

spectris

Cleaner.
Healthier.
More
productive.

Spectris plc
Annual Report and Accounts 2022



Our Purpose



Spectris harnesses the power of precision measurement to equip our customers to make the world cleaner, healthier and more productive.



Find out more online

Our website provides a range of information about Spectris plc
www.spectris.com

2022 Performance

Financial highlights

Sales¹

£1,327.4m

(2021: £1,163.0m)
Change yoy 14%
LFL² change yoy 14%

Adjusted operating profit^{1,2}

£222.4m

(2021: £189.6m)
Change yoy 17%
LFL² change yoy 14%

Statutory operating profit¹

£172.6m

(2021: £139.9m)
Change yoy 23%

Adjusted cash flow conversion^{1,2,4}

74%

(2021: 94%)
Change yoy (20 pp)

Adjusted operating margin^{1,2,4}

16.8%

(2021: 16.3%)
Change yoy 50 bps
LFL² change yoy flat

Statutory operating margin¹

13%

(2021: 12.0%)
Change yoy 100 bps

Dividend per share

75.4p

(2021: 71.8p)
Change yoy 5%

Adjusted earnings per share^{1,2}

159.9p

(2021: 127.4p)
Change yoy 26%

Basic earnings per share³

373.1p

(2021: 305.1p)
Change yoy 22%

Non-financial highlights

Total recordable incident rate⁴

0.27

(2021: 0.32)

Employee engagement – Gallup GrandMean score⁴

3.86

(2021: 3.72)

Energy efficiency⁴

(MWh per £m revenue)

58.2

(2021: 73.7)

CDP score

B

(2021: B-)

1. Following the divestment of the Omega business and its classification as a discontinued operation, the current year and comparative financial statements have been restated to reflect continuing operations.
2. Alternative performance measures ('APMs') are used consistently throughout this Annual Report and are referred to as 'adjusted' or 'like-for-like' ('LFL'). These are defined in full and reconciled to the reported statutory measures in the appendix to the Consolidated Financial Statements on page 162.
3. Includes profit from discontinued operations.
4. See more in the Key Performance Indicators section on pages 20 and 21.

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Sustainability report

Find out more about how we are delivering value for today and for the next generation of stakeholders

Spectris at a glance

Spectris in focus



Spectris harnesses the power of precision measurement to equip our customers to make the world cleaner, healthier and more productive. We are focusing on where we have competitive and differentiated offerings, positioned in attractive, structural growth markets with high barriers to entry.

What we do

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

How we equip customers

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

Our leading, high-tech instruments, equipment and software accelerate the reduction of emissions into the environment and develop technologies that drive our energy transition. They help make the medicines that cure us and enable our customers to work faster, better, and more efficiently.

Our go to market model

Customer centricity is core to our business model. We combine leading instruments and technologies with deep technical knowledge and domain expertise, adding value throughout our customer workflows.

By going beyond our products to deliver the services and solutions our customers need, we build strong partnerships that drive innovation and growth over the long term.

Our key markets

(2022 percentage of Group sales)



Life sciences/ Pharmaceutical

24% of sales
(2021: 23%)



Technology-led industrials

13% of sales
(2021: 14%)



Automotive

13% of sales
(2021: 13%)



Electronics and semiconductor

11% of sales
(2021: 11%)



Metals, minerals, mining

9% of sales
(2021: 10%)



Academic research

8% of sales
(2021: 9%)



Other

22% of sales
(2021: 20%)



Spectris at a glance continued

Our organisational structure

Following the refocusing of the Group around premium precision measurement businesses, Spectris is now organised around two key divisions – Spectris Scientific and Spectris Dynamics – comprising 87% of Group sales.

Spectris Scientific

Comprising Malvern Panalytical and Particle Measuring Systems

A leader in advanced sensors and instruments used to measure, analyse and characterise materials; as well as monitor ultra-clean manufacturing environments.



% of Group sales

50%

(2021: 46%)

LFL sales growth

18%

Adjusted operating margin

21.3%

(2021: 21.1%)

Employees

3,130

(2021: 2,880)



Read more
on pages 22 to 25

Spectris Dynamics

Comprising HBK

Spectris Dynamics provides differentiated sensing, data acquisition, analysis modelling and simulation solutions to help customers accelerate product development and enhance product performance.



% of Group sales

37%

(2021: 37%)

LFL sales growth

7%

Adjusted operating margin

15.0%

(2021: 16.5%)

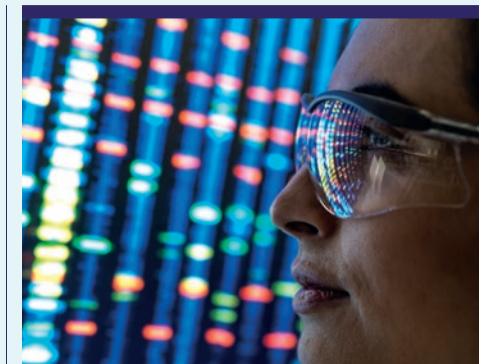
Employees

3,510

(2021: 3,260)



Read more
on pages 26 to 29



Group sales

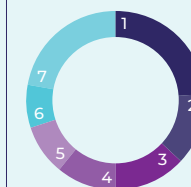


Sales by location (%)

1 Asia	37
2 Europe	30
3 North America	29
4 ROW	4

Sales by business (%)

1 Spectris Scientific	50
2 Spectris Dynamics	37
3 Other	13



Sales by market (%)

1 Life sciences/pharmaceutical	24
2 Technology-led industrials	13
3 Automotive	13
4 Electronics and semiconductor	11
5 Metals, minerals, mining	9
6 Academic research	8
7 Other	22

Chairman's statement

A leading sustainable business



Spectris delivered a strong performance in 2022 and I am confident in our ability to deliver the next phase of our strategy. Since 2019, Spectris has been transformed into a more focused and higher quality business, well positioned in attractive markets with structural growth drivers, that are closely aligned to our ambition to be a leading sustainable business.

2022 has been another year of strong organic sales growth and continued margin expansion, despite the supply chain challenges and inflationary pressures we faced. There was strong underlying demand for the Group's products and services, with like-for-like sales growth of 14% (2021: 10%). This supported an improved adjusted operating margin of 16.8% (2021: 16.3%) (statutory operating margin 13% (2021: 12.0%)) and good cash conversion, which alongside further divestment proceeds from the sale of Omega, saw the Group ending the year with a net cash position of £228.0 million (2021: £167.8 million).

The Board is proposing a final dividend of 51.3 pence per share which, when combined with the interim dividend of 24.1 pence, gives a total of 75.4 pence per share for the year. This equates to a 5.0% increase, in line with

our policy of making progressive dividend payments based on affordability and sustainability. In 2022, we also implemented a £300 million share buyback programme, reflecting our strong cash generation and robust balance sheet. By 31 December 2022, £190 million of the programme had been completed.

Strategy for Sustainable Growth

During the year, we delivered the final stages of our Strategy for Profitable Growth, having spent the last four years refocusing and simplifying our businesses, creating a strong foundation on which to build. With the divestment of Omega, completed in July, we have now completed seven disposals generating more than £1 billion in proceeds and notably enhancing the quality of the Group, which now comprises five businesses.

Sales

£1,327.4m

(2021: £1,163.0m)

Dividend per share

75.4p

(2021: 71.8p)



"We are embarking on an exciting new phase in our strategy."

Mark Williamson
Chairman



Chairman's statement continued

Our plans and the outlook for the next stage of our strategic journey are embedded within our new Strategy for Sustainable Growth. We have re-positioned Spectris as a leading sustainable business, with premium precision measurement businesses across two divisions, Spectris Scientific and Spectris Dynamics.

The new strategy and associated performance targets were formally presented to investors by the Executive team at a Capital Markets Day presentation in October. I was proud of the clear articulation of the quality of Spectris and the transformation of the Group in recent years. The simplification of our investment proposition was welcomed by investors who recognised the potential of our end markets, our technology and our people.

We will continue to invest in M&A as an important component of our strategy to compound growth, enabling us to further enhance our strong positions in key end markets, strengthening and expanding our portfolio to add value for our customers. During the year, the Board met with a number of customers, including a site visit to see our products in the field.

In 2022, we completed several successful acquisitions and divestments, alongside an approach for Oxford Instruments, which we terminated due to a deteriorating economic outlook. We continue to maintain an active pipeline of potential acquisition targets from early-stage technologies to bolt-on acquisitions of varying sizes through to larger-scale opportunities.

New performance targets to deliver long-term stakeholder value

In December, we received shareholder approval of our 2023 Remuneration Policy which aligns our remuneration structure with our Strategy for Sustainable Growth.

The new Policy came into effect on 1 January 2023 and I would like to thank Cathy Turner, Chairman of the Remuneration Committee, for her stewardship of this new Policy and our shareholders for their support

and constructive feedback during the engagement process.

The new Policy introduces non-financial metrics into our remuneration structure for the first time. The stretching targets we have added, covering emissions reduction and employee engagement, are a clear demonstration of our ambition to deliver long-term value creation for all our stakeholders.

Recognising the importance of Board oversight of our sustainability ambitions, I am delighted that Alison Henwood has agreed to become the key Board member responsible for sustainability matters and I look forward to working closely with her to oversee delivery of our exciting ambitions.

Our people

Our people are critical to the successful execution of our strategy. I was pleased to visit both Malvern Analytical and HBK this year alongside members of the Board. It has been so helpful to be able to re-engage with our employees and to spend time informally with the wider teams in person.

I am particularly grateful to Kjersti Wiklund, our Workforce Engagement Director, for her focus on meeting with employee groups in person during the year. The clear and detailed insights that Kjersti has provided following these meetings have been pivotal to the Board's oversight of the development of the Group's culture.

In 2022, we undertook our second global Gallup employee engagement survey and the Board and I were pleased to see the meaningful progress being made in building employee engagement. Our engagement score has improved in line with our expectations. The Board and Executive have spent time in 2022 reviewing a series of workstreams that will ensure that we continue to build an inclusive and supportive culture where individuals can thrive and have the development and opportunity to meaningfully progress their careers.

The attraction, retention and development of talented technical individuals is a core enabler of our growth ambitions as a Group. I am pleased with the steps we are taking with our science, technology, engineering and maths ('STEM') strategy to deepen our relationship with key academic and professional bodies to build the pipeline of our future workforce, including strategic partnerships with the Society of Hispanic Professional Engineers and the Society of Women Engineers. The launch of our first online work experience programme with The Forage, a free global education platform supporting students' development, is an exciting development which will bring the opportunities available through a career in Spectris to a new and wider audience.

Summary and outlook

On behalf of the Board, I would like to express my appreciation to all our employees for their continued dedication in delivering a strong performance during the year. We are embarking on an exciting new phase in our strategy, which will advance our ambition to be a leading sustainable business, delivering on our purpose to help make the world cleaner, healthier and more productive. I am confident that we have the team in place to deliver on this ambition and I strongly believe that Spectris is well placed to create long-term sustainable value for all of our stakeholders.

Mark Williamson

Chairman
22 February 2023



Section 172 statement

The Board of Directors confirm that during the year ended 31 December 2022, it has acted to promote the long-term success of the Company for the benefit of shareholders, whilst having due regard to the matters set out in section 172(1) of the Companies Act 2006, being:

- the likely consequences of any decision in the long term
- the interests of the Company's employees
- the need to foster the Company's business relationships with suppliers, customers and others
- the impact of the Company's operations on the community and the environment
- the desirability of the Company maintaining a reputation for high standards of business conduct
- the need to act fairly between members of the Company

More details on how the Board supports its Section 172 statement can be found throughout the Corporate Governance section with specific examples on pages 68 and 69.

Market trends

Accelerating growth in our markets



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

Cleaner

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

Healthier

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

More productive

- A more digital and automated world demanding ever more advanced computing, smart sensors, software and simulation; compounded by tight supply and labour markets.



Life sciences/ Pharmaceutical

Pharmaceutical investment continues to grow, driven by demand for conventional and innovative biologics-based therapies. This growth is underpinned by onshoring activities, the application of analytics to improve drug pipeline efficiency and an increased regulatory focus on data integrity.

Sales 2022

24%

(2021: 23%)

Expected medium-term market growth

5–7%



Technology-led industrials

A more connected and automated world demanding ever more advanced computing and data is underpinning growth. In a higher inflationary environment, an increased focus on enhancing processes and assets to drive improvements in productivity and yield is also supporting demand.

Sales 2022

13%

(2021: 14%)

Expected medium-term market growth

5–7%



Automotive

Investment in automotive R&D is being driven by a focus on electric vehicles, as well as new technologies for autonomous and increasingly connected vehicles. A growing use of simulation and software is required to generate smarter insights early on and to develop products faster, more efficiently and in a more sustainable manner.

Sales 2022

13%

(2021: 13%)

Expected medium-term market growth

4–6%

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



Read more about
Our Markets on pages 22 to 29

Market trends continued



Electronics and semiconductor

Rising investment to satisfy amplified demand for digital infrastructure and greater processing power, combined with fast evolving technologies such as 5G, internet of things and machine learning; supported by reshoring activities.

Sales 2022

11%

(2021: 11%)

Expected medium-term market growth

6–8%



Metals, minerals, mining

A growing need for sustainable, responsible and more effective sourcing to minimise the environmental impact of mining activities is leading to a greater adoption of automation and digitisation, fuelling demand for digitally connected instruments and remote monitoring/analytics.

Sales 2022

9%

(2021: 10%)

Expected medium-term market growth

5–6%



Academic research

Continued recovery in research funding is driving demand for advanced analytical and test systems, focused on developing next generation technologies for a cleaner, healthier and more productive world.

Sales 2022

8%

(2021: 9%)

Expected medium-term market growth

5–6%



Other

Includes other technology driven markets such as Energy & Utilities and general Industrial Automation/ Industry 4.0.

Sales 2022

22%

(2021: 20%)

Expected medium-term market growth

3–5%

“There has never been a better time and a greater need to make the world cleaner, healthier and more productive.”

Andrew Heath

Spectris Capital Markets Day, October 2022



Read more about Our Strategy
on pages 18 and 19

Chief Executive's review

Reshaped, stronger, positioned for sustainable growth



We have made excellent progress in 2022. Our strong results reflect the dedication and fabulous execution from our people. They have delivered for our customers, improved our business and supported each other, in a global macroeconomic environment shaped by uncertainty. I would like to take this opportunity to thank everyone across Spectris for their continued hard work and willingness to continually aim high.

Our performance in 2022 reflects the significant progress we have made as a Group since we launched our transformation programme in 2019, and is consistent with the targets we laid out at our Capital Markets Day last October as part of our new Strategy for Sustainable Growth.

A strong performance in 2022

We continue to improve the quality of our business, giving us the confidence in our strategy of compounding growth in the future and continuing to expand operating

margins. This is evidenced in our strong performance in 2022, with sales growth of 14% in 2022 on a reported and Like-for-like ('LFL') basis. Reported growth is supported by acquisitions completed in 2021 and 2022, consistent with our strategy of compounding growth through M&A, and offsets for disposals, which removed £65.9 million of sales from the 2021 reported number. 14% LFL sales growth comprises 8% volume and 6% pricing, with further pricing strength expected to benefit sales in 2023.

Adjusted operating profit

£222.4m

(2021: £189.6m)
Change yoy 17%

Adjusted operating margin

16.8%

(2021: 16.3%)
Change yoy 50bps

Investment in R&D

7.8%

of sales
(2021: 7.2% of sales)



"I am delighted by our financial performance and strategic progress in 2022. We continue to grow strongly, reflecting the extraordinary efforts of our people across the Group to deliver for our customers."

Andrew Heath
Chief Executive



Chief Executive's review continued

Our order book is at record levels. Order intake increased 10% in 2022 (9% LFL), resulting in the closing order book for the Group being 36% higher than at December 2021 and covering approximately six months of sales. Asia continued to be a strong region, up 18% year over year, particularly China and Japan. In Europe, the Group increased orders by 10%, while the US softened in H2, and was flat for the full year. The order book strengthened across both Divisions, underpinning confidence in our guidance for 2023, with all businesses continuing to exceed market growth expectations. Our book-to-bill was 1.13 for 2022.

We are delivering higher quality, more profitable growth as evidenced by continued margin expansion. Adjusted operating profit of £222.4 million (2021: £189.6 million) increased by 17% (14% on a LFL basis). This resulted in an adjusted operating margin of 16.8% (2021: 16.3%), reflecting the growth in sales from both volume and pricing changes, as we successfully navigated constrained supply chains and controlled cost in an inflationary environment.

Statutory operating profit of £172.6 million (2021: £139.9 million) increased by 23% predominantly due to lower transaction-related costs of £8.3 million (2021: £19.0 million) and no restructuring charges in the current year (2021: £10.2 million). This gave a 13.0% statutory operating margin, 100bps higher than 12.0% reported for 2021.

Supply chain disruption and significant material inflation impacted our gross margins, particularly in the first half. In the second half we saw reducing supply chain disruption and slowing material inflation, while price increases resulted in progressive improvement in the gross margin. In addition, the Spectris Business System ('SBS') continues to have a meaningful impact in improving productivity, with LFL adjusted overheads 170bps lower as a percentage of sales. These savings have enabled the Group to deliver an increased operating margin for the year. We expect to deliver further, strong progress on margin expansion in 2023.

We have delivered this robust margin performance alongside a 24% increase in R&D spend, to £103.8 million. We believe in innovation for growth, as evidenced by the improvement in our product vitality index from 23% to 25% over the past year. The investments we are making today are strengthening our product pipeline, setting us up for further organic growth.

Customer demand remains high and we continue to see positive momentum including a strong start to 2023 supported by strong double-digit LFL sales growth and momentum in orders with a book-to-bill greater than 1. The Group's considered pricing policy is delivering as expected and we are seeing continued improvement in gross margins as supply chains and inflation ease.

	Organic sales growth	Adjusted Operating margin expansion	Adjusted Cash conversion	ROGCE	ESG
Our Targets (2022 – 2027)	6-7%	20%+	80-90%	Mid-teens %	Net zero – Scope 1 and 2 by 2030; Scope 3 by 2040 Engagement – 4.06 by 2025
2022	14%	16.8%	74%	16.0%	Scope 1 and 2* – 17,546.0 tCO ₂ e year-on-year reduction of 21.9% Engagement improved year-on-year by 0.14 to 3.86
2018	5%	15.5%	59%	13.7%	Scope 1 and 2* – 82,861.0 tCO ₂ e (Scope 3 and Engagement not measured in 2018)

* Market-based emissions

Five key elements of our Strategy for Sustainable Growth



1. Great businesses

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



2. Structural growth markets

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



3. Customer centricity

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



4. Investing in growth

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



5. Operational excellence

Leveraging the Spectris Business System business improvement projects and our high-performance culture.

[Read more information on our strategy](#)
on pages 18 and 19

Our performance in 2022 demonstrates momentum and provides us confidence in the future. We have significant opportunities ahead of us and our high quality, focused portfolio provides us with confidence as we enter 2023. We expect to deliver organic growth consistent with our medium-term objectives of 6-7% alongside strong progress on expanding margins, as we drive forward with our ambitions to be a leading sustainable business.

Underpinned by our Purpose and our people

My confidence in our ability to be successful in fulfilling our ambitious goals is rooted in our

people. Across Spectris, we have exceptional leaders, deep technical experts, innovative minds, out-of-the-box thinkers, a diverse team of people performing different roles in many different places around the world. Wherever they are or whatever they are doing, they are people that care about their work, each other, and the environment around them.

I passionately believe that bringing brilliant people together behind a common purpose and with clear values is the key to our future success. At Spectris, our Purpose is to create a cleaner, healthier, and more productive world. This informs everything we do, from strategy decisions around the Board table, to day-to-

Chief Executive's review continued

day operational decisions within our businesses.

At Spectris, everyone in the business is encouraged to live our Values: be true, own it, and aim high. It is this way that we foster a purpose-led, healthy, high-performance culture that drives the business forward and makes Spectris a great and engaging place to work.

Strategy for Sustainable Growth

We have spent the last four years focusing and simplifying our business. At our Capital Markets Day in October 2022 we presented a Spectris that is almost unrecognisable from 2019. Over the last three years, we have fundamentally reshaped the Group. Most importantly, we have significantly improved the quality of our business, giving me the confidence that we are today more capable of compounding growth into the future and continuing to expand operating margins, as a leading sustainable business.

Our Strategy for Sustainable Growth will deliver this compounding growth and increased profitability, along with strong cash flow and strong, consistent returns on invested capital. This is reflected in our medium-term performance framework for the Group, to deliver:

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

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

1. Great businesses

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

2. Structural growth markets

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

3. Customer centricity

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

4. Investing in growth

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

5. Operational excellence

Leveraging the Spectris Business System business improvement projects and our high-performance culture.

Great businesses focused on premium, precision measurement solutions

At our Capital Markets Day in October, we announced that following the significant refocusing of the Group in recent years, we are now developing Spectris around two world class Divisions. They are two great businesses – high quality, high growth, and high margin, with exciting potential.

Spectris Scientific aligns Malvern Panalytical and Particle Measuring Systems within one Division to form a global leader in advanced measurement techniques for materials analysis. Both of these businesses provide leading scientific instruments and services in the same end markets across the same customer workflows. Over a third of Spectris Scientific's revenue is in pharma, with a strong presence in the fast growing semiconductor and advanced materials markets, as well as primary materials and advanced research.

Spectris Dynamics comprises the HBK business, a global leader in advanced virtual and physical testing, and high precision sensing solutions. Differentiated by world leading brands and the breadth and depth of its solutions, Spectris Dynamics serves the automotive, machine manufacturing, aerospace, electronics and advanced research sectors.

Together, Spectris Scientific and Dynamics comprise circa 87% of Group revenue.

The Group's remaining businesses, Servomex and Red Lion Controls, will continue to be run separately.

Aligned with attractive, sustainable, structural growth markets

We are more aligned than ever to markets with a strong sustainability focus and attractive growth trajectories, positioned in technology-driven end segments with strong fundamentals.

Overall, our activities are impacted by several important global growth trends. Around the world, ageing populations are increasing healthcare demand; the climate crisis is accelerating the transition to cleaner energy and mobility solutions; scarcity of resources is causing customers to optimise production and improve yield and a more connected, data-driven world is focused on productivity.

Demand for our products and services is being amplified by these trends, supporting structural end market growth rates of 5-6% across the Group. With advantaged market positions and differentiated products and services, we expect to outperform our core underlying markets and deliver through cycle growth of 6-7%. In 2022, LFL sales exceeded market growth in each of our major end markets with Life sciences/pharmaceutical up 13%, Technology-led industrials up 8%, Automotive up 16%, Electronics and semiconductor up 15%, Metals, minerals, mining up 14% and Academic research up 8%.

Spectris Scientific is focused on the high growth end markets of life sciences/ pharmaceutical, metals, minerals, mining, electronics and semiconductors, and academic research. We are well positioned in high value areas where precision measurement, domain expertise and analytics are valued by our customers throughout the workflow, where customers need the best measurement, and can't, and won't, compromise.

- Life Sciences is experiencing continued investment in both small molecule and biologics drug development, on shoring of facilities and increasing regulatory compliance.
- Material Sciences is experiencing significant investments in batteries, additive manufacturing, responsible resources extraction, and a wide variety of materials linked to electrification.
- Semiconductor demand continues to be high to meet the demands of new technologies, with advanced semiconductor manufacturing requiring higher accuracy metrology and ultra-clean environments.
- Academia enjoys government and industry-supported investments aligned with critical technologies underpinning fundamental research in many of the above areas, which will continue to compound our growth into the future.

Spectris Dynamics is focused on four premium product lines (Virtual Test, Software, Data Acquisition and high quality Sensors) with high growth prospects and where we have leading positions. The products are complementary for customers and combine to offer the broadest test solutions in the market. Spectris Dynamics supports customers in the growth markets of automotive (including electric vehicles), aerospace and defence, industrial infrastructure and personal audio. These end markets require greater test and measurement functionality and fidelity to accelerate the time to market for new products and manage increasingly sophisticated measurements for automated manufacturing and in-process applications.

- Our virtual test solutions enable customers to accelerate innovation, increase quality, reduce costs and deliver sustainability gains through deploying advanced simulators and simulation software.
- We provide industry-leading software solutions to improve the integrity of designs and reduce the costs of innovation as well as in-test and end-of-line performance measurement.

Chief Executive's review continued

R&D investment
£103.8m

Customers served
67,000+

Sales, application and service engineers
2,200+

- Our high performance data acquisition systems are the industry benchmark. They allow customers not only to capture and manage vast amounts of test and performance data, but crucially translate that data into critical insights by applying advanced analytics.
- Increasingly sophisticated and connected machines require greater accuracy and intelligence at the point of measurement. Our sensors are being used more and more to create new measuring solutions, provide the highest accuracy, greatest control and improved productivity.

Over the past three years, we have concentrated our activities, organically and through acquisitions, on the most attractive end markets, supported by structural sustainable growth trends, where we have differentiated positions and a strong opportunity to gain market share.

An example is the development of our Virtual Test business following the acquisition of VI-grade in 2018. Four years later, we are now a significant player in this fast-growing and exciting market. Through the consequent acquisition of RightHook, IMTEC Engineering and Concurrent Real-Time, combined with strong organic growth, the Virtual Test business more than doubled its revenues in 2022, and we expect it to more than double in size again through the next cycle.

Customer centricity: leading solutions to make the world cleaner, healthier and more productive

Customer centricity is core to our business model. Over the last four years we have shifted from largely transactional selling of hardware to being focused on solutions, adding value throughout our customers workflows and processes.

We serve over 67,000 customers, supported by over 2,200 sales, application and service engineers with our high touch approach. 80% of our sales are direct and our domain expertise is highly valued. The Group has over 60% repeat customers annually and a class leading net promoter score of over 50.

Recurring and service revenues now account for approximately a third of Group sales.

At Spectris Scientific, we have been working with the Geological Survey of Finland to accelerate the green transition to a carbon-neutral world. Our MintecRobo, a fully automated and smart analytical laboratory solution, maximises the speed and accuracy of sample preparation which, in turn, minimises carbon emissions and supporting the drive for sustainable mining operations. We also provided Excelitas, the technology leader in delivering photonic innovations, with a solution to tackle Airborne Molecular Contamination. Our AirSentry unit has allowed the company to monitor its cleanroom for contamination, ensuring the quality of its manufacturing operations.

