

2015 FULL YEAR RESULTS

16 February 2016 - Spectris plc (SXS: LSE), the productivity-enhancing instrumentation and controls company, announces full year results for the twelve months ended 31 December 2015.

	2015	2014	Change	Change at CER**	Like-for-like change***
Sales, £m*	1,190.0	1,173.7	1%	3%	0%
Operating profit, £m*	181.1	198.1	-9%	-6%	-9%
Profit before tax, £m*	176.3	192.5	-8%		
Earnings per share, pence*	114.3p	124.4p	-8%		
Return on sales, %*	15.2%	16.9%	-1.7pp		
Dividend, pence	49.5p	46.5p	6%		

Statutory

Sales, £m	1,190.0	1,173.7	1%
Operating profit, £m	143.6	168.3	-15%
Profit before tax, £m	141.6	171.1	-17%
Basic earnings per share, pence	95.6p	113.7p	-16%

* The adjusted performance measures represent the statutory results excluding certain non-operational items.

** Constant exchange rates (CER).

*** Constant exchange rates (CER) excluding acquisitions.

Highlights

- 3% sales growth at constant exchange rates, comprising a three percentage point contribution from acquisitions and unchanged like-for-like ('LFL') sales
- 9% decline in LFL operating profit, after inclusion of £7 million of restructuring costs to improve future profitability
- Good strategic progress, including completion of five acquisitions for a total consideration of £45 million
- Strong operating cash conversion of 91%
- Dividend per share increase of 6%

Commenting, John O’Higgins, Chief Executive, said: “2015 was characterised by mixed trading conditions, with growth in Europe and Asia offset by a challenging environment in North America and the Rest of the World. We are on track with the restructuring measures announced last July. The benefits of these, together with our focus on operational excellence initiatives, will enable us to better align cost growth with sales growth in 2016 whilst continuing to invest in our core R&D programmes. New product launches and acquisitions are expected to continue to play an important role in the Group’s development and these investments, together with our broad end-market exposures and strong financial position, provide the Board of Spectris with confidence that the Company is well positioned for 2016 and beyond.”

Contacts:

Spectris plc

John O’Higgins, Chief Executive	+44 1784 470470
Clive Watson, Group Finance Director	+44 1784 470470
Matt Jones, Head of Corporate Affairs	+44 1784 470470

FTI Consulting

Richard Mountain / Susanne Yule	+44 203 727 1374
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A meeting with analysts will be held at 8:30 am GMT today. This will be available as a live webcast on the company’s website at www.spectris.com, commencing at 8.30 am GMT, and a recording will be posted on the website shortly after the meeting.

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

About Spectris

Spectris plc is a leading supplier of productivity-enhancing instrumentation and controls. The Company’s products, technologies and services enable customers to improve product quality and performance, improve core manufacturing processes, reduce downtime and wastage and reduce time to market. Its global customer base spans a diverse range of end user markets. Spectris operates across four business segments which reflect the applications and industries it serves: Materials Analysis, Test and Measurement, In-line Instrumentation and Industrial Controls. Headquartered in Egham, Surrey, England, the Company employs around 8,300 people, with offices in more than 30 countries. For more information, visit www.spectris.com.

CHAIRMAN'S STATEMENT

Results overview

Reported sales increased 1% in 2015 to £1,190.0 million, with a three percentage point contribution from acquisitions offset by an adverse impact from foreign currency exchange movements. On a constant currency organic (like-for-like, 'LFL') basis⁽¹⁾ sales were unchanged.

Regionally, there was good growth in Europe, where sales increased 3%, and sales to Asia increased slightly. Sales to North America declined 2% and sales to the Rest of the World declined 9%, principally driven by weakness in Russia.

Sales grew 3% in the Materials Analysis segment, whilst sales across the Test and Measurement and In-line Instrumentation segments were unchanged. Sales declined 7% in the Industrial Controls segment, impacted by the broad-based deterioration in trading in the North American manufacturing sector. More detail on the performance of the business segments can be found in the Operating Review.

On a reported basis, adjusted operating profit⁽²⁾ declined 9% to £181.1 million, with the sales performance being insufficient to offset the combined effect of increased investment in research and development ('R&D') programmes and overhead cost inflation. Given the trading conditions, we initiated a number of cost reduction measures during 2015, including selective restructuring in certain businesses. The combined effect of a reduction in restructuring charges and incremental benefits arising from that restructuring activity is anticipated to result in a net increase in adjusted operating profit of approximately £10 million in 2016 as compared with 2015.

Financial position and dividend

Operating cash flow was strong, with 91% of our operating profit being converted into cash. Combined with normal dividend and tax outflows and the consideration paid for the five acquisitions made during the year, this resulted in net debt decreasing by £27.0 million compared with the end of 2014. At year end, net debt stood at £98.6 million, around 0.5 times the full year EBITDA of £205.5 million.

The Board is proposing to pay a final dividend of 32.2 pence per share which, combined with the interim dividend of 17.3 pence per share, gives a total of 49.5 pence per share for the year, an increase of 6%. The dividend is covered 2.3 times. This is consistent with our policy of making progressive dividend payments based upon affordability and sustainability. The dividend will be paid on 24 June 2016 to shareholders on the register at the close of business on 27 May 2016.

Strategy, governance and values

During 2015, the Group announced its refined strategy to give an increased focus on selected growth opportunities. The main refinement to the strategy is a shift in emphasis from the supply of products towards the provision of complete solutions to our customers.

The Board has continued to emphasise the strong relationship that exists between governance and ethics. Our ethics and values are central to Spectris, guiding our decision-making and ensuring that we always comply with the highest standards, wherever we are in the world. We want to be a company which our people are proud to work for, where they feel valued, motivated and capable of reaching

their full potential. To emphasise our strong ethical culture we have launched the Spectris Integrity Award to recognise and reward outstanding ethical behaviour by our employees.

Board composition

Lisa Davis will retire as a Non-executive Director of Spectris plc immediately following the Annual General Meeting on 20 May 2016. Following her promotion to the Siemens AG managing board last year Lisa no longer feels able to give sufficient commitment to Spectris. We would like to thank Lisa for the significant contribution she has made to the Spectris Board during the last two years.

Summary and outlook

2015 was characterised by mixed trading conditions, with growth in Europe and Asia offset by a challenging environment in North America and the Rest of the World. We are on track with the restructuring measures announced last July. The benefits of these, together with our focus on operational excellence initiatives, will enable us to better align cost growth with sales growth in 2016 whilst continuing to invest in our core R&D programmes. New product launches and acquisitions are expected to continue to play an important role in the Group's development and these investments, together with our broad end-market exposures and strong financial position, provide the Board of Spectris with confidence that the Company is well positioned for 2016 and beyond.

(1) Unless otherwise stated, references to sales increases/decreases going forward relate to the LFL sales increase/decrease rather than the reported sales increase/decrease.

(2) Unless otherwise stated, figures quoted for operating profit, net interest, profit before tax, tax, earnings per share and operating cash flow are adjusted measures - for an explanation of adjusted figures and reconciliation to the statutory reported figures see Note 2 to the Financial Statements.

CHIEF EXECUTIVE'S REVIEW

In 2015, we encountered challenging market conditions which resulted in a disappointing sales performance and a decline in profitability, although cash conversion was strong and the Group's financial position remains robust.

We took important steps forward in the development of the Group's strategy, with a renewed emphasis on achieving growth through the provision of innovative customer solutions.

Q: What aspects of Spectris' performance in 2015 would you highlight?

A: From a regional perspective, there was sales growth in both Europe and in Asia, where we achieved growth in Japan and South East Asia and a slight sales decline in China. After a strong 2014 performance, North America experienced a broad-based deterioration in industrial production, which particularly impacted sales growth in the Industrial Controls segment. This weakness accelerated as the year progressed and was especially pronounced in the oil and gas and related sectors. Sales to the Rest of the World also declined, primarily due to low demand in Russia, reflecting a weak economy and the imposition of certain technology sanctions in mid 2014. As a result of the above Group LFL sales were unchanged on 2014.

From an end-market perspective, there was good growth in our sales to the pharmaceuticals and fine chemicals and semiconductor sectors. Sales to the metals, minerals and mining industries also grew, primarily reflecting good aftermarket sales to the mining sector and investments by the metals and minerals industries. The growth from these end markets was offset by lower sales to the aerospace and academic research sectors, as well as the energy and utilities and web and converting industries.

In response to weaker than expected sales growth, we initiated a programme of targetted restructuring measures during the year, the costs of which amounted to £7 million and contributed to a reduction in the Group's operating profit. Operating cash conversion was strong and underpinned our ability to execute five bolt-on acquisitions in 2015 and grow the dividend whilst retaining a robust financial position.

Q: What are the key features of the refined Group strategy you announced this year?

A: The main refinement to the strategy is a shift in emphasis from the supply of products towards the provision of complete solutions (a combination of hardware, software and services) to our customers, based on our deep application and technical expertise. This transition in our offering is driven by changing customer requirements. As they focus on their core activities and seek to reduce cost and complexity they have a greater need to outsource services to a trusted, reliable partner who is able to offer a combination of hardware, software and services. Due to our strong long-term customer relationships and application know-how, Spectris is well positioned to be this supplier of innovative customer solutions.

There are several examples of our businesses deploying this strategy in recent years. For example, in the pulp and paper industry we have, for many years, gone to market as a provider of process solutions for the industry to enable customers to generate sustainable gains in business performance, whilst our Test and Measurement segment has been adding both software and services capabilities in niche markets. Going forward, there will be a more concerted effort by our operating companies to evolve their

business models towards the provision of solutions, together with a greater focus on key capabilities and technologies to support this customer-centric strategy.

An additional change in strategic emphasis concerns the area of operational excellence. We will seek to accelerate the application of operational excellence principles, extending 'lean manufacturing' techniques beyond the operational environment into other functions such as R&D and sales and marketing, as well as applying operational excellence to activities such as talent management, digital marketing and procurement and supply chain management.

In other aspects our strategy remains unchanged, such as the desire to expand our existing businesses geographically and to deploy capital generated by the Group for both platform and bolt-on acquisitions.

Q: Can you describe some of the ways in which this strategy was implemented during 2015?

A: All of our segments made good progress in the implementation of our refined strategy in 2015, and the Operating Review (pages 7 to 14) contains examples of these. We continued to deploy capital for acquisitions, with five completed during the year, supporting the implementation of our strategy. For example, in Materials Analysis the acquisition of our distributor in Taiwan enabled us to expand our direct sales channel in Asia and deepen our relationship with a key semiconductor customer in the country, whilst in Test and Measurement the acquisition of ReliaSoft strengthened and extended our engineering software offering. In In-line Instrumentation we reduced the amount of scrap steel produced when manufacturing creping blades for use in the pulp and paper sector by 20% through the implementation of 'lean manufacturing' techniques. In Industrial Controls we established an Industrial Internet of Things ('IIoT') Innovation Centre in the USA, with a focussed engineering, product and sales team dedicated to building on our existing IIoT expertise and offering in order to develop new solutions for machine-to-machine and human-to-machine communication.

