

spectris

Spectris plc
Interim report 2008



Enhancing

productivity

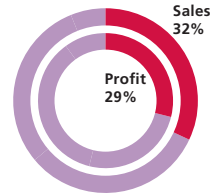


Spectris at a glance

Spectris is a leading supplier of productivity-enhancing instrumentation and controls. Our four business segments reflect the applications and end user industries we serve.

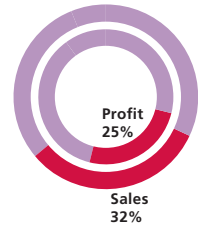
Materials Analysis

Materials Analysis provides a wide range of analytical instrumentation and systems for material characterisation to the semiconductor, pharmaceuticals and life science industries, with applications also in metals and mining.



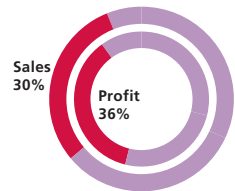
Test and Measurement

Test and Measurement supplies test and measuring equipment for research and development, principally to the aerospace and automotive industries. Further applications are in consumer electronics and the environmental monitoring market.



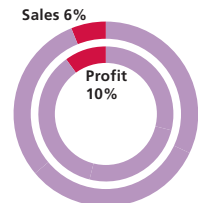
In-line Instrumentation

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. Sales are indirectly to end users via distributors as well as directly to original equipment manufacturers, with a significant proportion of repeat business.





Our products help customers to improve accuracy and speed of materials analysis in the laboratory and in process manufacturing applications.

For customers in the aerospace and automotive industries, our products and applications help them to design safer, more fuel-efficient, environmentally-friendly vehicle platforms whilst reducing time to market.



Our products and applications provide precision measurement in challenging operating environments, ensuring process quality, asset uptime, safety, and improved yield.

We provide product identification and tracking solutions during the manufacturing process, displays for process monitoring and control, and data interfaces for a broad range of manufacturing industries.



Highlights

- Sales from continuing businesses up by 8% at constant currencies, organic sales up by 6%
- Continued margin expansion and increased R&D investment
- All business segments grew sales and profits at constant currencies
- All regions grew sales at constant currencies; Asia up by 11%
- Strong balance sheet provides flexibility for further growth

| Key operational indicators | 2008 Half year | 2007 Half year | Change | Change at CER** |
|---|-------------------|-------------------|--------|--------------------|
| Sales from continuing businesses (£m) [#] | 358.5 | 308.7 | +16% | +8% |
| Adjusted operating profit from continuing businesses (£m) ^{#*} | 46.4 | 39.4 | +18% | +15% |
| Adjusted operating profit (£m)* | 46.4 | 39.9 | +16% | |
| Adjusted profit before tax (£m)* | 42.6 | 36.8 | +16% | |
| Adjusted earnings per share (pence)* | 26.6 | 20.8 | +28% | |
| Dividend (pence) | 6.4 | 5.75 | +11% | |

Statutory

| | | | |
|---|--------------|-------|------|
| Sales (£m) | 358.5 | 317.3 | +13% |
| Operating profit (£m) | 44.7 | 38.9 | +15% |
| Profit on disposal of businesses and net finance items (£m) | (5.6) | 17.5 | |
| Profit before tax (£m) | 39.1 | 56.4 | -31% |
| Basic earnings per share (pence) | 23.5 | 33.4 | -30% |

[#] Continuing businesses exclude businesses divested

* Adjusted figures exclude certain non-operational items as defined in Note 2

** Constant exchange rates

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

“With sales, profits and margins all showing increases compared with the prior year, Spectris has had an excellent first half. Orders to date continue to be encouraging. Our balance sheet and financial position remain strong and we believe the diversity of the end markets and geographies we serve, as well as our focus on enhancing customers’ productivity, should provide both resilience and growth opportunities. Looking forward, we continue to anticipate results in line with expectations for the remainder of 2008.”

Chairman's statement



John Hughes
Chairman

Introduction

This is my first statement as Chairman of Spectris plc, following my appointment in May this year, and I am delighted to be able to report another six months of good progress for the company.

Sales and operating profit improved during the first half of

2008 compared with the corresponding period in the prior year. Sales increased by 16% to £358.5 million compared with £308.7 million in the first half of 2007*. On a constant currency basis, sales increased by 8%, of which approximately 2% is from acquisitions. The strengthening of the Euro had a significant positive impact on sales and a smaller, but still positive, impact on operating profit.

Operating profit increased by 18% to £46.4 million (2007: £39.4 million). On a constant currency basis, operating profit increased by 15%, of which approximately 3% is from acquisitions. Operating margins increased by 0.2 percentage points to 13.0%. Profit before tax increased by 16% to £42.6 million (2007: £36.8 million) and earnings per share increased by 28% to 26.6 pence (2007: 20.8 pence).

Cash conversion was strong, with 89% of operating profit converted to operating cash. As a result of the share buy-back, capital expenditure and acquisition costs, net debt at the end of the period was £90.5 million, compared with £77.3 million at the end of December 2007. Net interest costs were £3.8 million, giving an annualised cover of 15.2 times.

The Board has declared an interim dividend of 6.4 pence (2007: 5.75 pence). The dividend will be paid on 14 November 2008 to shareholders on the register on 24 October 2008.

Board changes

I would like to take this opportunity to acknowledge the accomplishments of my predecessor, John Poulter, who retired after this year's Annual General Meeting. John joined the company in 1988, initially as Group Managing Director, was appointed Chief Executive in 1992 and became Chairman in 2001, during which time the company was transformed from a small, predominantly UK-based mechanical engineer, into an international instrumentation and controls business. On behalf of the Board, I extend our thanks to John for his outstanding contribution, support and dedication during the twenty years he spent with the company.

Outlook

Orders to date continue to be encouraging. Our balance sheet and financial position remain strong and we believe the diversity of the end markets and geographies we serve, as well as our focus on enhancing customers' productivity, should provide both resilience and growth opportunities. Looking forward, we continue to anticipate results in line with expectations for the remainder of 2008.

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

John Hughes
Chairman

*Two businesses were divested in the first half of 2007. In order to aid understanding of the results for the ongoing business, references in the Chairman's statement, the Chief Executive's review and the Financial review to the sales and operating profit results in the 2007 comparatives exclude the results of these two businesses.

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 made good progress in the first half of 2008, with sales, operating profit and margins all showing increases compared with the corresponding period in the prior year. Our focus on enhancing productivity is beneficial for customers who, at the present time, are increasingly faced with

rising energy and raw material costs. Our products also help to improve customers' business in other ways, for example through improving their manufacturing quality, reducing time to market or meeting more stringent environmental and safety requirements.