At Spectris Dynamics, we were proud to design and install a measurement system for the Hornsea 2 project, the world's largest operational windfarm, owned by Danish energy company, Ørsted. Our technical expertise helped them to understand the geotechnical behaviour of the wind turbines and ensure safe and profitable generation of energy for the future. We were also pleased to help HORIBA MIRA, the leading automotive engineering services provider, in meeting their sustainability objectives. Our DiM250 dynamic simulator reduces programme costs and carbon footprint in developing new vehicles, allowing the company to strengthen its position in a fiercely competitive market.

Investing in growth through R&D

Our Strategy is built on delivering sustainable, organic growth. Our strong domain knowledge and high level of customer intimacy drives customer-backed innovation, which in turn informs our research and product development strategy, such that we intercept our customer needs for the future. This allows us to move faster and deliver greater value.

Much of our strong sales growth over the past two years has been supported by new and enhanced products.

At Spectris Scientific, we continue to see growing demand for our Zetasizer, in response to life sciences development and manufacturing investment, and for the Mastersizer 3000, driven by demand for batteries and green energy solutions. We also continue to see strong demand for our Lasair Pro line of products that are primarily used in cleanrooms for aseptic pharmaceuticals, aerospace, flat panel display manufacturing, semiconductor, and other industries.

In 2022 we also launched some major new innovations for the semiconductor market, such as the NanoAir 10, a revolutionary new aerosol nanoparticle counter with unsurpassed 10nm detection sensitivity and robustness, and the Ultra DI@ 20 Plus, enabling ultrapure water contamination monitoring at an industry-leading sensitivity of 20nm.

In Spectris Dynamics, a major new product launch was our new FUSION and ADVANTAGE Data Acquisition offering (DAQ). This hardware and software combination bridges the gap between simulation, physical

Our 2022 Year in Industry students and apprentices representing Spectris at the Young Professionals Conference in London, July 2022.



■ In 2023 we reached over 21,000 students in 15 countries to support wider access to a quality STEM education.

■ Heidi Pensom, a level 3 engineering apprentice at Malvern Analytical.

testing and data analysis. It is Spectris Dynamics' largest ever development project, refreshing our existing portfolio of data acquisition and software propositions, to address a wide range of industry applications in a single platform. Additionally, we continue to expand our simulation offerings, electrical power train test solutions and range of smart sensors.

Innovation underpins our organic growth ambitions over the medium term while also supporting enhanced margins. We have made significant investment in R&D by way of people, capabilities, and facilities. We were investing slightly more than 6% of sales in R&D three years ago. In 2022, investment in our R&D programmes increased materially to 7.8% of sales or £103.8 million (2021: £83.8 million or 7.2% of sales). R&D investment increased by £20.3 million (26%) on a LFL basis. Going forward, we expect R&D spend to be at around 8% of sales and all our R&D investments are expected to return an IRR of at least 15%.

In 2022, we introduced our vitality index for the first time. This measures current year revenue from products released over the previous five years as a percentage of total revenue in the current period. At the end of

2021, the index was 23% and increased to 25% by the end of 2022. We expect this to increase further over the next five years to over a third of total sales.

We work on ensuring that any investment will enhance our organic growth potential over the medium term, support and enhance margins and generate attractive cash flows.

Investing in growth through M&A

We also have the opportunity to compound growth further through M&A.

We maintain an active pipeline of potential acquisition targets from early-stage technologies to bolt-on acquisitions of varying sizes, through to larger-scale opportunities. We have built up a solid team to execute M&A, that are very aligned to the priorities of both our Divisions. All acquisitions must have a clear strategic and financial rationale.

In 2022, we made the following acquisitions:

- For Spectris Scientific, the acquisition of Creoptix AG ('Creoptix') in January strengthened our affinity offering for early-stage drug development, important to our pharma customers and our workflow strategy.
- For Spectris Dynamics, the acquisition of Dytran Instruments, Inc. ('Dytran') completed in September, strengthening our piezo-electric sensor offering and expanding sales into North America.
- Spectris Dynamics acquired a minority stake in CM Labs Inc. ('CM Labs') in April to explore new operator training segments alongside VI-grade's core products within the Virtual Test business.
- Spectris Dynamics also signed a joint operation agreement in March with DEWESoft, a leading manufacturer of data acquisition ('DAQ') hardware, to help accelerate the development of our new Fusion DAQ platform and to create a new industry open standard for DAQ products.
- In March the Group also acquired MB connect line GmbH ('MB connect') which is being integrated into Red Lion Controls to strengthen its secure data offering.

The Group will continue to invest in M&A as an important component of our strategy to compound growth, enabling us to further enhance our advantaged positions in key end markets, strengthening and expanding our portfolio to add further value for our customers.

The Group will continue to review divestment opportunities where appropriate and where such activity is aligned to the Group's strategy. In April, we announced the divestment of Omega Engineering to Arcline Investment Management for \$525 million (£410 million) at a valuation of approximately 20.4x Omega's 2021 adjusted EBITDA.

Having completed almost two thirds of the £300 million share buyback programme, our balance sheet position at 31 December has net cash of £228.0 million. This strong financial position provides the Group with significant headroom to pursue acquisitions.

Operational excellence: Spectris Business System driving productivity and competitiveness

We continue to drive operational excellence to improve productivity and strengthen our competitiveness. Over the last three years, we have taken the Spectris Business System from concept to an effective vehicle to deliver ongoing continuous improvement, both at top and bottom line. SBS forms the basis for our continuous improvement mindset where everyone is empowered to improve the business every day. Over the past two years, over 600 of our key leaders have received SBS training and now apply the tools and processes to their daily ways of working.

The main objective of SBS is to remove waste, drive efficiency and strengthen competitiveness, as we profitably grow the business and enhance margins. In 2022, the Group reduced overheads by 170bps as a percentage of sales. Consequently, we are making good progress towards our immediate milestone operating margin target of 18%, and our new medium-term target of over 20%.



Chief Executive's review continued

Last year, much of the SBS activity concentrated on reducing leadtimes to support customer order fulfilment in the face of supply constraints. For a number of products this resulted in us being able to offer much greater availability than our competitors. In addition to SBS, we are also making good progress towards implementing a number of business transformation projects, such as the new SAP S/4HANA installation in both Divisions. This will standardise, simplify and automate processes to enhance our operations, enabling our businesses to become both more efficient and also more scalable for growth. It will drive long-term structural improvements to our operating model, supporting our growth and margin expansion ambitions alongside driving efficiency and working capital improvements. The benefits are expected to start from 2024.

Leading sustainable business

Sustainability is at the heart of our Purpose to deliver Value Beyond Measure for all our stakeholders. We have a clear ambition to create a positive and lasting impact, with the intention of setting the benchmark among our peers for both the sustainability of our operations and for our opportunity to harness the power of precision measurement to make the world cleaner, healthier and more productive.

We are working on building a sustainable future:

- For our planet. We have committed to becoming Net Zero across our own operations by 2030 and across our value chain by 2040, with our target validated by the Science Based Targets initiative (SBTi) against a 1.5 degree warming scenario. We are committed to investing £3 million per annum to support our Net Zero journey and we are making excellent progress with a 21.9% year-on-year reduction in LFL scope 1 and 2 (market-based) emissions and a 21% year-on-year improvement in energy efficiency in 2022. PMS within Spectris Scientific, achieved their target of all operations being powered by renewable energy in 2022.

- For our people. We aim to be a great place to work for our current employees, and the next generation. We have a highly specialised workforce – in science, in engineering, in operations – and we need the very best talent to deliver on our ambitions. We are prioritising employee engagement, with a sustained emphasis on mental health, and for future talent are doing more than ever to build new and innovative pipelines, including partnerships with professional bodies including the Society of Hispanic Professional Engineers and the Society of Women Engineers to ensure we are building relationships with diverse pools of talent.
- In 2022, we have been monitoring the cost of living challenges that are impacting some of our employees and have been addressing salaries where appropriate. Our colleagues in China have also been subject to continued COVID-19 lockdowns and we have been working closely with them to ensure their continued safety and mental wellbeing.
- For our value chain. We are ensuring that both our customers and suppliers recognise us as long-term partners aligned with their values. We have built on our Code of Business Ethics with our active participation in the UN Global Compact, and the expanding use of EcoVadis to assess and assure the ESG risk in our supply chain.
- For our society. We are proud to be engineering brighter futures for children across the world through the Spectris Foundation. During 2022, the Foundation has made grants of over £485,358, reaching over 21,000 students in over 15 countries to support wider access to a quality STEM education and £113,500 to employee nominated causes.

While we have no employees in Ukraine, we made a donation of £100,000 to the Red Cross as part of the Disasters Emergency Committee appeal and also matched employee donations of over £11,000 to help provide humanitarian aid.



“Our performance in 2022 reflects the significant progress we have made as a Group since we launched our transformation programme in 2019.”

Andrew Heath
Chief Executive

Summary and outlook

Following the work of recent years to simplify and strengthen the Group, Spectris today is a more focused and improved business. This was evident in our strong performance in 2022 and the great execution by our teams around the Group.

We enter 2023 with good momentum, while remaining vigilant and alert to signs of changes in demand. The strength and quality of our order book, which is 36% higher than a year ago, gives us confidence into the first half

Andrew Heath visiting the team at PMS in Korea in November 2022.

of the year, as we continue to drive operational excellence to improve productivity and efficiency. Our expectation for 2023 is to deliver organic growth consistent with our medium-term objectives of 6-7%, alongside strong progress on expanding margins and driving forward with our ambitions to be a leading sustainable business.

Andrew Heath
Chief Executive
22 February 2023

Case studies

Customer:
Excelitas

Cleaner
Healthier
More productive

Monitoring Airborne Molecular Contamination



Challenge

One of the most complex technical challenges for clean room manufacturing is Airborne Molecular Contamination (AMC). When this occurs, it can be detrimental to the entire manufacturing processes.

Excelitas, the technology leader in delivering photonic innovations, is reliant on dedicated cleanrooms to meet the needs of its global customers. The company recognised a need to start monitoring its cleanroom for AMC and specifically the ability to characterise the levels of ambient acids and amines. Finding reliable data quickly in very specific locations is of paramount importance.

Benefit to customer

Particle Measuring Systems' AirSentry II AMC Monitoring family of ion mobility spectrometers, detect small concentrations or changes in airborne levels of chlorides, acids, amines and ammonia-containing species. These point-of-use sensors provide fast response, increased detection and repeatable performance. In addition, the AirSentry units can be fitted to mobile carts to enable customers to map different levels of contamination around their cleanrooms.

Through the use of the AirSentry II, Excelitas was able to establish significant levels of process control by installing permanent point of use analysers to measure total amines and total concentrations on a 24x7 basis.



Customers are at the heart of PMS' business. Its dedicated team of application engineers also assisted Excelitas with on-site startup and calibration. With PMS' expertise, Excelitas added new filtration and specialty equipment, to enable defect-free manufacturing.



"We are pleased that our production employees can now be confident that AMCs will not cause hidden defects in our optical components. Crucially, our customers know that if AMC levels ever drift out of control, we can make data driven decisions in real-time."

Deb Casher
Cleaning Process Engineer, Excelitas

Customer:
2bind GmbH

Cleaner
Healthier
More productive

Accelerating drug discovery



Challenge

Drug discovery has experienced great modern innovation and advancements over recent years. However, it is still challenged and limited by the length of time, high risk and high development costs – making target identification of drug molecules challenging and highly complex.

2bind is one of the world's leading service providers of biophysical analytical services. Their mission is to accelerate research and development of drugs, antibodies, proteins, RNA, DNA and aptamers by developing high-end, flexible and scalable biophysical methods and assays.

Benefit to customer

CreoptixAG (a Malvern Panalytical company) and 2bind share the same mission of improving technologies and biophysical tools. They have signed a technology-service partnership to offer customers the highest quality research tools to help them accelerate their R&D. The collaboration supports 2bind to expand its service portfolio with the innovative Creoptix WAVE product and provides Creoptix with a highly experienced partner as a certified service provider and beta-tester for future technology developments.

The Creoptix WAVEsystem helps to accelerate further drug discovery advancements. The waveRAPID allows 2bind to study real-time drug binding

interactions due to its exceptionally high sensitivity and resolution. Sitting adjacent to the WAVEsystem on the 2bind analytical bench is Malvern Panalytical's Microcal ITC – both working hand in hand in 2bind's drug discovery workflow. WAVE starts the lead generation process, sifting through molecules at a fast and highly sensitive rate. The ITC then works together with the WAVE during the lead generation and optimization stages of the workflow enabling 2bind to receive the full picture across a number of service areas including drug discovery, fragment-based drug discovery, protein biophysics, antibody development, aptamer research and RNA-based drug discovery.



"The WAVEsystem is able to detect even the fastest kinetics and is very accurate. The use of the device is very easy, comfortable and intuitive. Protocols from orthogonal kinetic methods can be easily transferred, which allows fast adoption and optimization of the technical setup. We are super happy with the device and the Creoptix team."

Thomas Schubert
CEO, 2bind GmbH

Case Studies continued



Customer:
HORIBA MIRA

Cleaner

Healthier

More productive

Reducing automotive environmental development impact

Challenge

The automotive industry is rapidly advancing and is increasingly reliant on virtual product development. This shift is not only driven by the desire and expectation to contribute to a more sustainable future, but is also a result of the fiercely competitive environment and the necessity to increase efficiency and speed to market. The need to reduce vehicle development time and cost is driving engineering teams towards greater use of virtual models into their development and refinement processes. The increasing shift to driving simulator technology allows for comparison of design proposals and engagement of key suppliers earlier in the process to accelerate development and minimize waste.

Benefit to customer

Leading automotive engineering services provider, HORIBA MIRA has invested heavily in the evolution of its engineering capability and in the development of the MIRA Technology Park, Europe's leading mobility R&D location for developing the latest automotive technology. To further advance its existing capabilities, HORIBA MIRA's Vehicle Attribute Development team has added a DiM250 dynamic simulator to its earlier investment in VI-grade simulators to further enhance its proprietary approach to driver-centric and qualitative vehicle attribute engineering.

HORIBA MIRA, is guided by its purpose to 'improve lives by making journeys safer, cleaner and smarter.' The company provides OEM and key customers with turnkey engineering services – from the initial pre-programme phase through to series production. HORIBA MIRA's attribute engineering process is focused on the driver experience. This is reflected in the development of its new driver-in-the-loop capability, which incorporates the driver's subjective assessments at the earlier, virtual stage of the design cycle.

"We have a long-established reputation as the leading partner of choice for vehicle driven-attributes engineering. Complementing our deep engineering expertise, this new investment further strengthens our position and enables us to increasingly lead the way in engineering solutions for the rapidly changing needs of future mobility."

Graeme Stewart
HORIBA MIRA's Chief Technical Officer

Our Business Model

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

Purpose-led

Our Purpose

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



Our Commitment

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



Delivered through our business model

Great businesses

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

Investing in growth

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

Structural growth markets

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

Operational excellence

Leveraging the Spectris Business System ('SBS'), business improvement projects and our high-performance culture.

Customer centricity

Solving customer challenges with leading, differentiated solutions, equipping them to make the world cleaner, healthier and more productive.

Investing in our People

Global team of talented individuals, many of them engineers and scientists, working towards our Purpose.

Underpinned by Our Values

Be True – we believe in absolute integrity. It's how we win for stakeholders, the environment and each other.

Own It – we believe in teamwork and keeping our promises. It's how we build our brands and businesses.

Aim High – we believe in being bold and positive. It's how we perform at our best and achieve greater success.

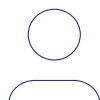
Our Business Model continued

Creating value beyond measure for all our stakeholders



Our customers

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



Our people

We ensure that our culture openly reflects our values and meets the expectations of our people. We are committed to creating the best possible working environment and culture where our employees feel included, engaged and can thrive.



Our value chain

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



Our society

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



Our shareholders

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



Our planet

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



For more information on our approach to sustainable growth, see the Sustainability Report on pages 40 to 59

Our Strategy

Our strategy for sustainable growth



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

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

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



Our Performance targets (2022 – 2027)

Organic sales growth

6–7%

through the cycle

Adjusted operating margin expansion

20%+

Adjusted cash conversion

80–90%

Return on Gross Capital Employed (‘ROGCE’)

mid-teens

Net Zero

**Net Zero across our
operations by 2030**

**Net Zero across our
value chain by 2040**

Employee Engagement

**Gallup GrandMean Score
of 4.06 by 2025**

Our strategy continued



01 Great businesses

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



**Read more in our
Division reviews**
on pages 22 to 29



02 Structural growth markets

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



**Read more about
our markets**
on pages 6 to 7



03 Customer centricity

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



**Read more in our
customer case studies**
on pages 14 to 15



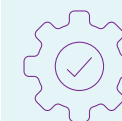
04 Investing in growth

We leverage our strong balance sheet to deliver growth. We are driving organic growth through investment in research and development at 7.8% of revenue, innovating and problem solving with the customer in mind.

We are compounding this growth through investment in M&A to strengthen and expand our portfolio to add value across our customers' workflows.



**Read more in the
Chief Executive's report**
on pages 8 to 13



05 Operational excellence

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



**Read more in our
Division reviews**
on pages 22 to 29



Our progress is underpinned by our investment in
Our People



**Read more about
Our People** on page 42

Key Performance Indicators

Measuring our performance



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

Our Strategy for Sustainable Growth is centred on long term value creation and therefore we show the KPIs for the last five years. To recognise the importance of creating value for all our stakeholders, we have included two new KPIs for the first time in 2022: employee engagement and carbon emissions reduction. Seven of our KPIs are directly linked to remuneration under the 2023 Remuneration Policy. For further details, see the Directors' Remuneration Report on pages 84 to 104.

A number of the KPIs are adjusted operating metrics, as we believe these provide the best view of our underlying performance because they exclude foreign exchange movements and the impact of acquisitions and disposals. See the appendix to the Consolidated Financial Statements for a reconciliation between adjusted and statutory items.

The Directors' Report (pages 105 to 107) contains the statement on non-financial information and provides an index for where information relating to non-financial matters can be found.

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

Link to Strategy



Great Businesses



Structural Growth Markets



Customer-centricity



Investing in Growth



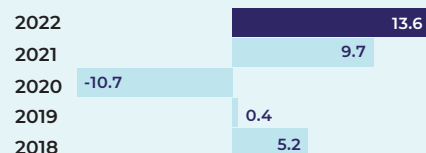
Operational Excellence

Link to Remuneration



Financial

Like-for-like sales growth (%)



Like-for-like ('LFL') sales growth

LFL sales growth is a measure of how our R&D and other investments help to grow our business organically, i.e. excluding the effects of currency translation and acquisitions or divestments.

Performance

In 2022, sales were £1,327.4 million, a 14% increase on a LFL basis compared with 2021, driven from 8% volume and 6% pricing.

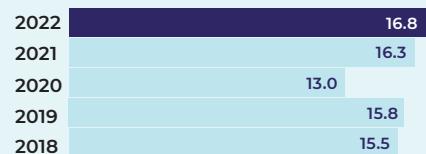
Link to strategy and objectives

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

Link to remuneration

30% of annual bonus opportunity.

Adjusted operating margin¹ (%)



Adjusted operating margin

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

Performance

In 2022, the adjusted operating margin improved to 16.8%, an increase of 50 basis points ('bps') from 16.3% in 2021. This reflected the higher sales volumes and a progressive pricing policy, that remained ahead of inflationary cost pressures on materials, labour and overheads and improved productivity.

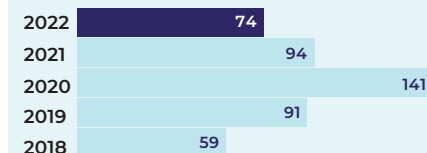
Link to strategy and objectives

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

Link to remuneration

30% of annual bonus opportunity.

Adjusted cash flow conversion¹ (%)



Cash conversion

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

Performance

Adjusted cash conversion was 74% in 2022, a reduction of 20pp compared to 2021. With greater adjusted cash flow being generated from the increased adjusted operating profit, the lower adjusted cash conversion principally results from an investment in working capital to ensure critical component supply to support customer deliveries and growth. Also exceptional capital expenditure of £15.3 million was

spent on the purchase of the new PMS headquarters in Colorado, US.

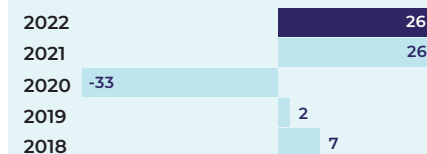
Link to strategy and objectives

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

Link to remuneration

20% of annual bonus opportunity.

Growth in adjusted EPS¹ (%)



Adjusted earnings per share growth

Adjusted earnings per share ('EPS') is the ratio of adjusted earnings for the year to the weighted average number of ordinary shares outstanding during the year, excluding certain items.

Performance

Adjusted EPS increased 26% to 159.9p, primarily reflecting an improvement in adjusted profit before tax, and as a result of the lower share count following the Group's £200 million share buyback programme completed in 2021 and completion of £190 million of the £300 million share buyback programme announced in 2022.

Link to strategy and objectives

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

Link to remuneration

33.3% of base LTIP award.

Key Performance Indicators continued

Return on gross capital employed¹ (%)

2022	16.0
2021	13.2
2020	9.9
2019	13.5
2018	13.7

Return on gross capital employed ('ROGCE')

ROGCE calculated as adjusted operating profit from continuing and discontinued operations for the last 12 months divided by the average of opening and closing gross capital employed. Gross capital employed is calculated as net assets excluding net cash and excluding accumulated amortisation and impairment of acquisition-related intangible assets including goodwill.

Performance

ROGCE was 16.0% in 2022, a notable increase from 13.2% in 2021, primarily reflecting the increase in adjusted operating profit, as well as a reduction in the Group's capital base as a result of the divestments.

Link to strategy and objectives

ROGCE measures how efficiently we generate profits from investment in our businesses, both organically and via acquisition. Our aim is to improve ROGCE year-on-year.

Link to remuneration

33.3% of base LTIP award.

Link to Strategy

- Great Businesses
- Structural Growth Markets
- Customer-centricity
- Investing in Growth
- Operational Excellence

Link to Remuneration

Non-financial

Energy efficiency (MWh per £m revenue)

2022	58.2
2021	73.7
2020	92.2
2019	72.0
2018	66.5

Energy efficiency

Energy efficiency makes a significant contribution to environmental sustainability and helps us to reduce our operating costs. This KPI measures the evolution of the energy efficiency of the Group, including the impact of portfolio changes on our efficiency and therefore we do not restate prior year emissions for divestments here.

Performance

In support of our Net Zero ambition, Energy efficiency was 58.2 in 2022, compared with 73.7 in 2021. The decrease is attributable to the initial impact of energy efficiency measures put in place at material operating sites and the higher revenue.

Link to strategy and objectives

Our sustainability strategy sets out key commitments around the environment. We monitor our use of the sources of energy with the aim of reducing our carbon emissions and improving our energy efficiency to support our Net Zero ambition – an 85% absolute reduction in Scope 1 and 2 emissions and a 42% absolute reduction in Scope 3 emissions by 2030.

Employee engagement (GrandMean)

2022	3.86
2021	3.72

Employee engagement

An engaged workforce has a significant positive effect on individual and team performance. We are committed to building a culture where our people feel inspired to Aim High and work together to deliver strong business performance.

Performance

We launched our first annual global engagement survey with Gallup in 2021. We have since implemented a number of high-impact initiatives to make a real difference to how our people connect with their work and with each other. This has seen our GrandMean score improve from 3.72 out of 5.00 in 2021 to 3.86 out of 5.00 in 2022.

Link to strategy and objectives

Improving employment engagement is a strategic priority and we are committed to making Spectris a truly inspiring place to work. Our aim is to improve our engagement score by >0.14 every year, in line with Gallup best practice.

Link to remuneration

16.65% of base LTIP award.

Total recordable incident rate

2022	0.27
2021	0.32
2020	0.13
2019	0.24
2018	0.28

Total recordable incident rate

We are committed to ensuring the health, safety and wellbeing of our people. We measure our progress against the total recordable incident rate ('TRIR'), a standardised safety calculation defined by the US Occupational Safety and Health Administration ('OSHA') which provides a clear measure of a company's safety performance.

Performance

In 2022, the TRIR was 0.27, a decrease from 0.32 in 2021, which reflects our behavioural approach to health and safety in each business and the prioritisation of a safety-first culture.

Link to strategy and objectives

High safety standards protect our people and helps drive sustainable growth through operational excellence. Our aim is to reduce accidents and injuries at our sites to as low a level as reasonably practical. Further details of our approach to health and safety are set out on page 47.

Scope 1 and 2 emissions (tonnes CO₂e)

2022	17,546.0
2021	31,703.0
2020	43,111.0
2019	52,740.0
2018	82,861.0

Scope 1 and 2 emissions reduction (market-based)

We are committed to our ambition to reach Net Zero across our Scope 1 and 2 emissions by 2030.

Performance

In 2021, we launched our ambition to become Net Zero across our own operations by 2030 and across our value chain by 2040. Since launching our ambition we have worked to address our own emissions through a combination of energy efficiency assessments, employee-led activities and the transition to renewable energy sources. The reduction in our emissions since 2018 reflects both changes to the energy efficiency of our portfolio of businesses

and also the impact of our Net Zero strategy.

Link to strategy and objectives

We are committed to being a leading sustainable business. To build our relevance to all our stakeholders we must support their Net Zero ambition through the delivery of our own emission reduction targets.

Link to remuneration

16.65% of base LTIP award.

Our Businesses

Great businesses: leaders in premium, precision measurement

Making the invisible... visible

Spectris Scientific

Advanced measurement techniques for materials analysis



Malvern
Panalytical
a spectris company



PARTICLE
MEASURING
SYSTEMS
a spectris company

Delivering above market growth with strong sustainable margins

Spectris Scientific delivered an excellent financial performance in 2022.

The Division achieved sales growth of 24% to £657.8 million (2021: £531.2 million). After taking account foreign exchange movements of £24.5 million (5%), and with the impact of acquisitions being marginal, this resulted in 18% Like-for-like ('LFL') sales growth. Order intake increased by 12% (8% LFL). We saw continued strong customer demand and market share gains in all sectors, particularly in semiconductors, life sciences and pharmaceuticals, as well as energy technologies including batteries and fuel cells.

There was particularly strong demand for our products in Asia.