Q: What are your priorities for 2016 and beyond?

A: The two key priorities in the coming years are strategy implementation whilst further improving the financial performance. In order for the Group to execute the strategy, and in particular the shift in emphasis towards providing customers with a solutions-oriented offering, encompassing hardware, software and services, it is necessary to ensure that we have the right people in place who can deliver the strategy. As such, our talent management programme remains a key priority. This will help to ensure that we have the organisational capability to create and deliver innovative customer solutions in as efficient a manner as possible, whilst retaining our strong ethical culture and values. In addition, we will use our robust financial position to make acquisitions which will accelerate our strategic development, both in terms of our offering to customers and our geographical coverage.

We have a broad range of industry and geographical exposures that enables us to exploit positive trends and opportunities where they exist, such as those in the life science sector. We expect the benefits of our targeted restructuring actions, together with a focus on operational excellence initiatives and cost control, will enable us to better align our cost growth with sales growth whilst continuing to invest in our core research and development programmes.

OPERATING REVIEW

	Materials Analysis		Test and Measurement		In-line Instrumentation		Industrial Controls		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Sales (£m)	364.4	348.8	351.3	342.9	255.0	261.4	219.3	220.6	1,190.0	1,173.7
LFL growth	3%	-3%	1%	4%	-1%	3%	-7%	5%	-	2%
Adj. operating profit (£m)	53.7	53.3	55.3	52.2	36.8	48.0	35.3	44.6	181.1	198.1
% RoS	14.7	15.3	15.8	15.2	14.4	18.4	16.1	20.2	15.2	16.9
% Total Group sales	31	30	30	29	21	22	18	19	100	100
% Aftermarket sales *	32	31	20	20	41	41	1	1	25	24

* Aftermarket sales comprises service revenues and sales of consumables and spare parts

MATERIALS ANALYSIS

Our Materials Analysis operating companies provide products and services that enable customers to determine structure, composition, quantity and quality of particles and materials, during their research and product development processes, when assessing materials before production, or during the manufacturing process. The operating companies in this segment are Malvern Instruments, PANalytical and Particle Measuring Systems.

Segment performance

	2015	2014	Change	Change at CER*	Like-for-like change
Sales (£m)	364.4	348.8	4%	7%	3%
Operating profit (£m)	53.7	53.3	1%	4%	-2%
Return on sales (%)	14.7	15.3	-0.6pp		-0.8pp
% of total Group sales	31	30	1pp		
Aftermarket sales (%)	32	31	1pp		

* Constant exchange rates (CER)

Reported sales increased 4%, including a four percentage point contribution from acquisitions and a three percentage point adverse impact from foreign exchange currency movements. As a result, LFL sales grew 3%. Sales growth was driven primarily by North America and Europe, with Asia generating slight growth and sales to the Rest of the World declining. Operating profit and operating margins declined on a LFL basis, primarily reflecting the annualised effect of prior-year headcount increases, the net cost of targeted restructuring measures, and the absence of a one-off £3.0 million R&D-related

government grant which benefitted the prior-year period. Excluding the impact of the R&D grant and the net restructuring cost, operating profit grew 7% on a LFL basis.

Sales to the pharmaceuticals and fine chemicals sector increased, driven by strong demand from biopharmaceutical and generic drug manufacturers. Sales also benefitted from good progress by our particle measuring business together with our investments in solutions focussed on the life science industry, such as a biophysical characterisation tool, the Viscosizer, and a next-generation calorimeter, the MicroCal PEAQ-ITC. Regulatory compliance, having previously been a strong growth driver for our operations in China, is now a positive driver in India, where the generic drug manufacturers are focussed on achieving the standards necessary to export their drugs to the USA. Elsewhere there was good sales growth in the major developed markets of North America and Europe.

Following weak demand from the metals, minerals and mining industries in 2014 there was a resumption of sales growth to these industries in 2015. By geography, the growth was variable in these industries: amongst the key end markets there was good sales growth from North America, China, India and Brazil, but sales declined in Australia, Germany and Japan. Generally, sales growth in the mining sector came from aftermarket sales, with customers preferring to repair and support existing equipment rather than invest in new products. In the metals and minerals sectors, however, sales of new instruments were strong. Whilst managing the cost base to align it to the lower demand levels, we have continued to develop new solutions for customers in these sectors, and in 2015 we launched a major new product family, the Zetium x-ray spectrometer, sales of which have been encouraging to date.

Sales to academic research institutes declined, with pressure on public finances and low levels of private funding from industries such as mining continuing to adversely impact trading conditions for our businesses. Amongst our major markets only Germany and Japan delivered sales growth in this sector, whilst there was a significant decline in China following what had been a strong year in 2014 when the Chinese state universities invested in projects related to water quality and energy storage.

Sales to the semiconductor industry grew strongly, benefitting from our own innovation, as we launched the first particle liquid counter which can measure contaminants as small as 20 nanometres, and from the strong relationships we have with the leading semiconductor manufacturers in North America and Asia. These relationships have been enhanced during the last 18 months with the acquisition of our distributors in Taiwan and South Korea, which means we are now directly servicing the key global semiconductor manufacturers.

Segment outlook

We expect this segment to show further progress in 2016. Continued investment in new products should deliver progress in the pharmaceuticals, life science and semiconductors sectors. Investment by the mining sector is expected to remain low, with growth primarily attributable to aftermarket sales; however, the metals and minerals sectors are expected to remain robust. We expect that these factors will more than offset what is likely to remain a subdued academic research market given public sector budget constraints. The cost reduction measures taken during the second half of 2015, together with our increased focus on operational excellence initiatives, are expected to improve future profitability.

TEST AND MEASUREMENT

Our Test and Measurement operating companies supply test, measurement and analysis equipment, software and services for product design optimisation, manufacturing control, microseismic monitoring and environmental noise monitoring. The operating companies in this segment are Brüel & Kjær Sound & Vibration, ESG Solutions and HBM.

Segment performance

	2015	2014	Change	Change at CER*	Like-for-like change
Sales (£m)	351.3	342.9	2%	7%	1%
Operating profit (£m)	55.3	52.2	6%	13%	9%
Return on sales (%)	15.8	15.2	0.6pp		1.2pp
% of total Group sales	30	29	1pp		
Aftermarket sales (%)	20	20	-		

* Constant exchange rates (CER)

Reported sales increased 2%, including a six percentage point contribution from acquisitions and a five percentage point adverse impact from foreign currency exchange movements. As a result, LFL sales grew 1%. By geography, there was LFL sales growth in Europe and China, whilst LFL sales were broadly flat in North America and down modestly in Asia (outside of China). LFL operating profit improved 9% and LFL operating margins increased 1.2 percentage points ('pp') to 16.4%, primarily reflecting positive sales mix effects and the benefits of the targetted restructuring measures undertaken during the year, partially offset by overhead cost inflation.

Underlying demand from the automotive sector remains healthy. Whilst direct sales to this sector were broadly unchanged in 2015, due to the lack of large projects in North America which had benefitted the prior year, there was strong sales growth to machine manufacturers in 2015, a significant portion of which represented sales into the automotive supply chain. As we are seeing across the Group, automotive customers are increasingly demanding the provision of an integrated solution, combining hardware, software and services. For example, we won a significant contract with a major UK-based automotive manufacturer to provide not only hardware but also a broad range of services including calibration, on-site maintenance, spare part supply, training and dedicated hotline support and European on-site support.

Customers increasingly use engineering software solutions to improve the quality, reliability and durability of their equipment and processes and to shorten the time to market for key products. In January 2015 we acquired ReliaSoft, a USA-based reliability engineering software and services business which has strengthened and extended our software applications offering. During 2015 we made good progress with our NVH Simulator, winning important contracts with major automotive manufacturers in the USA, UK and Europe, and we extended our noise, vibration and harshness ('NVH') offering to include engineering services with the acquisition in November of Sound Answers, a USA-based provider of NVH

consulting expertise. Sound Answers has been a strategic partner for nine years and we will now be able to offer our customers new capabilities, such as troubleshooting and product development services, which are unmatched within the sound and vibration industry. This positions us well to serve the increasing demand from the automotive industry to understand the NVH characteristics of vehicles and engines in order to gain competitive advantage and meet legislative requirements.

Underlying demand from the aerospace sector remains robust, although sales in this sector decreased in 2015, primarily reflecting the adverse impact that economic sanctions on Russia had on our sales of satellite vibration test systems to this country, together with fewer large orders in the USA than in 2014. Aerospace companies continue to invest in the use of advanced composite materials to develop more fuel-efficient aircraft, and we are one of the few suppliers capable of meeting their requirements to test and verify the key characteristics of these new materials. During the year we secured important orders from a major US aerospace company for data acquisition systems to stress test the Orion spacecraft and PULSE software analysers to test sound and vibration in its satellite systems.

Sales of our environmental noise monitoring services grew, benefitting from good demand in Europe. We won a major contract with the Italian government for noise monitoring in its vehicle inspection centres and extended our relationship with Aena, the Spanish airports operator, to centralise our systems across the six airports we already serve and extend our coverage to new sites.

As was the case in Materials Analysis, and reflecting pressure on public finances, Test and Measurement's sales to academic research institutes declined. Amongst our major markets only Germany delivered sales growth in this sector, whilst there was a significant decline in sales to China.

Sales to our telecoms customers declined in 2015 following strong growth in 2014. We see good opportunities in this market to provide additional services, for example in test-rig design and calibration, thereby improving the resilience of our revenues in a sector where sales patterns are lumpy, reflecting the scheduling of projects by customers.

Whilst the weakness in the unconventional oil and gas and mining markets in 2015 led to reduced demand for our microseismic monitoring solutions, we made good progress developing and extending our offering to these industries, both organically and inorganically. As well as continuing to win key contracts against larger competitors, we have begun to expand our international presence outside North America, establishing offices in the Middle East and Mexico. In October we acquired Spectraseis, a USA-based leader in surface-based microseismic monitoring technology which is complementary to our existing offering and strengthens our position in the growing induced seismicity monitoring market.

Segment outlook

In 2016 we expect market conditions in the automotive and aerospace sectors to benefit from further growth in engineering software applications, together with improving demand from the telecoms market and a good contribution from acquisitions. The academic research market is expected to remain subdued and market conditions in the oil and gas and mining industries are expected to remain challenging; however, there are good prospects for the increased adoption of microseismic monitoring solutions in the coming years as customers seek to make better use of data analytics to improve productivity and profitability.