Strategy

During the first half we achieved good progress against our strategic objectives, which are:

- Strengthening market positions through innovation
- Increasing regional expansion with the focus on emerging markets
- Growing existing businesses through acquisition
- Focusing on operational excellence
- Building our presence in key strategic growth areas, both organically and through acquisition.

Expenditure on research and development increased by over 20% to £26.4 million (2007: £21.8 million), targeted primarily at speeding up time to market for selective programmes, particularly in the Materials Analysis segment. All business segments launched new products and applications during the period, examples of which are described in the operating review which follows.

Investment in our organisation to improve regional coverage continued to show results, with sales in Asia growing by 11% at constant currencies. China continued to grow strongly, with sales up by 15%. Sales in North America increased by 10% and in Europe by 4%, with Germany up by 18%. Sales in industrialising markets such

as Latin America, Russia, the Middle East and Africa increased by 19%, reflecting the growing importance of these regions. As a percentage of total sales, Asia and the other industrialising markets currently comprise 34% of the group. Sales to existing customers continue to comprise the majority of our sales, accounting for over 80% of total revenue. This reflects the value our products and solutions bring to our customers' processes as well as the trust they place in our ability to support them throughout the product lifecycle. Aftermarket services and consumables accounted for 23% of revenues in the first half.

In January, Malvern Instruments acquired Viscotek Corporation, a leading US-based provider of chromatography solutions for the characterisation of natural and synthetic polymers and proteins. The acquisition enables Malvern to offer complete characterisation solutions to meet the demands of increasingly complex drug delivery systems and stringent environmental requirements in the field of industrial and pharmaceutical polymers. Also in January, HBM acquired its distributors in the Nordic countries. The net consideration for these two acquisitions was £6.5 million. On 11 August, Particle Measuring Systems acquired its distributor in China, building on the acquisition of its Singapore-based distributor in 2007 to enhance its presence in Asia.

On 1 August, HBM acquired nCode, a leading supplier of durability test and analysis software and data acquisition instruments, for an initial consideration of £17.5 million. The company is headquartered in Detroit, USA, with nine international offices in Europe and Asia. The acquisition will increase HBM's range of solutions for the automotive and aerospace industries and also strengthen its presence in North America and Asia. nCode's products complement those from HBM, providing customers with the full testing cycle from virtual to physical test. The acquisition also highlights the increasingly important role that software plays as a design tool in new product development. The ability to test structures and analyse the data obtained enables manufacturers to speed up the design phase, thus reducing time to market.

These acquisitions build our position in the key strategic growth areas of Materials Analysis and

Test and Measurement. We continue to look at further value-enhancing acquisition opportunities across the portfolio.

The emphasis on operational excellence continued, as evidenced by the further improvement in margins. A number of senior appointments were made in the operating companies, particularly in the area of delivery and customer care. We continued to improve supply chain management in respect of efficiency and product quality and our purchasing activities have been successful in helping to mitigate the impact of material cost inflation.

Operating review

Materials Analysis

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

Sales in Materials Analysis increased by 8% at constant currencies. Strength in the mining and pharmaceutical industries was partially offset by a decline in sales to semiconductor customers. Operating profit increased by 1% at constant currencies, but at current exchange rates was £13.5 million compared with £13.9 million in the prior period. This was due to an increase of almost 40% in R&D expenditure and the dilutive effects of foreign exchange. As a result, operating margins were 2 percentage points lower at 11.7%. The increase in research and development was primarily to accelerate new product development programmes aimed at capturing growth opportunities in the metals, minerals and mining industries and the life science industry. Similar expenditure is expected in the second half of the year, with the benefits appearing from 2009 onwards.

The continued strength of the mining and minerals industry benefited Malvern and PANalytical, particularly in Australia, China and Brazil, as the demand for commodities drives investment in this sector. Demand for cement and

steel also benefited both companies, particularly in South America and India.

Customer activity in the pharmaceutical industry continued to be strong. The current focus on detecting counterfeit drugs has benefited PANalytical and Malvern, whose applications can analyse tablets and capsules directly in their packaging to determine whether the active ingredients of a drug match those supplied by its authentic manufacturer or are a counterfeit product. In May, Malvern established a joint venture with its long-term distribution partner in India, highlighting the growing importance of the pharmaceutical industry, and other markets, in this region. Particle Measuring Systems signed an agreement with 3M Health Care for the global distribution rights to the Biotrace MicroSafe family of products. These products are used to detect biological contamination in sterile environments, with particular applications in the life science industry.

PANalytical saw good demand for its products for research and development applications in the semiconductor industry, particularly for the development of LEDs for lighting and photovoltaic cells for solar panels in Taiwan, China and Japan. Particle Measuring Systems launched a new portable aerosol particle counter, which is smaller and lighter than previous products. This product enables faster detection of particle contamination in cleanrooms, reducing wastage for customers in the semiconductor industry.

Test and Measurement

The Test and Measurement segment supplies test and measuring equipment for research and development, principally to the aerospace and automotive industries. For customers in these industries, our products and applications help them to design safer, more fuel-efficient, environmentally-friendly vehicle platforms whilst reducing time to market. Further applications are in consumer electronics and the environmental monitoring market. The companies in this segment are Brüel & Kjær Sound and Vibration and HBM.

Sales in Test and Measurement increased by 6% at constant currencies. Operating profit increased by 32% to £11.5 million and operating margins increased by 1.1 percentage points to 10.1%.

Chief Executive's review continued

In the automotive industry, continued investment in research and development of new models benefited both Brüel & Kjær and HBM. Brüel & Kjær's noise analysis equipment is used by automotive manufacturers to improve vehicle acoustics in new models, and the company received a significant order from Toyota Motor Corporation in Japan. Brüel & Kjær also launched the LAN-XI, a new hardware platform for its successful PULSE data acquisition software. Throughout the automotive industry manufacturers are seeking to develop more environmentally-friendly, cleaner-burning engines by improving engine fuel consumption and simultaneously reducing exhaust emissions. HBM's data acquisition systems are being used by a number of manufacturers and automotive consultancies for new engine and powertrain development.

In the aerospace industry, modern lightweight materials are increasingly being used for aircraft development, with fibre composite technology, in particular, resulting in significant weight savings. HBM's optical sensor technology is used in simulation and testing equipment to determine durability and stress behaviour in components in order to optimise the structural strength of the new materials.

In-line Instrumentation

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 companies in this segment are Beta LaserMike, Brüel & Kjær Vibro, BTG Group, Fusion UV Systems, NDC Infrared Engineering and Servomex.