Adjusted operating profit increased 25% (24% LFL) to £140.0 million (2021: £112.2 million). Adjusted operating margin improved to 21.3%, a year-on-year increase of 20bps (90bps LFL), reflecting the volume increase and the impact of both price rises and new products, offset by higher investment in R&D and the acquisition of Creoptix.

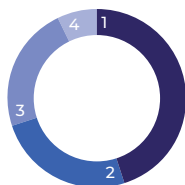
Statutory operating profit was £118.3 million (2021: £94.2 million), primarily reflecting the strong end market growth and good operational performance offset by additional



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

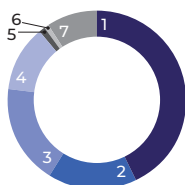
Mark Fleiner
President, Spectris Scientific

Our businesses continued



Sales by location (%)

1 Asia	45
2 Europe	25
3 North America	23
4 ROW	7



Sales by end-user market (%)

1 Life sciences/pharmaceutical	43
2 Electronics and semiconductor	16
3 Metals, minerals and mining	18
4 Academic research	12
5 Technology-led industrials	1
6 Automotive	1
7 Other	9

costs for the ERP investment. A key focus for us has been strengthening the margins sustainably, and we are pleased to report a statutory operating margin of 18.0%, up from 17.7% in 2021.

Strongly positioned in high growth end markets supported by sustainability trends

Spectris Scientific is focused on high growth end-markets: Life Sciences, Material Sciences (Primary and Advanced Materials), Semiconductors, and Academia. We are well positioned in high value, critical-to-quality areas where precision measurement, domain expertise and analytics are valued by our customers throughout the workflow.

Life Sciences

LFL sales growth remained solid in the Life Sciences sector, with particularly strong growth in North America driven by investment in biologics. This has yielded success of our newer products, like the Zetasizer and OmniTrust software for regulated environments, along with strong demand for our facility environmental monitoring products, such as the recently launched Lasair Pro.

Material Sciences – primary materials

Performance in this sector has been more mixed across the regions. LFL sales were higher in North America and Europe but lower into Asia, reflecting the well-publicised supply chain impacts and ongoing COVID lockdowns in China. However, the aftersales and service revenue opportunity in this sector remains strong, and we are working on driving additional service revenues through our extensive installed base.

Material Sciences – advanced materials

LFL sales in advanced materials grew strongly especially in the energy/battery/hydrogen and semiconductor segments, where we are seeing above-market performance. These strong results are a result of our broad solution portfolio, strong domain knowledge for material characterisation and deep customer relationships. We are a key facilitator of customer innovation, supporting

opportunities in the functional performance, sustainability, and recycling of materials.

Semiconductor

Sales into semiconductor and electronics customers continued to see strong growth, notably in Asia. Our leading product sensitivity and the strong order book entering the year has supported market share gains. We have seen particularly good demand for our water purity solution Chem-20, Ultra-DI 20, silicon Wafer-Analyzer, and MRD-XL products.

Academia

We are well positioned to take advantage of the academic research flowing into our end markets, with a strong brand built on high precision measurement and scientific credibility. An area of particularly strong growth has been our X-ray diffraction systems.

Providing critical material insights and solving customer challenges

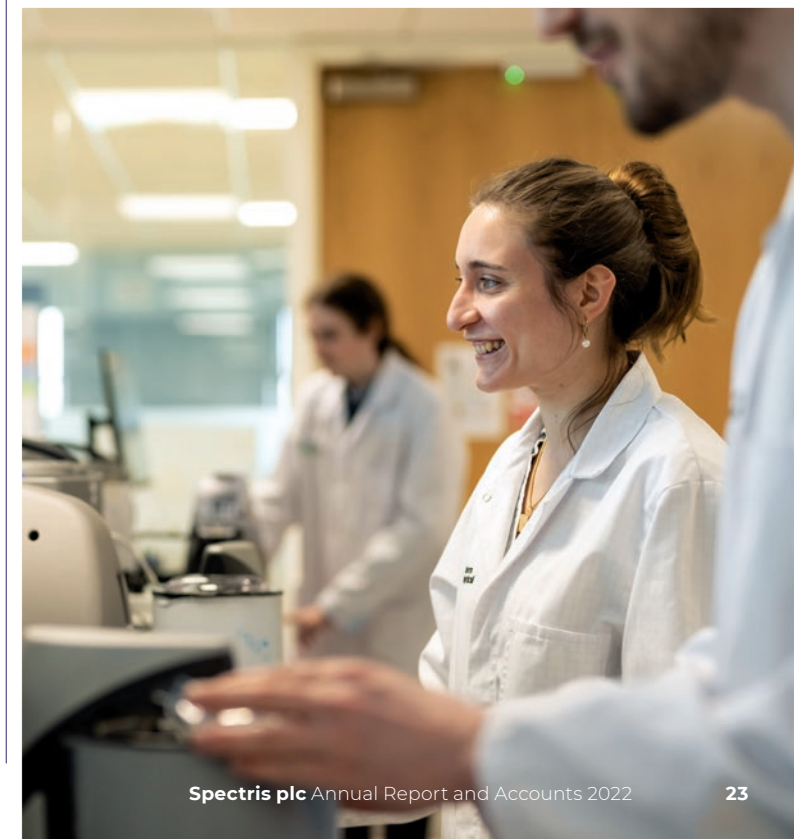
Spectris Scientific provides critical insights and domain expertise to help our customers find solutions to their most complex challenges. Our customer value proposition extends far beyond supplying our leading products.

In Life Sciences, our growth has been supported by our strategy of providing a more complete sterility assurance solution to aseptic pharmaceutical manufacturers and suppliers. Additionally, collaboration with OEM suppliers has resulted in notable orders from filling-machine and isolator manufacturers. For example, a partnership between PMS and isolator manufacturer (AUSTAR) and a local supplier, Environmental Particle Solutions, allowed AUSTAR to receive a validated, turn-key solution, using our instruments to meet their contamination monitoring requirements.

In Material Sciences, the increased focus on the energy transition is creating new opportunities. Our work with the Geological Survey of Finland ('GTK') is targeting net zero carbon mining operations through process digitisation and automation. Our instruments provide real-time mineralogical analysis, to

adjust the extraction methods according to environmental conditions. This saves energy, increases recovery rates, and minimises waste while driving the profitability of the mining operation. Our strength in process automation and digital solutions is driving demand in these markets by helping improve quality and yield, while reducing risk and improving safety.

For the semiconductor industry, we have launched extra functionality to expand the applicability for our X-ray diffraction ('XRD') products. This includes a cleanroom compatibility option rated to ISO Class 4 and automation software, enabling more efficient and contamination-free analysis of silicon wafers.





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

To drive growth, there has been increased investment in R&D to both enhance the performance of existing products and develop new platforms, along with software, services and analytics being key areas of focus. Customer demand in 2022 was supported by the positive impact from new products such as the Zetasizer and Lasair Pro, as well as continued growth in the Mastersizer 3000 particle analyser.

Other important new innovations launched in 2022 included the NanoAir 10, a revolutionary new aerosol nanoparticle counter with unsurpassed 10nm detection sensitivity and robustness. It is more than 80% smaller than

competitive products, making it practical to use anywhere in ultra-clean environments, including inside semiconductor process tools, improving both yield and output for our customers.

The Ultra DI® 20 Plus was launched for new applications in ultrapure water contamination monitoring, with an industry-leading sensitivity of 20 nm. It enables an immediate response to detected contamination and quickly provides key statistical data for process management.

Investing for growth: compounding growth through M&A

To supplement organic spend, M&A is being targeted to expand our solution portfolio. Creoptix was acquired in January, expanding our pharma offering supporting affinity assessments within drug discovery. Its core instrument, WAVE, provides exceptionally high sensitivity and resolution to study real-time drug binding interactions. Its addition to our customer workflow portfolio provides an exciting opportunity to quickly scale Creoptix's superior technology through leveraging our extensive MicroCal customer base. The integration is going well, and we sold our first Wave systems into China and Japan to customers researching protein applications.

Operational Excellence

In order to drive further efficiencies in our operating performance, a business transformation programme to simplify, standardise and automate business processes and simplify ways of working is underway, which includes an enterprise-wide ERP solution. It will provide better access to data, offer scalability to support our growth ambitions and help deliver margin expansion.

Summary

Spectris Scientific is an excellent business. We provide critical materials insights through our instruments, data science and technical expertise. We are well positioned to outperform in high growth end markets, aligned to clear sustainability trends. In 2023, we will continue to work closely with customers to innovate and solve their challenges and deliver profitable growth with strong sustainable margins.

Spectris Scientific

	2022	2021	Change vs 2021	LFL ¹ change vs 2021
Statutory sales (£m)	657.8	531.2	24%	18%
Adjusted operating profit¹ (£m)	140.0	112.2	25%	24%
Adjusted operating margin¹ (%)	21.3%	21.1%	20bps	90bps
Statutory operating profit (£m)	118.3	94.2	26%	
Statutory operating margin (%)	18.0%	17.7%	30bps	

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

Our businesses continued



Customer: Geological Survey of Finland



Accelerating the green transition to a carbon-neutral world



Challenge

The Geological Survey of Finland ('GTK') is leading a project to help the European mining industry accelerate the green transition to a carbon-neutral world by enhancing the digitisation of the industry. Finding minerals and metals is becoming increasingly difficult not only in quantity, but also in density and quality. Companies need to go to more hazardous and remote places to extract minerals, and they need to process only material with sufficient metal content to reduce energy usage and minimize waste.

As part of GTK's mission to develop the most efficient ways to extract ores and to better support a circular economy, they have selected Malvern Panalytical's MintecRobo, a fully automated and smart analytical laboratory solution which gives direct feedback to the processing plant. This allows the method of extraction to be adjusted according to changing ore composition and environmental conditions. The MintecRobo maximises the speed and accuracy of sample preparation while allowing the monitoring of multiple ore properties using different sensors. This will enable more control over the extraction process than ever before.

Benefit to customer

The MintecRobo will provide real-time information about the changing ore compositions and the processing conditions during the extraction process. It shortens feedback loops and enables fast counteractions. By detecting and then avoiding low-grade ores or waste material, recovery rates are increased, and energy consumption is reduced, which, in turn, minimises carbon emissions. The transition to fully automated and flexible laboratory solutions with real time monitoring represents a significant step towards more sustainable mining operations.



"By having a fully automated instrument at GTK's Mintec Mineral Processing Pilot Plant we can tackle many issues in mining and address circular economy research. Ore grades are dwindling, and only small quantities of valuable minerals are available. Automation has helped us extract even the smallest amounts effectively and, that way, be more sustainable."

Jouko Nieminen

Head of Unit at GTK



Find out more online

For more examples of how we help our customers to make the world cleaner, healthier and more productive visit www.spectris.com

Empowering the innovators



Spectris Dynamics

Advanced integrated physical and virtual testing and measurement



Solid financial performance

Spectris Dynamics delivered a solid financial performance in 2022.

Sales increased by 16% to £492.2 million (2021: £425.5 million). After taking account £15.6 million (4%) sales growth from acquisitions and £19.5 million (5%) for foreign exchange movements, this resulted in 7% LFL sales growth. Orders increased 20% (11% LFL) resulting in a 40% year-on-year increase in the order book.

Despite overheads decreasing as a percentage of sales, the savings were not sufficient to offset a material impact to

gross margins caused by the impact of high input cost inflation associated with the Division's disproportionate exposure to low volume, high performance electronics and semiconductors. Consequently, adjusted operating profit was £73.6 million, an increase of 5%, but 7% lower on a LFL basis, resulting in an adjusted operating margin of 15.0%, 150bps lower than the prior year (220bps lower LFL).

Price increases, particularly in the second half, helped reverse some of the margin decline. Further pricing implemented in Q4, improving material supply, and easing inflationary pressure, gives confidence for an improved profitability for the business in 2023.

“We are focused on margin expansion through strategic growth initiatives, business process improvement and creating a lean culture.”

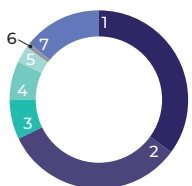
Ben Bryson
President, Spectris Dynamics

Our businesses continued



Sales by location (%)

1 Europe	40
2 Asia	29
3 North America	28
4 ROW	3



Sales by end-user market (%)

1 Technology-led industrials	35
2 Automotive	33
3 Electronics and semiconductor	7
4 Academic research	7
5 Life sciences/pharmaceutical	3
6 Metals, minerals and mining	1
7 Other	14

Statutory operating profit rose 2% to £46.5 million (2021: £45.6 million), primarily reflecting the growth in sales offset by a lower gross margin, as well as the absence of restructuring costs and lower transaction-related costs, with the statutory operating margin declining 130bps to 9.4%.

Well positioned in attractive markets

The growth we have seen has been realised by enabling our customers to harness four mega trends: virtual test and digitisation; the transformation of mobility and energy; automation; and productivity in a more connected world. These four key growth trends are aligned with our Purpose for a cleaner, healthier, and more productive world and are supporting higher levels of growth within our market segments.

Automotive

The automotive sector saw strong demand with significant order and sales growth, especially in North America.

Spectris Dynamics' Virtual Test business has seen good order momentum and has booked a number of large orders, including for its full scale DiM400 simulator. One recent key win was with Premium OEM in Germany for two large simulators and services.

For the same customer our Physical Test capability also provides electric power testing DAQ, sensors and analysis software to support the customer's focus on virtual innovation and need to accelerate the transition of their fleet to electric. The combined solution demonstrates how both the virtual test and physical test domains support our customers' need to innovate through the multiple stages of their product lifecycle. The simulators enable customers to significantly increase the speed of vehicle development, reducing the design phase cost and carbon footprint by minimising prototype fleets, while the electric power testing DAQ, sensors and analysis software help optimise vehicle range.

There was a similarly strong performance in the In-process applications, with notable orders from North American and Chinese

manufacturers of premium electric vehicles for end of line testing solutions that enhance product quality and contribute to a record year for EV production testing sales.

We continue to expect strong and growing demand for automotive testing, driven by growth in both R&D and production budgets, supporting the increasing pace of new EV model launches and increasing demand for advanced driver assistance systems (ADAS) capabilities.

Industrials and infrastructure

Demand from customers wanting to monitor their production processes and deployed assets continued to be robust. Against an extremely strong comparator in 2021, the Division posted moderate LFL sales growth. Sales to this sector have been helped by the focus on selected high value end-markets, which has driven demand for our weighing technologies, including for smart OEM-type solutions in medical and healthcare applications, where accurate and reliable sensors are critical. OEM sensors for hospital beds enabling non-intrusive patient monitoring have generated a number of orders with medical equipment manufacturers. Advanced agriculture has also been a key area with notable orders into John Deere for custom OEM sensors to optimise seed planting processes.

Aerospace and defence

We saw a modest year-on-year sales decline in our aerospace business due to the nature of the current capital investment cycle in civil aerospace. Space and Defence spending has continued throughout the year. We remain well placed to support long-term innovation projects. OEMs continue to invest in efficiency gaining technologies, especially weight saving and power improvements. We expect Aerospace investment to increase in 2023. We also see demand increasing for energy transition related projects, including electric aircraft and those running on alternative lower-carbon fuels. Our EPT solutions are well placed to capture this.



Consumer electronics and telecoms

LFL sales into consumer electronics customers were flat year-on-year. However, demand remains robust, with a major in-ear headphone manufacturer purchasing large volumes of our flagship low-noise microphones to evaluate the idle noise for its noise-cancelling technology, ensuring market leading performance is delivered to customers.

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

The Division is newly organised around three sectors to leverage growth and customer intimacy from our domain expertise: Virtual Test; Physical Test; and In-Process. These reflect our customers' test and measurement requirements as their products are conceived, developed, then manufactured and maintained. By focusing on our customers' needs, through their product lifecycle, we are able to accelerate innovation, save cost and reduce time to market for their products.

Investing for growth: compounding growth through M&A

The acquisition of Dytran was completed in September. Dytran is a leading designer and manufacturer of piezo-electric and MEMS-based accelerometers and sensors for measuring dynamic force, pressure, and vibration, in both physical prototype testing and embedded in-process monitoring



solutions. The acquisition strengthens Spectris Dynamics' piezo-electric sensor offering and adds new MEMS capability. The combination will also strengthen the Division's position in the US space, aerospace and defence industries. Since acquisition, the company has booked a notable order from a large spacecraft manufacturer. The integration of Dytran is proceeding well and provides enhanced customer solutions within both physical test and in-process domains.

Spectris Dynamics acquired a minority stake in CM Labs Inc, a manufacturer of turnkey solutions for operator training simulators in the construction and port equipment markets. Within the Virtual Test business, this investment allows us to explore new, operator training segments, alongside VI-grade's core simulator products.

Spectris Dynamics entered into a joint operation agreement with DEWESoft, a leading manufacturer of DAQ ('Data Acquisition') systems. The JV will accelerate Spectris Dynamics' new Fusion DAQ hardware platform and create a new open industry standard for DAQ hardware products. The Fusion product line will retain its distinct HBK identity and leading performance, while improved time to market, open standard functionality and commonality of the basic components will benefit both companies' respective customers. The JV comprises employees from both HBK and DEWESoft.

Operational excellence to drive margin expansion

We are driving operational excellence to improve productivity and increase operating margin towards the Group target level.

The ongoing roll out of SBS continues to deliver improvement and alongside this we have a recovery action plan in place to increase prices, redesign products to lower cost solutions and rationalise the portfolio. These actions have taken hold in H2 2022, and we have seen improvements as a result. Further improvements will be delivered in 2023.

Alongside this we are implementing business process improvements including Salesforce.com in 2023 and a new ERP solution in 2024, to create a simpler, common and more scalable set of processes.

Summary

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

Spectris Dynamics

	2022	2021	Change vs 2021	LFL ¹ change vs 2021
Statutory sales (£m)	492.2	425.5	16%	7%
Adjusted operating profit¹ (£m)	73.6	70.3	5%	(7%)
Adjusted operating margin¹ (%)	15.0%	16.5%	(150bps)	(220bps)
Statutory operating profit (£m)	46.5	45.6	2%	
Statutory operating margin (%)	9.4%	10.7%	(130bps)	

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

Our businesses continued



Customer: **Norwegian Geotechnical Institute**
(Contractor for Ørsted)



Ensuring **safe and affordable** generation of green energy for the future

Challenge

Powering 1.4 million homes and spanning an offshore area of 462km² off the east coast of England, Hornsea 2 is the world's largest operational windfarm and is owned by Danish energy company, Ørsted A/S.. With approximately 25% of the cost of an offshore wind turbine lying in its foundation, engineers face the difficult challenge of designing a foundation capable of withstanding the impact of construction and the long-term effects of the sea and weather on the structure during operation – all while using the minimal amount of (costly) material during construction.

By learning about the performance of the structure during operation, engineers can further improve the design for future offshore wind farms. Sourcing reliable data in these harsh conditions requires the placement of strain and temperature sensors in seawater and even beneath the seabed. A robust measurement system and the right technical expertise is needed for this.

Benefit to customer

Working with Ørsted's main contractor, Norwegian Geotechnical Institute, HBK helped design, install and commission a fibre-optic strain gauge measurement system for the Hornsea 2 project. The low mass of the measurement arrays supports the best possible chance of survival during the piling installation, and the optical sensors survive well in seawater especially when protected by a marine patch provided by HBK'S engineering services team

Real-time data is streamed to shore for continuous evaluation and the monitoring program is expected to last from three to fifteen years. HBK's fibre-optical sensor arrays are not only technically excellent, but they also provide a cost-effective solution – particularly when compared to other measurement methods and the high quantity of measurement points required to get the data needed. The data generated will help the customer to best understand the geotechnical behaviour of the wind turbine in the varying conditions of the North Sea, helping validate design models, and ensuring safe and profitable generation of green energy for years to come.



Find out more online

For more examples of how we help our customers to make the world cleaner, healthier and more productive visit www.spectris.com

Financial review

Financial performance driven by strategy execution



Strong sales growth of 14% driven by market share gains and pricing. Adjusted operating margin increased to 16.8%. Profit for the year up 16% to £401.5 million and a strengthened order book up 36% year on year.

Financial performance

Sales increased by 14% or £164.4 million to £1,327.4 million (2021: £1,163.0 million) on a continuing basis. The Omega operating segment, disposed during the year, is treated as a discontinued operation in accordance with IFRS 5 and is reclassified in the income statement for both 2022 and 2021. LFL sales increased by £149.7 million (14%), with the impact of disposals, net of acquisitions, reducing sales by £38.3 million (-3%) and foreign exchange movements increasing sales by £53.0 million (5%).

The statutory operating profit was £172.6 million, an increase of £32.7 million (2021: £139.9 million). Statutory operating margin of 13% was 100bps higher than 2021 (12%). The improved profit results from a £75.3 million volume and price driven gross profit increase less a £42.6 million increase in SG&A expenses associated with the additional volume.

Adjusted operating profit increased by 17% or £32.8 million to £222.4 million (2021: £189.6 million). LFL adjusted operating profit increased by £25.6 million (14%), with the impact of disposals, net of

acquisitions, reducing adjusted operating profit by £5.3 million (-3%), and foreign exchange movements increasing adjusted operating profit by £12.5 million (7%).

In line with expectations, no restructuring costs were incurred in 2022 (2021: £10.2 million).

Net transaction-related costs and fair value adjustments were £8.3 million (2021: £19.0 million) relating to the three acquisitions completed during the year, plus the costs associated with potential acquisitions which were not completed in the year.

The Group is progressing with its programme of process redesign and improvement enabled by implementing the latest SAP cloud-based systems across the Divisions, incurring costs of £21.7 million in the year (2021: £7.0 million). Consistent with the prior year, these material SaaS projects are excluded from adjusted operating profit.

The Group incurred £19.6 million of ongoing amortisation of acquisition-related intangible assets in the year (2021: £13.3 million).

Adjusted operating margins increased by 50bps, while LFL adjusted operating margins remained flat compared to 2021 with

Sales

£1,327.4m

(2021: £1,163.0m)

Change yoy 14%

LFL¹ change yoy 14%

Adjusted Operating Profit

£222.4m

(2021: £189.6m)

Change yoy 17%

LFL¹ change yoy 14%

Return on Gross Capital Employed

16.0%

(2021: 13.2%)

Change yoy 280bps



“We are innovating for growth supported by a strong balance sheet.”

Derek Harding

Chief Financial Officer



Financial review continued

operating cost improvements offsetting a decline in gross margins and increased R&D investment.

LFL adjusted gross margins reduced in the year by 160bps to 56.9% as price increases implemented during the year were not sufficient to offset material input cost inflation experienced by the Group, particularly with respect to electronic components in the first half of the year. Gross margins improved during the course of the second half and we expect further progress during 2023.

LFL adjusted overheads increased by 9.1% in the year, but were 170bps lower as a % of sales, with headcount remaining broadly flat through the second half of the year and limited to supporting growth in the full year. Investment in R&D, that is reported in net overheads, amounted to £103.8 million or 7.8% of sales (2021: £83.8 million or 7.2% of sales). LFL R&D increased by £20.3 million (26.5%).

Statutory profit for the year from continuing and discontinued operations after tax of £401.5 million (2021: £346.9 million) includes profit for the year from discontinued operations of £286.7 million comprising £10.2 million (2021: £ 11.3 million) of profit after tax from the Omega reportable segment and £276.5 million profit on disposals for that segment.

2021 included £226.5 million in relation to the disposal of Brüel & Kjær Vibro, Millbrook, NDC Technologies and other disposals, reported as profit on disposal within continuing statutory profit before tax. The Group adjusted the fair value of the debt instrument investment with a charge of £4.1 million reflecting the macro-led cost of capital increases. The net finance charge of £17.3 million (2021: £7.4 million credit) includes £14.6 million of unrealised losses on intercompany loan balances (2021: £5.1 million gain). This is a consequence of the significant volatility of Sterling against the US Dollar and Euro, particularly in the second half of the year. The effective tax rate on adjusted profit before tax was 21.7% (2021: 21.5%).

Major Acquisitions

We will maintain a disciplined approach to M&A and target a sustainable balance sheet

with leverage between 1-2x EBITDA through the cycle. In certain circumstances, we would be prepared to borrow more than 2x EBITDA for specific M&A but only if there was a clear and certain path to de-lever back below this level within a short period of time.

On 7 January 2022, the Group acquired 100% of the share capital of Creoptix for net consideration of £37.0 million, made up of £37.3 million gross consideration (consisting of £35.1 million of cash paid and £2.2 million of contingent consideration) less £0.3 million of cash acquired. Creoptix has been integrated into the Spectris Scientific Division.

On 31 March 2022, the Group acquired 100% of the share capital of MB connect for net consideration of £8.7 million, made up of £9.0 million gross consideration in cash, less £0.3 million net cash acquired. There was no contingent consideration recognised on this acquisition. MB connect has been integrated into the Red Lion Controls business.

On 1 September 2022, the Group acquired 100% of the share capital of Dytran for net consideration of £69.6 million, made up of £70.5 million gross consideration in cash less £0.9 million net cash acquired. There was no contingent consideration recognised on this acquisition. Dytran is being integrated into the Spectris Dynamics Division.

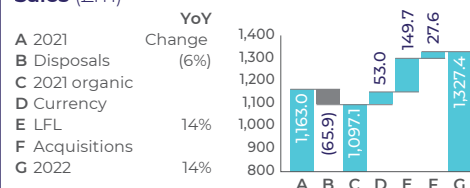
Disposals

On 1 July 2022, the Group disposed of its Omega business. The consideration received was \$529 million (£417.9 million equivalent). This generated a pre-tax profit on disposal of £293.9 million, which has been included in discontinued operations. The Group has not disposed of any other businesses in the year.