IN-LINE INSTRUMENTATION

In-line Instrumentation provides process analytical measurement, asset monitoring and on-line controls as well as associated consumables and services for both primary processing and the converting industries. The operating companies in this segment are Brüel & Kjær Vibro, BTG, NDC Technologies and Servomex.

Segment performance

	2015	2014	Change	Change at CER*	Like-for-like change
Sales (£m)	255.0	261.4	-2%	-1%	-1%
Operating profit (£m)	36.8	48.0	-23%	-19%	-19%
Return on sales (%)	14.4	18.4	-4.0pp		-3.3pp
% of total Group sales	21	22	-1pp		
Aftermarket sales (%)	41	41	-		

* Constant exchange rates (CER)

Reported sales decreased 2%, reflecting an adverse impact of 1% from foreign currency exchange movements and a LFL sales decline of 1%. Geographically, LFL sales to North America were broadly unchanged, while LFL sales to Europe and Asia were marginally lower than in 2014. LFL operating profit fell 19% and LFL operating margins were down 3.3 pp to 15.1%, reflecting the impact of reduced sales, some price pressure in specific markets and adverse sales mix.

In the pulp and paper market, growth improved progressively through the year with a good second half performance more than compensating for the LFL sales decline in the first half. Growth in our sales to the tissue and pulp segments reflected continuing positive trends in those markets as well as our success in offering customers new solutions incorporating our high-performance creping blades and other instrumentation, such as our new control sensors for pulp mill automation. This growth in tissue and pulp sales was partially offset by lower sales into the graphic paper segment. While excess capacity in China, in particular, continued to limit our growth opportunities in this segment, we have seen a positive market reaction to our new advanced material coating blades, which drove higher sales into the segment in the second half.

In the energy and utilities market, we achieved modest growth in sales, with strong growth in our sales to the wind energy market being partially offset by a modest fall in sales to the downstream petrochemicals industry. In the wind energy market we continue to see favourable global trends, which contributed to good sales growth across all regions, particularly Asia and Europe. In addition to an increase in sales to existing customers we also managed to broaden our customer base, with a number of significant contract wins from wind farm operators. We are in the process of strengthening our sales and marketing organisation, including the expansion of our regional office network, and we have increased our focus on the provision of innovative solutions to our customers. For example, during the year we introduced a solution that combines hardware and software to enable customers to view all

information from any machine protection system in their plant on one diagnostic system. Since its launch in the middle of the year this solution has been positively received by customers.

Our sales to the downstream petrochemicals industry fell modestly over the year as a whole, after showing good growth in the first half of the year. This partially reflects the slowdown in the oil and gas sector, which has resulted in falling investment levels and fewer large projects being progressed. We launched a major new product platform for the industrial gases market, a laser gas analyser called the MiniLaser, which is more powerful, smaller and lighter than other products in the market, resulting in significantly easier and lower-cost installation for customers. During the year we launched important applications of the MiniLaser for the petrochemicals, combustion and power markets, and customer reaction to date has been extremely positive.

Sales to the web and converting industries declined significantly during the year, mainly due to a lack of large projects in North America and Asia. Whilst these industries have recently been experiencing cyclical softness we continue to see attractive growth opportunities. We made good progress developing new systems that extend our offering for these industries, such as the SlimTrak single beam scanner, a compact, cost-effective scanner for narrow web converting processes that is targeted at paper and plastic film converting applications. Following the creation in 2014 of NDC Technologies, we have now aligned the combined sales forces of the previous businesses around single industry verticals in order to give us more effective coverage in our markets and better support for our customers.

Segment outlook

We are encouraged by the improved performance of our pulp and paper business in the second half of 2015, the positive customer response to our new instruments and solutions and the robust tissue and pulp markets, all of which are helping to offset the ongoing structural challenges in the graphic paper and coated paperboard markets. Growth from the energy and utilities sector is expected to be modest in 2016. Underlying market conditions in the renewable energy sector remain healthy and our new solutions for this market have been well received. However, the slowdown in the oil and gas sector that impacted our sales to the downstream petrochemicals industry in the latter part of 2015 is expected to continue into 2016. In the web and converting industries we expect to see some modest growth after a weak 2015, together with moderate benefits from our new product launches and the creation of single sales teams to service key industry verticals. We will also continue to increase the focus on operational excellence initiatives across the segment in order to improve future profitability.

INDUSTRIAL CONTROLS

Industrial Controls provides products and solutions that measure, monitor, control, inform, track and trace during the production process. The operating companies in this segment are Microscan, Omega Engineering ('Omega') and Red Lion Controls.

Segment performance

	2015	2014	Change	Change at CER*	Like-for-like change
Sales (£m)	219.3	220.6	-1%	-6%	-7%
Operating profit (£m)	35.3	44.6	-21%	-26%	-27%
Return on sales (%)	16.1	20.2	-4.1pp		-4.3pp
% of total Group sales	18	19	-1pp		
Aftermarket sales (%)	1	1	-		

* Constant exchange rates (CER)

Reported sales decreased 1%, including a one percentage point contribution from acquisitions and a positive impact of five percentage points from foreign currency exchange movements. As a result, LFL sales decreased 7%. LFL operating profit fell 27% and LFL operating margins were down 4.3 pp to 15.9%, reflecting the impact of reduced sales, adverse sales mix and the net cost of targeted restructuring actions. We also incurred additional resource costs at Omega which were required to protect service levels during the launch of a new ERP system.

With over 70% of this segment's sales being to customers in North America, the key driver behind the LFL sales decrease was the significant weakness in US industrial production, particularly in the second half of the year, across a wide range of industries. This weakness adversely affected the performance of all three operating companies in this segment. The oil and gas sector suffered particularly during the year and this was felt most acutely in our industrial networking business, Red Lion Controls, following strong sales to this market in 2014.

In Asia, we saw continued good progress in the development of our process measurement and control business, Omega. In Europe, we saw a mixed performance from our operating companies, with a challenging year for our industrial networking business being partially offset by growth in sales of process measurement and control products, and automatic identification and machine vision solutions.

Despite the challenging market conditions, we made good strategic progress in a number of areas.

Omega has continued to invest in and enhance its digital marketing capabilities, installed a common ERP system across the majority of its business and delivered good growth from its operations established in recent years in Asia, Latin America and Europe.

The Industrial Internet of Things ('IIoT') is one of our key strategic markets and during 2015 we established an IIoT Innovation Centre in the USA, with a focussed engineering, product and sales team

dedicated to building on our existing IIoT expertise and products and developing new solutions for machine-to-machine and human-to-machine communication.

In August, we purchased Label Vision Systems, a US-based company whose technology enables companies to comply with new USA legislation on product identification marking to improve traceability throughout the manufacturing supply chain. The business is performing well and its integration into Microscan is proceeding to plan.

The year also saw a number of key product launches and developments. In September, our machine vision business launched the MicroHawk, a modular and scalable industrial barcode imager and smart camera platform. We also enhanced our series of industrial cellular routers through the addition of functionality to provide automatic alerts to operatives, and launched a major new series of temperature and process controllers targetted at customers in the laboratory and in the factory automation and chemical industries.

Our technical expertise was recognised during the year in several awards won by our businesses. For example, our industrial networking business gained broad recognition for the quality of its products from Control Design, a USA trade journal.

Segment outlook

Given the significant exposure to the USA, sales progress for this segment in 2016 will be largely dependent on a recovery of USA industrial markets. We expect contributions from recent product launches, the acquisition of Label Vision Systems and the investments made in Omega, together with the targetted restructuring measures taken in 2015 and a heightened focus on operational excellence initiatives, to improve future profitability. Over the medium term the need for customers to improve productivity and efficiency is expected to result in increased demand for factory automation and industrial networking products, particularly in China and other developing markets such as Mexico.

FINANCIAL REVIEW

Introduction

Spectris uses adjusted figures as key performance measures in addition to those reported under adopted IFRS, as management believe these measures enable them to assess the underlying trading performance of the businesses. Adjusted figures exclude certain non-operational items which management have defined in Note 2 to the Financial Statements. Unless otherwise stated, figures quoted for operating profit, net interest, profit before tax, tax, earnings per share and operating cash flow are adjusted measures.

Operating performance

	2015	2014	Change	Like-for-like change ⁽¹⁾
Adjusted				
Sales (£m)	1,190.0	1,173.7	+1.4%	-0.3%
Operating profit (£m)	181.1	198.1	-8.6%	-8.8%
Operating margin (%)	15.2	16.9	-1.7pp	-1.5pp
Statutory				
Sales (£m)	1,190.0	1,173.7	+1.4%	
Operating profit (£m)	143.6	168.3	-14.7%	
Operating margin (%)	12.1	14.3	-2.2pp	

⁽¹⁾ At constant exchange rates and excluding acquisitions

Reported sales increased 1.4% to £1,190.0 million (2014: £1,173.7 million). The year-on-year contribution to sales from acquisitions of £36.1 million (+3.1%) was reduced by adverse foreign exchange movements of £16.7 million (-1.4%) arising primarily from the strength of Sterling against the Euro, partly offsetting the impact of the stronger US Dollar, with the result that, on an organic constant currency like-for-like ('LFL') basis, sales decreased £3.1 million (-0.3%) compared with 2014.

Reported gross margins of 57.4% of sales were 0.2 pp lower than the prior year (57.6%). Excluding adverse foreign exchange movements (-0.4 pp) and acquisitions (+0.1 pp), LFL gross margins increased 0.1 pp. LFL gross margins improved in the Materials Analysis and Test and Measurement segments, but were lower in the In-line Instrumentation and Industrial Controls segments, reflecting the impact of lower sales, pricing pressure in specific markets and an adverse sales mix.

The combination of unchanged LFL sales, continued investment in our growth initiatives and R&D programmes, with LFL R&D spend increasing 3%, and inflationary cost increases resulted in adjusted operating profit decreasing from £198.1 million in 2014 to £181.1 million in 2015. Acquisitions contributed £5.2 million (+2.6%) to operating profit and foreign currency exchange movements had an adverse impact of £4.8 million (-2.4%), resulting in LFL operating profit declining £17.4 million (-8.8%) for

the year. The operating margin decreased 1.7 pp from 16.9% in 2014 to 15.2% in 2015, and 1.5 pp on a LFL basis.

To mitigate the effects of the low growth environment and challenging trading conditions seen particularly in North America and China, cost reduction and containment measures were put in place during the year to protect profitability, with a number of businesses initiating targeted restructuring programmes. These measures resulted in £6.8 million (2014: £0.8 million) of restructuring costs being charged against operating profit in the year with incremental benefits amounting to £3.7 million in 2015 such that the net full-year cost for 2015 is £3.1 million. The annualised benefit in 2016 arising from these measures is anticipated to be approximately £7 million.

Compared with 2014, net overheads increased £16.1 million, which included the above restructuring costs and the absence of a one-off £3.0 million R&D-related government grant which benefitted the prior year. Excluding these items, net overheads increased approximately 1.5% on a LFL basis, reflecting the focussed cost containment measures undertaken in the year.