Sales in In-line Instrumentation increased by 11% at constant currencies. Operating profit increased by 34% to £16.8 million and operating margins increased by 1.9 percentage points to 15.5%, reflecting the benefits of operational leverage and the restructuring programmes in 2006 and 2007.

Investment in refining and production capacity was maintained as the price of oil

continued to rise and demand shows no sign of abating, benefiting Brüel & Kjær Vibro and Servomex. The high oil price has brought renewed focus on alternative energy sources, such as solar and wind power, which has also benefited Brüel & Kjær Vibro, whose remote monitoring systems are used to monitor wind turbines. Servomex's two key markets of industrial gas and hydrocarbon processing continued to show strong growth, with the majority of new build activity taking place in Asia. The company received a number of orders for petrochemical projects in Asia and will complete the assembly of these systems at its Shanghai facility in closer proximity to the end customers. Integration of the Contrôle Analytique business, acquired by Servomex at the end of 2007, is on schedule and the business is performing well, particularly in Asia.

Demand from the converting industry continued to benefit Fusion UV Systems, NDC and Beta LaserMike. Fusion saw good sales growth in Asia for film coating products as demand for flat panel displays continued to be strong.

The metals and minerals market continued to show growth, particularly in China, benefiting NDC and Beta LaserMike. Beta LaserMike saw good sales of its LaserSpeed product to the wire and cable and extrusion markets, and extended its applications beyond the traditional cold-rolling environment in the metals sector. The company is also benefiting as investment returns to the optical fibre market. In the pulp and paper industry, demand was strong for BTG's Duroblade products, particularly in China and Japan. The company launched a number of new products which are smaller, lighter and easier to use, helping customers to improve the quality of the pulp whilst reducing energy consumption.

Industrial Controls

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 companies in this segment are Microscan and Red Lion Controls.

Sales in Industrial Controls increased by 9% at constant currencies. Operating profit increased by 7% to £4.6 million.

Microscan saw continued demand for its product tracking systems as manufacturers implemented process improvements and a significant order was received from a leading US consumer electronics player for its factory automation system in China.

Red Lion Controls saw good international growth for its human machine interface and data

station products, particularly in China where market coverage is improving. The company continued to increase sales from distribution channels such as catalogues and on-line stores.



John O'Higgins
Chief Executive

Financial review



Clive Watson
Group Finance Director

Spectris uses adjusted figures as key performance measures in addition to those reported under IFRS. Adjusted figures exclude certain non-operational items which management has defined as amortisation of acquisition-related intangible assets, goodwill impairment charges, profits or

losses on the termination or disposal of businesses or major fixed assets, unrealised changes in the fair value of financial instruments, foreign exchange gains and losses from short-term financing activities, 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.

Two businesses were divested in the first half of 2007. In order to aid understanding of the

results for the ongoing business, references below to the sales and operating profit results in the 2007 comparatives exclude the results of these two businesses.

Total group sales in the first half increased by 16% from £308.7 million to £358.5 million. Favourable movements in foreign currency exchange rates had an effect on sales of approximately 8% and acquisitions contributed approximately 2% of growth.

Operating profit increased by 18% from £39.4 million to £46.4 million. Movements in foreign currency exchange rates had a positive effect on operating profit of approximately £1.2 million and acquisitions contributed approximately £1.0 million to the result. Aside from the effect from sales growth, operating profit benefited from cost reductions arising from the actions taken in previous years, including benefits achieved from restructuring programmes.

Unadjusted operating profit, after including acquisition-related intangible asset amortisation charges of £1.7 million (2007: £1.0 million), increased from £38.9 million to £44.7 million.

Net interest costs, including IAS 19 pension charges, increased from £3.1 million to £3.8 million, reflecting the increase in average net debt arising principally from the share buy-back

Financial review continued

programme which commenced in February 2007. Profit before tax increased by 16% from £36.8 million to £42.6 million.

Based on the forecast for the full year, the underlying tax rate for the half year was 28% (2007: 30%). The reduction in the underlying tax rate is due to a statutory rate reduction in several countries, principally Germany.

The combined effects of higher operating profits, a lower tax rate and a reduction in the average number of shares in issue resulted in earnings per share increasing by 28% from 20.8 pence to 26.6 pence.

The share buy-back programme was completed in February 2008. 1.4 million shares were purchased in the first half of the year at a cost of £9.3 million.

Cash conversion was 89% (2007: 93%), with an increase in capital expenditure to £11.3 million (2007: £4.9 million), whilst depreciation remained largely unchanged at £6.5 million (2007: £6.3 million). In addition, the group invested £7.7 million in acquisitions and £9.3 million in the share buy-back, with the result that net debt increased by £13.2 million to £90.5 million, still providing flexibility for future growth opportunities.

Principal risks and uncertainties

The group has identified the key potential strategic, operational and financial risks and uncertainties which could have a material impact on the group's long-term performance. These potential risks, and the actions to manage and mitigate them, are described in detail on pages 21-23 of the 2007 report and accounts. There has been no change in the status of these risks since the date of the report and accounts. In particular, there has been no change in the approach to financial risk management, nor material impairments or fair value losses. The directors do not foresee any further specific risks in the second half of the year.



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 2007 report and accounts, with the exception of the following changes in the period: on 16 May 2008 John Poulter retired from the Board and John Hughes was appointed Chairman. 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

Interim financial statements

Consolidated income statement

For the half year to 30 June 2008

| | Note | 2008 Half year £m | 2007 Half year £m | 2007 Full year £m |
|---|------|-------------------------|-------------------------|-------------------------|
| Continuing operations | | | | |
| Revenue | 2,3 | 358.5 | 317.3 | 668.4 |
| Cost of sales | | (153.3) | (136.9) | (283.8) |
| Gross profit | | 205.2 | 180.4 | 384.6 |
| Net operating expenses | | (160.5) | (141.5) | (281.7) |
| Operating profit | 2,3 | 44.7 | 38.9 | 102.9 |
| Profit on disposal of businesses | 4 | 0.3 | 19.4 | 19.0 |
| Financial income | 6 | 4.5 | 4.6 | 9.6 |
| Finance costs | 6 | (10.4) | (6.5) | (13.4) |
| Profit before tax | | 39.1 | 56.4 | 118.1 |
| Taxation – UK | 7 | (0.8) | (0.6) | (2.6) |
| Taxation – Overseas | 7 | (11.1) | (14.3) | (29.3) |
| Profit after tax for the period from continuing operations attributable to equity shareholders | | 27.2 | 41.5 | 86.2 |
| Basic earnings per share | 8 | 23.5p | 33.4p | 70.9p |
| Diluted earnings per share | 8 | 23.5p | 33.2p | 70.6p |
| Interim dividends proposed for the period (per share) | 9 | 6.4p | 5.75p | 21.0p |
| Dividends paid during the period (per share) | | 15.25p | 12.5p | 18.25p |

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 of acquisition-related intangible assets, goodwill impairment charges, profits or losses on termination or disposal of businesses or major fixed assets, unrealised changes in the fair value of financial instruments, foreign exchange gains and losses from short-term financing activities, 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 above are set out in Note 2.