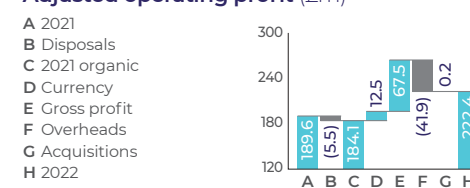
Consistent with IFRS 5, the Omega business is classified as a discontinued operation. The financial statements for the current and comparative periods in this report are amended accordingly. The statutory profit after tax from the discontinued operations (before profit on disposal of business) was £10.2 million for the six months of ownership (2021: £11.3 million for the twelve months of ownership). Volume and price driven sales

Financial highlights

Sales (£m)



Adjusted operating profit (£m)



Adjusted operating profit

	2022 £m	2021 £m
Statutory operating profit	172.6	139.9
Restructuring costs	-	10.2
Net transaction-related costs and fair value adjustments	8.3	19.0
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	21.7	7.0
Amortisation of acquisition-related intangible assets	19.6	13.3
Adjusted operating profit	222.4	189.6

Adjusted cash flow from continuing operations

	2022 £m	2021 £m
Adjusted operating profit	222.4	189.6
Adjusted depreciation and software amortisation ¹	39.6	34.9
Working capital, proceeds from disposal of property and other non-cash movements	(54.1)	(12.9)
Capital expenditure, net of grants related to capital expenditure	(44.1)	(33.5)
Adjusted cash flow from continuing operations	163.8	178.1
Adjusted cash flow conversion from continuing operations	74%	94%

- Adjusted depreciation and software amortisation represent depreciation of property, plant and equipment, software and internal development amortisation, adjusted for depreciation of acquisition-related fair value adjustments to property, plant and equipment.

Financial review continued

increases were strong across all regions, especially in North America and China, reflecting strong customer demand in their core semiconductor market. Statutory profit benefited from this growth but was partly offset by higher material and labour costs.

Further details of this disposal are provided in Note 24 of the accounts below.

Cash flow

Adjusted cash flow decreased by £14.3 million to £163.8 million during the year, resulting in an adjusted cash flow conversion rate of 74% (2021: 94%).

The Group experienced an increase in adjusted cash flow from continuing operations generated from adjusted operating profit, and the sale of property. This was offset by an increase in inventories due to the high order book and safety stocks required to ensure critical component supply into 2023 with increased trade receivables offset by trade payables in line with volume growth. The Group purchased a new manufacturing facility for Particle Measuring Systems ('PMS') in Colorado, US increasing the year-on-year capital expenditure by £15.3 million and contributing to the net decline in adjusted cash flow from continuing operations.

Capital expenditure during the year of £44.1 million (2021: £33.5 million) equated to 3.3% of revenue (2021: 2.9%) and was 111% of adjusted depreciation and software amortisation (2021: 96%).

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

During the year ended 31 December 2021, 5,596,739 ordinary shares were repurchased and cancelled by the Group as part of the £200 million share buyback programme announced on 25 February 2021, resulting in a cash outflow of £201.3 million, including transaction fees of £1.3 million.

The Group continued to support the excellent work performed by the Spectris Foundation by supporting the ongoing running costs through additional donations of £0.1 million in the year (2021: £15.0 million initial donation).

Financing and treasury

The Group finances its operations from retained earnings and, where appropriate, from third-party borrowings. Total borrowings as at 31 December 2022 were £0.1 million (2021: nil).

At 31 December 2022, the Group had a cash and cash equivalents balance of £228.1 million. The Group also had various uncommitted facilities and bank overdraft facilities available. Gross debt was £0.1 million, resulting in a net cash position of £228.0 million, an increase of £60.2 million from £167.8 million at 31 December 2021.

As at 31 December 2022, the Group had £474.9 million of committed facilities, consisting entirely of a \$500 million multi-currency revolving credit facility ('RCF') maturing in July 2025. The RCF was undrawn at 31 December 2022 (2021: undrawn).

At 31 December 2022, there was net finance income for covenant purposes of £0.1 million, resulting in the interest cover ratio being n/a (31 December 2021: 67 times). The minimum covenant interest cover requirement is 3.75 times (covenant defined earnings before interest, tax and amortisation divided by net finance charges). Leverage (covenant defined earnings before interest, tax, depreciation, and amortisation divided by net cash) was less than zero (31 December 2021: less than zero), due to the Group's net cash position, against a maximum permitted leverage of 3.5 times.

The Group has prepared and reviewed cash flow forecasts for the period to 31 December 2027, which reflect forecasted changes in revenue across its business and performed a reverse stress test of the forecasts to determine the extent of downturn which would result in insufficient liquidity or a breach of banking covenants. Revenue would have to reduce by 31% over the period under review for the Group to run out of liquidity

Other cash flows and foreign exchange

	2022 £m	2021 £m
Tax paid	(46.8)	(32.2)
Net interest received/(paid) on cash and borrowings	0.5	(2.9)
Dividends paid	(78.6)	(79.0)
Share buyback	(191.0)	(201.3)
Acquisition of businesses, net of cash acquired	(114.7)	(135.5)
Purchase of investment in associate	(2.9)	–
Transaction-related costs paid	(6.5)	(26.5)
Proceeds from disposal of equity investments	–	38.3
Proceeds from disposal of businesses, net of tax paid of £27.9 million (2021: £nil)	365.4	333.7
SaaS-related cash expenditure	(21.7)	(5.9)
Lease payments and associated interest	(16.4)	(14.8)
Restructuring costs paid	(7.6)	(11.9)
Net proceeds from exercise of share options	0.2	0.3
Total other cash flows	(120.1)	(137.7)
Adjusted cash flow from continuing operations	163.8	178.1
Adjusted cash flow from discontinued operations	7.3	22.6
Foreign exchange	9.2	(1.3)
Increase in net cash	60.2	61.7

headroom. The reverse stress test does not take into account further mitigating actions which the Group would implement in the event of a severe and extended revenue decline, such as cancelling the dividend or reducing capital expenditure. This assessment indicates that the Group can operate within the level of its current facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

Following this assessment, the Board of Directors are satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in relation to this conclusion and preparing the Consolidated Financial Statements.

Currency

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

After matching the currency of revenue with the currency of costs, wherever practical, forward exchange contracts are used to hedge a proportion of the remaining forecast net transaction cash flows where there is reasonable certainty of an exposure. At

Financial review continued

31 December 2022, approximately 65% of the estimated transactional exposures for 2023 of £144.6 million were hedged using forward exchange contracts, mainly against the Euro, US Dollar, Chinese Yuan Renminbi and Japanese Yen.

The largest translational exposures during the year were to the US Dollar, Euro and Chinese Yuan Renminbi. Translational exposures are not hedged. The table below shows the average and closing key exchange rates compared to Sterling.

During the year, currency translation effects resulted in adjusted operating profit being £12.5 million higher (2021: £10.2 million lower) than it would have been if calculated using prior year exchange rates.

Transactional foreign exchange gains of £0.3 million (2021: £0.3 million losses) were included in administrative expenses, whilst sales include a loss of £4.3 million (2021: £2.4 million gain) arising on forward exchange contracts taken out to hedge transactional exposures in respect of sales.

Pensions

The net pension liability at 31 December 2022 was £8.9 million, a reduction of £13.4 million versus the £22.3 million liability

at 31 December 2021, primarily as a result in movements in market discount rates.

Other Non-reportable Operating Segments

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

On a statutory basis, sales for the segment of £177.4 million decreased by 14% in the year (2021: £206.3 million) due to 2021 disposals of the ex-ISD businesses, partially offset by the contribution from MB connect that was acquired in the first half of 2022. LFL sales increased by 14% resulting from increased volume and strong price discipline.

Adjusted operating profit for the segment was £27.2 million (2021: £26.2 million), an increase of 4% (16% LFL), with an adjusted operating margin of 15.3%, an increase of 260bps on 2021 (20bps LFL). This benefitted from the extra sales drop through, the pricing strategy, a focus on the product portfolio, improved operational performance and strong cost control.

Statutory operating profit rose 36% to £26.2 million (2021: £19.2 million), primarily due to restructuring costs charged in 2021 and lower transaction-related costs, with the statutory operating margin improving 550bps to 14.8%.

Red Lion Controls contributed to the sales increase with a combination of volume growth and revised pricing. The majority of the volume growth was in North America, driven by strong performance of the Graphite operator panel range in the oil & gas market and the new FlexEdge platform. MB connect has positively contributed to the operating margin in 2022.

Servomex had a record year for orders received in 2022, mainly driven by the growth in its leading gas analysis products within the industrial gas and semiconductor markets. The growing order book is up circa 50% year-on-year. The business also contributed to the sales increase through both volume growth and pricing and maintained its level of profitability.

	2022 (average)	2021 (average)	Change	2022 (closing)	2021 (closing)	Change
US Dollar (USD)	1.24	1.38	(10%)	1.21	1.35	(10%)
Euro (EUR)	1.17	1.16	1%	1.13	1.19	(5%)
Chinese Yuan Renminbi (CNY)	8.30	8.87	(6%)	8.31	8.57	(3%)



Sustainability at the core

"As Group Finance Director I am committed to the success of the Group's journey to net zero and the adherence to TCFD.

I am pleased to say that the strength of our balance sheet will support the required future investments to achieve our net zero commitment.

In 2022 we have issued guidance to our businesses to ensure all appropriate accounting judgements are made as part of the preparation of the Group's financial statements. These are specified where appropriate in the notes to the accounts."

Derek Harding
Chief Financial Officer

Our approach



We recognise that effective management of risk is essential to the successful delivery of our strategic objectives. As such, risk management is built into our day-to-day activities and forms an integral part of how we operate.

The Group has a well-established process, which delivers visibility and accountability for risk management across our businesses. This process forms part of the Group's overall internal control framework, as described on page 81.

Risk management process

Our approach to risk management combines a granular bottom-up assessment of day-to-day operational risk (managed by the businesses) with a top-down assessment of those risks that are most significant at the Group level (managed by the Executive Risk Committee and reviewed by the Audit and Risk Committee).

Business unit risk management

Each business undertakes a detailed assessment of risk across their markets, processes and operations, including a consolidation of any emerging risks that should be formally evaluated. We operate Audit and Risk Committees for each of our businesses. These Committees, which meet quarterly, represent a key component of the second line of risk management (see page 35) in respect of Internal and External Audit matters, internal control, risk management, and other areas of compliance.

A formal risk register is reviewed and finalised in each respective business Audit and Risk Committee and submitted to the Group, with each risk assessed in terms of gross and net impact and likelihood. Key mitigations, both planned and existing, have formal owners and are subject to regular operational review as well as independent assurance where appropriate.

Group risk management

In 2021, Group oversight was further strengthened by the establishment of an Executive Risk Committee and the creation of a separate Risk and Control function. The purpose of the Executive Risk Committee is to ensure appropriate management of the Group Principal Risks and to oversee the operation of the Group's Enterprise Risk Management framework. The Risk and Control function enables the risk management process and acts as a centre of excellence as part of the Group's second line activities, consistent with the four lines of risk management model described on the following page.

The Executive Risk Committee, together with the Audit and Risk Committee, performs a continuous top-down assessment of risk throughout the year, informed by the approach established at each of the businesses. The aim of this process is to identify those Group Principal Risks that represent the most significant threat to the achievement of the Group's performance against its strategic objectives and/or those risks that are more suitably assessed, monitored and mitigated centrally. In addition, the Board carries out a robust assessment of the Group's principal and emerging risks on an annual basis.

An Executive owner is assigned to each Group Principal Risk, which is formally assessed in terms of its gross and net severity, a risk appetite is defined, and mitigations are identified within the four lines of defence framework. Each risk is subject to a formal assessment by the Executive Risk Committee during the year and the suite of Group Principal Risks is reviewed twice yearly by the Audit and Risk Committee.

Our risk management approach includes the consideration of emerging risks, whether they be operation-specific or broader in scope, such as climate change and environmental matters.

In recognition of the importance of climate change and our increased understanding of climate impacts on the Group's operations, climate change was added as an additional Group Principal Risk in 2021. Further details on how climate-related risks will be managed on an ongoing basis are described on page 56.

During 2022, we have seen an increase in gross risk in a number of areas, including political and market risk, cyber threat and business disruption. These risks are subject to Executive oversight and formal assessment, and we continue to review the effectiveness of existing controls over those risks and to identify further actions where appropriate in order to manage our net exposure.

In terms of the net risk rating, geopolitical risk has been reassessed from Moderate to High in view of the increased potential for this risk to have an adverse impact on the Group, whilst in respect of compliance risk the continued work to strengthen our controls framework and to further embed the Spectris Code of Business Ethics has resulted in a reassessment of the net rating from High to Moderate. In respect of the other Principal Risks the Board considers that, after taking into account existing controls, no further changes to the net risk ratings are required.

Risk management continued

Four lines of risk management

The Group has in place a four lines risk management model.

First line

The first line is responsible for the identification of all risks in the 'risk universe' of each business unit. This risk awareness informs the control environment (the first line is primarily responsible for the execution of key controls), specific mitigations and is a key consideration in driving business decisions.

Second line

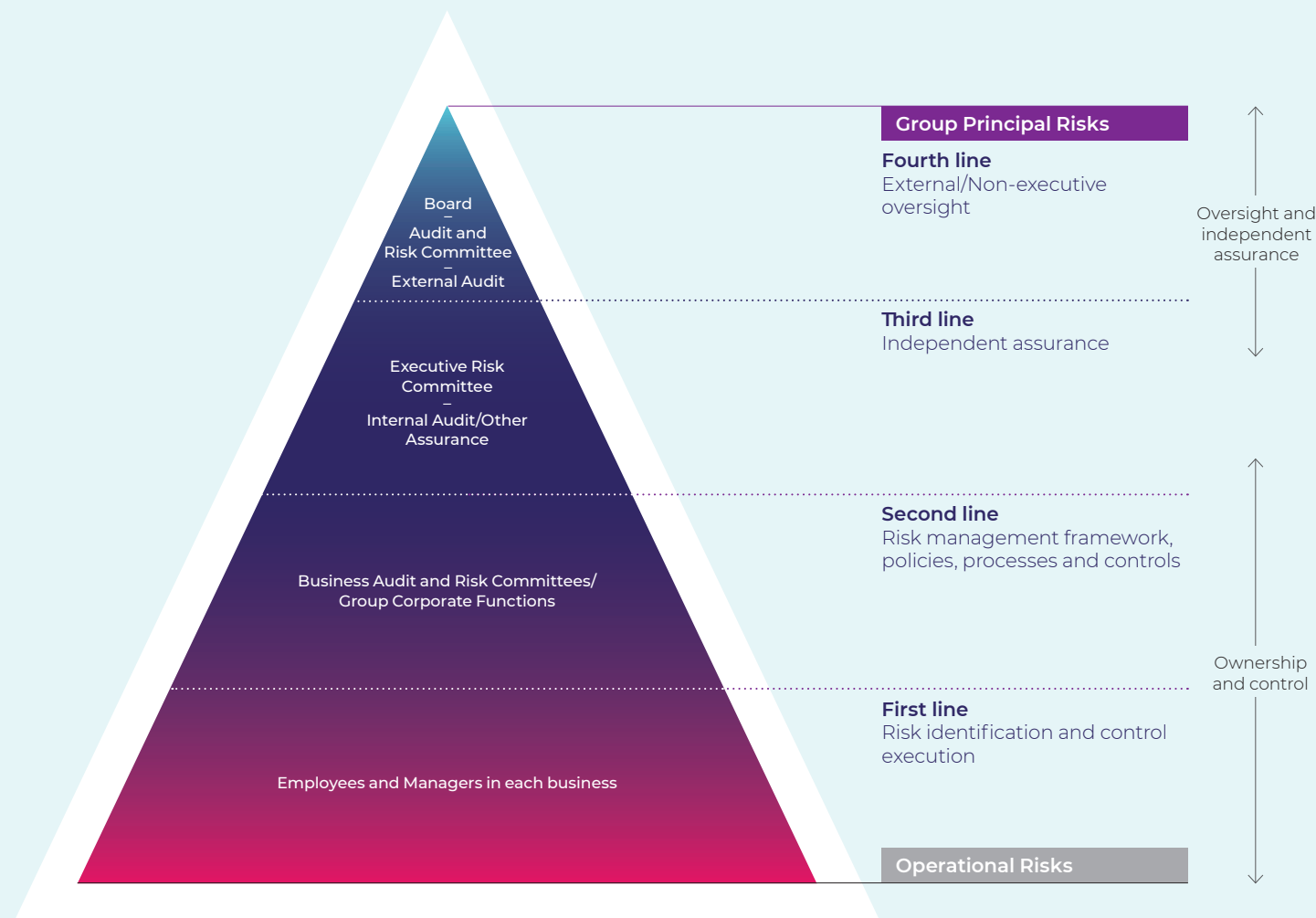
The second line is responsible for the risk management framework that the first line operates within. This includes the development of a standardised approach to identifying and reporting risk, an internal control framework aligned to those risks, and a suite of policies to ensure the consistent application of business processes and controls. The second line is also responsible for monitoring the performance of first line activities and for taking a holistic view of risk, to determine which risks are of principal importance to the Group.

Third line

The third line is responsible for providing assurance over the effectiveness of the Group's risk management and internal control framework. This is most commonly undertaken by Internal Audit on behalf of the Audit and Risk Committee and Board of Directors.

Fourth line

The fourth line is the Audit and Risk Committee, Board of Directors and External Audit, providing independent, external, and/or non-executive oversight across the entire risk management framework, holding accountable those responsible for all activities within the three lines of defence.



Principal risks and uncertainties

Managing our principal risks



Risk assessment scale*

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

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

Risk appetite

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

Change in rating

- ▲ Increase
- ◀▶ No change
- ▼ Decrease
- * New risk



Strategic transformation

Definition

Failure to successfully deliver the Group Strategy for Sustainable Growth.

Link to strategy

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

Risk assessment

Moderate

Change in rating



Risk appetite

Balanced

Impact

Our day-to-day activities are inherently aligned to the successful achievement of the Group's strategic objectives. Nevertheless, we recognise the importance of specifically managing some of the more transformative elements of strategic execution as a Principal Risk. These elements include mergers and acquisitions, growth initiatives including capital investment, R&D, technology and digitising our offering.

Mitigation

- Remuneration policy aligned to incentivise delivery of the strategy
- Deployment of the Spectris Business System
- Continued review of acquisition/merger pipeline, integration processes and capability
- Regular reviews to track strategy execution
- Business Audit and Risk Committees



Cyber threat

Definition

Failure to appropriately protect critical information and other assets from cyber threats, including external hacking, cyber fraud, demands for ransom payments and inadvertent/intentional electronic leakage of critical data.

Link to strategy

- Customer centricity
- Operational excellence

Risk assessment

High

Change in rating



Risk appetite

Cautious

Impact

Our businesses face both internal and external information security risks, the nature and complexity of which are constantly changing, becoming more sophisticated and unpredictable. With the introduction of data privacy regulatory requirements, and a continuing trend of high-profile information security breaches occurring across a wide range of businesses, the Group takes a necessarily proactive and cautious approach to safeguarding its information assets.

Mitigation

- Information security and data privacy policies and controls
- Cyber risk assurance undertaken by Internal Audit
- Online and face-to-face awareness and 'cyber fitness' training
- Regular Board and Audit and Risk Committee reviews on cyber threat
- Continued strengthening of IT systems
- Cyber-attack simulation exercise undertaken at the Executive level
- Intelligence services to gain a deeper understanding of threat landscape to Spectris

Principal risks and uncertainties continued



Compliance

Definition

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

Link to strategy

- Customer centricity
- Operational Excellence

Risk assessment

Moderate

Change in rating



Risk appetite

Cautious

Impact

We operate in many jurisdictions and, as a consequence, are subject to wide-ranging laws and regulations, including export controls, data privacy, fair competition and anti-bribery and corruption. Any compliance failure by the Group or its representatives could result in civil or criminal liabilities, leading to significant fines and penalties or the disqualification of the Group from participation in government-related contracts or entire markets.

Mitigation

- Strong cultural alignment to the Spectris value of 'Be true'
- Global implementation of new Code of Business Ethics
- Formal compliance programme including policies, procedures and training
- Contract review and approval processes
- Investment in experienced compliance professionals



Geopolitical

Definition

Material adverse changes in the geopolitical environment putting at risk our ability to execute our strategy. Includes trade protectionism, punitive tax/regulatory regimes, and general heightened tension between trading parties or blocs.

Link to strategy

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

Risk assessment

High

Change in rating



Risk appetite

Balanced

Impact

We operate in a range of end markets around the world and may be affected by political or regulatory developments in any of these countries. Material adverse changes in the political environment in the countries in which we operate have the potential to put at risk our ability to execute our strategy. We continually monitor the geopolitical landscape and develop response plans accordingly.

Mitigation

- Event monitoring and horizon scanning
- Working groups and sub-committees to limit the impact of materialising risks, including Executive Export Controls Committee
- Operate in a broad spread of geographical markets and end users
- Response planning
- Maintain a strong balance sheet



Market/financial shock

Definition

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

Link to strategy

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

Risk assessment

High

Change in rating



Risk appetite

Balanced

Impact

As a public company, and one that conducts business in a large number of markets, we recognise the global or local impact that a recession or period of instability could have on the Group. As with political risk, we are limited in our ability to reduce the likelihood of such events, but with careful monitoring and response planning we can ensure that the potential impact is restricted.

Mitigation

- Market monitoring and horizon scanning
- Maintain a strong balance sheet
- Operate in a broad spread of geographical markets and end users
- Response planning
- Cost saving opportunities identified by SBS and regular review of pricing to mitigate impacts of cost inflation

Principal risks and uncertainties continued



Talent and capabilities

Definition

Failure to attract, retain, and deploy the necessary talent to deliver Group strategy.

Link to strategy

- Great businesses
- Customer centricity
- Investing in Growth
- Operational Excellence

Risk assessment

Moderate

Change in rating



Risk appetite

Balanced

Impact

The Group needs to attract, develop, motivate and retain the right people to achieve our operational and strategic targets. Effective talent management is essential to successfully delivering our current business requirements and strategic goals, and to realising the full potential of our businesses. Therefore, failure to leverage talent and capabilities could significantly impact the successful execution of our strategy. The three broad areas of focus are leadership, engineering and entry level roles.

Mitigation

- Structured recruitment and succession processes for senior Group talent
- Full deployment of Workday HR system with recruitment, performance and talent management processes
- Annual organisation capability review process
- Appropriate incentives with benchmarking at all levels
- Global employee engagement programme
- Leadership development programmes to ensure development of talent pipeline



Business disruption

Definition

Failure to appropriately prepare for and respond to a crisis or major disruption to key operations either across the Group, in a key region/location, or via a critical supplier.

Link to strategy

- Operational Excellence

Risk assessment

Low

Change in rating



Risk appetite

Cautious

Impact

The nature of our geographically diverse and segmented businesses provides a degree of natural hedging from Group-wide disruption arising from a major event, be it a physical disaster at a major site, or a global external event, such as the COVID-19 pandemic. However, we acknowledge the importance of proactively ensuring a consistent and effective business continuity management process across the Group.

Mitigation

- Common policy and enhanced standard for business continuity planning across the Group in progress
- IT disaster recovery plans
- Testing plans
- Risk identification and monitoring
- Effective internal and external communications



Climate change

Definition

Failure to respond appropriately, and sufficiently, to climate change risks or failure to identify the associated potential opportunities in assisting others manage their climate agendas.

Link to strategy

- Aligned to structural growth markets
- Customer centricity
- Investing in Growth
- Operational Excellence

Risk assessment

Moderate

Change in rating



Risk appetite

Balanced

Impact

The transition and physical risks present in climate change have the potential to impact the medium and long-term success of our business through market regulation and additional taxes, the changing macro-economic landscape and the potential physical impact on our operations. We see the potential for additional sales opportunities as well as increased costs and investment.

Mitigation

- Strategy built around sustainable growth
- Agreed action plan to meet Net Zero targets validated by the Science Based Targets initiative
- Board and Executive oversight of sustainability performance as well as progress against Net Zero roadmap
- Geographical diversity of businesses and supply chain
- Climate physical risks monitored and reported by each business
- Aligning strategy with current and emerging sustainability themes

Viability statement

Longer-term viability of the Group

In accordance with section 4, provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the viability of the Company over a five-year period, taking into account the Group's current position and the assessment of the Principal Risks and Uncertainties as set out on pages 36 to 38. The assessment considers both the Company's long-term prospects and also the viability of the Company over that period.

Analysis of business prospects

The Board has considered the prospects of the Company over the assessment period based on the strategy, markets and business model as outlined previously within this report. In the strategic review of the Company, the Board highlights a number of factors that underpin its prospects and viability over this period. These include:

- Alignment with structural, sustainable growth markets with high barriers to entry;
- Leading, differentiated solutions for solving customer challenges and continued investment in R&D; and
- Our financial model which is asset light, highly cash generative and with a clear capital allocation process and access to funding.

Assessment of viability

In determining the appropriate period over which to assess viability the Board has considered budgeting, forecasting and strategic planning cycles, the timeframe within which we assess our risks, the maturation of the Group's credit facilities and the approach taken by our peers. Taking into account all of these factors the Board has this year extended the period of review from three years to five years.

The Directors carried out a robust assessment of the Principal Risks facing the Group, considering those that could threaten its business model, future performance, solvency or liquidity. In assessing the viability of the Group, the Board has reviewed the future prospects of the business as outlined by the Group's strategy and considered the financial/liquidity impact that a number of scenarios might have on those prospects. The Board has also considered the Group's Revolving Credit Facility, which is due to expire in July 2025, as part of their assessment. On the basis of the Group's continuing strong balance sheet and ongoing support from its banking group, the Directors have assumed for the purposes of the Group's

viability assessment that this will be renewed before expiry in the same amount and with the same covenant requirements.

As part of their assessment, the Directors have considered the natural hedging that occurs across the broad spread of markets, products and customers maintained by the Group. Assumptions have also been made in terms of the Group's ongoing ability to raise finance, deploy capital, and refinance debt in order to maintain sufficient headroom. In certain instances, the Directors have included mitigation actions as part of the assessment, including cost reduction, reduced capital expenditure, and tactical recovery processes following from a major disruption.

Reverse stress testing has also been applied to determine the level of fall in sales that would be required before the Group would be at risk of breaching its existing financial covenants or current liquidity headroom during the assessment period. The reverse stress test was conducted on the basis that mitigating actions would be undertaken to reduce overheads during the period as sales declined and, on that basis, a fall in forecast sales of 31% (applied uniformly across the five-year assessment period) would be required before such a breach occurred. The Board considers the possibility of such a scenario to be remote and further mitigation, such as suspension of dividend payments or a reduction in planned capital expenditure, should be available if future trading conditions indicated that such an outcome were possible.

Viability Statement

Based on the outcomes of the viability assessment, the Board has a reasonable expectation that the Group would be able to withstand the impact of each of these scenarios, in isolation and in a number of plausible combinations, should they occur in the course of the five-year assessment period. In each event the Group would continue to operate and meet its obligations and liabilities as they fall due over the period to 31 December 2027.