Net finance costs for the year decreased £0.8 million to £4.8 million (2014: £5.6 million) as a result of the Group's continued strong operating cash generation during the year (operating cash flow conversion of 91% compared with 89% in 2014). Although average net debt for the year was £23.5 million higher than the prior year, primarily as a result of the five acquisitions made, net finance costs benefitted from a reduction in the weighted-average interest rate on debt. This followed the re-financing of the US\$550 million revolving credit facility in October 2014 and the re-financing of the \$75.6 million fixed-rate loan in September 2015 with a new seven-year €116.2 million fixed-rate loan, both of which were on more favourable terms.

Profit before tax decreased 8.4% from £192.5 million to £176.3 million.

Statutory operating profit, after including acquisition-related intangible asset amortisation and impairment of £34.6 million (2014: £25.9 million) and net acquisition-related costs and fair value adjustments of £2.9 million (2014: £3.9 million), decreased 14.7% from £168.3 million to £143.6 million. Statutory profit before tax decreased 17.2% from £171.1 million in 2014 to £141.6 million in 2015. The reconciliation of statutory and adjusted measures is shown in the following table.

	2015	2015	2015	2014	2014	2014
	IFRS (Statutory) £m	Adjustments £m	Spectris adjusted £m	IFRS (Statutory) £m	Adjustments £m	Spectris adjusted £m
Sales	1,190.0	-	1,190.0	1,173.7	-	1,173.7
Gross margin	683.1	-	683.1	676.4	-	676.4
Operating profit before acquisition- related items	181.1	-	181.1	198.1	-	198.1
Amortisation and impairment of acquisition-related intangibles	(34.6)	34.6	-	(25.9)	25.9	-
Net acquisition- related costs and fair value adjustments	(2.9)	2.9	-	(3.9)	3.9	-
Operating profit	143.6	37.5	181.1	168.3	29.8	198.1
Profit on disposal of businesses	-	-	-	2.4	(2.4)	-
Net gain/(loss) on retranslation of short-term inter- company loan balances	3.0	(3.0)	-	6.0	(6.0)	-
Net bank interest payable	(4.6)	-	(4.6)	(5.4)	-	(5.4)
Unwinding of discount factor on deferred and contingent consideration	(0.2)	0.2	-	-	-	-
Net IAS 19 (Revised) finance costs	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Other finance costs	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Profit before tax	141.6	34.7	176.3	171.1	21.4	192.5

Acquisitions

The Group completed five acquisitions during the year. The total cost of acquisitions in the year was £45.0 million (2014: £96.7 million), including £2.7 million (2014: £0.9 million) for cash acquired. Included in the total cost of acquisitions is an amount of £2.7 million (2014: £4.5 million) attributable to the fair value of net deferred and contingent consideration which is expected to be paid in future years. A net £0.5 million (2014: £0.3 million) was paid in respect of prior year acquisitions, making the net cash outflow in the year £40.1 million (2014: £91.6 million). Furthermore, an amount of £3.9 million (2014: £2.5 million) was spent on acquisition-related legal and professional fees, which makes the total acquisition-related cash outflow for the year £44.0 million (2014: £94.1 million). Acquisitions contributed £36.1 million (2014: £17.6 million) of incremental sales and £5.2 million (2014: £4.4 million) of incremental operating profit during the year.

Taxation

The effective tax rate on adjusted profit before tax was 22.8% (2014: 23.2%), a decrease of 0.4 pp due to a reduction in the weighted-average statutory tax rate arising from a change in the geographic mix of pre-tax profits. On a statutory basis, the effective tax rate of 19.6% (2014: 21.0%) continues to be below the weighted-average statutory tax rate of 25.4% (2014: 28.1%), primarily as a consequence of R&D-related tax incentives and a tax-efficient financing structure, partly offset by a reduction in non-taxable income.

Earnings per share

Earnings per share decreased 8.1% from 124.4p to 114.3p, reflecting the net impact of the 8.4% decrease in profit before tax, the reduction in our effective tax rate and the increase in the weighted-average number of shares from 118.8 million in 2014 to 119.0 million in 2015.

Statutory basic earnings per share decreased 15.9% from 113.7p to 95.6p. The difference between the two measures is shown in the table below.

	2015	2014
	Pence	Pence
Statutory basic earnings per share	95.6	113.7
Amortisation and impairment of acquisition-related intangible assets	29.1	21.8
Net acquisition-related costs and fair value adjustments	2.4	3.3
Profit on disposal of businesses	-	(2.0)
Net gain on retranslation of short-term inter-company loan balances	(2.5)	(5.1)
Unwinding of discount factor on deferred and contingent consideration	0.2	-
Tax effect of the above and other non-recurring items	(10.5)	(7.3)
Adjusted earnings per share	114.3	124.4

Cash flow

Operating cash flow	2015 £m	2014 £m
Operating profit	181.1	198.1
Depreciation and software amortisation	24.4	21.7
Working capital and other movements	(13.8)	(16.7)
Capital expenditure	(26.0)	(27.4)
Operating cash flow	165.7	175.7
Operating cash flow conversion	91%	89%
Non-operating cash flow		
Tax paid	(33.5)	(43.0)
Net interest paid	(4.5)	(6.3)
Dividends paid	(56.9)	(52.3)
Acquisition of businesses, net of cash	(40.1)	(91.6)
Acquisition-related costs paid	(3.9)	(2.5)
Exercise of share options	0.3	0.3
Foreign exchange	(0.1)	(1.8)
Total non-operating cash flow	(138.7)	(197.2)
Operating cash flow	165.7	175.7
Reduction in net debt	(27.0)	(21.5)

The year-end trade working capital to sales ratio increased to 16.6% from 15.3% in 2014, a 1.3pp increase. Average trade working capital, expressed as a percentage of sales, increased to 15.4% (2014: 13.3%), a 2.1pp increase of which 0.3pp related to foreign exchange. Excluding acquisitions, the increase in working capital arose primarily within the In-line Instrumentation segment due to higher inventory levels to support new product launches and a higher level of receivables due to the timing of sales, and within the Industrial Controls segment due to higher inventory levels from lower sales.

Capital expenditure during the year equated to 2.2% of sales (2014: 2.3%) and, at £26.0 million (2014: £27.4 million), was 107% of depreciation and software amortisation (2014: 126%), primarily due to ongoing investments in property and infrastructure in Europe and North America.

Overall, net debt decreased £27.0 million (2014: decrease of £21.5 million) from £125.6 million to £98.6 million. Interest costs, excluding the financing charge arising from IAS 19 (Revised) and other finance costs, were covered by operating profit 39.4 times (2014: 36.7 times).

Financing and treasury

The Group finances its operations from both retained earnings and third-party borrowings, with almost all of the year-end gross debt balance being at fixed rates of interest.

As at 31 December 2015, the Group had £526.2 million of committed facilities denominated in different currencies, consisting of a five-year US\$550 million (£371.1 million) revolving credit facility maturing in October 2019, a seven-year €94.8 million (£69.7 million) term loan maturing in October 2020, and a seven-year €116.2 million (£85.4 million) term loan maturing in September 2022. The revolving credit facility was undrawn at the year end. In addition, the Group had a year-end cash balance of £58.2 million, together with other uncommitted facilities of £1.7 million.

At the year end, the Group's borrowings amounted to £156.8 million, 99% of which was at fixed interest rates (2014: 76%). The ageing profile at the year end showed that 1% of year-end borrowings are due to mature within one year (2014: 32%), 44% between two and five years (2014: 22%) and 55% in more than five years (2014: 46%).

Currency

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

After matching the currency of revenue with the currency of costs wherever practical, forward exchange contracts are used to hedge a proportion (up to 75%) of the remaining forecast net transaction flows where there is reasonable certainty of an exposure. At 31 December 2015, approximately 60% of the estimated net Euro, US Dollar and Japanese Yen exposures for 2016 were hedged using forward exchange contracts, mainly against the Swiss Franc, Sterling, the Euro and the Danish Krone.

The largest translational exposures are to the US Dollar, Euro, Danish Krone, Japanese Yen and Swiss Franc. Translational exposures are not hedged. The table below shows the key average exchange rates compared to Sterling during 2015 and 2014.

	2015	2014
	(average)	(average)
USD	1.53	1.65
EUR	1.38	1.24
JPY	185	174
CHF	1.47	1.51

To demonstrate the transactional and translational currency exposures faced by the Group, the table below shows the differences between the Group's consolidated revenues and costs for each of the major currencies in 2015 before reflecting the effect of transactional hedges taken out in the year.

Revenue and cost by major currency:

	USD ⁽¹⁾	EUR ⁽¹⁾	GBP	JPY	Other	Total
Total sales (£m)	519	380	78	55	158	1,190
% of sales	44	32	7	5	12	100
Total costs (£m) ⁽²⁾	(402)	(305)	(85)	(32)	(190)	(1,014)
Profit before tax by currency (£m)	117	75	(7)	23	(32)	176
% of Profit before tax	66	43	(4)	13	(18)	100

⁽¹⁾ Dollar/Euro categories include tracking currencies

⁽²⁾ Costs include interest of £2.4 million in USD, and £2.3 million in EUR

The above table is for overall guidance only as the phasing of income and the movement in the monthly average exchange rates during the year can have a significant effect on the impact of foreign exchange on the Group's results.

Like-for-like methodology

The Group uses the non-statutory LFL performance metric, which excludes the impact of acquisitions and foreign currency movements, to measure the underlying performance of businesses. The standard methodology for calculating LFL performance is based on using each entity's functional currency result (i.e. sales or operating profit) and translating it into its presentation currency using the prior year's exchange rate, irrespective of the underlying transaction currencies. However, the underlying transactional exposure can have a major impact on the LFL calculation when there are a significant number of transactions in currencies other than the functional currency and during periods of currency volatility.

Within the In-line Instrumentation segment, the BTG business has large functional currency mismatches against its underlying transaction currencies which distort LFL comparisons at times of significant currency movements. This applies primarily to BTG's largest operation in Switzerland, but also to a lesser extent to its operations in Sweden and China. Within the Swiss business, approximately 7% of sales and almost 70% of costs are denominated in Swiss Francs ('CHF') with the consequence that LFL results are distorted by applying our standard methodology for translating the functional currency to Sterling, the Group's presentation currency. The effect of this mismatch was emphasised following the unpegging of the CHF against the Euro by the Swiss National Bank in January 2015, which led to a sharp appreciation of the CHF against the Euro.

Accordingly, we have modified the basis upon which BTG's LFL results are translated into Sterling by using the actual underlying transaction currency mix for determining translational gains/losses to provide more accurate and reliable information on BTG's underlying performance. This modified

approach has not been applied to any other operating company as BTG is the only business within the Group with a significant functional currency mismatch for LFL reporting purposes.