Interim financial statements continued

Consolidated statement of recognised income and expense

For the half year to 30 June 2008

| | 2008 Half year £m | 2007 Half year £m | 2007 Full year £m |
|---|-------------------------|-------------------------|-------------------------|
| Net gain/(loss) on effective portion of changes in fair value of forward exchange contracts | 1.0 | (0.1) | (1.1) |
| Deferred tax on changes in fair value of forward exchange contracts | (0.2) | – | 0.3 |
| Net (loss)/gain on changes in fair value of effective portion of net investment hedge | (6.5) | 1.0 | (6.3) |
| Actuarial (loss)/gain arising on pension schemes | (0.3) | 4.8 | 5.9 |
| Adjustment to prior year deferred tax on pension schemes | – | (1.8) | – |
| Current and deferred tax on actuarial gains and losses on pension schemes | 0.1 | (1.5) | (3.7) |
| Foreign exchange difference on translation of overseas operations | 27.5 | (2.7) | 26.0 |
| Current tax on foreign exchange differences | (0.1) | (0.3) | (0.6) |
| Deferred tax on share options | – | 0.2 | – |
| Net income/(expense) recognised in equity in respect of year | 21.5 | (0.4) | 20.5 |
| Profit for the period | 27.2 | 41.5 | 86.2 |
| Total recognised income and expense for the period attributable to equity shareholders | 48.7 | 41.1 | 106.7 |

Consolidated balance sheet

At 30 June 2008

| | Note | 2008 Half year £m | 2007 Half year £m | 2007 Full year £m |
|-------------------------------------|------|-------------------------|-------------------------|-------------------------|
| Non-current assets | | | | |
| Goodwill | | 239.2 | 209.1 | 223.1 |
| Other intangible assets | | 19.5 | 5.4 | 12.2 |
| Property, plant and equipment | | 93.8 | 82.1 | 87.7 |
| Deferred tax asset | | 23.5 | 30.2 | 25.7 |
| | | 376.0 | 326.8 | 348.7 |
| Current assets | | | | |
| Inventories | | 107.6 | 87.6 | 92.8 |
| Derivative financial instruments | | 1.2 | 1.2 | 0.1 |
| Taxation recoverable | | – | 0.2 | – |
| Trade and other receivables | | 145.6 | 128.3 | 153.7 |
| Cash and cash equivalents | | 49.0 | 56.7 | 51.4 |
| Assets held for sale | | 1.2 | – | 1.2 |
| | | 304.6 | 274.0 | 299.2 |
| Total assets | | 680.6 | 600.8 | 647.9 |
| Current liabilities | | | | |
| Short-term borrowings | | (8.4) | (2.0) | (4.4) |
| Trade and other payables | | (146.3) | (111.8) | (141.7) |
| Current tax liabilities | | (32.1) | (35.2) | (32.8) |
| Provisions | | (19.1) | (21.4) | (21.5) |
| | | (205.9) | (170.4) | (200.4) |
| Net current assets | | 98.7 | 103.6 | 98.8 |
| Non-current liabilities | | | | |
| Medium and long-term borrowings | | (109.7) | (105.7) | (108.1) |
| Derivative financial instruments | | (20.0) | (13.0) | (16.1) |
| Other payables | | (7.3) | (8.4) | (8.4) |
| Retirement benefit obligations | | (10.9) | (12.9) | (11.1) |
| Deferred tax liabilities | | (1.0) | (1.0) | (1.0) |
| | | (148.9) | (141.0) | (144.7) |
| Total liabilities | | (354.8) | (311.4) | (345.1) |
| Net assets | | 325.8 | 289.4 | 302.8 |
| Equity | | | | |
| Issued share capital | 10 | 6.2 | 6.2 | 6.2 |
| Share premium | 10 | 231.4 | 231.4 | 231.4 |
| Retained earnings | 10 | 64.8 | 64.1 | 63.8 |
| Translation reserve | 10 | 18.9 | (16.8) | (2.1) |
| Hedging reserve | 10 | 1.1 | 1.1 | 0.1 |
| Merger reserve | 10 | 3.1 | 3.1 | 3.1 |
| Capital redemption reserve | 10 | 0.3 | 0.3 | 0.3 |
| Equity shareholders' funds | | 325.8 | 289.4 | 302.8 |
| Total equity and liabilities | | 680.6 | 600.8 | 647.9 |