Scenario modelled	Link to Principal Risks
Scenario 1: Reduction in sales <p>The Board considered a number of events that could notably impact planned sales performance, either in a specific country or across the entire Group. This included global disruption events similar to but more severe than the impact of the COVID-19 pandemic.</p>	<ul style="list-style-type: none"> • Strategic transformation • Geopolitical • Market/financial shock • Compliance • Cyber threat • Climate change
Scenario 2: Significant costs or expenses <p>Large, one-time or recurring costs or expenses were considered, including the impact of inflation where cost increases cannot be passed on to customers, a significant acquisition which fails to deliver anticipated benefits, or fines arising from a breach of export control or data privacy laws and regulations.</p>	<ul style="list-style-type: none"> • Strategic transformation • Compliance • Geopolitical • Market/financial shock • Cyber threat • Talent and capabilities • Business disruption • Climate change
Scenario 3: Trading disruption/exclusion from market <p>The Board considered certain instances in which the Group or its operating companies might be debarred from or otherwise excluded from a particular market, as well as a major disruption in a critical operation caused by, for example, a critical system outage.</p>	<ul style="list-style-type: none"> • Compliance • Cyber threat • Geopolitical

Sustainability

Building a sustainable future



Within Spectris, sustainability has a really simple meaning. It means that in everything we do we are asking ourselves – how are we building our company for the future? By asking this question we create value, not only for stakeholders today, but for the stakeholders of tomorrow. In 2022, we have advanced our ambition to become a leading sustainable business.



Sustainability continued

Our planet



We recognise that we have a role to play in tackling environmental degradation and climate change. We do this through providing products and services that reduce our customers' environmental impact and by the active management and mitigation of the impact of our own operations. We are making strong progress in our ambition to become Net Zero across our own operations by 2030 and across our value chain by 2040. Read more about our progress towards Net Zero on pages 48 and 49 and our developing approach to Climate Risk on pages 52 to 58.

Total carbon emissions (tonnes CO₂e)¹

17,546

(2021: 31,703)

Total use of renewable energy

22.6%

(2021: 10.9%)

Renewable energy in the UK

100%

(2021: 95%)

Energy Efficiency (MWh per £m revenue)

58.2

(2021: 73.7)

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

Our people



The long-term success and sustainability of our Group relies on the engagement, ambition and expertise of our people. In 2022 we have taken significant steps forward in our approach to engagement, talent, development, inclusion and mental health. Read more about our progress on pages 42 to 45.

Gender diversity in leadership population

20.3%

(2021: 18.6%)

Total recordable incident rate

0.27

(2021: 0.32)

Safety observations

8,900

(2021: 5,243)

Access to an employee assistance programme

82.2%

(2021: >75%)

Our value chain



The way we do business and the way we treat our stakeholders matters to us. We recognise that continually nurturing and developing the ethical and social culture of our organisation and demanding the same high standards from our partners and suppliers, helps to build trust with all our stakeholders. This approach supports our business model and the successful execution of our strategy to realise long-term, sustainable growth. Read more on pages 46 to 49.

Ethics: number of helpline reports

44

(2021: 40)

Supplier spend rated via EcoVadis

36.5%

(2021: not calculated)

Our society



STEM is a group priority. We have initiated key global programmes to reach today's young talent in a way that they appreciate and recognise to ensure that the best talent joins Spectris. We are focused on bolstering our talent pipeline and supporting our employees to give back to their profession. Beyond this, we recognise our opportunity to influence the world of STEM education and to build opportunities for young people in science and to make a wider difference to society. Read more about our STEM programmes on page 45 and the progress of the Spectris Foundation on pages 60 and 61.

Total number of students reached by the Spectris Foundation

21,698

Total donations agreed by the Spectris Foundation

£598,858



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

Connecting and inspiring our people

for a healthy, high-performance culture

The world of work has changed immeasurably in recent years. Our people's perspectives and priorities have changed – and their relationship with their employer has changed.

Following the COVID-19 pandemic, many of our people have moved to a hybrid working arrangement, spending less time physically connected to their place of work and their colleagues. This has changed how our teams work together, how our managers manage, and how our leaders lead. To keep people connected, we are focused on building a deeper relationship with our culture and values, and what it means to be a part of the Spectris Group.

Our people have told us that they want their work to give them purpose. They want to work somewhere they can be themselves and they want to be part of something inspiring. Our people strategy has evolved to meet this need. We're focused on creating a long-term connection to who we are as a business and our Purpose. We want to inspire our people towards that shared

purpose and create highly engaged, high-performing teams, who are recognised for the contribution that they make.

Shared Values

Our Values connect us to each other. They are embedded into how we work and how we treat each other every day. Our value **Be True** describes our shared belief in doing the right thing and in treating others fairly. We encourage our people to **Own It** by giving accountability and expecting responsibility. We **Aim High**, with big ambitions that we achieve through the collective efforts of our people.

Our Values give us a common framework that defines who we are, how we act on a daily basis and what we expect from our colleagues.



Sustainability continued

Case study



Developing our approach to Talent

Listening to what our people tell us and taking action on what they say is vital to building engagement and ensuring we are continuously improving our employees' experience of working at Spectris. We had received feedback from our people that our approach to career management could be improved. As a result, we are strengthening our talent management processes. We are creating better visibility of the great talent we have in the business to provide a more agile way for people to manage their careers.

We have redefined and calibrated our definition of what potential means to us at Spectris. We have upgraded and systemised our talent processes through a pilot involving around 300 senior managers in 2022. We will be rolling out our enhanced approach to talent management to all employees in 2023. We want to tap into the best talent we have all the way through the organisation and to connect our people with the right opportunities, so that our employees enjoy long-term, meaningful and inspiring careers at Spectris.

Inspire and Engage



We want to ensure that Spectris is a truly inspiring place to be by building connections between our purpose, the individual role of our people and how we work together as a team towards shared goals. To achieve this, we continue to strengthen the engagement of our people.

Our people are inspired by what they do each day and knowing that they are part of our exciting future.

In 2021, Spectris partnered with Gallup to create a step-change in how we monitor global employee engagement to ensure that we continue to provide an inspiring workplace.

We've called our engagement programme Connect as we believe inspiration comes through the sense of connection people have with their place of work and the contribution they make to our purpose as a Group.

Our first scores in 2021 highlighted areas for attention and the development of our employee offering and our early progress is evidenced by the increase in our GrandMean score between our 2021 and 2022 surveys.

The GrandMean score is a metric showing the total combined average of all employee responses across the Group measured against the Gallup benchmark. We have embedded the GrandMean score in our Long Term Incentive Plan to incentivise and recognise our leaders for improving the engagement of our people.

Engagement is a journey. By being dedicated to continuously improving our employees' experience and by building connections between our people and the work they do, we are confident that their engagement will continue to rise on an annual basis.

For every employee, their manager plays a pivotal role in creating an inspiring place to work. We recognise this and we are investing a lot in helping our managers and leaders to

bring our leadership model to life and be the best that they can be.

Each of our businesses has programmes dedicated to building our management and leadership capability. We want inspired managers who, in turn, inspire and strengthen their teams as we grow our businesses. They make the connections that create a healthy high-performance culture.

Develop Ascend

In early 2022, we launched our first global leadership development programme – Ascend. Based on our leadership model, Ascend has been designed to help our leaders to inspire their people, strengthen their teams and grow their business.

Aligned to the new world of hybrid working, the programme is virtual, with leaders from across our global businesses attending fast-paced, interactive virtual sessions supported by individualised 121 coaching and 360 feedback.

The programme has been hugely successful in creating an impactful learning experience in a virtual space to collectively build leadership expertise. Leaders who joined the first cohort have confirmed that they now feel better equipped to lead and inspire their teams in the new world of work.

“Ascend has been a really positive experience. The virtual format really works and the pace of the programme has been great. I've loved the workshops – great structure and packed full of super-useful content.”

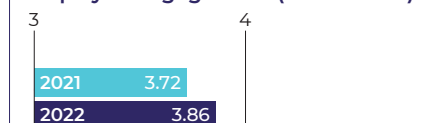
Ascend attendee

Employee turnover

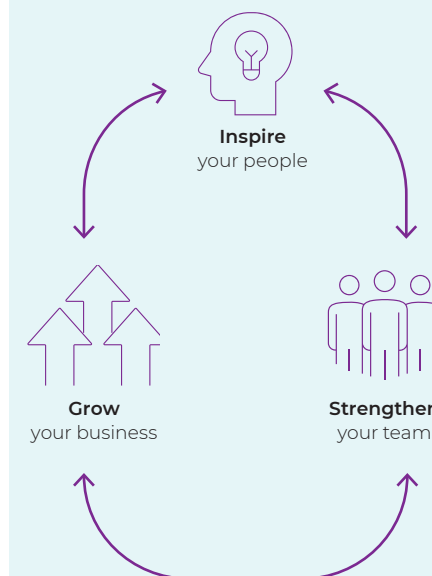
2022	2021	2020	2019	2018
13.5% ¹	15.6%	13.6%	11.4%	14.2%

1. Of the total labour turnover, 74.2% of leavers were resignations, 6.8% were retirements and 4.8% were redundancies.

Employee engagement (GrandMean)



Our Leadership Model



Sustainability: Connecting and inspiring our people continued

Inclusion and Belonging

We have a zero-tolerance policy in place for any form of discrimination or harassment and we are committed to embracing diversity and inclusion across the Group.

To achieve our full potential as a business, we need people of different cultures, backgrounds and experiences, as well as the inclusive leadership skills, to fully benefit from those differences. A culture of inclusion and belonging allows everyone the

opportunity to participate, be heard, be valued and feel empowered to fulfil their potential.

This year, we have progressed our approach to a diverse and inclusive workforce through the development of our Group-wide inclusion framework which has led to the development and agreement of key activities on policy, action and communication to ensure that everyone within the Group or considering a career within the Group feels

that they belong. We aim to provide equal opportunity in recruitment, career development, promotion, training and reward for all employees – regardless of ethnicity, national origin, religion, gender, age, sexual orientation, marital status, disability, or any other characteristic protected by applicable laws. Where existing employees become disabled, our policy is to engage and use reasonable accommodations or adjustments to enable continued employment.

Case study



In my shoes

To support our global leadership community to better understand the impact of bias in the workplace, attendees at our leadership conference in October took part in a virtual reality training programme, 'in my shoes', led by PwC. The experience highlighted the day-to-day challenges of being in a minority group in a global workforce. The leadership community took collective responsibility to create a truly inclusive workplace where everyone feels that they can bring their full self to work and provided their support to the Group's All in campaign to promote action across the Group.

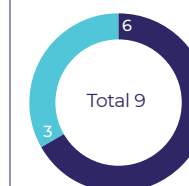
Group Inclusion Framework

Our Vision	To be a leading inclusive company where everyone can thrive and achieve a fulfilling career		
Why are we acting now?	We must attract, retain and empower world class talent to achieve our ambitions – to be attractive to current and future generations of talent we need to be inclusive and reflect the world around us		
Our promise	To value the uniqueness of every employee	To ensure all voices are heard and included	To give stakeholders confidence about engaging with a sustainable, socially responsible business
Our organisational model	Executive working group on inclusion (Chaired by CFO) Strategic decision-making, teaching support and accountability		
	Inclusion Group Provides structure, coordination, idea generation and a sounding board for the development of our strategy		
	Managers Accountable for promoting an inclusive working environment		
	Everyone Supporting inclusion, celebrating differences and engaging with each other		
Our impact	The power of many perspectives drives innovation and growth		
	Creating a sense of belonging which builds accountability	Embracing inclusive ways of working – allowing everyone to be their best at work	Enhancing collaboration and learning
			Prizing diversity to gain new perspectives

Employees by gender and role as at 31 December 2022

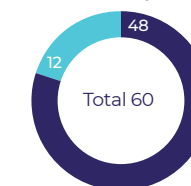


Board



(2021: Men: 7 Women: 3)

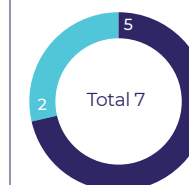
Leadership Community



(2021: Men: 54 Women: 11)

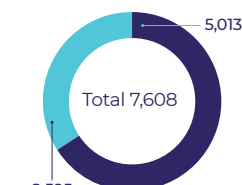
Executive Committee

(excl. Executive Directors)



(2021: Men: 5 Women: 3)

Wider employee population



(2021: Men: 5,048 Women: 2,657)

Gender pay gap reporting

for the year ended 31 December 2022

Bonus pay gap: Mean

37.2%

(2021: 42.5%)

Gender pay gap: Mean

21.7%

(2021: 23.2%)

Bonus pay gap: Median

31.6%

(2021: 19.9%)

Gender pay gap: Median

18.6%

(2021: 19.0%)

Further detail is set out in the Remuneration Report on pages 84 to 104

Sustainability continued

STEM: Developing our future talent pipeline

We have a highly specialised workforce – and we need the very best talent to deliver on our ambitions. In 2022, we have focused on creating new avenues for the next generation of talent to access careers within the Spectris Group.



Young Professionals



This year we have extended our relationship with Young Professionals in the UK. We were a proud sponsor of the first annual Young Professionals conference where our Year in Industry Students spoke with thousands of students looking to explore careers in science.

At the end of July, we hosted two work experience events to give the future generation of scientists and engineers a better insight into career options with Spectris in the UK. For our online event, over 400 students explored routes in engineering, watched a live laboratory tour, looked at cyber honeypots, received tips on how to make a great CV, and learned about software engineering. For our in-person event, students attended our Malvern Analytical site in Malvern where they discovered some of our particle measuring products, assembled different parts of the lab instruments, saw live testing and experienced a team engineering task. Both events were a great success and plans are underway to build on this success in 2023.



The Forage



In 2022, we launched our new partnership with The Forage, a free career education platform for college and university students.

Through our 'Measurement Techniques for Sustainability Virtual Experience Programme' we have expanded our reach to students interested in exploring career opportunities with us. Through the programme, students experience life as an employee in both our Dynamics and Scientific Divisions, working on exciting projects to make the world cleaner, healthier and more productive. Students are using the programme to build practical skills such as technical research, communication, and critical thinking, and add the experience to their resumes and job applications. In 2023, we will work with our partner universities to build this programme into their curriculum to highlight the exciting career opportunities available across the Group.



Developing diversity



For the second year, we were a Proud Sponsor of International Women in Engineering Day ('INWED') recognising our role in encouraging more young women to take up engineering careers. In 2022, we used the day to highlight some of the brilliant women in engineering and science within the Group who talked about what they were most proud of in their own careers and their advice for future women engineers. In 2022, we also expanded our relationship with the Society of Women Engineers and the Society of Hispanic Professional Engineers in the US, becoming a formal sponsor of both groups and attending and speaking at their annual conferences and we will continue to build these relationships in 2023.

This year, HBK became a sponsor of The Professional Women of Colour ('ProWoc') Network, a non-profit organisation that offers career and personal development opportunities for women of colour seeking to increase their visibility and impact in Denmark. HBK employees are taking part in the ProWoc mentoring programme, connecting professional women in Denmark and providing a platform for personal and career growth and development.

Underpinned by:



Our STEM strategy focuses primarily on A Level and University students and graduates. This approach is complemented by the work undertaken by the Spectris Foundation to improve access to a quality STEM education.



Read more about Spectris Foundation on pages 60 and 61

The highest ethical standards

Our values of Be True, Own It and Aim High represent the qualities and actions we want to see at Spectris. They inform how we do business and the decisions we make. Our Code of Business Ethics underpins our values and sets clear expectations of how we work at Spectris and applies to all employees.

We demand the highest ethical standards from our employees, partners and suppliers. The Board and Executive set the tone for the Group's ethics and compliance programme and undertake regular reviews of the efficacy of our approach. This is supported by regular behavioural-based training for all employees. In 2022, refresher training on the Code of Business Ethics was carried out across the Group.

We are committed to holding ourselves to the highest standards of responsible conduct throughout our operations and across our supply chain, and other third parties, which is supported by a risk based due diligence process, complemented by mandated screening procedures for Export Controls and sanctions. The effectiveness of these due diligence and screening processes is being overseen by the Board and Executive Committee.

Speak Up

We are committed to encouraging an open 'speak up' culture and recognise the importance of making sure those speaking up feel supported and comfortable to report

wrongdoing or concerns in good faith, with the knowledge that managers and ethics officers are trained and confident in discussing such issues.

We have a confidential, independent helpline (www.spectrishelpline.com) that employees and stakeholders can use to raise questions and concerns, anonymously if they wish. Our helpline reporting processes are regularly reviewed to ensure they remain effective. Reports are assessed and appropriate investigations are carried out. There is a commitment to address all concerns made in good faith.

The Audit and Risk Committee receives regular updates on cases with the Board undertaking an annual review. Following the conclusion of any investigation process, additional guidance, training, or disciplinary action may be taken as appropriate, and the impact of any actions is closely monitored by senior management. Root causes are identified and addressed.

During 2022, the total number of reports received by the Spectris Helpline was 44 (2021: 40) and, after investigation, 28 of the reports were substantiated. Disciplinary action was taken against 15 individuals based on the severity of the misconduct identified: verbal feedback (6 people); written warning (3 people); resignation in lieu of notice (2 people); suspension (1 person); performance improvement plan (1 person)) and termination with cause (2 people).



Human Rights

We believe human rights to be of the utmost importance. Our human rights policy is consistent with the Core Conventions of the International Labour Organization and requires that we comply with internationally recognised human rights standards. It sets out our position on non-discrimination, harassment and forced labour. Training on modern slavery and human trafficking is available to all employees and is mandatory for employees who have direct interaction with our supply chain. Human rights considerations are also a key element of our M&A due diligence processes.



Ethics

Number of helpline reports received				
2022	2021	2020	2019	2018
44	40	37	54	25



Find out more online
Find out more about Our Code of Business Ethics at www.spectris.com/ethicalbusiness

Read more about our policies on Human Rights and Modern Slavery at www.spectris.com/humanrights

Sustainability continued

Health and Safety



We are committed to the highest standards of health and safety, and the maintenance of a positive safety culture. We comply with all relevant laws and regulations governing safe working and often go beyond local legal requirements.

There were no work-related fatalities of employees or contractors in 2022. Our key lagging indicator is Total Recordable Incident Rate ('TRIR') as defined by the US Occupational Safety and Health Administration. The TRIR decreased in 2022 to 0.27 (2021: 0.32) reflecting a considered focus on driving safety behaviours across the business. Safety leaders across the Group collaborate on driving our health and safety performance through the Spectris Health and Safety Committee. This global community of experts is chaired by Ben Bryson, President, Spectris Dynamics and the Committee meets regularly to discuss key themes, policies and challenges.

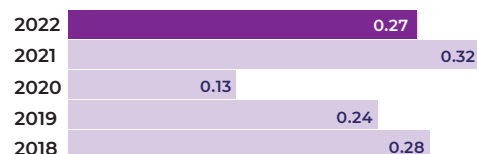


[Read our Group Health and Safety policy here](#)

Safety observations

8,900

Total recordable incident rate



Case study



Global deployment of Benchmark database



In 2022, the Health and Safety Committee completed the rollout and deployment of Benchmark, an industry-leading digital software solution for managing health and safety reporting. This deployment has enabled businesses across the Group to align their health and safety reporting in one platform. The system supports one set of consistent key performance indicators and a standard set of terminology to track safety performance across the Group.

Benchmark data is providing us with key insights into safety performance trends across the Group – driving targeted improvements. We are proud of the way the businesses have embraced Benchmark. In the next phase we will extend access to all employees across the Group, enabling increased ease of safety compliance and real time safety observations to further improve our combined workplace Health and Safety.

Case study



Our ISO 45001 journey

ISO 45001 is the world's standard for occupational health and safety, issued to protect employees and visitors from work related accidents and diseases. It was developed to mitigate any factors that can cause employees and businesses irreparable harm.

The Spectris Dynamics Division has focused in 2022 on achieving certification against ISO 45001 at their key manufacturing sites. At the date of this report Darmstadt, Marlborough, Royston and Virum are certified, with Suzhou and Porto planning to achieve certification in 2023.



"Going through the certification process has shone a light on all of the connected activities that work together to create a strong culture of health and safety. I am proud of the dedication of the teams who have led the certification process."

Ben Bryson

President, Spectris Dynamics



Prioritising mental health

We are committed to supporting the mental health and wellbeing of all of our people. It is important that we create an environment where mental health is an ongoing and open topic of conversation, where it is okay to ask for help if you are struggling, and where there are always people who can help and support you. We are prioritising a workplace in which mental health is valued, promoted and protected. We will continuously strive to promote positive mental health throughout the organisation by establishing and maintaining processes that enhance mental health and wellbeing through our 'Time to Talk' campaign. We launched the campaign at our leadership conference in October 2022 with David Beeney from Breaking the Silence providing guidance on how to talk about mental health and how to support family, friends and colleagues who may be struggling and this talk is now being rolled out to our employees globally.



[Read more about our policy and approach to mental health at](#)

www.spectris.com/mentalhealth

Reaching Net Zero



We have set an ambitious Net Zero commitment which has been validated by the Science Based Targets initiative against a 1.5°C warming scenario. We have made meaningful progress towards our ambition in 2022.

Our roadmap

We have harnessed our ethos of clarity and precision measurement to set our Net Zero target. In 2021, we measured our current emissions footprint across our value chain and modelled the reduction levers available to us to set robust targets, which are stretching but achievable. Our approach is clearly detailed in our Roadmap to Net Zero. In 2022, heavy focus was placed on improving our reporting functionality with plans approved to monitor real time energy use at key manufacturing sites. A further exercise was undertaken to replace estimations in our Scope 3 calculations for PMS, Red Lion and Servomex with actual data. This workstream supported the creation of targeted individual roadmaps for our businesses that replicate the approach already in place at Malvern Panalytical and HBK. The deployment of these targeted roadmaps within each of our businesses, aligned to our Group roadmap, will drive our progress. We have committed a minimum of £3 million per annum to fund our ambition.

Our ambition:

Spectris operations

Net Zero by 2030
(Scope 1 and 2 emissions)

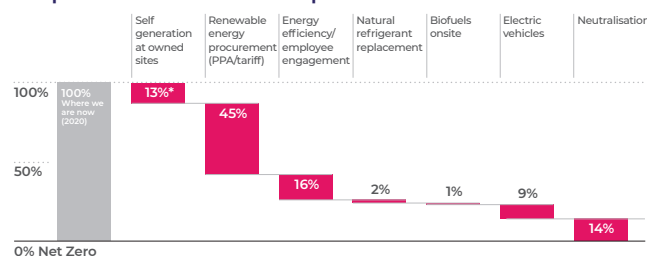
Our value chain

Net Zero by 2040
(Scope 3 emissions)



Read our full Net Zero roadmap at
www.spectris.com/netzero

Scope 1 and 2 – Our Roadmap



0% Net Zero

* In addition to existing self-generation at Malvern and Eindhoven

In 2022, we have made significant progress in the identification and planning of key actions to deliver our Scope 1 and 2 roadmap. With the support of Schneider Electric, we have undertaken a series of detailed energy and emissions efficiency assessments at our key manufacturing sites. These assessments have identified the potential to save over 4,000 tonnes CO₂e and the findings have been turned into site-based action plans with budget approved to take first actions in 2023.

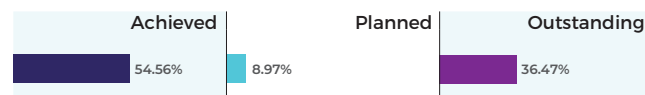
Key activity in 2022

- EV100 membership achieved
- Schneider Electric-led energy and emissions efficiency assessments completed at material emitting sites
- Darmstadt employee and fleet EV charging stations installed
- Renewable energy procurement at key manufacturing sites in Germany and the UK
- Solar capability installed at the PMS site at Wattwil, Switzerland
- PMS owned sites moved to renewable energy contracts. LED replacement programme progressed at Malvern Panalytical with 60% of potential lighting now covered by LEDs

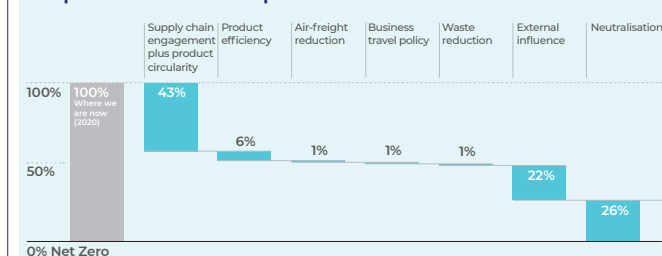
Planned activity for 2023

- Progressing onsite renewable energy generation at HBK (Royston, Darmstadt, Suzhou and Marlborough) and Malvern Panalytical (Almelo)
- Energy efficiency plans at HBK Darmstadt including LED motion sensor lighting; oven heat reuse in Darmstadt, and outside air to augment air conditioning
- Installing real time energy monitoring at key sites
- Intelligent lighting installation at Servomex UK

Our progress against our scope 1 and 2 (market-based) emissions as set out in our roadmap



Scope 3 – Our Roadmap



0% Net Zero

In 2022, we have focused on progressing two key levers of our Scope 3 roadmap – supply chain and product sustainability.

For our supply chain we are partnering with EcoVadis to engage with our suppliers on their transition to a low carbon economy. This work began in Malvern Panalytical where in 2022 43.1% of purchasing spend was through suppliers engaged in the EcoVadis programme. In 2023, HBK and PMS will move their supply chain ESG assurance activity to EcoVadis.

For product sustainability, we have projects underway within HBK and Servomex to review different elements of the sustainability of our products. At Servomex we have developed a sustainable product taxonomy with the support of Finch and Beak and we have employed two year in industry engineering students who have now deployed this taxonomy across the whole product range.

“This exercise has provided us with a means of quantitatively assessing the cradle to grave environmental impact of all our manufactured products – including carbon emissions, human toxicity, ecotoxicity, and consumption of scarce mineral resources – from Scope 1, 2, 3 (upstream) and 3 (downstream) perspectives. This will enable us to formulate a granular product roadmap to meeting our Net Zero ambitions.”