If the standard LFL methodology had been used for BTG, Group LFL sales growth for 2015 would have been 33 basis points ('bps') (2014: 9 bps) lower, and LFL sales growth for the In-line Instrumentation segment would have been 147 bps (2014: 38 bps) lower. For the avoidance of doubt, the reported results of the Group and the In-line Instrumentation segment, under IFRS, remain unchanged as a result of the application of the modified LFL methodology for BTG.

Defined benefit pension schemes

The Company operates a number of pension schemes throughout the Group. The net pension liability in the balance sheet (before taking account of the related deferred tax asset of £5.6 million) has increased to £22.1 million (2014: £14.0 million). The movement can be summarised as follows:

	£m
Net deficit in defined benefit schemes as at 31 December 2014	(14.0)
Actuarial losses	(7.9)
Contributions in excess of current service cost	(0.1)
Past service credit	0.3
Scheme administration costs	(0.3)
Expected return on pension scheme assets net of interest costs on pension scheme liabilities	(0.1)
Net deficit as at 31 December 2015	(22.1)

The movement in individual plan deficits is shown in the table below:

£m	UK	Germany	Netherlands	Switzerland	Total overseas	Net total
Surplus/(deficit) as at 31 December 2014	3.6	(7.7)	(1.7)	(8.2)	(17.6)	(14.0)
Change in year	(5.6)	0.2	(0.2)	(2.5)	(2.5)	(8.1)
Deficit as at 31 December 2015	(2.0)	(7.5)	(1.9)	(10.7)	(20.1)	(22.1)

The UK plan surplus of £3.6 million at 31 December 2014 decreased £5.6 million to a deficit position of £2.0 million at 31 December 2015 due to investment returns being lower than expected. The net deficit for the overseas plans increased £2.5 million to £20.1 million primarily due to changes in market conditions during the year, in particular a fall in the discount rates used to value the plans' liabilities.

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.

The current risks, together with a description of how they relate to the Group's strategy and the approach to managing them, are set out in the 2015 Annual Report which will be available on the Group's website at www.spectris.com from 17 March 2016.

The Group's Audit and Risk Committee conducted its periodic risk review after the year end and concluded that the risks set out on pages 17-20 of the 2014 Annual Report and available at www.spectris.com continue to remain relevant. During the year the Group announced an evolution of its strategy, as described in the Chief Executive's Review. The Group considers that, as with any transition of this kind, there is necessarily inherent risk associated with the successful execution and delivery of the refined strategy. As such, the Group has added strategy execution as an additional risk which could impact future performance.

The Group's principal risks and uncertainties are as follows, with detailed commentary on each contained in the 2015 Annual Report:

- New product development
- Intellectual property
- Laws and regulations
- Political and economic risks
- Acquisitions
- Competitive activity
- Fluctuations in exchange rates
- Supply chain dependencies and disruption
- Information security
- Strategy execution

The potential impact of these risks on our strategy and financial performance and details of our specific mitigation actions are detailed in the 2015 Annual Report.

Consolidated Income Statement

For the year ended 31 December 2015

	Note	2015 £m	2014 £m
Continuing operations			
Revenue	3	1,190.0	1,173.7
Cost of sales		(506.9)	(497.3)
Gross profit		683.1	676.4
Indirect production and engineering expenses		(98.6)	(93.2)
Sales and marketing expenses		(274.4)	(271.3)
Administrative expenses		(166.5)	(143.6)
Operating profit before acquisition-related items		181.1	198.1
Net acquisition-related costs and fair value adjustments	2	(2.9)	(3.9)
Amortisation and impairment of acquisition-related intangible assets	2	(34.6)	(25.9)
Operating profit	2,3	143.6	168.3
Profit on disposal of businesses		-	2.4
Financial income	4	3.3	6.3
Finance costs	4	(5.3)	(5.9)
Profit before tax		141.6	171.1
Taxation - UK	5	(1.3)	(2.0)
Taxation - Overseas	5	(26.5)	(34.0)
Profit after tax for the year from continuing operations attributable to owners of the Parent Company		113.8	135.1
Basic earnings per share (pence)	7	95.6p	113.7p
Diluted earnings per share (pence)	7	95.4p	113.4p
Interim dividends paid and final dividends proposed for the year (per share)	6	49.5p	46.5p
Dividends paid during the year (per share)	6	47.8p	44.0p

Spectris uses adjusted figures as key performance measures in addition to those reported under adopted IFRS. Reconciliations showing how the adjusted performance measures are derived from those reported under adopted IFRS are set out in Note 2.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Note	2015 £m	2014 £m
Profit for the year attributable to owners of the Parent Company		113.8	135.1
Other comprehensive income:			
Items that will not be reclassified to the Consolidated Income Statement:			
Re-measurement of net defined benefit liability, net of foreign exchange		(7.9)	(5.6)
Tax on items above	5	1.7	1.5
		(6.2)	(4.1)
Items that are or may be reclassified subsequently to the Consolidated Income Statement:			
Net gain/(loss) on effective portion of changes in fair value of forward exchange contracts		0.1	(3.3)
Foreign exchange movements on translation of overseas operations		(1.9)	(5.5)
Tax on items above	5	-	0.5
		(1.8)	(8.3)
Total comprehensive income for the year attributable to owners of the Parent Company		105.8	122.7

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital	Share premium	Retained earnings	Translation reserve	Hedging reserve	Merger reserve	Capital redemption reserve	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2015	6.2	231.4	643.1	34.9	(3.0)	3.1	0.3	916.0
Profit for the year	-	-	113.8	-	-	-	-	113.8
Other comprehensive income:								
Net gain on effective portion of changes in fair value of forward exchange contracts, net of tax	-	-	-	-	0.1	-	-	0.1
Foreign exchange movements on translation of overseas operations	-	-	-	(1.9)	-	-	-	(1.9)
Re-measurement of net defined benefit liability, net of foreign exchange and tax	-	-	(6.2)	-	-	-	-	(6.2)
Total comprehensive income for the year	-	-	107.6	(1.9)	0.1	-	-	105.8
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company	-	-	(56.9)	-	-	-	-	(56.9)
Share-based payments, net of tax	-	-	0.8	-	-	-	-	0.8
Share options exercised from own shares (treasury) purchased	-	-	0.3	-	-	-	-	0.3
Balance at 31 December 2015	6.2	231.4	694.9	33.0	(2.9)	3.1	0.3	966.0

	Share capital	Share premium	Retained earnings	Translation reserve	Hedging reserve	Merger reserve	Capital redemption reserve	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
For the year ended 31 December 2014								
Balance at 1 January 2014	6.2	231.4	562.9	40.4	(0.2)	3.1	0.3	844.1
Profit for the year	-	-	135.1	-	-	-	-	135.1
Other comprehensive income:								
Net loss on effective portion of changes in fair value of forward exchange contracts, net of tax	-	-	-	-	(2.8)	-	-	(2.8)
Foreign exchange movements on translation of overseas operations	-	-	-	(5.5)	-	-	-	(5.5)
Re-measurement of net defined benefit liability, net of foreign exchange and tax	-	-	(4.1)	-	-	-	-	(4.1)
Total comprehensive income for the period	-	-	131.0	(5.5)	(2.8)	-	-	122.7
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company	-	-	(52.3)	-	-	-	-	(52.3)
Share-based payments, net of tax	-	-	1.2	-	-	-	-	1.2
Share options exercised from own shares (treasury) purchased	-	-	0.3	-	-	-	-	0.3
Balance at 31 December 2014	6.2	231.4	643.1	34.9	(3.0)	3.1	0.3	916.0

Consolidated Statement of Financial Position

As at 31 December 2015

	2015	2014
	£m	£m
ASSETS		
Non-current assets		
Intangible assets:		
Goodwill	584.9	569.4
Other intangible assets	201.7	208.5
	786.6	777.9
Property, plant and equipment	160.8	162.5
Deferred tax assets	17.2	18.3
Retirement benefit assets	-	3.6
	964.6	962.3
Current assets		
Inventories	182.5	175.7
Taxation recoverable	0.7	1.1
Trade and other receivables	253.1	232.6
Cash and cash equivalents	58.2	34.8
	494.5	444.2
Total assets	1,459.1	1,406.5
LIABILITIES		
Current liabilities		
Short-term borrowings	(1.7)	(50.9)
Derivative financial instruments	(0.4)	(0.3)
Trade and other payables	(206.6)	(201.0)
Current tax liabilities	(27.5)	(28.8)
Provisions	(22.2)	(17.7)
	(258.4)	(298.7)
Net current assets	236.1	145.5
Non-current liabilities		
Medium- and long-term borrowings	(155.1)	(109.5)
Other payables	(16.6)	(21.6)
Retirement benefit obligations	(22.1)	(17.6)
Deferred tax liabilities	(40.9)	(43.1)
	(234.7)	(191.8)
Total liabilities	(493.1)	(490.5)
Net assets	966.0	916.0
EQUITY		
Share capital	6.2	6.2
Share premium	231.4	231.4
Retained earnings	694.9	643.1
Translation reserve	33.0	34.9
Hedging reserve	(2.9)	(3.0)
Merger reserve	3.1	3.1
Capital redemption reserve	0.3	0.3
Total equity attributable to equity holders of the Parent Company	966.0	916.0
Total equity and liabilities	1,459.1	1,406.5

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 £m	2014 £m
Cash flows from operating activities			
Profit after tax		113.8	135.1
Adjustments for:			
Taxation	5	27.8	36.0
Profit on disposal of businesses		-	(2.4)
Finance costs	4	5.3	5.9
Financial income	4	(3.3)	(6.3)
Depreciation		19.6	18.2
Amortisation and impairment of intangible assets		39.4	29.4
Acquisition-related fair value adjustments		(0.1)	-
Acquisition costs not yet paid		-	1.4
Loss/(profit) on sale of property, plant and equipment		0.2	(0.3)
Equity-settled share-based payment transactions		0.7	2.2
Operating cash flow before changes in working capital and provisions		203.4	219.2
Increase in trade and other receivables		(17.1)	(16.3)
Increase in inventories		(7.6)	(8.1)
Increase in trade and other payables		3.5	3.9
Increase/(decrease) in provisions and employee benefits		4.7	(0.5)
Net income taxes paid		(33.5)	(43.0)
Net cash flows generated from operating activities		153.4	155.2
Cash flows from investing activities			
Purchase of property, plant and equipment and software		(26.0)	(27.4)
Proceeds from sale of property, plant and equipment and software		0.9	2.4
Acquisition of businesses, net of cash acquired	8	(40.1)	(91.6)
Interest received		0.2	0.3
Net cash flows used in investing activities		(65.0)	(116.3)
Cash flows from financing activities			
Interest paid		(4.7)	(6.6)
Dividends paid	6	(56.9)	(52.3)
Proceeds from exercise of share options (treasury shares)		0.3	0.3
Proceeds from borrowings		85.0	20.8
Repayment of borrowings		(85.5)	(8.2)
Net cash flows used in financing activities		(61.8)	(46.0)
Net increase/(decrease) in cash and cash equivalents		26.6	(7.1)
Cash and cash equivalents at beginning of year		32.3	41.6
Effect of foreign exchange rate changes		(2.4)	(2.2)
Cash and cash equivalents at end of year		56.5	32.3
Reconciliation of changes in cash and cash equivalents to movements in net debt			
Net increase/(decrease) in cash and cash equivalents		26.6	(7.1)
Proceeds from borrowings		(85.0)	(20.8)
Repayment of borrowings		85.5	8.2
Effect of foreign exchange rate changes		(0.1)	(1.8)
Movement in net debt		27.0	(21.5)
Net debt at start of year		(125.6)	(104.1)
Net debt at end of year		(98.6)	(125.6)

Notes to the Accounts

1. Basis of preparation and summary of significant accounting policies

Basis of accounting

The Consolidated Financial Statements have been prepared on a historical cost basis except for items that are required by IFRS to be measured at fair value, principally certain financial instruments. The Consolidated Financial Statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ('IASB') and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB, as adopted by the European Union ('adopted IFRS'), and in accordance with the provisions of the Companies Act 2006.