Interim financial statements continued

Consolidated cash flow statement

For the half year to 30 June 2008

| | 2008 Half year £m | 2007 Half year £m | 2007 Full year £m |
|--|-------------------------|-------------------------|-------------------------|
| | Note | | |
| Cash flows from operating activities | | | |
| Profit after tax | 27.2 | 41.5 | 86.2 |
| Adjustments for: | | | |
| Tax | 11.9 | 14.9 | 31.9 |
| Profit on disposal of businesses | (0.3) | (19.4) | (19.0) |
| Finance costs | 10.4 | 6.5 | 13.4 |
| Financial income | (4.5) | (4.6) | (9.6) |
| Depreciation | 6.5 | 6.3 | 13.1 |
| Amortisation of intangible assets | 1.7 | 1.0 | 2.0 |
| Loss/(gain) on sale of property, plant and equipment | 0.4 | 0.3 | (0.6) |
| Equity settled share-based payment expense | 1.3 | 0.4 | 0.9 |
| Operating profit before changes in working capital and provisions | 54.6 | 46.9 | 118.3 |
| Decrease/(increase) in trade and other receivables | 17.1 | 15.3 | (2.0) |
| Increase in inventories | (9.5) | (7.1) | (6.9) |
| (Decrease)/increase in trade and other payables | (5.4) | (10.8) | 10.1 |
| Decrease in provisions and employee benefits | (4.0) | (2.5) | (4.5) |
| Corporation tax paid | (11.5) | (8.5) | (23.8) |
| Net cash from operating activities | 41.3 | 33.3 | 91.2 |
| | 2 | | |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | (11.3) | (4.9) | (12.7) |
| Proceeds from sale of property, plant and equipment | – | 0.1 | 1.4 |
| Acquisition of businesses, net of cash acquired | (7.7) | (0.5) | (6.0) |
| Proceeds from disposal of businesses, net of cash disposed | 0.3 | 30.4 | 29.8 |
| Interest received | 0.7 | 1.0 | 1.9 |
| Net cash (outflow)/inflow from investing activities | (18.0) | 26.1 | 14.4 |
| Cash flows from financing activities | | | |
| Interest paid | (4.9) | (4.1) | (8.2) |
| Dividends paid to equity holders of the parent | (17.6) | (15.4) | (22.2) |
| Share options exercised by issue of share capital | – | 0.1 | 0.2 |
| Share options exercised from shares held by Employee Benefit Trust | 0.1 | 0.9 | 1.0 |
| Share options exercised from treasury shares | – | 2.0 | 2.9 |
| Purchase/sale of own shares by Employee Benefit Trust | (0.1) | (1.5) | (1.6) |
| Purchase of own shares – treasury shares | (9.3) | (32.5) | (79.2) |
| Decrease in finance lease liabilities | – | (0.1) | (0.1) |
| Net cash from financing activities | (31.8) | (50.6) | (107.2) |
| Net (decrease)/increase in cash and cash equivalents | (8.5) | 8.8 | (1.6) |
| Cash and cash equivalents at beginning of period | 47.4 | 47.0 | 47.0 |
| Effect of foreign exchange rate changes | 1.7 | (0.6) | 2.0 |
| Cash and cash equivalents at end of period | 40.6 | 55.2 | 47.4 |
| Reconciliation of changes in cash and cash equivalents to movements in net debt | | | |
| Net (decrease)/increase in cash and cash equivalents | (8.5) | 8.8 | (1.6) |
| Net decrease in finance lease liabilities | – | 0.1 | 0.1 |
| Effect of foreign exchange rate changes | (4.7) | 0.7 | (4.1) |
| Movement in net debt | (13.2) | 9.6 | (5.6) |
| Net debt at start of period | (77.3) | (71.7) | (71.7) |
| Net debt at end of period | (90.5) | (62.1) | (77.3) |
| | 2 | | |

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 under the Companies Act 1985, 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 2008 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 2007 are available upon request from the company's registered office at Station Road, Egham, Surrey TW20 9NP.

These condensed consolidated interim financial statements are drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board as adopted by the EU ("adopted IFRS"), including compliance with endorsed IAS 34. 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 2007.

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 2007. The business segments for which information has been included reflect the new segments disclosed in the 31 December 2007 consolidated financial statements. The 30 June 2007 comparatives have been restated accordingly.

The interim results are unaudited. The audit report on the 2007 Annual Report was unqualified and has been filed with the Registrar of Companies. The 2007 Annual Report 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 2007.

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 2007.

These condensed consolidated interim financial statements were approved by the Board of Directors on 22 August 2008.

Notes to the interim financial statements continued

2. Adjusted performance measures

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 of acquisition-related intangible assets, goodwill impairment charges, profits or losses on termination or disposal of businesses or major fixed assets, unrealised changes in the fair value of financial instruments, foreign exchange gains and losses from short-term financing activities, related tax effects and other tax items which do not form part of the underlying tax rate (see Note 7).

The adjusted performance measures are derived from the reported figures under adopted IFRS as follows:

| | Note | 2008 Half year £m | 2007 Half year £m | 2007 Full year £m |
|--|------|-------------------------|-------------------------|-------------------------|
| Adjusted sales | | | | |
| Sales as reported under adopted IFRS | 3 | 358.5 | 317.3 | 668.4 |
| Divested businesses | | – | (8.6) | (8.6) |
| Adjusted sales for continuing businesses | | 358.5 | 308.7 | 659.8 |

| | Note | Materials Analysis | Test and Measurement | In-line Instrumentation | Industrial Controls | 2008 Half year Total £m |
|--|------|-----------------------|-------------------------|----------------------------|------------------------|----------------------------------|
| Adjusted sales by segment – June 2008 | | | | | | |
| Sales as reported under adopted IFRS | 3 | 115.6 | 113.5 | 108.3 | 21.1 | 358.5 |
| Divested businesses | | – | – | – | – | – |
| Adjusted sales for continuing businesses | | 115.6 | 113.5 | 108.3 | 21.1 | 358.5 |

| | Note | Materials Analysis | Test and Measurement | In-line Instrumentation | Industrial Controls | 2007 Half year Total £m |
|---|------|-----------------------|-------------------------|----------------------------|------------------------|----------------------------------|
| Adjusted sales by segment – June 2007 restated | | | | | | |
| Sales as reported under adopted IFRS | 3 | 101.2 | 96.4 | 100.6 | 19.1 | 317.3 |
| Divested businesses | | – | – | (8.6) | – | (8.6) |
| Adjusted sales for continuing businesses | | 101.2 | 96.4 | 92.0 | 19.1 | 308.7 |

| | Note | Materials Analysis | Test and Measurement | In-line Instrumentation | Industrial Controls | 2007 Full year Total £m |
|--|------|-----------------------|-------------------------|----------------------------|------------------------|----------------------------------|
| Adjusted sales by segment – December 2007 | | | | | | |
| Sales as reported under adopted IFRS | 3 | 213.8 | 207.5 | 208.8 | 38.3 | 668.4 |
| Divested businesses | | – | – | (8.6) | – | (8.6) |
| Adjusted sales for continuing businesses | | 213.8 | 207.5 | 200.2 | 38.3 | 659.8 |