Mike Proctor,

Director of Sustainability and Strategic Projects Director, Servomex

HBK have partnered with EcoAct to undertake detailed Life Cycle Assessments on key products and services to better understand how we are supporting our customers Net Zero ambitions and the improvements we can make to optimise this support. The first two assessments were undertaken in 2022 covering the VI-grade simulator and the impact associated with the production and operation of the HBK eDrive Power Analyzer. The case study on the opposite page details the findings of the VI-grade simulator Life Cycle Assessment.

Sustainability continued

Case study

VI-grade driving simulator avoided emissions

EcoAct conducted a Life Cycle Assessment (LCA) to measure the GHG emissions of the VI-grade simulator compared to the avoided emissions from production and operation of physical prototypes.

What is a Life Cycle Assessment?

A LCA is a tool to calculate the environmental impacts of products and services. The LCA approach taken is as defined in ISO 14040 and 14044.

The methodology extends through the product lifecycle – from raw materials, production, distribution, use and end of life.



Save hours



Save tyres



Reduced
prototypes

Maximum potential annual
avoided emissions:

14,000 tCO₂e

(based on 35 avoided
prototypes, 3,500 avoided
tyres and 2,200 hours
avoided operations
developed over 2.5 years)



Avoided operational time

2,200 hrs



Tyres avoided

3,500



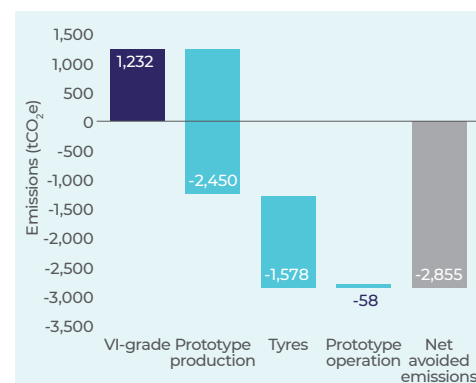
Avoided prototypes

35

Overview

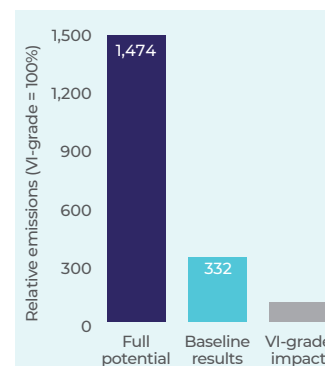
The VI-grade simulator can, at a maximum, avoid emissions by our customers of over 1,474% of the emissions required to produce and operate the simulator.

Net avoided emissions



At full reduction, one developed vehicle model could avoid up to 14,000 tCO₂e

Relative emissions



Methodology

The study covers the production, operation, distribution and disposal steps necessary to create the data required to develop and validate vehicle design. This covers both the VI-grade simulator and avoided prototype production and use.

Source data

In this assessment, EcoAct relied on secondary data from ecoinvent 3.7 for the production and driving of an average medium sized electric or petrol car. For tyres, EcoAct used Dong et al 2021 to estimate emissions.

Key assumptions:

- 30-40 prototypes are traditionally created to produce data for a new vehicle model.
- 2-3x driving time of the simulator at average 50 km/hr speed.
- 3,500 tyres can be consumed during prototype operation.

Potential improvements

While showing the significant avoided emissions present in our current solution, the life cycle assessment also highlights the possible ways to further improve the environmental credentials of our solution. These include optimising the use of compressed air; ensuring the use of renewable energy to power the simulator and reviewing the use of green steel technology. These ideas have been fed back to the R&D team within VI-grade for further exploration.

Environmental reporting

Environmental performance summary (absolute)¹

Energy consumption (MWh)

77,194.3

(2021: 95,229.9)
(2020: 123,205)

Greenhouse gas emissions (tonnes CO₂e)²

17,546

(2021: 31,703)
(2020: 43,111)

Energy efficiency (MWh per £m revenue)

58.2

(2021: 73.7)
(2020: 92.2)

Total carbon emissions (tonnes CO₂e per £m revenue)²

13.2

(2021: 24.5)
(2020: 32.3)

1. Numbers stated reflect in-year reported emissions, to measure the evolution of the energy efficiency of the Group, including the impact of portfolio changes on our efficiency.
2. Scope 1 and 2 (market-based) emissions.



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

Restatement of comparative environmental data

Comparative data disclosed on page 51 has been restated to reflect the following changes:

- Removal of data relating to the divestments of Omega which took place during 2022 to support a fair comparison of the Group's in-year environmental performance. This approach, which is in line with GHG protocol guidelines and consistent with reporting in 2020, will be followed for all future material acquisitions and divestments;
- Replacing estimated data with actual data where available for prior years; and
- Removal of overestimations of HBK Darmstadt emissions following the revision of the emissions factor relating to steam at Darmstadt to reflect the less carbon intensive energy source.

Scope 1 emissions

Scope 1 emissions have decreased by 5.8% during 2022. This is primarily due to energy efficiency activities across a large number of our manufacturing sites and the procurement of green energy at key manufacturing sites, including HBK Darmstadt.

Scope 2 emissions

Market-based Scope 2 emissions have decreased during 2022 by 26.8%. This is mainly due to the decrease in the use of Steam and Natural Gas during 2022, and due to the reclassification of the emissions factors relating to the Steam used at the Darmstadt site.

Scope 3 emissions

This is the second year of reporting against all relevant Scope 3 categories. Increases in category 1 are due to a change in CEDA emission factors which better reflect the impact of procurement in China than the

factor previously applied. The significant decrease in category 4 (transportation and distribution of products) relates to the purposeful transition to ocean-based freight from more carbon-intensive air freight during 2022.

Streamlined Energy and Carbon Reporting ('SECR')

This is our third year of reporting in compliance with the SECR regulations which are designed to increase awareness of energy costs and provide data to inform the adoption of energy efficiency measures. In 2022, 7.5% of our Scope 1 and 2 (market-based) emissions were generated in the UK.

Energy saving opportunities

In support of our Net Zero ambition, in 2022 we partnered with Schneider Electric to undertake a series of energy and emissions efficiency assessments at our key emitting sites. These assessments identified over 4,000 tonnes CO₂e of potential savings. The opportunities identified have been prioritised by the site leadership teams and key activities were approved as part of the 2023 budget submission process, with implementation workstreams now underway. Early activities include changes to building management systems, intelligent lighting and changes to insulation and roofing.

Prior year energy saving activities included the global launch of the Giki Pro app to support a collective growth in understanding of our global employee footprint. Further activities included LED replacement programmes at PMS and Malvern Panalytical and intelligent lighting installation at the Malvern Panalytical site in the UK.

Sustainability continued

Environmental Performance summary (Absolute)¹

Indicator	2022 ¹	2021 ¹	2020 ¹
Energy consumption (absolute) (MWh)	77,194.3	95,229.9	123,205
Energy efficiency (MWh per £m revenue)	58.2	73.7	92.2
Greenhouse gas emissions (tonnes CO ₂ e) ²	17,546.0	31,703.0	43,111.0
Total carbon emissions (tonnes CO ₂ e per £m revenue) ²	13.2	24.5	32.3

1. Numbers stated reflect in-year reported emissions, to measure the evolution of the energy efficiency of the Group, including the impact of portfolio changes on our efficiency.
2. Scope 1 and 2 (market-based) emissions.

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

Unit of measurement – MWh	Change	2022	2021	2020
Electricity	(2.0%)	40,147.6	40,965.8	40,621.8
– of which renewable	90.93%	17,479.6	9,154.9	2,706.2
Natural gas	(16.5%)	7,500.4	8,986.0	9,505.0
Fuel oil	0.0%	29.2	29.1	28.4
Steam and other imported energy	(11.0%)	15,419.9	17,318.6	13,801.7
Other fuels	(14.8%)	332.6	390.5	64.4
Vehicle energy	(16.1%)	13,764.7	16,411.8	19,078.6
Total energy	(8.2%)	77,194.3	84,101.9	83,409.4
– of which UK	(13.5%)	9,942.8	11,494.5	12,125.6
Energy Intensity per £m revenue	(10.66%)	58.2	65.1	62.4

3. All like-for-like numbers have been restated to reflect the divestment of Omega Engineering during the year.
4. 21% of Scope 1 and 2 emissions and 22% of energy data has been accrued or estimated as per the methodology detailed in the basis of reporting document available at www.spectris.com/environment

Waste data (like-for-like)³

	2022	2021	2020
Total waste captured (tonnes)	1,720.9	1,127.4	4,930.7
– of which landfill	616.9	230.3	3,527.3
Waste recycling rate ⁵	49.0%	61.0%	25.0%
Waste diversion rate ⁶	64.0%	80.0%	28.0%

3. All like-for-like numbers have been restated to reflect the divestment of Omega Engineering during the year
5. Proportion of waste recycled, including that of composted organic matter.
6. Proportion of waste diverted from landfill via recycling, composting or incineration.

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

Unit of measurement – tonnes CO ₂ e	Change	2022	2021 ⁷	2020
Scope 1	(5.8%)	5,523.5*	5,988.4*	7,424.8
Scope 2 – Location based	(7.7%)	17,176.6*	18,599.9*	18,556.4
Scope 2 – Market based	(27.0%)	12,022.5*	16,470.9*	18,181.1
Scope 1 & 2 (Location) total	(7.7%)	22,700.1*	24,588.3*	25,981.3
– of which UK	(6.2%)	2,297.9	2,449.2	2,826.6
Scope 1 & 2 (Market) total ⁶	(21.9%)	17,546.0*	22,459.3*	25,606.0
– of which UK	3.9%	1,303.6	1,254.4	2,802.2

7. 21% of Scope 1 and 2 emissions have been accrued or estimated as per the methodology set out in the basis of reporting document available at www.spectris.com/environment

Scope 3⁸(like-for-like)³

	Change	2022	2021 ⁹	2020
Category 1 – Purchased goods and services	9.16%	213,419.1	195,515.4	162,408.9
Category 2 – Capital goods				(Included in Category 1)
Category 3 – Fuel & energy related activities	(13.3%)	1,834.4*	2,115.1*	2,277.6
Category 4 – Upstream transportation / distribution	(24.7%)	11,822.8*	15,707.1*	17,050.2
Category 5 – Waste	185.3%	292.2	102.4.0	1,211.0
Category 6 – Business travel	99.2%	4,959.9*	2,490.1*	3,565.6
Category 7 – Employee commuting	(9.2%)	9,924.0	10,930.7	11,093.3
Category 9 – Downstream transportation / distribution				(Included in Category 4)
Category 11 – Use of sold products	13.9%	263,984.7	231,730.3	210,613.2
Category 12 – End-of-life treatment	(6.2%)	51.9	55.3	50.0
Total Scope 3 ³	10.0%	506,288.9	458,514.3	408,114.1
Total gross emissions (Market-based)	8.0%	521,449.3	480,973.6	433,720.1
Total (all scopes) carbon emissions per £m revenue				
Like-for-like	6.0%	394.6	372.3	324.6

3. All like-for-like numbers have been restated to reflect the divestment of Omega Engineering during the year.
8. Scope 3 categories 8, 10, 13, 14, 15 are not included as not relevant to the Group's business model.
9. In 2021, Deloitte provided independent third-party limited assurance against Scope 1 and 2 emissions and Scope 3 (categories 3, 4 and 6). Those assured figures have been restated to reflect the divestment of Omega Engineering and have not been subject to further assurance in 2022.

*Data assurance and methodology

Deloitte have provided independent third-party limited assurance in accordance with the International Standard for Assurance Engagements 3000 ('ISAE 3000') and Assurance Engagements on Greenhouse Gas Statements ('ISAE 3410') issued by the International Auditing and Assurance Standards Board ('IAASB') over selected metrics, identified with *, within Spectris' energy consumption and greenhouse gas ('GHG') emission disclosure. Deloitte's full unqualified assurance opinion, which includes details of the metrics assured, can be found at www.spectris.com/environment

Taskforce on Climate-related Financial Disclosures 'TCFD'

Governance



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

Oversight of climate-related risks and opportunities

The Board oversees the delivery of the Group's sustainability strategy, a key priority of which is the management of climate-related risks and opportunities. Andrew Heath, Chief Executive, is the Executive Board Director responsible for implementation and delivery of the Group's sustainability strategy and is supported in this by the Head of Corporate Affairs, Rebecca Dunn, a member of the Group Executive Committee.

The Board is supported in the oversight of climate-related risks and opportunities by Alison Henwood who is the designated Non-Executive Director with oversight of sustainability matters, alongside the wider Board Committee structure, including groups specifically formed to manage climate-related and wider sustainability risks and opportunities. Alison is a member of Chapter Zero and in 2021 attended the Oxford Leading Sustainable Corporations Programme.

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

During 2022, the Board and the Committees of the Board received updates at scheduled meetings on the progress of the Group's adaption to climate change through the lenses of strategy, acquisitions, budget, risk and the assurance of the metrics utilised by the group to monitor progress towards Net Zero.



Key activity during 2022

Strategy – In October 2022, the Board considered climate-related matters as part of their review of the Group's sustainability strategy and the Group's refreshed strategy for sustainable growth.

Oversight – In October 2022, the Board appointed Alison Henwood to be responsible for oversight of the Group's sustainability strategy and management of climate change from a Non-Executive perspective.

Oversight – In February 2022, the Audit and Risk Committee reviewed the findings of the first limited assurance engagement performed by Deloitte LLP over selected environmental data included in the 2021 Annual Report against International Standard on Assurance Engagements (ISAE) 3000.

Oversight – In February 2022, the Audit and Risk Committee reviewed the Group's internal controls and financial reporting procedures and recommended approval of the Annual Report and Accounts, including TCFD disclosures, and other sustainability disclosures for compliance with relevant regulations, legislation, and reporting standards.

Management – in June 2022, the Head of Corporate Affairs oversaw the inclusion of revised sustainability criteria, including both physical and transition risks into the Group's M&A processes.

Management – The Executive Risk Committee met on three occasions to review the Group's ongoing action plan to minimize the Group's exposure to the physical and transition risks of climate change as part of their ongoing management of the Group's mitigation of identified principal risks and uncertainties.

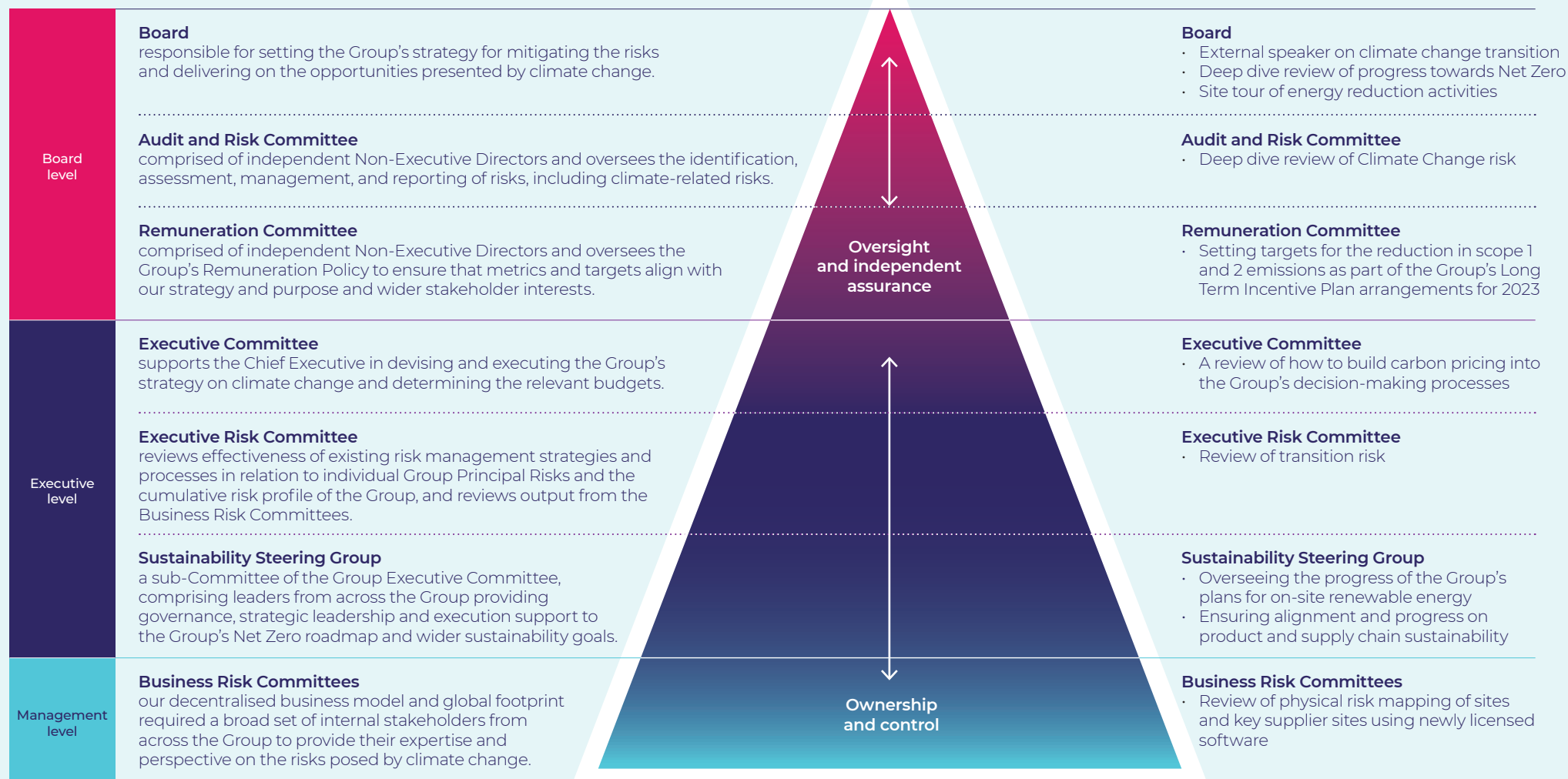
Management – In December 2022, the Executive Committee approved planned capital and operational expenditure plans for 2023 to deliver progress against the Group's Net Zero roadmap.

Remuneration – Throughout 2022, the Remuneration Committee focused on the refreshment of the structure of the Group's Remuneration Policy to include within the Group's Long Term Incentive Plan climate-related targets to reduce the Group's Scope 1 and 2 emissions, which pose a key transition risk to the Group (see pages 84 to 104).

Sustainability: TCFD continued

Oversight

Planned activity in 2023



Strategy



In 2022, we built on our understanding of the qualitative and quantitative climate modelling undertaken across our value chain in 2021 to assess the resilience of our business to different climate change scenarios.

This work concluded with an assessment of our resilience under each of the scenarios considered and an agreement of our approach to ongoing oversight and mitigation of the risks identified. In 2022, we have further embedded this modelling into our financial and operating models to better understand the impact of climate risk on our business and added key findings to our M&A due diligence processes.

Two types of risk were considered: physical risks (sea-level rises, heavy rainfall and flooding, cooling degree days and cyclones), and transition risks (the transition to a low carbon global economy), alongside the opportunities presented by the transition to a low-carbon global economy. The key risks and opportunities identified under each category were modelled against two different climate warming scenarios as required by TCFD as set out in the table opposite.

The physical risks identified from a comprehensive analysis of the Group's key operational sites are detailed on the right. The vast majority are rated as low risk from a climate perspective. This is due to a low likelihood/impact of risks materializing and protective measures in place. The Suzhou site is identified as high risk due to the high probability of floods affecting the area, and we are working to mitigate this risk through business continuity planning.

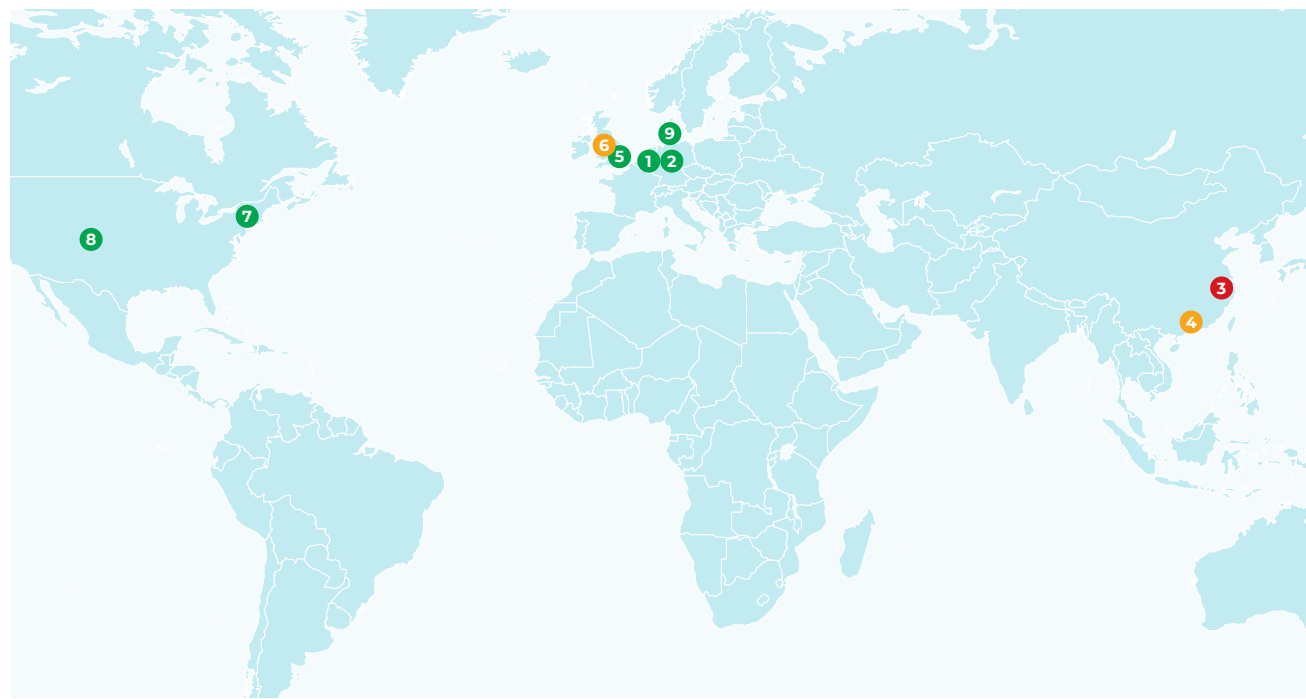


TCFD online report

A full overview of the initial quantitative and qualitative climate modelling undertaken in 2021 is set out in the Group's 2021 TCFD report which is available to view at www.spectris.com/environment

Key

- High risk
- Medium risk
- Low risk



1 Almelo, Netherlands

- Low risk
- Rising mean temperatures

2 Darmstadt, Germany

- Low risk
- Rising mean temperatures

3 Suzhou, China

- High risk
- Sea level rises
- Rising mean temperatures

4 Zhuhai, China

- Medium risk
- Flooding
- Sea level rises
- Rising mean temperatures

5 Crowborough, UK

- Low risk
- Rising mean temperatures

6 Malvern, UK

- Medium risk
- Flooding
- Rising mean temperatures

7 Pennsylvania, US

- Low risk
- Rising mean temperatures

8 Boulder, US

- Low risk
- Rising mean temperatures

9 Virum, Denmark

- Low risk
- Rising mean temperatures

Sustainability: TCFD continued

Key

- Short Term – 3 years
- Medium Term – to 2030 (aligned to Group 2030 Net Zero Science Based Targets)
- Long Term – to 2050 (aligned to the Paris Climate Change agreement)

Risk or opportunity	Drivers	Reference frameworks	Scenarios	Time horizon	Potential financial impacts (to 2030)	Ongoing activity
Physical Risks related to the physical impacts of climate change	Acute	The Intergovernmental Panel on Climate Change Representative Concentration Pathways ('IPCC RCP')	RCP 2.6 (Assumes global temperature rise below 2°C by 2100)	● Acute risks already occur today, and we expect the severity and frequency to increase from around 2030 onwards.	<ul style="list-style-type: none"> <1% operating profit – disruption to business operations and value chain due to short-lived extreme weather impacts. <1% operating profit – damage to physical assets and impacts on insurance liabilities. 	<ul style="list-style-type: none"> Climate modelling software licensed to facilitate the real time mapping of new and existing sites against latest climate projections. Inclusion of climate modelling in M&A standard processes.
	Chronic		RCP 8.5 (Assumes emissions continue to rise by 4°C by 2100 – worse case scenario)	● Chronic risks are more likely to occur over the longer term from 2030 onwards with increasing severity.	<ul style="list-style-type: none"> <1% operating profit – greater energy consumption due to chronic changes, such as temperature rise, impacting cooling/heating requirements. <1% operating profit – risk of disrupted working patterns due to changing climatic conditions. 	<ul style="list-style-type: none"> Energy efficiency programmes being implemented under our Net Zero roadmap to minimise energy use to counter likely increase in future cooling and heating costs.
Transition Risks associated with the transition to a low carbon economy	Policy and Legal	IPCC RCP	RCP 1.9 (Assumes global temperature risk below 1.5°C, the aspirational goal of the Paris Agreement) RCP 8.5	● Timing and velocity are uncertain. In a low carbon scenario, short term risk will be greater due to the stringent policies required to effect change. In a high carbon scenario, short term risk is low with the potential for unpredictable and heightened risk over the long term as faster action is required.	<ul style="list-style-type: none"> The potential for a significant increase in operating costs due to government policy and regulation of carbon, including carbon pricing and tax is being effectively mitigated by our action. 	<ul style="list-style-type: none"> Engagement of EcoFact to provide an ongoing overview of changes in global sustainability legislation and regulation. Inclusion of ESG due diligence in M&A processes.
	Market and Economic				<ul style="list-style-type: none"> The potential of a financial impact due to an adverse impact on company valuation and viability of business model is mitigated by our transition to Net Zero and our focus on sustainable growth trends. 	<ul style="list-style-type: none"> We will continue to assess the overall impact of climate risk on the Company's valuation through the Group's viability assessment.
	Technology				<ul style="list-style-type: none"> As at 31 December 2022, we have assessed the impact of the useful economic life of our assets (including our technology) in relation to the transition to a low carbon economy and confirmed that there is no change required to our existing accounting treatment. 	<ul style="list-style-type: none"> We are working with our customers, our supply chain and within our businesses to better understand the likely velocity of the transition to a low carbon environment and to map the impact on our existing and future technology plans.
	Reputation				<ul style="list-style-type: none"> Our current action is mitigating any financial impact relating to loss of income or market share if we do not effectively transition to a low carbon economy in alignment with our customers and shareholders. 	<ul style="list-style-type: none"> We have committed to spending £3 million per annum towards our Net Zero ambition and we are communicating our activity to our customers, suppliers and shareholders.
Opportunities Arising through the transition to a low carbon economy	Internal innovation and external appetite for change	IPCC RCP	RCP 1.9 RCP 2.6 RCP 8.5	● Immediate increasing opportunity anticipated to grow exponentially by 2030.	<ul style="list-style-type: none"> <1% operating profit – reduced operating costs through greater resource efficiency. The development of new products, investment and market opportunities, notably in the key markets of the transformation of automation and new energy is key to the Group's Strategy for Sustainable Growth. 	<ul style="list-style-type: none"> Details of the Group's alignment to sustainable markets trends is set out on pages 56 and 57. Financial targets for the Group's Strategy for Sustainable Growth are set out on page 9.