The full year results announcement has been prepared using consistent accounting policies. No revisions to adopted IFRS that became applicable in 2015 had a significant impact on the Group's Financial Statements. The full year results announcement is presented in millions of pounds Sterling rounded to the nearest one decimal place.

Basis of consolidation

The full year results announcement sets out the Group's financial position as at 31 December 2015 and the Group's financial performance for the year ended 31 December 2015.

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Associates are accounted for using the equity method of accounting and are initially recognised at cost.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Going concern

The Group's net debt balance at 31 December 2015 was £98.6m (2014: £125.6m), with available undrawn committed borrowing facilities of £371.1m (2014: £316.8m).

The Board has reviewed sensitivity analysis on the Group's forecasts to 30 June 2017, the maturity profile of its financial facilities and liabilities and the ability of the Group to re-finance these obligations as they fall due. The principal liquidity risk is mitigated through its financial risk management policies. For the foreseeable future, the Board has a high level of confidence that the Group will have the necessary liquid resources to meet its liabilities as they fall

due and will be able to sustain its business model, strategy and operations and remain solvent, including the impact of reasonable scenarios. For this reason, it continues to adopt the going concern basis in preparing the Group Financial Statements. There are no key sensitivities identified in relation to this conclusion.

Significant accounting judgements and estimates

In preparing the Group's Financial Statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

Key judgements made in respect of the appropriateness of the Group accounting policies relate to:

- **Taxation and deferred tax.** The assessment and recognition of tax provisions requires management judgement. In particular the Group is potentially subject to tax audits covering both direct and indirect taxes in many jurisdictions. By their nature these are often complex and could take a significant period of time to be agreed with the tax authorities. Judgement is therefore applied based on the interpretation of country specific tax legislation and the likelihood of settlement. Provisions held in respect of tax risks are included within current and deferred tax liabilities. Furthermore judgement is also applied relating to the recognition of deferred tax assets which are dependent on an assessment of future taxable income in the relevant countries concerned.
- **Impairment of goodwill.** The carrying amount of goodwill has been tested for impairment by estimating the value in use of the cash-generating units to which it has been allocated.
- **Provisions against inventory.** Judgement is applied to assess the level of provisions required to write down slow-moving, excess and obsolete inventory to its net realisable value.
- **Provisions for impairment of trade receivables.** Judgement is applied to assess whether a trade receivable is recoverable or not, and whether the level of provision required to write down the value of the receivable to its recoverable amount is appropriate.
- **Provisions and contingent liabilities.** Judgement is applied in relation to determining the risk-adjusted probability, quantum and timing of management's best estimate of future payments.
- **Defined benefit pension obligations.** The defined benefit pension obligations are calculated using a number of assumptions, including future inflation, salary increases and mortality, and the obligation is then discounted to its present value using an assumed discount rate.
- **Business combinations.** Judgement is applied in relation to the estimation of the provisional fair values and useful lives of acquired assets and liabilities at the date of acquisition.

The financial statements were approved by the Board of Directors on 16 February 2016.

2. Adjusted performance measures

Spectris uses adjusted figures as key performance measures in addition to those reported under adopted IFRS, as management believe these measures enable them to assess the underlying trading performance of the businesses. Adjusted figures exclude certain non-operational items which management have defined as amortisation and impairment of acquisition-related intangible assets, acquisition-related costs and contingent consideration fair value adjustments, acquisition-related fair value adjustments, 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, unwinding of the discount factor on deferred and contingent consideration, related tax effects and other tax items which do not form part of the underlying tax rate (see Note 5).

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

	2015 £m	2014 £m
Adjusted operating profit		
Operating profit as reported under adopted IFRS	143.6	168.3
Net acquisition-related costs and fair value adjustments	2.9	3.9
Amortisation and impairment of acquisition-related intangible assets	34.6	25.9
Adjusted operating profit	181.1	198.1

	Materials Analysis	Test and Measurement	In-line Instrumentation	Industrial Controls	2015 Total
Adjusted operating profit by segment - 2015	£m	£m	£m	£m	£m
Operating profit as reported under adopted IFRS	42.6	43.6	34.2	23.2	143.6
Net acquisition-related costs and fair value adjustments	0.2	1.5	0.1	1.1	2.9
Amortisation and impairment of acquisition-related intangible assets	10.9	10.2	2.5	11.0	34.6
Adjusted operating profit	53.7	55.3	36.8	35.3	181.1

	Materials Analysis	Test and Measurement	In-line Instrumentation	Industrial Controls	2014 Total
Adjusted operating profit by segment - 2014	£m	£m	£m	£m	£m
Operating profit as reported under adopted IFRS	48.0	45.7	45.6	29.0	168.3
Net acquisition-related costs and fair value adjustments	(2.3)	0.9	-	5.3	3.9
Amortisation and impairment of acquisition-related intangible assets	7.6	5.6	2.4	10.3	25.9
Adjusted operating profit	53.3	52.2	48.0	44.6	198.1

Net acquisition-related costs and fair value adjustments comprises acquisition costs of £3.0m (2014: £3.9m) that have been recognised in the Consolidated Income Statement under IFRS 3 (Revised) 'Business Combinations', fair value adjustments to inventory of £0.7m (2014: £0.6m) and other fair value adjustments resulting in a credit of £0.8m (2014: credit £0.6m). Net acquisition-related costs and fair value adjustments are included within administrative expenses. Acquisition-related costs have been excluded from the adjusted operating profit and acquisition costs paid of £3.9m (2014: £2.5m) have been excluded from adjusted operating cash flow.

Return on sales by segment - 2015	Materials Analysis %	Test and Measurement %	In-line Instrumentation %	Industrial Controls %	2015 Total %
Using operating profit as reported under adopted IFRS	11.7	12.4	13.4	10.6	12.1
Using adjusted operating profit	14.7	15.8	14.4	16.1	15.2

Return on sales by segment - 2014	Materials Analysis %	Test and Measurement %	In-line Instrumentation %	Industrial Controls %	2014 Total %
Using operating profit as reported under adopted IFRS	13.8	13.3	17.4	13.1	14.3
Using adjusted operating profit	15.3	15.2	18.4	20.2	16.9

Reconciliation to adjusted profit before tax and adjusted operating profit	Note	2015 £m	2014 £m
Profit before tax as reported under adopted IFRS		141.6	171.1
Add/(deduct):			
Net acquisition-related costs and fair value adjustments		2.9	3.9
Amortisation and impairment of acquisition-related intangible assets		34.6	25.9
Profit on disposal of businesses		-	(2.4)
Net gain on retranslation of short-term inter-company loan balances	4	(3.0)	(6.0)
Unwinding of discount factor on deferred and contingent consideration	4	0.2	-
Adjusted profit before tax		176.3	192.5
Adjusted net finance costs (see below)		4.8	5.6
Adjusted operating profit		181.1	198.1

Adjusted net finance costs	Note	2015 £m	2014 £m
Net interest (costs)/income as reported under adopted IFRS	4	(2.0)	0.4
Net gain on retranslation of short-term inter-company loan balances	4	(3.0)	(6.0)
Unwinding of discount factor on deferred and contingent consideration	4	0.2	-
Adjusted net finance costs		(4.8)	(5.6)

	2015	2014
	£m	£m
Adjusted operating cash flow		
Net cash flows generated from operating activities under adopted IFRS	153.4	155.2
Acquisition-related costs paid	3.9	2.5
Net income taxes paid	33.5	43.0
Purchase of property, plant and equipment and software	(26.0)	(27.4)
Proceeds from sale of property, plant and equipment	0.9	2.4
Adjusted operating cash flow	165.7	175.7

	2015	2014
	£m	£m
Adjusted earnings per share		
Profit after tax as reported under adopted IFRS	113.8	135.1
Adjusted for:		
Net acquisition-related costs and fair value adjustments	2.9	3.9
Amortisation and impairment of acquisition-related intangible assets	34.6	25.9
Profit on disposal of businesses	-	(2.4)
Net gain on retranslation of short-term inter-company loan balances	(3.0)	(6.0)
Unwinding of discount factor on deferred and contingent consideration	0.2	-
Tax effect of the above and other non-recurring items	(12.4)	(8.7)
Adjusted earnings	136.1	147.8

Weighted average number of shares outstanding (millions)	119.0	118.8
Adjusted earnings per share (pence)	114.3	124.4

	2015	2014
Adjusted diluted earnings per share (pence)		
Diluted weighted average number of shares outstanding (millions)	119.3	119.1
Adjusted diluted earnings per share (pence)	114.1	124.1

Basic and diluted earnings per share in accordance with IAS 33 'Earning Per Share' are disclosed in Note 7.

	2015	2014
	£m	£m
Analysis of net debt for management purposes		
Bank overdrafts	1.7	2.5
Bank loans - unsecured	155.1	157.9
Total borrowings	156.8	160.4
Cash balances	(58.2)	(34.8)
Net debt	98.6	125.6

3. Operating segments

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 and are focussed towards specific industries. These segments reflect the internal reporting provided to the Chief Operating Decision Maker (considered to be the Board) on a regular basis to assist in making decisions on capital allocated to each segment and to assess performance. The segment results include an allocation of head office expenses. The following summary describes the operations in each of the Group's reportable segments:

- Materials Analysis provides products and services that enable customers to determine structure, composition, quantity and quality of particles and materials during their research and product development processes, when assessing materials before production, or during the manufacturing process. The operating companies in this segment are Malvern Instruments, PANalytical and Particle Measuring Systems.
- Test and Measurement supplies test, measurement and analysis equipment, software and services for product design optimisation, manufacturing control, microseismic monitoring and environmental noise monitoring. The operating companies in this segment are Brüel & Kjær Sound & Vibration, ESG Solutions and HBM.
- In-line Instrumentation provides process analytical measurement, asset monitoring and on-line controls as well as associated consumables and services for both primary processing and the converting industries. The operating companies in this segment are Brüel & Kjær Vibro, BTG, NDC Technologies and Servomex.
- Industrial Controls provides products and solutions that measure, monitor, control, inform, track and trace during the production process. The operating companies in this segment are Microscan, Omega Engineering and Red Lion Controls.