2. Adjusted performance measures continued

| | Note | 2008 Half year £m | 2007 Half year £m | 2007 Full year £m |
|---|------|-------------------------|-------------------------|-------------------------|
| Adjusted operating profit | | | | |
| Operating profit as reported under adopted IFRS | 3 | 44.7 | 38.9 | 102.9 |
| Amortisation of acquisition-related intangible assets | | 1.7 | 1.0 | 1.9 |
| Adjusted operating profit | | 46.4 | 39.9 | 104.8 |
| Divested businesses | | – | (0.5) | (0.5) |
| Adjusted operating profit for continuing businesses | | 46.4 | 39.4 | 104.3 |

| | Note | Materials Analysis | Test and Measurement | In-line Instrumentation | Industrial Controls | 2008 Half year Total £m |
|---|------|-----------------------|-------------------------|----------------------------|------------------------|----------------------------------|
| Adjusted operating profit by segment – June 2008 | | | | | | |
| Segment result under adopted IFRS | 3 | 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 for continuing businesses | | 13.5 | 11.5 | 16.8 | 4.6 | 46.4 |

| | Note | Materials Analysis | Test and Measurement | In-line Instrumentation | Industrial Controls | 2007 Half year Total £m |
|--|------|-----------------------|-------------------------|----------------------------|------------------------|----------------------------------|
| Adjusted operating profit by segment – June 2007 restated | | | | | | |
| Segment result under adopted IFRS | 3 | 13.2 | 8.7 | 12.7 | 4.3 | 38.9 |
| Amortisation of acquisition-related intangible assets | | 0.7 | – | 0.3 | – | 1.0 |
| Adjusted operating profit | | 13.9 | 8.7 | 13.0 | 4.3 | 39.9 |
| Divested businesses | | – | – | (0.5) | – | (0.5) |
| Adjusted operating profit for continuing businesses | | 13.9 | 8.7 | 12.5 | 4.3 | 39.4 |

| | Note | Materials Analysis | Test and Measurement | In-line Instrumentation | Industrial Controls | 2007 Full year Total £m |
|---|------|-----------------------|-------------------------|----------------------------|------------------------|----------------------------------|
| Adjusted operating profit by segment – December 2007 | | | | | | |
| Segment result under adopted IFRS | 3 | 33.5 | 26.0 | 34.8 | 8.6 | 102.9 |
| Amortisation of acquisition-related intangible assets | | 1.3 | 0.2 | 0.4 | – | 1.9 |
| Adjusted operating profit | | 34.8 | 26.2 | 35.2 | 8.6 | 104.8 |
| Divested businesses | | – | – | (0.5) | – | (0.5) |
| Adjusted operating profit for continuing businesses | | 34.8 | 26.2 | 34.7 | 8.6 | 104.3 |

Notes to the interim financial statements continued

2. Adjusted performance measures continued

| | Note | 2008 Half year £m | 2007 Half year £m | 2007 Full year £m |
|---|------|-------------------------|-------------------------|-------------------------|
| Adjusted profit before tax | | | | |
| Profit before tax as reported under adopted IFRS | | 39.1 | 56.4 | 118.1 |
| Amortisation of acquisition-related intangible assets | | 1.7 | 1.0 | 1.9 |
| Profit on disposal of businesses | 4 | (0.3) | (19.4) | (19.0) |
| Foreign exchange losses arising from short-term financing activities | 6 | 3.4 | – | – |
| Unrealised change in fair value of cross-currency interest rate swaps | 6 | (1.3) | (1.2) | (3.0) |
| Adjusted profit before tax | | 42.6 | 36.8 | 98.0 |

| | | 2008 Half year £m | 2007 Half year £m | 2007 Full year £m |
|---|--|-------------------------|-------------------------|-------------------------|
| Operating cash flow | | | | |
| Net cash from operating activities under adopted IFRS | | 41.3 | 33.3 | 91.2 |
| Corporation tax paid | | 11.5 | 8.5 | 23.8 |
| Purchase of property, plant and equipment | | (11.3) | (4.9) | (12.7) |
| Proceeds from sale of property, plant and equipment | | – | 0.1 | 1.4 |
| Operating cash flow for management purposes | | 41.5 | 37.0 | 103.7 |
| Divested businesses | | – | (0.8) | – |
| Operating cash flow for management purposes for continuing businesses | | 41.5 | 36.2 | 103.7 |

| | Note | 2008 Half year £m | 2007 Half year £m | 2007 Full year £m |
|---|------|-------------------------|-------------------------|-------------------------|
| Adjusted earnings per share | | | | |
| Profit after tax as reported under adopted IFRS | | 27.2 | 41.5 | 86.2 |
| Adjusted for: | | | | |
| Amortisation of acquisition-related intangible assets | | 1.7 | 1.0 | 1.9 |
| Profit on disposal of businesses | 4 | (0.3) | (19.4) | (19.0) |
| Foreign exchange losses arising from short-term financing activities | 6 | 3.4 | – | – |
| Unrealised change in fair value of cross-currency interest rate swaps | 6 | (1.3) | (1.2) | (3.0) |
| Tax effect of the above | 7 | – | 3.9 | 4.5 |
| Adjusted earnings | | 30.7 | 25.8 | 70.6 |
| Weighted average number of shares outstanding (millions) | | 115.5 | 124.3 | 121.6 |
| Adjusted earnings per share (pence) | | 26.6p | 20.8p | 58.1p |

2. Adjusted performance measures continued

| | Note | 2008 Half year | 2007 Half year | 2007 Full year |
|--|------|-------------------|-------------------|-------------------|
| Adjusted diluted earnings per share | | | | |
| Adjusted earnings (as above) (£m) | | 30.7 | 25.8 | 70.6 |
| Diluted weighted average number of shares outstanding (millions) | 8 | 115.9 | 124.9 | 122.1 |
| Adjusted diluted earnings per share (pence) | | 26.5p | 20.8p | 57.8p |

| | | 2008 Half year £m | 2007 Half year £m | 2007 Full year £m |
|---|--|-------------------------|-------------------------|-------------------------|
| Analysis of net debt for management purposes | | | | |
| Bank overdrafts | | 8.4 | 1.5 | 4.0 |
| Bank loans – secured | | 2.2 | 2.5 | 2.5 |
| Unsecured loan notes | | 107.5 | 103.7 | 106.0 |
| Cross-currency interest rate swaps – currency portion | | 21.4 | 11.1 | 16.2 |
| Total borrowings | | 139.5 | 118.8 | 128.7 |
| Cash balances | | (49.0) | (56.7) | (51.4) |
| Net debt | | 90.5 | 62.1 | 77.3 |

| | | 2008 Half year £m | 2007 Half year £m | 2007 Full year £m |
|--|--|-------------------------|-------------------------|-------------------------|
| Analysis of revenue by geographical destination for continuing businesses | | | | |
| UK | | 13.4 | 13.8 | 28.5 |
| Continental Europe | | 142.6 | 121.3 | 254.6 |
| North America | | 81.1 | 73.9 | 152.5 |
| Japan | | 27.6 | 25.1 | 53.6 |
| China | | 30.0 | 25.0 | 55.0 |
| Rest of Asia Pacific | | 39.6 | 32.4 | 73.1 |
| Rest of the world | | 24.2 | 17.2 | 42.5 |
| Total continuing businesses | | 358.5 | 308.7 | 659.8 |
| Divested businesses | | – | 8.6 | 8.6 |
| Group total | | 358.5 | 317.3 | 668.4 |

