Tax on profit on ordinary activities

The taxation charge for the six months to 30 June 2009 is based on an estimate of the effective rate of taxation for the current year. The effective rate of taxation applied to adjusted profits before tax for the half year is 24% (30 June 2008: 28%; Year ended 31 December 2008: 23.7%). A reconciliation of the tax charge on adjusted profits to the actual tax charge is presented below:

	2009 Half year £m	2008 Half year £m	2008 Full year £m
The tax charge is analysed as follows:			
Tax charge on adjusted profits before tax at effective rate	3.4	11.9	26.1
Tax credit on amortisation of intangible assets	(1.0)	(0.3)	(1.4)
Tax (credit)/charge on unrealised gain on change in fair value of financial instruments	(1.0)	0.4	0.3
Tax charge on foreign exchange losses arising from short-term financing activities	(0.3)	(0.2)	(0.1)
Tax charge on profit on disposal of business	–	0.1	0.1
Reported tax charge	<b>1.1</b>	11.9	25.0

## 8. Earnings per share

Earnings per share and diluted earnings per share are calculated as follows:

<b>Basic earnings per share</b>	<b>2009</b>	2008	2008
	<b>Half year</b>	Half year	Full year
Profit after tax (£m)	<b>7.5</b>	27.2	81.1
Weighted average number of shares outstanding (millions)	<b>115.3</b>	115.5	115.4
Basic earnings per share (pence)	<b>6.5</b>	23.5	70.3

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares outstanding during the year.

The calculation of diluted earnings per share of 6.5p (30 June 2008: 23.5p; 31 December 2008: 69.8p) is based on the group profit of £7.5m (30 June 2008: £27.2m; 31 December 2008: £81.1m) and on the diluted weighted average number of 5p ordinary shares in issue during the year of 115.4 million (30 June 2008: 115.9 million; 31 December 2008: 116.2 million).

## 9. Dividends

The interim dividend of 6.4p per share (2008 interim dividend: 6.4p) will be payable on 13 November 2009 to ordinary shareholders on the register at the close of business on 23 October 2009.

The final 2008 dividend of 17.0p per share (2007 final dividend: 15.25p) was paid on 24 June 2009 to ordinary shareholders on the register at the close of business on 5 June 2009.

## 10. Treasury shares

During the period the group repurchased nil (30 June 2008: 1.4 million; 31 December 2008: 1.4 million) shares for a consideration of £nil (30 June 2008: £9.3m; 31 December 2008: £9.3m). 81,882 of these shares were issued to satisfy options exercised by the employees which were granted under the group's share scheme (30 June 2008: 18,923; 31 December 2008: 21,363) for a consideration of £10,104 (30 June 2008: £nil; 31 December 2008: £120,408). No shares were cancelled during the year (30 June 2008: nil; 31 December 2008: nil).

# Shareholder Information

## Financial calendar

2009 Interim results	25 August 2009
Record date for interim dividend	23 October 2009
Interim management statement	5 November 2009
Interim dividend payable	13 November 2009
2009 Preliminary results	23 February 2010

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R J Stephens, FCIS

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### Auditors

KPMG Audit Plc

### Bankers

Royal Bank of Scotland Plc

### Solicitors

Macfarlanes LLP

### Brokers

RBS Hoare Govett Ltd  
Bank of America – Merrill Lynch International

### Financial PR advisers

FD

### Registrars

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The registrars provide a range of shareholder services on-line at [www.shareview.co.uk](http://www.shareview.co.uk)

### Share price information

The company's ordinary shares are listed on the London Stock Exchange. The latest share price is available via the company's website at [www.spectris.com](http://www.spectris.com)

### Email news service

To receive details of press releases and other announcements as they are issued, register with the email alert service on the company's website at [www.spectris.com](http://www.spectris.com)

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