Resilience and Risk Management



The modelling we have undertaken shows that without any action, climate change will impact our businesses to a varying degree in terms of both transition and physical factors. Up to 2030, our most significant risks are likely to be transition risks. These risks can vary significantly depending on the nature and speed at which countries act to align to a Paris Agreement trajectory.

Resilience

Physical risks, which have limited impacts today, will present a growing challenge beyond 2030 and in the next few decades as warming of the planet continues. By delivering on our Net Zero roadmap, we can mitigate many of the transition risks we face due to climate change.

We are committed to working closely with all our stakeholders in taking action to combat climate change. We believe that the Group's decentralised business model and global footprint limit the potential impact of physical risks relating to climate change. Beyond this, our focus on innovation and strong relationships with customers and suppliers will support our swift response to changing priorities to mitigate the risks present in the transition to a low carbon economy.

The challenges that we face on climate change are matched and potentially outpaced by opportunity and we recognise that the greatest difference we can make to a Net Zero world is through our products and solutions which support our customers to make the world cleaner, healthier and more productive. Further details of our Strategy to maximise this opportunity are set out on pages 18 and 19.

Risk management

Our approach to identifying, assessing and managing the risks in our business is set out in the Principal risk and uncertainties section on page 34. In 2021, climate change was designated a Group Principal Risk for the first time as a result of the comprehensive scenario analysis undertaken to implement TCFD.

The climate change Group Principal Risk is under the executive ownership of the Head of Corporate Affairs and is underpinned by a series of controls and actions designed to mitigate the risk which are aligned to our Net Zero roadmap. As a Group Principal Risk, key indicators and mitigation strategies relevant to climate change are reviewed three times a year by the Executive Risk Committee. As part of this review, no new risks were identified or added in 2022. However, further work was undertaken to quantify the opportunities present for the Group in the transition to a low-carbon economy, with further details set out on pages 18 and 19.

During 2022, the Executive Risk Committee has reviewed the progress of climate change mitigation action identified, alongside planned migration activity for the Group's other Principal Risks to ensure that our action plan is proportionate to the short-, medium- and long-term risk posed by climate change. A key focus has been the acceleration of our decarbonisation plans, due to the combined risks of energy security, the rising cost of energy and the transition to a low carbon economy.

At a business level, each Business Risk Committee added relevant physical risks to their risk registers. These risks are actively managed at a business level and owned by local site management.

Due to the recent nature of the climate modelling exercise undertaken, the initial findings continue to provide an accurate assessment of the risk currently posed by climate change to the Group. Any changes in risk profile are considered by the Sustainability Steering Group and material changes will then be escalated to the Executive Risk Committee by the Head of Corporate Affairs. To support their review of upcoming changes in legislation and regulation,



the Sustainability Steering Group has licenced software by EcoFact to ensure the early understanding of the materiality of changes to the Group.

In 2023, further planned mitigation activity includes the licensing of ongoing technology to actively monitor developing physical risks as part of our strategic and operational decision-making and the development of shadow carbon pricing around key emissions-heavy activity.

Sustainability: TCFD continued

Metrics and Targets



As we evolve our sustainability strategy, we are continually reviewing our metrics and targets to ensure that the data we are measuring is meaningful, aligns with our Strategy for Sustainable Growth, and is providing the information that both our businesses and our stakeholders need to effectively monitor our performance and demonstrate our progress.

We have set a clear ambition to be Net Zero across our own operations (Scope 1 and 2) by 2030 and across our value chain (Scope 3) by 2040 set against a 2020 base year and the 2030 targets accompanying this ambition have been validated by the Science Based Targets initiative against a 1.5°C warming scenario. Further details of our progress against this ambition are set out on pages 48 and 49.

The Group's 2023 Remuneration Policy incorporates specific targets relating to the reduction in Scope 1 and 2 emissions, further details are set out on pages 84 to 104. The 2023 LTIP is granted to all Executive and business leaders and will require a 31.5% reduction in Scope 1 and 2 emissions in the three-year performance period to 31 December 2025 to meet target performance.

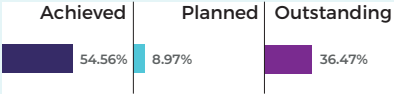
As part of our commitment to transparency in our progress to lower our emissions, we disclose our annual emissions against all relevant categories of Scope 1, 2 and 3. We also obtain limited assurance over Scope 1 and 2 and selected categories of Scope 3. Full disclosure for 2022 and comparative disclosures are set out on pages 50 and 51.

In support of our ambition to reach Net Zero, we have agreed several supporting 'input' metrics which are focusing action across our businesses. We have chosen to retain an intensity-based target for emissions to accurately reflect the increased efficiency of our Group over time. All are measured against a base year of 2020. A summary of cross-industry metrics from TCFD that are relevant to us are set out in the opposite table.



Sustainability: TCFD continued

Metrics and Targets continued

Metric	Measurement	Definition	Risk/Opportunity identified	Our Progress
Electricity	Absolute (MWh)	100% renewable electricity across our operations by 2030.	Transition Risk and Opportunity – Improve energy security and reduce risk of future energy taxes.	22.5% of the Group is now powered by renewable energy. Our progress in the reduction of Scope 1 and 2 (market-based) emissions against the 2020 base target in our Net Zero roadmap is set out below: <div> <div>Achieved</div> <div>Planned</div> <div>Outstanding</div> </div> 
Emissions	Intensity-based (against revenue) (MWh per £m revenue)	Reducing emissions at our manufacturing sites through energy efficiencies by 20% by 2030.	Transition Risk and Opportunity – Improve energy security and reduce energy costs, including risk of carbon taxes.	
Waste	Absolute (tonnes)	Zero waste to landfill by 2030.	Transition Risk – Reduce risk of vulnerability to waste taxes.	We are working to improve the accuracy of our waste data in each location and targeting improvements at material sites.
Supply chain	Absolute (tonnes CO ₂ e)	Reduce Scope 3 procurement emissions through a 60% reduction in raw material-related emissions by 2030.	Transition Risk and Opportunity – Develop sustainability of supply chain and reduce exposure to future carbon taxes.	We are engaging with our supply chain with the support of EcoVadis. This process started with Malvern Panalytical where 43.1% of supplier spend is now reviewed by EcoVadis. In 2023, this programme will extend to HBK and PMS.
Freight	Absolute (tonnes CO ₂ e)	Reduce airfreight (long and short haul) by 50% by 2030.	Transition Risk – Reduce exposure to carbon taxes.	A concentrated programme by procurement teams to move from air freight to ocean freight has resulted in a 24.7% reduction in Category 4 emissions in 2022.
Capital deployment	Pounds sterling	Commitment to spend at least £3 million per annum to deliver our Net Zero ambition.	Transition Risk and Opportunity – Improve energy security and reduce energy costs, including risk of carbon taxes.	In 2022, the Group invested in onsite solar capability at the PMS facility in Switzerland, a programme of externally-led energy efficiency reviews across the Group and numerous upgrades to sites and equipment to improve energy efficiency.
Revenue aligned to Net Zero	Pounds sterling	Revenues from products or services that support the transition to a low-carbon economy.	Transition Opportunity – leverage the Group's products and services to support our customers' transition to a low carbon economy.	We are working to align our sales reporting with relevant revenue streams that support the transition to a low carbon economy.
Remuneration	Absolute reduction in Scope 1 and 2 emissions	Align Group remuneration structures with our Net Zero ambitions.	Transition Risk – Align leadership community with key Net Zero objectives.	The 2023 Remuneration Policy was approved by shareholders in December 2022 and the Group's Long Term Incentive Plan approved under this Policy include an absolute reduction in Scope 1 and 2 emissions. Further details are set out on pages 84 to 104.

Non-financial information statement and index

This statement is made in compliance with the Companies Act 2006 and is intended to provide an understanding of our development, performance and position on key non-financial matters. The table below sets out where information relating to non-financial matters can be located.

Reporting requirement	Some of our relevant policies and standards	Where to find out more information	Page reference
Anti-bribery and corruption	Code of Business Ethics	Ethics and values standards	46, 72, 73, 81
		Culture, integrity and commitment to our values	18 – 19, 44, 72 – 73
		Speak Up and Spectris helpline	46
		Ethical leadership	46
		Principal risk – ‘Compliance’	36 – 37
Business model		Our business model	16 – 17
Environmental matters	Environmental policy	Environmental management	50 – 51
	ISO 14001	Energy performance	50 – 51
		Streamlined Energy and Carbon disclosures	50
		TCFD	52 – 58
		KPI – Energy efficiency	21
Employees	Code of Business Ethics	Fair employment and diversity	44
	Health and Safety policy	Board diversity	75
	OHSAS 18001	Employee engagement and Workforce Engagement Director	43 and 71
		Gender pay	44
	SA 8000 Social Accountability	Health, safety and wellbeing at work	47
		KPI – Accident incidence rate	21 and 47
		Principal risks:	
		– ‘Compliance’	37
		– ‘Talent and capabilities’	38
Human rights	Human Rights policy	Legal and regulatory compliance	46
	Code of Business Ethics	Principal risk – ‘Compliance’	37
Non-financial KPIs		Energy efficiency	21 and 50
		Total recordable incidence rate	21 and 47
Managing our principal risks		Risk Management	34 – 35
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		TCFD (Climate Related Financial Disclosures)	52 – 58
		Viability Statement	39
Social matters		Community involvement	45

The Strategic Report was approved by the Board on 22 February 2023.
By order of the Board

Rebecca Dunn

Head of Corporate Affairs and Company Secretary
22 February 2023

Spectris Foundation

Improving
access to

QUALITY STEM EDUCATION



The Spectris Foundation was established in July 2021 with the mission to give equal opportunities and access to quality STEM education globally. Our grants champion diversity and inclusion and we are actively addressing the gender gap in science, technology, engineering and maths. In addition, the foundation supports charities and communities which are of importance to Spectris staff; and a proportion of funding is set aside to aid these projects.

In order to fulfil our mission we measure the impact the Foundation is making – this report is a reflection of the start of our ambitious journey to remove barriers to quality STEM education.

We believe diversity of thought is critical for a safe and healthy future, and our hope is that our grants will enable a cleaner, healthier and more productive world.

Rebecca Levy
Foundation Director

Total impact

July 2021 to December 2022

Total number of small grants given

30



Read our impact report online
<https://www.spectrisfoundation.com/our-impact>

Total agreed funding

£598,858



80%
goes towards STEM grants to give access to quality STEM education

20%
goes towards local community projects which are meaningful to Spectris employees

UN Sustainable development Goals (SDGs)

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



Sustainability: Spectris Foundation continued

STEM grants

The STEM grant programme delivers large grants, multi-year funding and supports pilot projects whose aim are to improve access to quality STEM education.

Case study

India STEM Foundation

The India STEM Foundation aims to create a world where young people are encouraged to celebrate the fun and excitement of science and technology, and to inspire the next generation of STEM leaders.

With the help of The Spectris Foundation funding, they have transformed an unused room into a science lab for a school in Pune, India, and its surrounding schools.

From September to November the students have completed an electronics class where they learnt to build a LED circuit and have learnt to use a potentiometer.

They are also learning about 3D printing and being taught elements of mechanics. The students will complete an assessment in the middle of November, and move on to learn about digital music patterns in the new year.



Total funding agreed

£485,358

Total number of beneficiaries

21,926

Total number of students reached

21,698

Number of volunteering hours

340

Total number of educators supported

228

Case study

Expedition STEM

Expedition STEM was set up by the explorer Jordan Wylie to engage young people in STEM who may not respond to traditional classroom teaching. The projects led by Expedition STEM build on Jordan's own experiences in the military and his background in exploration – engaging students through adventure.

Expedition STEM are developing materials for both students and teachers aligned to the UK national curriculum. The first module is called The Great British Paddle and material is aimed at Key Stage 2.

In this module, Paula Reid, an adventurer, shares her stories of travel to the South Pole with students.

Another current project, involves the Army Cadets. Jordan Wylie has supported their annual STEM camp where 350 cadets took part in Expedition STEM activities, including; rowers, paddlers, polar skiers, sailors and a world Lego champion taking part and sharing their STEM stories through adventure.



Small grants

The small grants programme focuses on giving to charities and community initiatives which are meaningful to employees of the Spectris Group. Any employee can make a nomination for a grant up to £5,000.

Case study

Saint Francis Hospice – Organic Garden Project

Saint Francis House Hospice supports approximately 2,000 people at any one time with respite care, homecare, sibling support, end of life care and emotional and bereavement support. The hospice was nominated by Alison.

"Having recently lost my father to dementia, Saint Francis Hospice spent the last few weeks before my father's passing caring for him on a daily basis. The respect and dignified care that each person receives allows them to pass in peace and provides comfort to the family. I will be forever grateful for the care that they provided to my father."

The Spectris Foundation are donating £5,000 to help Saint Francis Hospice create an organic garden to promote the benefits nature has on mental health.

The organic garden will provide patients with therapy sessions, social and therapeutic horticulture. This hands-on gardening approach will inspire wellbeing and create an opportunity for socialising between patients, volunteers and staff.

"I really can't put into words what it means to give back so much to a hospice that helped me and my family."

Alison

Employee and daughter of a dementia patient

Total amount donated

£113,500

Total number of small grants donated

30

Small grant recipient locations

- China
- North America
- UK
- Brazil
- Mexico
- Germany

Continuing our strategic progress



As outlined in my letter on pages 4 and 5, macro-economic events have created new challenges for the Group in 2022. My role, and that of the Board, has been to successfully guide our way through these varied challenges, ensuring our continued strategic progress and the maintenance of focus on long-term value creation in support of all our stakeholders.

As a Board, we have also continued to fulfil our other core duties to oversee the Group's governance, culture, financial controls, risk and change management. The Governance section that follows outlines our key activity during 2022.

Board activity

The Board's focus during the year has been to oversee the continued delivery of the Group's strategic objectives and the development of the Group's Strategy for Sustainable Growth. Ahead of the Group's Capital Markets Day in October, the Board undertook a deep dive review of the refreshed strategy with the Executive Committee. We were pleased to endorse the strategy, which builds on the

success of the Group's Strategy for Profitable Growth and will further build long-term sustainable value for all stakeholders.

I have appreciated the opportunity to visit both the HBK site in Darmstadt, Germany and the Malvern Panalytical site in Malvern, UK, meeting directly with employees to see first-hand how our business is transforming and to better appreciate their perspective on the Group's purpose and strategy. During the year, the Board and I have also valued several direct interactions with customers, including a site visit. These direct stakeholder interactions are supporting considered and well-rounded discussions at the Board to promote our long-term sustainable success.

A summary of Board discussions and key stakeholder considerations during the year can be found on page 67. The Company's s.172(1) statement is available on page 5 and further information can be found on pages 68 and 69.

Committee focus

The Board continues to be supported by the work of its Committees, with the following notable highlights during the year:

- The work of the Remuneration Committee in the design of a Remuneration Policy that aligns our executive remuneration structure with the Group's Strategy for Sustainable Growth. The Policy received strong endorsement from shareholders with over 95% of votes in favour of its approval in December 2022;
- The efforts of the Audit and Risk Committee to continually challenge and support the work being carried out by management in respect of the development of the Group's internal control framework in response to expected changes in the requirements for UK Premium Listed Companies; and
- The continued focus of the Nomination Committee on succession planning for the Board and its support of the development of the talent pipeline for Executive and senior management.

I would also like to particularly recognise the work undertaken by Kjersti Wiklund, as our Workforce Engagement Director during the year in visiting sites and meeting with employee representatives outside of scheduled Board visits. The Board and I have found the additional insight brought by Kjersti to be very helpful to our discussions.

Overseeing the development of the Group's culture

The developing culture of the Group has also been a core focus of the Board in 2022. We have taken a keen interest in the development of the Group's employee engagement activity and the initial impact of this work on the Group's employee engagement survey results. Beyond this, we continue to place the health, safety and



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

Mark Williamson
Chairman

wellbeing of our employees at the centre of our decision making and the Board was pleased to approve new Group-wide policies on health and safety and mental health. We also spent time reviewing the Group's inclusion roadmap and we are confident that the actions proposed by management will lead to the meaningful development of the Group's culture of inclusion and belonging. Alongside this work, the Board has also refreshed its own diversity policy and we are pleased to align with the target set out in the FTSE Women Leaders Review to work towards women comprising 40% of the Board by 2025.

2023 Annual General Meeting (AGM)

For the past two years, out of concern for the health and safety of our shareholders, Directors and employees, we have held a hybrid AGM. Our preference has always been to welcome shareholders in person and, for our 2023 AGM, I am pleased to confirm that we will hold a physical meeting at Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL at 3:00pm on Friday 26 May 2023.

We did consider the merits of holding a hybrid event again this year but given the extremely low attendance online, we believe that shareholders value the personal interaction of a face-to-face meeting.

All current Directors will be standing for re-election at the 2023 AGM, and we look forward to the continued support from our shareholders.

Chairman's introduction continued

I welcome the opportunity to meet with our shareholders at the AGM, but would also remind all stakeholders that the Board and I are available throughout the year to answer questions or engage on topics of interest to you.

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

Conclusion

I hope that you will find the information in this report helpful in understanding our approach to governance and how we have applied the principles of the UK Corporate Governance Code. We believe that our organisational structure and governance framework enables our businesses to operate effectively and with the agility to continue to deliver value beyond measure for all our stakeholders.

The Board and I appreciate our interactions with shareholders and welcome your comments on this Corporate Governance Report and on the 2022 Annual Report and Accounts.

Mark Williamson

Chairman
22 February 2023

UK Corporate Governance Code

The 2018 UK Corporate Governance Code (the 'Code') sets out the Company's approach to governance. This table shows where shareholders can evaluate how the Company has applied the principles of the Code and where key content can be found in this report.

Board leadership and Company purpose

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Remuneration

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Corporate Governance Code statement of compliance

As a UK premium listed Company, Spectris plc is expected to comply or explain any non-compliance with the Code, published by the FRC and available on its website, www.frc.org.uk.

The Board considers that the Company complied fully with the provisions and principles as set out in the Code throughout the year ended 31 December 2022, with the exception of Provision 38. In line with the

Code requirements, in instances that are considered not compliant with the provision or principle in the Code, the Company is required to provide an explanation where it has not complied with a provision.

Provision no. 38

Extract from the Code

The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce.

Explanation

Under the 2023 Remuneration Policy, which came into effect on 1 January 2023, the pension entitlement for Executive Directors was aligned to the wider UK workforce, which is currently 10.5%. Following the enactment of the Policy, the Group became fully compliant with the Code on 1 January 2023.

Board of Directors

The right blend of skills and experience



Our directors provide the Board with a broad range of personal strengths, and experience. Each of their contributions support the Company in driving forward with its Strategy for Sustainable Growth, Purpose and Values.



Mark Williamson
Chairman

N

Appointed: May 2017, Nationality: British

Skills and expertise

Mark Williamson is a qualified accountant with a strong financial background combined with considerable managerial experience. He was chief financial officer of International Power plc until 2012 and is experienced in managing relationships with the investor and financial communities. He was also senior independent non-executive director and chairman of the audit committee of Alent plc until December 2021. Mark was chairman of Imperial Brands plc until 1 January 2020 and was also senior independent director of National Grid plc until December 2021.

Other appointments

None.



Andrew Heath
Chief Executive

E D

Appointed: September 2018, Nationality: British

Skills and expertise

Andrew joined the Group as Chief Executive in September 2018, bringing a wide range of executive and leadership expertise to Spectris, with proven experience in technology-enabled businesses and a track record of delivering shareholder value. He previously served as CEO of Imagination Technologies Group plc from 2016 to 2018 and before that was CEO of Alent plc.

Prior to this, Andrew had a 30-year career with Rolls-Royce where he held a number of international and senior management roles, latterly serving as the President of Energy from 2010 to 2015. Andrew has a BSc in engineering from Imperial College London and an MBA from Loughborough University.

Other appointments

None.



Derek Harding
Chief Financial Officer

E D

Appointed: March 2019, Nationality: British

Skills and expertise

Derek joined the group as Chief Financial Officer in March 2019 and brings a wide range of financial leadership and industrial expertise to Spectris. In addition to his responsibility for Group finance operations worldwide, he also leads the operational management of Group Risk; Group Legal; Investor Relations; Group IT and the Group's Capital Allocation process. He most recently served as group finance director at Shop Direct. Derek was CFO at Senior plc from 2013 to 2017 and before that, he was at Wolseley plc for 11 years in a number of financial leadership roles, most recently as finance director of Wolseley UK. He previously held a number of group roles, including group financial controller, director of group strategy and investor relations, and head of mergers and acquisitions. Derek qualified as a chartered accountant with PwC.

Other appointments

Derek was appointed as a non-executive director of The Sage Group plc in March 2021.

Committee membership key

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

Board of Directors continued



Bill Seeger
Senior Independent
Director

A N

Appointed: January 2015, Nationality: American

Skills and expertise

Bill Seeger has significant corporate finance and accounting experience. Bill was group finance director of GKN plc and, prior to that, president and CEO of the propulsion systems and special products division and CFO in the aerospace division of GKN. He spent most of his career at TRW, latterly in senior finance roles, including as vice-president, financial planning and analysis, and vice-president, finance, of TRW Automotive.

Other appointments

Bill is senior independent non-executive director and chair of the remuneration committee of Smiths Group plc, lecturer at UCLA Anderson School of Management and director and a member of audit and compliance committee at ICU Medical Inc.



Cathy Turner
Independent
Non-executive Director

N R

Appointed: September 2019, Nationality: British

Skills and expertise

Cathy Turner is an experienced non-executive director with significant business leadership experience plus a deep knowledge of HR and remuneration matters. Her executive career at Executive Committee level at Barclays PLC has included responsibility for strategy, investor relations, HR, corporate affairs, legal, internal audit, brand and marketing. She was previously a non-executive director at Aldermore Group plc.

Other appointments

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



Kjersti Wiklund
Independent
Non-executive Director
and Workforce
Engagement Director

A N R

Appointed: January 2017, Nationality: Norwegian

Skills and expertise

Kjersti Wiklund brings significant knowledge of the international telecommunications sector. Kjersti has held a series of senior global roles, including: director, group technology operations at Vodafone; chief operating officer of VimpelCom Russia; deputy chief executive officer and chief technology officer of Kyivstar in Ukraine; executive vice-president and chief technology officer of Digi Telecommunications in Malaysia; and executive vice-president and chief information officer at Telenor in Norway. Kjersti was previously a non-executive director of Babcock International Group plc (UK), Trainline plc (UK), Laird plc (UK), Cxense ASA and Fast Search & Transfer ASA (Norway) and Telescience Inc (USA).

Other appointments

Kjersti is a non-executive director at Zegona Communications plc, Nordea Bank Apb and Evelyn Partners.

Committee membership key

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



Ulf Quellmann
Independent
Non-executive
Director

A N R

Appointed: January 2015, Nationality: German

Skills and expertise

Ulf Quellmann has broad general management experience and considerable knowledge of the metals, minerals and mining industry, having worked in the sector for more than 20 years. He was chief executive officer of Turquoise Hill Resources Limited (a company listed on the Toronto and New York Stock Exchanges) until March 2021. Prior to that, he was vice president, strategic projects of the copper and diamonds product group at Rio Tinto plc and, before that, chief financial officer of the copper and diamonds product group. He was also group treasurer from 2008 to 2016. He has held senior positions at Alcan Inc. including vice president, investor relations and media relations, and chief pension investment officer and assistant treasurer, and senior management positions at General Motors, in both the USA and the UK.

Other appointments

None.



Alison Henwood
Independent
Non-executive
Director

A N

Appointed: September 2021, Nationality: British

Skills and expertise

Alison Henwood has broad technical experience in key finance areas including treasury, risk management, internal control and audit across regional, divisional and global functional roles. Until 30 June 2022, Alison was executive vice president of finance, trading and supply at Shell plc ('Shell'), leading finance for the largest energy-trading business in the world. She has held a wide variety of roles across Shell throughout her career, contributing to finance transformation, culture change, digitisation and Shell's move towards zero carbon.

Other appointments

Alison is a member of the supervisory board at Umicore, a global materials technology and recycling group based in Belgium. She is also a non-executive director and audit committee chair at the United Kingdom's Hydrographic Office, a world-leading centre for hydrography, specialising in marine geospatial data to support safe, secure and thriving oceans.



Ravi Gopinath
Independent
Non-executive
Director

N R

Appointed: June 2021, Nationality: Singaporean

Skills and expertise

Ravi Gopinath is a highly experienced business leader, with over 25 years of diverse, global engineering and software experience, with a proven track record in setting up, scaling and transforming high-growth and profitable technology businesses. Ravi is a strategic advisor at AVEVA plc, having previously been chief strategy officer and chief cloud officer, and prior to that executive vice president of the Schneider Electric Software Business which was merged with AVEVA in 2018. He previously held roles at Invensys plc as president, software and president, Asia Pacific, operations management and prior to that, was CEO and managing director of Geometric Limited.

Other appointments

Ravi is a strategic advisor at AVEVA plc and is also a non-executive director at Thermax Ltd.

Board and Executive Committee

Board and Executive Committee structure

The Board and a series of its committees oversee and manage the governance of the Group. These bodies provide a mechanism to approve, review, challenge and monitor the strategies and policies under which the Group operates. The Matters Reserved to the Board, the Committees terms of reference and the role profiles for the Chairman, Chief Executive, Senior Independent Director and Workforce Engagement Director can all be found at www.spectris.com/corporategovernance. The structure and responsibilities of the Board and these management committees, and a summary of their responsibilities, are illustrated in the diagram on this page.