Notes to the interim financial statements continued

3. Segmental analysis

The group's primary reporting format is business segments and its secondary format is geographical segments.

a) Analysis by business segment

| | External customer revenue | | | Segment result | | |
|----------------------------------|---------------------------|-------------------------|-----------|----------------|-------------------------|-----------|
| | 2008 | 2007 | 2007 | 2008 | 2007 | 2007 |
| | Half year | Half year (restated) | Full year | Half year | Half year (restated) | Full year |
| | £m | £m | £m | £m | £m | £m |
| Materials Analysis | 115.6 | 101.2 | 213.8 | 12.1 | 13.2 | 33.5 |
| Test and Measurement | 113.5 | 96.4 | 207.5 | 11.5 | 8.7 | 26.0 |
| In-line Instrumentation | 108.3 | 100.6 | 208.8 | 16.5 | 12.7 | 34.8 |
| Industrial Controls | 21.1 | 19.1 | 38.3 | 4.6 | 4.3 | 8.6 |
| Total continuing operations | 358.5 | 317.3 | 668.4 | 44.7 | 38.9 | 102.9 |
| Profit on disposal of businesses | | | | 0.3 | 19.4 | 19.0 |
| Financial income | | | | 4.5 | 4.6 | 9.6 |
| Finance costs | | | | (10.4) | (6.5) | (13.4) |
| Profit before tax | | | | 39.1 | 56.4 | 118.1 |
| Tax | | | | (11.9) | (14.9) | (31.9) |
| Profit after tax | | | | 27.2 | 41.5 | 86.2 |

The operating businesses are grouped as follows:

Materials Analysis: Malvern Instruments, PANalytical, Particle Measuring Systems.

Test and Measurement: Brüel & Kjær Sound & Vibration, HBM.

In-line Instrumentation: Beta LaserMike, Brüel & Kjær Vibro, BTG Group, Fusion UV Systems, NDC Infrared Engineering, Servomex.

Industrial Controls: Microscan, Red Lion Controls.

b) Analysis of revenue by geographical segment

The group's business operations 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:

| | 2008 | 2007 | 2007 |
|----------------------|--------------|--------------|--------------|
| | Half year | Half year | Full year |
| | £m | £m | £m |
| UK | 13.4 | 15.0 | 29.7 |
| Continental Europe | 142.6 | 123.3 | 256.5 |
| North America | 81.1 | 78.1 | 156.6 |
| Japan | 27.6 | 25.2 | 53.7 |
| China | 30.0 | 25.2 | 55.4 |
| Rest of Asia Pacific | 39.6 | 32.9 | 73.6 |
| Rest of the world | 24.2 | 17.6 | 42.9 |
| Total | 358.5 | 317.3 | 668.4 |

4. Disposal of businesses

During the period the group did not divest any businesses. An amount of £0.3m (2007: nil) was received in relation to the Luxtron divestment in 2002.

The effect of the prior year divestments on the individual assets and liabilities of the group is as follows:

| | 2008 | 2007 | 2007 |
|---|------------------|-----------|-----------|
| | Half year | Half year | Full year |
| | £m | £m | £m |
| Goodwill | – | 2.9 | 2.9 |
| Property, plant and equipment | – | 2.4 | 2.4 |
| Inventories | – | 3.7 | 3.7 |
| Trade and other receivables | – | 5.6 | 5.5 |
| Cash and cash equivalents | – | 0.1 | (0.1) |
| Taxation | – | 1.1 | 1.2 |
| Trade and other payables | – | (5.2) | (5.2) |
| Provisions | – | (0.7) | (0.7) |
| Net assets disposed of | – | 9.9 | 9.7 |
| Consideration received, satisfied in cash | – | 33.4 | 33.4 |
| Overdraft disposed of | – | 0.1 | (0.1) |
| Transaction expenses | – | (3.1) | (3.5) |
| Net cash inflow | – | 30.4 | 29.8 |
| Cash received, net of transaction expenses and cash disposed of | – | 30.4 | 29.8 |
| Net assets disposed of | – | (9.9) | (9.7) |
| Accruals and provisions | – | (1.1) | (1.1) |
| Profit on disposal of businesses | – | 19.4 | 19.0 |

Notes to the interim financial statements continued

5. Acquisitions

During the period, the group acquired Viscotek Corporation on 16 January 2008 and, in addition, a number of distributors in markets where a direct presence was sought. The assets and liabilities acquired, together with the aggregate purchase consideration, is summarised below. The profit contribution of the acquired businesses to the group's result for the period was not significant. It is not practical to state what group revenue and profit would have been had the acquisitions taken place on the first day of the year. The allocation of goodwill is provisional because certain elements of the purchase consideration are contingent on future events. The fair value adjustments on tangible fixed assets and trade and other payables are provisional.

The effect of the acquisitions on the individual assets and liabilities of the group is as follows:

| | Book value £m | Fair value adjustments £m | 2008 Half year £m | 2007 Half year £m | 2007 Full year £m |
|---|------------------|---------------------------------|-------------------------|-------------------------|-------------------------|
| Net assets acquired | | | | | |
| Intangible fixed assets | – | – | – | – | 5.6 |
| Tangible fixed assets | 0.2 | (0.1) | 0.1 | – | 0.2 |
| Inventories | 0.7 | – | 0.7 | – | 0.4 |
| Trade and other receivables | 3.8 | – | 3.8 | – | 0.4 |
| Cash and cash equivalents | 1.7 | – | 1.7 | – | – |
| Taxation | (1.3) | – | (1.3) | – | – |
| Trade and other payables | (2.2) | (0.2) | (2.4) | – | – |
| Net assets acquired | | | 2.6 | – | 6.6 |
| Goodwill | | | 7.9 | – | – |
| Total consideration | | | 10.5 | – | 6.6 |
| Adjustment for cash acquired | | | (1.7) | – | – |
| Net consideration | | | 8.8 | – | 6.6 |
| Analysis of cash outflow in consolidated cash flow statement | | | | | |
| Total consideration | | | 10.5 | – | 6.6 |
| Deferred and contingent consideration to be paid in future years | | | (2.3) | – | (1.4) |
| Cash paid (including directly attributable costs) | | | 8.2 | – | 5.2 |
| Prior year acquisitions | | | | | |
| Purchase price adjustment re prior year acquisition | | | 0.2 | – | 0.2 |
| Deferred consideration in relation to prior year acquisitions | | | 1.0 | – | 0.6 |
| | | | 1.2 | – | 0.8 |
| Total cash outflow relating to acquisitions | | | 9.4 | – | 6.0 |
| Cash acquired on acquisition | | | (1.7) | – | – |
| Net cash outflow relating to acquisitions | | | 7.7 | – | 6.0 |