	Materials Analysis	Test and Measurement	In-line Instrumentation	Industrial Controls	2015 Total
Information about reportable segments	£m	£m	£m	£m	£m
Segment revenue	363.7	351.5	255.0	219.6	1,189.8
Inter-segment revenue	0.7	(0.2)	-	(0.3)	0.2
External revenue	364.4	351.3	255.0	219.3	1,190.0
Reportable segment profit for continuing operations	53.7	55.3	36.8	35.3	181.1
Net acquisition-related costs and fair value adjustments	(0.2)	(1.5)	(0.1)	(1.1)	(2.9)
Amortisation and impairment of acquisition-related intangible assets	(10.9)	(10.2)	(2.5)	(11.0)	(34.6)
Operating profit	42.6	43.6	34.2	23.2	143.6
Financial income*					3.3
Finance costs*					(5.3)
Profit before tax					141.6
Tax*					(27.8)
Profit after tax					113.8

	Materials Analysis £m	Test and Measurement £m	In-line Instrumentation £m	Industrial Controls £m	2014 Total £m
Segment revenue	348.7	343.1	261.7	220.8	1,174.3
Inter-segment revenue	0.1	(0.2)	(0.3)	(0.2)	(0.6)
External revenue	348.8	342.9	261.4	220.6	1,173.7
Reportable segment profit for continuing operations	53.3	52.2	48.0	44.6	198.1
Net acquisition-related costs and fair value adjustments	2.3	(0.9)	-	(5.3)	(3.9)
Amortisation and impairment of acquisition-related intangible assets	(7.6)	(5.6)	(2.4)	(10.3)	(25.9)
Operating profit	48.0	45.7	45.6	29.0	168.3
Profit on disposal of businesses*					2.4
Financial income*					6.3
Finance costs*					(5.9)
Profit before tax					171.1
Tax*					(36.0)
Profit after tax					135.1

* Not allocated to reportable segments.

Reportable segment profit is consistent with that presented to the Chief Operating Decision Maker. Inter-segment revenue reflects the movements in internal cash flow hedges with inter-segment pricing on an arm's length basis. Segments are presented on the basis of actual inter-segment charges made.

	Carrying amount of segment assets		Carrying amount of segment liabilities	
	2015 £m	2014 £m	2015 £m	2014 £m
Materials Analysis	355.5	357.7	(93.6)	(90.9)
Test and Measurement	378.9	363.5	(85.8)	(84.9)
In-line Instrumentation	218.4	217.5	(41.5)	(40.8)
Industrial Controls	430.2	410.0	(24.5)	(23.7)
Total segment assets and liabilities	1,383.0	1,348.7	(245.4)	(240.3)
Cash and borrowings	58.2	34.8	(156.8)	(160.4)
Derivative financial instruments	-	-	(0.4)	(0.3)
Retirement benefit assets/(liabilities)	-	3.6	(22.1)	(17.6)
Taxation	17.9	19.4	(68.4)	(71.9)
Consolidated total assets and liabilities	1,459.1	1,406.5	(493.1)	(490.5)

Segment assets comprise: goodwill, other intangible assets, property, plant and equipment, inventories, trade and other receivables. Segment liabilities comprise: trade and other payables provisions and other payables, which can be reasonably attributed to the reportable operating segments. Unallocated items represent current and deferred taxation balances, defined benefit scheme assets and liabilities, derivative financial instruments and all components of net debt.

	Additions to non-current assets		Depreciation, amortisation and impairment	
	2015 £m	2014 £m	2015 £m	2014 £m
Materials Analysis	8.8	59.7	16.9	13.1
Test and Measurement	42.7	57.3	18.5	13.2
In-line Instrumentation	7.2	6.7	8.0	7.6
Industrial Controls	8.6	6.9	15.6	13.7
	67.3	130.6	59.0	47.6

Geographical segments

The Group's operating segments are each located in several geographical locations and sell to external customers in all parts of the world.

No individual country amounts to more than 3% of revenue by location of customer, other than those noted below.

The following is an analysis of revenue by geographical destination:

					2015
	Materials Analysis £m	Test and Measurement £m	In-line Instrumentation £m	Industrial Controls £m	Total £m
UK	16.8	14.0	6.9	7.1	44.8
Germany	19.5	56.9	19.5	9.9	105.8
France	12.6	17.6	6.3	2.3	38.8
Rest of Europe	55.4	62.3	45.0	9.3	172.0
USA	80.2	81.7	67.1	144.6	373.6
Rest of North America	13.2	7.9	9.0	12.6	42.7
Japan	23.2	22.0	11.1	2.0	58.3
China	51.8	44.8	43.4	13.8	153.8
South Korea	13.6	10.6	5.5	4.1	33.8
Rest of Asia	46.3	18.9	25.6	9.8	100.6
Rest of the World	31.8	14.6	15.6	3.8	65.8
	364.4	351.3	255.0	219.3	1,190.0

					2014
	Materials Analysis £m	Test and Measurement £m	In-line Instrumentation £m	Industrial Controls £m	Total £m
UK	14.9	14.0	8.1	7.4	44.4
Germany	22.1	60.2	24.4	10.0	116.7
France	11.9	19.0	7.0	2.0	39.9
Rest of Europe	55.3	61.9	44.7	9.6	171.5
USA	67.7	65.4	64.2	146.9	344.2
Rest of North America	10.7	4.6	7.6	14.6	37.5
Japan	23.7	22.8	11.3	1.6	59.4
China	53.1	42.7	45.1	12.8	153.7
South Korea	11.9	11.9	6.3	3.5	33.6
Rest of Asia	41.5	21.0	25.4	8.7	96.6
Rest of the World	36.0	19.4	17.3	3.5	76.2
	348.8	342.9	261.4	220.6	1,173.7

The following is an analysis of the carrying amount of non-current segment assets, analysed by the geographical area in which the assets are located.

	Non-current assets	
	2015	2014
	£m	£m
UK	85.1	88.6
Germany	25.2	25.9
France	0.1	0.1
Rest of Europe*	269.0	279.8
USA	487.0	443.3
Rest of North America	41.0	57.8
Japan	0.6	0.4
China	4.3	4.1
South Korea	4.4	5.6
Rest of Asia	27.9	31.2
Rest of the World	2.8	3.6
	947.4	940.4
Retirement benefit assets **	-	3.6
Deferred taxation **	17.2	18.3
Total non-current assets	964.6	962.3

* Principally in Denmark and Switzerland.

** Not allocated to a reportable geographical area in reporting to the Chief Operating Decision Maker.

4. Financial income and finance costs

	2015	2014
	£m	£m
Financial income		
Interest receivable	0.3	0.3
Net gain on retranslation of short-term inter-company loan balances	3.0	6.0
	3.3	6.3

	2015	2014
	£m	£m
Finance costs		
Interest payable on loans and overdrafts	4.9	5.7
Unwinding of discount factor on deferred and contingent consideration	0.2	-
Net interest cost on pension scheme liabilities	0.1	0.1
Other finance costs	0.1	0.1
	5.3	5.9

Net interest costs of £4.6m (2014: £5.4m) for the purposes of the calculation of interest cover comprise bank interest receivable of £0.3m (2014: £0.3m) and interest payable on loans and overdrafts of £4.9m (2014: £5.7m).

5. Taxation

	2015			2014		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Current tax charge	2.7	32.8	35.5	5.3	37.9	43.2
Adjustments in respect of current tax of prior years	(1.0)	(1.5)	(2.5)	(1.8)	(1.5)	(3.3)
Deferred tax - origination and reversal of temporary differences	(0.4)	(4.8)	(5.2)	(1.5)	(2.4)	(3.9)
	1.3	26.5	27.8	2.0	34.0	36.0

The standard rate of corporation tax for the year, based on the weighted average of tax rates applied to the Group's profits, is 25.4% (2014: 28.1%). The tax charge for the year is lower than the standard rate of corporation tax for the reasons set out in the following reconciliation:

	2015 £m	2014 £m
Profit before taxation	141.6	171.1
Corporation tax at standard rate of 25.4% (2014: 28.1%)	36.0	48.1
Non-taxable income and gains	(3.6)	(6.0)
Non-deductible expenditure	1.3	0.3
Movements on unrecognised deferred tax assets	0.5	0.1
Research and development tax incentives	(5.0)	(4.4)
Change in tax rates	-	0.1
Adjustments to prior year current and deferred tax charges	(1.4)	(2.2)
Total taxation	27.8	36.0

Factors that may affect the future tax charge

The Group's tax charge in future years is likely to be affected by the proportion of profits arising, and the effective tax rates, in the various territories in which the Group operates.

	2015 £m	2014 £m
Tax on items recognised directly in the Consolidated Statement of Comprehensive Income		
Tax on net loss on effective portion of changes in fair value of forward exchange contracts	-	(0.5)
Tax on re-measurement of net defined benefit liability, net of foreign exchange	(1.7)	(1.5)
Aggregate current and deferred tax credit relating to items recognised directly in the Consolidated Statement of Comprehensive Income	(1.7)	(2.0)

	2015 £m	2014 £m
Tax on items recognised directly in the Consolidated Statement of Changes in Equity		
Tax (credit)/charge in relation to share-based payments	(0.1)	1.0
Aggregate current and deferred tax (credit)/charge on items recognised directly in the Consolidated Statement of Changes in Equity	(0.1)	1.0

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

	2015	2014
Tax on items of income and expense that are excluded from the Group's adjusted profit before tax	£m	£m
Tax credit on amortisation and impairment of acquisition-related intangible assets	(11.2)	(8.4)
Tax credit on net acquisition-related costs and fair value adjustments	(0.6)	(0.9)
Tax credit on retranslation of short-term inter-company loan balances	(0.5)	(0.2)
Tax credit on unwinding of discount factor on deferred and contingent consideration	(0.1)	-
Tax charge on profit on disposal of businesses	-	0.8
Total tax credit	(12.4)	(8.7)

The effective adjusted tax rate for the year was 22.8% (2014: 23.2%) as set out in the reconciliation below.