6. Finance costs and financial income

| | 2008 | 2007 | 2007 |
|--|------------------|-----------|-----------|
| | Half year | Half year | Full year |
| | £m | £m | £m |
| Financial income | | | |
| Bank interest receivable | 0.6 | 1.0 | 1.8 |
| Unrealised gain in fair value of cross-currency interest rate swaps | 1.3 | 1.2 | 3.0 |
| Expected return on pension scheme assets | 2.6 | 2.4 | 4.8 |
| | 4.5 | 4.6 | 9.6 |
| Finance costs | | | |
| Interest payable on bank loans and overdrafts | 0.2 | 0.1 | 8.2 |
| Interest payable on other loans | 4.1 | 4.0 | 0.3 |
| Total interest payable | 4.3 | 4.1 | 8.5 |
| Foreign exchange losses arising from short-term financing activities | 3.4 | – | – |
| Interest cost on pension scheme liabilities | 2.7 | 2.4 | 4.9 |
| | 10.4 | 6.5 | 13.4 |

Net interest costs of £3.7m (30 June 2007: £3.1m; 31 December 2007: £6.7m) for the purposes of the calculation of interest cover comprise of bank interest receivable of £0.6m (30 June 2007: £1.0m; 31 December 2007: £1.8m), and interest payable on bank loans and other loans and overdrafts of £4.3m (30 June 2007: £4.1m; 31 December 2007: £8.5m).

7. Tax on profit on ordinary activities

The taxation charge for the six months to 30 June 2008 is based on an estimate of the effective rate of taxation for the current year. The effective rate of taxation applied to adjusted profit before tax for the half year is 28% (30 June 2007: 30%; year ended 31 December 2007: 28%). A reconciliation of the tax charge on adjusted profit to the actual tax charge is presented below:

| | 2008 | 2007 | 2007 |
|--|------------------|-----------|-----------|
| | Half year | Half year | Full year |
| | £m | £m | £m |
| The tax charge is analysed as follows: | | | |
| Tax charge on adjusted profit before tax at effective rate | 11.9 | 11.0 | 27.4 |
| Tax credit on amortisation of intangible assets | (0.3) | (0.3) | (0.5) |
| Tax charge on unrealised gain on change in fair value of financial instruments | 0.4 | 0.4 | 0.9 |
| Tax charge on foreign exchange losses arising from short-term financing activities | (0.2) | – | – |
| Tax charge on profit on disposal of businesses | 0.1 | 3.8 | 4.1 |
| Total | 11.9 | 14.9 | 31.9 |

Notes to the interim financial statements continued

8. Earnings per share

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

| | 2008 | 2007 | 2007 |
|--|------------------|-----------|-----------|
| | Half year | Half year | Full year |
| Basic earnings per share | | | |
| Profit after tax (£m) | 27.2 | 41.5 | 86.2 |
| Weighted average number of shares outstanding (millions) | 115.5 | 124.3 | 121.6 |
| Basic earnings per share (pence) | 23.5 | 33.4 | 70.9 |

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 23.5p (30 June 2007: 33.2p; 31 December 2007: 70.6p) is based on the group profit of £27.2m (30 June 2007: £41.5m; 31 December 2007: £86.2m) and on the diluted weighted average number of 5p ordinary shares in issue during the year of 115.9 million (30 June 2007: 124.9 million; 31 December 2007: 122.1 million).

9. Dividends

The interim dividend of 6.4p per share (2007 interim dividend: 5.75p) will be payable on 14 November 2008 to ordinary shareholders on the register at the close of business on 24 October 2008.

10. Consolidated statement of changes in equity

For the half year to 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 |
|--|---------------------|---------------------|-------------------------|---------------------------|-----------------------|----------------------|----------------------------------|----------------------------|
| At 1 January 2008 | 6.2 | 231.4 | 63.8 | (2.1) | 0.1 | 3.1 | 0.3 | 302.8 |
| Gains and losses – period ended 30 June 2008 | | | | | | | | |
| Total recognised income/(expense) | – | – | 26.7 | 21.0 | 1.0 | – | – | 48.7 |
| Distributions to and transactions with shareholders: | | | | | | | | |
| Dividends paid | – | – | (17.6) | – | – | – | – | (17.6) |
| Own shares (treasury) purchased | – | – | (9.3) | – | – | – | – | (9.3) |
| Own shares (EBT) purchased | – | – | (0.1) | – | – | – | – | (0.1) |
| Share-based payments | – | – | 1.2 | – | – | – | – | 1.2 |
| Share options exercised from shares held by Employee Benefit Trust | – | – | 0.1 | – | – | – | – | 0.1 |
| At 30 June 2008 | 6.2 | 231.4 | 64.8 | 18.9 | 1.1 | 3.1 | 0.3 | 325.8 |

11. Treasury shares

During the period the group purchased 1.4 million shares (30 June 2007: 3.5 million; 31 December 2007: 8.9 million) for a consideration of £9.3m (30 June 2007: £32.5m; 31 December 2007: £79.2m). 18,923 of these shares were issued to satisfy options exercised by employees which were granted under the group's share scheme (30 June 2007: 0.4 million; 31 December 2007: 0.6 million). No shares were cancelled during the year (30 June 2007: nil; 31 December 2007: nil).

Shareholder information

SHAREHOLDER ENQUIRIES

To receive further copies of the annual or interim reports, please contact Spectris on +44 (0)1784 470470 or e-mail info@spectris.com

For queries regarding your shareholding, please contact the company's registrar, Equiniti Limited, at the address below.

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

The registrars provide a range of shareholder services on-line at www.shareview.co.uk

Share price information

The company's ordinary shares are listed on the London Stock Exchange.

The latest share price is available via the company's website at www.spectris.com

E-mail news service

To receive details of press releases and other announcements as they are issued, register with the e-mail alert service on the company's website at www.spectris.com/news/news.php

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Company secretary

RJ Stephens, FCIS

FINANCIAL CALENDAR

Interim results

22 August 2008

Record date for interim dividend

24 October 2008

Interim management statement

31 October 2008

Interim dividend payable

14 November 2008

2008 preliminary results

24 February 2009

ADVISERS

Auditors

KPMG Audit Plc

Bankers

Royal Bank of Scotland Plc

Solicitors

Ashurst

Brokers

Hoare Govett Limited
Merrill Lynch

Corporate finance advisers

Merrill Lynch

Financial PR advisers

FD

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