	2015	2014
Reconciliation of total tax charge on adopted IFRS basis to adjusted tax charge	£m	£m
Total tax charge on adopted IFRS basis	27.8	36.0
Tax credit on items of income and expense that are excluded from the Group's adjusted profit before tax	12.4	8.7
Adjusted tax charge	40.2	44.7

6. Dividends

	2015	2014
Amounts recognised and paid as distributions to owners of the Parent Company in the year	£m	£m
Final dividend for the year ended 31 December 2014 of 30.5p (2013: 28.0p) per share	36.3	33.3
Interim dividend for the year ended 31 December 2015 of 17.3p (2014: 16.0p) per share	20.6	19.0
	56.9	52.3

	2015	2014
Amounts arising in respect of the year	£m	£m
Interim dividend for the year ended 31 December 2015 of 17.3p (2014: 16.0p) per share	20.6	19.0
Proposed final dividend for the year ended 31 December 2015 of 32.2p (2014: 30.5p) per share	38.4	36.3
	59.0	55.3

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 20 May 2016 and has not been included as a liability in these Financial Statements.

7. Earnings per share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year but adjusted for the effects of dilutive options.

Basic earnings per share	2015	2014
Profit after tax (£m)	113.8	135.1
Weighted average number of shares outstanding (millions)	119.0	118.8
Basic earnings per share (pence)	95.6	113.7

Diluted earnings per share	2015	2014
Profit after tax (£m)	113.8	135.1
Basic weighted average number of shares outstanding (millions)	119.0	118.8
Weighted average number of dilutive 5p ordinary shares under option (millions)	0.6	0.7
Weighted average number of 5p ordinary shares that would have been issued at average market value from proceeds of dilutive share options (millions)	(0.3)	(0.4)
Diluted weighted average number of shares outstanding (millions)	119.3	119.1
Diluted earnings per share (pence)	95.4	113.4

8. Acquisitions

On 22 January 2015 the Group acquired 100% of the share capital of ReliaSoft Corporation, a company based in the USA, for a total consideration of £30.4m (£28.3m net of cash acquired). The excess of the fair value of the consideration paid over the fair value of net tangible assets acquired is represented by the following intangible assets: contractual rights, customer related (customer relations), trade names, technology and goodwill of £0.4m, £2.8m, £1.0m, £11.0m and £17.0m respectively. The company is a leading provider of reliability engineering software, education, consulting and related services to product manufacturers and maintenance organisations around the world. The goodwill arising is considered to represent the value of the acquired workforce, extension of the Group's product offering leveraging its stronger position in the reliability and durability markets, together with sharing capabilities and technologies in value added software solutions. Goodwill includes an amount of £4.0m representing the requirement to recognise a deferred tax liability on the fair value adjustments. The business is being integrated into the Test and Measurement segment.

On 2 March 2015 the Group acquired the trade and certain assets of Sunway Scientific Corporation, a Taiwanese distributor, for a total consideration of £2.2m including £0.4m of contingent consideration, which is based on 10% of annual sales over a threshold over the following three years, subject to a total cap of £1.9m on the total deferred consideration payable. The excess of the fair value of the consideration paid over the fair value of net tangible assets acquired is represented by the following intangible assets: customer related, contractual rights and goodwill of £1.3m,

£0.3m and £0.9m respectively. The goodwill arising is attributable to opportunities expected from direct access to the Taiwanese market and benefits arising from improving the productivity of the combined sales and support channels. Goodwill includes an amount of £0.5m representing the requirement to recognise a deferred tax liability related to the fair value of the customer related and order book-related intangible assets. The business is being integrated into the Materials Analysis segment.

On 24 August 2015 the Group acquired the trade and certain assets of Label Vision Systems, a US business, for a total consideration of £4.5m including £1.6m of contingent consideration which is based on 50% of annual sales over a threshold over the following three years. The excess of the fair value of the consideration paid over the fair value of net tangible assets acquired is represented by the following intangible assets: customer related, technology related and goodwill of £1.0m, £0.7m and £2.6m respectively. The goodwill arising is attributable to opportunities expected from deepening the Group's product offering within the track, trace and control business and benefits arising from improving the productivity of the combined sales and support channels. The business is being integrated into the Industrial Controls segment.

On 13 October 2015 the Group acquired 96% of the share capital of Spectraseis AG, a company based in Switzerland with operations in the USA and Canada, for a total consideration of £5.2m (£5.0m net of cash acquired), including £0.1m of contingent consideration which is based on 10% of sales over a threshold over the following two years and a £0.3m working capital receivable. This extends the Group's capabilities in surface-based microseismic sensing equipment for hydraulic fracturing monitoring and induced seismicity monitoring. The excess of the fair value of the consideration paid over the fair value of net tangible assets acquired is represented by the following intangible assets: customer related (customer relations), technology and goodwill of £1.2m, £2.6m and £2.1m respectively. The goodwill arising is attributable to the acquired workforce, opportunities expected from the extension of the Group's microseismic product offering and the leverage of the customer base to optimise the sales potential of Spectraseis and Engineering Seismology Group's products. Goodwill includes an amount of £0.4m representing the requirement to recognise a deferred tax liability on the fair value adjustments. The business is being integrated into the Test and Measurement segment. The remaining 4% of share capital is currently in the process of being purchased. The non-controlling interest has not been disclosed as it is not significant.

On 18 November 2015 the Group acquired 100% of the share capital of Sound Answers Inc., a company based in the USA, for a total consideration of £2.7m (£2.3m net of cash acquired) including £0.9m of contingent consideration which is based upon incremental future revenues. Total contingent consideration is capped at £1.0m in aggregate. The excess of the fair value of the consideration paid over the fair value of net tangible assets acquired is represented by the following intangible assets: customer related (customer relations), and goodwill of £0.7m and £1.4m respectively. The company is a provider of engineering services that specialises in noise, vibration and harshness design and simulation, primarily for the automotive market. The goodwill arising is considered to represent the value of the acquired workforce, broadening of the Group's product offering to the automotive market and the expansion of the Group's consulting and design services. The business is being integrated into the Test and Measurement segment.

The assets and liabilities acquired from the above acquisitions, together with the aggregate purchase consideration, are summarised in the table below. The revenue and operating profit contribution from the acquisitions in the year to

the Group's results for the year were £12.0m and £2.5m respectively. Group revenue and operating profit would have been £1,197.7m and £143.2m (adjusted operating profit: £181.6m) respectively, had each of these acquisitions taken place on the first day of the financial year.

The following fair value table is provisional, reflecting the timing of the acquisitions, and is expected to be finalised within 12 months of the acquisition date:

	Book value	Adjustments	2015 Fair value
	£m	£m	£m
Net assets acquired under 2015 acquisitions			
Intangible fixed assets	0.8	22.2	23.0
Tangible fixed assets	1.3	0.1	1.4
Deferred tax assets	1.6	(1.6)	-
Inventories	0.4	(0.1)	0.3
Trade and other receivables	3.7	(0.3)	3.4
Trade and other payables	(5.2)	0.5	(4.7)
Provisions	(0.1)	(0.2)	(0.3)
Deferred tax liabilities	-	(4.8)	(4.8)
Cash	2.7	-	2.7
Net assets acquired	5.2	15.8	21.0
Goodwill			24.0
Total consideration in respect of 2015 acquisitions			45.0
Total consideration			45.0
Adjustment for cash acquired			(2.7)
Net consideration in respect of 2015 acquisitions			42.3
Analysis of cash outflow in Consolidated Statement of Cash Flows			
Total consideration in respect of 2015 acquisitions			45.0
Adjustment for net cash acquired on 2015 acquisitions			(2.7)
Deferred and contingent consideration on 2015 acquisitions to be paid in future years			(3.0)
Working capital adjustment receivable in future years			0.3
Cash paid in 2015 in respect of 2015 acquisitions			39.6
Acquisitions prior to 2015			
Deferred and contingent consideration in relation to prior years' acquisitions:			
- accrued at 31 December 2014			0.5
Cash paid in 2015 in respect of prior years' acquisitions			0.5
Net cash outflow relating to acquisitions			40.1

Due to their contractual due dates, the fair value of receivables acquired approximates to the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial.

£4.0m (2014: £22.0m) of the goodwill arising on acquisitions in the year is expected to be amortised and deductible for tax purposes.

There are no material contingent liabilities recognised in accordance with IFRS 3 (Revised).

The following presents the information related to 2014 acquisitions including the effect of the finalisation of acquisition fair values during 2015.

	Amounts previously recognised at 31 December 2014		2014 Fair value £m
	Book value £m	Adjustments £m	
Net assets acquired under 2014 acquisitions			
Intangible fixed assets	1.2	46.3	47.5
Tangible fixed assets	7.1	0.1	7.2
Inventories	7.3	(0.2)	7.1
Trade and other receivables	4.9	(0.1)	4.8
Trade and other payables	(6.2)	0.2	(6.0)
Provisions	-	(0.6)	(0.6)
Retirement benefit obligation	(0.1)	-	(0.1)
Current tax	(0.2)	-	(0.2)
Deferred tax liabilities	-	(5.3)	(5.3)
Cash	0.9	-	0.9
Net assets acquired	14.9	40.4	55.3
Goodwill			41.4
Total consideration in respect of 2014 acquisitions			96.7
Total consideration			96.7
Adjustment for cash acquired			(0.9)
Net consideration in respect of 2014 acquisitions			95.8
Analysis of cash outflow in Consolidated Statement of Cash Flows			
Total consideration in respect of 2014 acquisitions			96.7
Adjustment for net cash acquired on 2014 acquisitions			(0.9)
Deferred and contingent consideration on 2014 acquisitions to be paid in future years			(4.5)
Cash paid in 2014 in respect of 2014 acquisitions			91.3
Acquisitions prior to 2014			
Deferred and contingent consideration in relation to prior years' acquisitions:			
- accrued at 31 December 2013			0.3
Cash paid in 2014 in respect of prior years' acquisitions			0.3
2014 net cash outflow relating to acquisitions			91.6

In accordance with IFRS3 (Revised), the figures above have been amended from those published in the 2014 Annual Report to reflect the reduction in the deferred and contingent consideration, and goodwill, of £7.1m relating to the 2014 acquisitions of Affinity Biosensors LLC (£0.5m) and Engineering Seismology Group (£6.6m).

9. Company information

The financial information included in the full year results announcement does not constitute statutory accounts of the Company for the years ended 31 December 2015 and 2014. Statutory accounts for the year ended 31 December 2014 have been reported on by the Company's auditor and delivered to the Registrar of Companies. Statutory accounts for the year ended 31 December 2015 have been audited and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The report of the auditors for both years was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

10. Annual Report

The Annual Report will be made available to shareholders on 17 March 2016, either by post or online, and will be available to the general public on the Company's website at www.spectris.com or on written request to the registered office at Heritage House, Church Road, Egham, Surrey TW20 9QD.