Board and Committee attendance

	Board (scheduled)	Board (ad hoc) ³	Audit and Risk Committee	Nomination Committee	Remuneration Committee	AGM	GM ⁴
Ravi Gopinath	7/8 ¹	4/5 ²	n/a	3/3	4/4	Y	Y
Derek Harding	8/8	5/5	n/a	n/a	n/a	Y	Y
Andrew Heath	8/8	5/5	n/a	n/a	n/a	Y	Y
Alison Henwood	8/8	5/5	3/3	3/3	n/a	Y	Y
Ulf Quellmann	8/8	5/5	3/3	3/3	4/4	Y	Y
Bill Seeger	8/8	5/5	3/3	3/3	n/a	Y	Y
Cathy Turner	8/8	5/5	n/a	3/3	4/4	Y	Y
Kjersti Wiklund	8/8	5/5	3/3	3/3	4/4	Y	Y
Mark Williamson	8/8	5/5	n/a	3/3	n/a	Y	Y

1. Due to the timing of the scheduled Board meeting in October 2022 to approve the Group's Q3 results, Ravi Gopinath was unable to attend. Mr Gopinath received papers and provided his detailed comments to the Chairman ahead of the meeting and feedback was provided on the discussion held at the meeting.
2. Ravi Gopinath was unable to attend due to the meeting being arranged at short notice. Directors who are unable to attend meetings continue to receive the papers in advance of the meeting and have the opportunity to discuss with the relevant Chair or the Company Secretary. Feedback is provided on the decisions taken at the meeting.
3. Five ad hoc meetings were held during 2022 to discuss M&A activity and to host a macro-economic deep dive session.
4. A General Meeting was held in December 2022 to approve the 2023 Remuneration Policy.

Board and Executive Committee continued

Topic	2022 Activities	Stakeholders considered
Strategy	<ul style="list-style-type: none"> Provided challenge and oversight to the development of the Group's Strategy for Sustainable Growth and the medium term financial and non-financial targets that accompanied the strategy. Received updates from the Chief Executive on progress executing the Group's Strategy, including reviews of the market and updates on investor relations. Reviewed progress against the 2021–24 Financial Plan. Carried out detailed strategy reviews of the businesses within the Group. Provided oversight and challenge to the restructure of the Group into the Spectris Scientific and Dynamics Divisions. Received a detailed update on the development of the Group's Sustainability Strategy. 	 <ul style="list-style-type: none"> People Shareholders Community
M&A	<ul style="list-style-type: none"> Received updates on the progress made with the divestment strategy and ensured that the Group's stakeholders were considered during the process. Considered and assessed each of the M&A activities where Board approval was required, including the divestment of Omega Engineering, and the acquisitions of Creoptix, MB connect and Dytran. Received updates on the ongoing M&A activities and the Group's pipeline of opportunities. Oversaw the Group's approach to Oxford Instruments, together with the termination of the transaction due to a deteriorating outlook following Russia's invasion of Ukraine. 	 <ul style="list-style-type: none"> People Customers Shareholders Suppliers and partners
Operations and risk	<ul style="list-style-type: none"> Received presentations from members of the leadership team on health and safety, cyber security and the ethics and compliance programme. Carried out deep dive reviews of a principal risk at each meeting to ensure continued alignment with the strategy, including cyber risk and the strategic transformation risk. Reviewed the Group's takeover defence approach as part of a planned annual review. Carried out in-depth sessions with each Division to discuss strategic direction and risks and opportunities. Reviewed the initial phase of the Group's planned enterprise-wide ERP solution. 	 <ul style="list-style-type: none"> People Customers Shareholders
Leadership and people	<ul style="list-style-type: none"> Received detailed updates from each business within the Group. Continued to focus on employee wellbeing, reviewing the Group's approach to mental health and health and safety. Reviewed the results of employee engagement surveys and continued to develop the role of the Workforce Engagement Director. Reviewed and discussed with management the Group's Inclusion and Belonging roadmap and supporting activity, including the need to implement Group-wide targets. Reviewed the progress of the Group's STEM strategy. Reviewed succession planning for the Board, the Executive and the senior management population. 	 <ul style="list-style-type: none"> People Shareholders
Finance	<ul style="list-style-type: none"> Considered and approved the 2023 budget following review of progress against the 2022 budget. Approved the Annual Report, interim results and full and half year results presentations. Considered and approved the Group's going concern and viability statements. Considered and assessed the efficacy of the Group's capital allocation model, including the approval of a £300 million share buyback and planned M&A expenditure. 	 <ul style="list-style-type: none"> Shareholders Community Suppliers and partners People
Governance and ethics	<ul style="list-style-type: none"> Monitored progress against the evaluation actions from the 2021 internal Board evaluation. Received updates on the Ethics and Compliance programme, including the recent Ethics and Compliance refresher training, associated training modules and monitoring tools. Reviewed and approved the terms of reference for the Board Committees, the Matters Reserved to the Board and Board role profiles. Received updates on ongoing litigation matters, corporate governance and key legal and regulatory topics. 	 <ul style="list-style-type: none"> People Shareholders Community Suppliers and partners

Section 172

Supporting our Section 172(1) statement



Understanding our stakeholders and what matters most to them

The Board has identified the key stakeholders of Spectris and the areas they are interested in about the Spectris Group:



People

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



Customers

Operational strength, ability to meet customer needs, remaining competitive with a strong differentiated value proposition, high-quality instruments and technical expertise and advice, ensuring service levels meet expectations and ensuring that our business practices and supply chain accord with their values.



Suppliers and partners

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



Community

Economic and operational impact of Group businesses on local communities, environmental impact of operations (direct and indirect), demonstrate clear and sustainable policies which support our Values and how these are measured.



Shareholders

Financial performance of the Group, capital distributions, our Strategy for Profitable Growth, long-term viability and ensuring that the Group is a sustainable investment proposition.

Building on our understanding

Bringing the voice of stakeholders into the Boardroom through:

- employee interactions site visits;
- deep dive sessions with the Divisions and their leadership teams;
- meetings with customers;
- regular review of shareholder interactions, including direct feedback from meetings held with shareholders by the Chairman, Executive Directors and Head of Corporate Affairs and feedback from the Group's brokers;
- feedback from the chairman of the Remuneration Committee following the shareholder consultation on the 2023 Remuneration Policy;
- regular and detailed feedback from the engagement activities carried out by the Workforce Engagement Director and,
- contextual feedback from key leaders on the Group's employee engagement survey results.

Considering stakeholders in our meetings and principal decisions

Divestment of Omega

The Board carefully considers the impacts of the divestments on employees, customers and shareholders. In 2022, the Group divested the Omega Engineering business which impacted 635 employees. As part of their considerations, the Board reviewed the potential buyers' intentions for employees, how a sale might impact the service for customers as well as the impact on shareholder value following the divestment for Spectris plc investors. The cultural fit of the buyers involved in the process was also considered. These topics were a key focus during the due diligence stage and management provided regular updates to the Board and the Board provided ongoing challenge and support to management during this process. Following review, it was concluded that the sale to Arcline Investment Management was in the best interests of the Group's stakeholders as a whole, with a particular benefit to revitalising the growth prospects for the Omega business which was in the interests of Omega's employees and

customers. In addition, the divestment improved the financial profile of the Spectris Group as a whole for the benefit of the wider Group's employees, shareholders and customers.

Acquisition of Dytran, Creoptix and MB Connect

In considering the acquisitions of Dytran, Creoptix and MB connect in 2022, the Board gave particular focus to the interests of the Group's shareholders and customers. This included discussing and ensuring that the acquisition was aligned with the Group's strategy to make synergistic acquisitions to build value for shareholders. Management provided regular updates to the Board during the acquisition processes and following completion, these updates highlighted the ways in which stakeholder interests were taken into account, including focused integration planning, tailored communications for employees, customers and other partners. The development of clear integration plans following each acquisition supported the Board's decision making by providing effective support to customers and future employees of the Group.

Supporting employees with the cost of living

In 2022, inflationary pressures and the increased cost of living impacted employees in many locations across the Group. The Remuneration Committee has supported management's approach to supporting employees and reviewed key measures introduced by management to mitigate the impact for key employee groups. Further details are set out in the Remuneration Report on page 84 to 104.

Customer engagement

The Board met directly with two key customers in 2022. Samsung, a customer of PMS attended the Board in May 2022 and provided an overview of the key interaction between the businesses and the wider semi-conductor market landscape. The Board found the perspective very helpful to their ongoing review of the operational performance at PMS and strategic direction.

Section 172 continued

In October, the Board visited the AMG Mercedes site in Stuttgart, Germany. During the visit, Board members saw VI-grade simulators operating in a real customer environment and discussed the customer's perspective on the technology and our customer support model. The visit provided invaluable context for strategic decisions that supported the approval of the Group's Strategy for Sustainable Growth.

Further details of how the Group as a whole has engaged with its customers can be found in the case studies on pages 14 and 15.

Shareholder return

The Board understands the importance of its investment case to shareholders (more details of which are set out on pages 18 and 19). Following the divestment of the Omega business, as well as a strong performance at the end of 2021, the Board considered and approved a £300 million share buyback programme (in addition to the interim and final dividend). The Board recognises the importance of capital returns to our shareholders and were pleased to be in a position to be able to make this decision. The Board also considered that the buyback would not have an adverse impact on any of its other stakeholders, including its ability to invest in organic and inorganic growth, and that it had sufficient cash reserves available for the buyback programme.

2022 Capital Markets Day

During 2022, the Company held a Capital Markets Day for investors to set out the Group's Strategy for Sustainable Growth. The Board provided oversight and challenge to the content and framing of the strategy before publication and reviewed market feedback after the event.

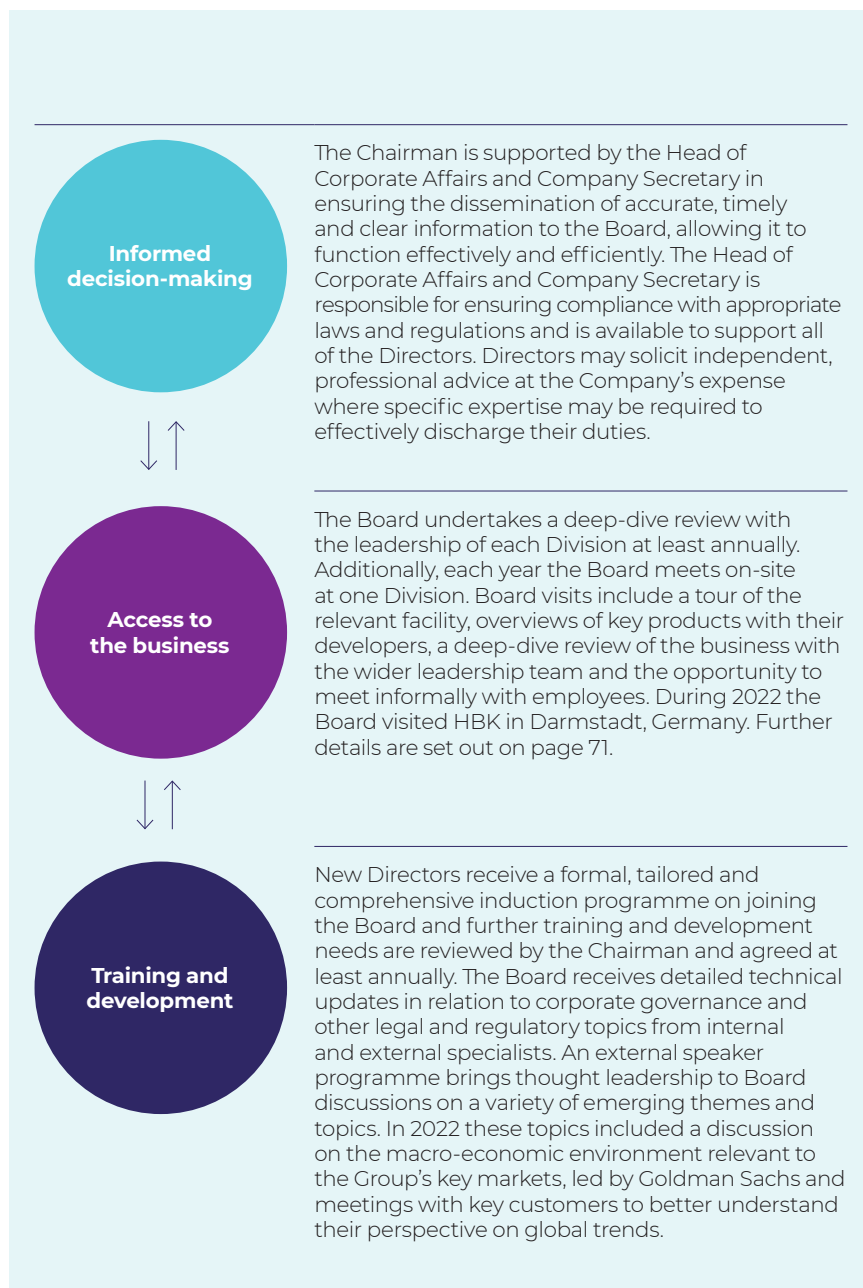
A focused investor day was also held at Malvern Panalytical in Malvern UK in May 2022 to provide a deeper overview of the business and highlight key products, services and markets. Further similar events are planned for 2023.

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

Further information on the ways in which section 172 has become embedded in how the Company operates can be found throughout the report, some of which are indicated below:

s172 factor	Page reference	Relevant section of the report
The long term	pages 2 – 3 pages 18 – 19 pages 16 – 17	Our Purpose Strategy for Sustainable Growth Business model
Employees	pages 42 – 45 page 59 pages 43 and 71 pages 62 – 63 pages 72 – 73	Sustainability Report Non-financial reporting table Workforce engagement Chairman's introduction to governance Oversight of the Group's culture
Business relationships – suppliers and customer	page 11 pages 14 – 15	Chief Executive's Review Case studies
Community and environment	page 13 pages 60 – 61 pages 48 – 49 pages 52 – 58	Chief Executive's Review The Spectris Foundation Net Zero TCFD Report
High standards of business conduct	page 46 pages 72 – 73 page 81 pages 52 – 58	Sustainability Report Monitoring the Group's Culture Audit and Risk Committee Report – Ethics & Compliance TCFD Report
Shareholders	pages 16 – 17 pages 62 – 63 page 67	Our Business Model Chairman's introduction to governance Board and Executive Committee 2022

Board evaluation and effectiveness



The effectiveness of the Board is monitored through annual evaluation

Board evaluation

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

2021 evaluation process and outcomes

In 2021, the Board evaluation was led by the Chairman and included a review of the effectiveness of the Board Committees and individual Directors.

The Board reviewed the findings of the 2021 evaluation at key junctures during 2022 and built actions arising from the evaluation process into the annual Board planner to ensure that progress was made. Key activities undertaken in response to the outcomes of the Board evaluation process included:

- the continued development of the voice of the customer in the Boardroom;
- further development of ongoing interaction between the Board, business management and the wider senior leadership population to further the Board's understanding of the skills and capabilities within the Group;
- build on the role of the Workforce Engagement Director to facilitate broader access to the workforce, including face to face time where possible;

- continued focus on risk management, particularly cumulative risk and risk appetite at Group and Division level, and when considering major decisions/projects;
- consideration of the agendas for Board and Committee meetings to allow for more focused meetings and more open debate;
- build on the Board's overview of the Group's developing culture, with further in-person interaction with high potential employees and the next generation of leaders; and,
- development of a programme of external speakers on a variety of topics in the interest of continued Board development.

2022 Board evaluation process

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

The 2022 evaluation built on the outcomes of the 2021 evaluation and considered the Board's composition, diversity and effectiveness. Each Board Committee was also reviewed as part of the external evaluation process. Initial feedback and recommendations from the external evaluation were presented to the Board for discussion in February 2023 and it was agreed

that key actions would be defined based on that discussion and that those actions would form part of the Board's agenda for 2023.

The Chairman reviewed the performance of each member of the Board and provided feedback and the SID led the Non-executive Directors in a review of the performance of the Chairman. It was agreed that each Director continued to contribute effectively.

Workforce engagement

Workforce engagement activities



The workforce engagement programme supports the UK Corporate Governance Code requirement that the Board should establish a mechanism to have meaningful and regular dialogue with the workforce to capture key insights and bring the employee voice to the boardroom.

Kjersti Wiklund was appointed as the Board's first Workforce Engagement Director in 2019. Kjersti plays an integral role in supporting the links between the workforce and the Board. The Board recognises the importance of having clear lines of communication with the workforce and is pleased with how the role of the Workforce Engagement Director continues to strengthen these links. The open forums led by Kjersti provide employees with the opportunity to express their opinions and have open discussions on topics that are considered important to our employees.

The schedule for 2022 returned to face-to-face meetings, offering the chance for Kjersti to engage with our people at key sites. Four themes as previously presented to the Nomination Committee were used to structure the sessions:

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

Kjersti Wiklund's engagement activities are supported by the Group HR Director and included visits to the UK based sites of Malvern Panalytical and Servomex, as well as the HBK site in Germany. In addition, Ulf Quellmann, visited the PMS site in Boulder, Colorado, with feedback later provided to the Nomination Committee.

Kjersti Wiklund has met regularly with the Group HR Director and members of the HR community to review the development of the Group's employee proposition. The feedback from these discussions in 2022 has been positive and supported wider Board insight into the employee experience. It is intended that the channels of communication between the Board and the workforce will continue to be broadened during 2023 to support further understanding of the employee perspective to inform the Board's decision-making processes.

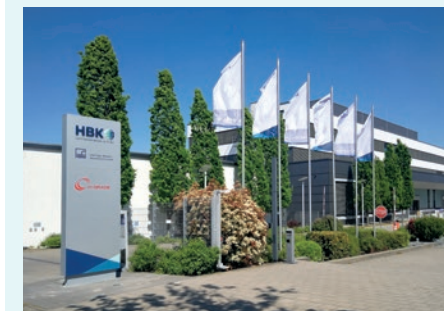
During 2023, it is planned that engagement activity will continue in a similar structure, focused on sites and countries not visited in 2022. Kjersti will continue to provide regular feedback to the Nomination Committee and the Board to support their consideration of topics that impact our people such as inclusion and belonging, diversity, equity, ethics and the Group's 'speak up' arrangements.

Boulder site visit



In April 2022, Ulf Quellmann, visited PMS in Boulder, Colorado with the Group HR Director and undertook Workforce Engagement activities on behalf of Kjersti Wiklund. These activities included meetings with senior management and members of the PMS workforce. A business presentation, site tour, new product development demonstrations and dinner with team were also a part of engagement activities of the day.

Darmstadt site visit



In October 2022, Kjersti Wiklund held Workforce Engagement discussions with a selected group of employees from the HBK workforce based in Darmstadt, Germany. The session focused on the core themes of engagement, leadership, sustainability and diversity and inclusion. Employees were energetic throughout the session, with everyone engaged and actively contributing. The immediate feedback was that our employees appreciated being given the opportunity to express their opinions on current priorities within the business.

Monitoring the Group's culture

Our Purpose and our culture



The Board is committed to maintaining an open and ethical culture at Spectris and believes this is of significant importance to the success of the Group. The Code of Business Ethics and the Spectris Values – Be true, Own it and Aim high – provide the framework within which we expect all employees to operate ethically and with integrity.

Our Purpose is to deliver value beyond measure – going beyond just the measurement. The Spectris Values focus on encouraging the right behaviors to support Our Purpose.

The Spectris Values

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

'Own it' provides a focus on teamwork, keeping our promises and how we build our brands and businesses.

'Aim high' encourages our people to be bold and positive, striving for greater success. This helps support a culture of continuous improvement, keeping an open mind, and helping others succeed.

Together, the Spectris Values support the commitments we make to customers in Our Purpose to enable them to work faster, smarter and more efficiently, encouraging innovation and creating value for wider society. Our products and expertise equip our customers to manufacture and develop new products to make the world cleaner, healthier and more productive.



Read more about Our Purpose
on page 2

Our culture is one of values-based high-performance. We want to deliver and maintain a culture where our people understand their purpose, feel engaged and connected to their work and colleagues recognising the benefit and reward of strong individual and team performance.

Overall, we want our culture to be human; where people deliver high performance in the right way – with consideration for each other, delivering high discretionary effort and a connection to the vision of making the world cleaner, healthier and more productive.



2022 Board highlights

- New group-wide engagement strategy for 2022 and launch of second Group-wide all-employee engagement survey;
- Continued focus on diversity and inclusion with a detailed progress roadmap approved by the Board in October 2022;
- Strengthened our culture and brought to life our Values through the launch of the Group's Ascend leadership programme;
- Continued to empower our people to deliver our Net Zero ambition; and
- Active and considered review of the feedback received from the activities of Kjersti Wiklund as Workforce Engagement Director following the recommencement of in-person site visits.

Monitoring the Group's culture continued

Our Values inspire a culture that enables a bold, high-performing business made great by our people, delivering Value Beyond Measure.

Culture and the Board

To assess the development of the Group's culture, in 2022, we undertook the second Group-wide Gallup employee engagement survey. The Board was pleased to see that 78% of employees participated in the survey in 2022, a 14% increase from 2021. Overall the Board was encouraged by the 3.86 engagement score, which was an increase from the 3.72 in 2021. This improvement reflected the progress of key engagement workstreams and it was reassuring to see the impact of this work on wider employee engagement. As in 2021, we included four questions on ethics, diversity, equity, inclusion and belonging to better understand employee sentiment on our Values and culture. The Board were pleased to see that improvements had been made in the scoring for all areas.

[Read more about the results of the survey](#) on page 43

During 2022, the Board discussed and monitored culture through a number of mechanisms. At the start of the year the Nomination Committee received an update from the Group HR Director, on the global engagement strategy for 2022. Regular updates were also provided on its implementation progress and the associated trends that had arisen during 2021 and 2022.

The Nomination Committee also received an update on the company's culture and the approach being taken to develop it further which included how success would be measured.

An important interactive discussion was also held on diversity, inclusion and belonging and the Group's planned inclusion and belonging roadmap was discussed prior to its launch in October 2022. Feedback was also provided on the planning and execution of the roadmap and discussions were held on how progress could be measured and whether targets would be appropriate. The roadmap focuses on policy, action and communication to openly develop the Group's commitment to fostering a diverse and inclusive workforce with the aim of ensuring that everyone within the Group or considering a career within the Group feels that they belong.

[Read more about the Group Inclusion Framework and Inclusion and Belonging](#) on page 44

During the year, Kjersti Wiklund, as the Board's Workforce Engagement Director, also held planned visits with groups of employees from all levels of the organisation. Four key themes were used to structure the sessions: engagement, leadership, sustainability and diversity and inclusion. Throughout each of the engagement sessions employees remained highly engaged and actively contributed to discussions. Feedback from the visits was reported back to the Nomination Committee, and feedback received has informed the Board's decision-making.

[Read more about these visits](#) on page 71

There are formal and informal channels for all employees to raise concerns, with any significant concerns and insights being shared with the Audit and Risk Committee through the Group Ethics and Compliance Programme. Regular updates on the speak

up programme and reporting from the confidential Spectris Helpline are provided to the Audit and Risk Committee, alongside a formal annual review, including consideration of the remediation actions taken for reports received through the Helpline.

The Audit and Risk Committee also receives an update on the completion rates of the ethics and compliance programme, which includes the Code of Business refresher training which was launch during the year.

Key customers have also continued to be invited to Board meetings, which provides a valuable and unique insight and allows the Board to better oversee and challenge strategies for how we can continue to meet and adapt to our customers' needs.

The Board believes that the mechanisms reported above provide an effective oversight to ensure the culture within the Group remains aligned with the Purpose, strategy and Values of Spectris.

78%

employees participating in Gallup engagement survey in 2022 (2021: 64%)

3.86

Gallup GrandMean employee engagement score (2021: 3.72)



Nomination Committee report

Nomination Committee Report



During 2022, the Committee held three meetings, the attendance of which can be found on page 66. The work of the Nomination Committee has been focused on the Board's composition, succession planning at a Board and Executive level.

The Committee spent considerable time reviewing the skills and capabilities of the current Board and identifying areas of focus for future Non-executive Director recruitment. Recognising the tenure of Ulf Quellmann and Bill Seeger, particular thought was given to their succession and ensuring that the Board would continue to comprise an appropriate mix of skills and experience following their planned retirement. More details on the factors the Committee has taken into account in these discussions is included in the activities section on this page.

In respect of wider succession planning for the Executive and senior management, the Committee continues to receive regular updates from the Chief Executive and the Group HR Director. Good progress has also been made to develop the skills of the leadership community within the Group, including completion of the first Spectris Leadership Development Programme, Ascend. The Committee is pleased with the progress being made in respect of

leadership development across the Group and recognises the need to continually refresh our talent pipeline and is committed to continuing to support the activities being carried out in this area.

The Committee has also noted the increased focus on STEM within the Group and recognises the importance of attracting and retaining talent at an early career stage to ensure an active and diverse pipeline of future leaders. Further details of the Group's STEM activity is set out on page 45.

Diversity and inclusion remains a core focus for the Committee and the Group as a whole. During the year, the Committee provided oversight and challenge to the development of the Group's inclusion and belonging roadmap. We will continue to emphasise the value of inclusivity at all levels of the organisation as we recognise the importance it has to our colleagues, the business and society as a whole.

Mark Williamson

Chairman of the Nomination Committee
22 February 2023

Role of the Committee

The Committee leads the process for Board appointments and makes recommendations to the Board in this regard. In fulfilling this role, the Committee evaluates the balance of skills, experience, independence and knowledge on the Board. The Board values diversity and considers the importance of diversity, in all its forms, when recruiting new Board members. More information on the work being carried out across the Group in respect of diversity and inclusion can be found on page 44. The gender balance of those on the Executive and in senior management roles is set out on page 44. In 2023, the Committee will oversee the extension of the Group's diversity metrics to incorporate race data in countries where this is legally permissible.

The key responsibilities of the Committee are:

- reviewing the size, structure and composition of the Board;
- identifying and nominating and recommending to the Board candidates to be appointed as Directors;
- reviewing and refreshing the membership of Board Committees;
- undertaking succession planning for the Chairman, Executive Directors and senior management;
- carrying out the annual review of the independence of Directors;
- assessing whether Directors are able to commit enough time to discharge their responsibilities; and
- reviewing the induction and training needs of Directors.

Full terms of reference for the Committee can be found at www.spectris.com/corporategovernance.

The Committee's performance was assessed as part of the Board's external evaluation assessment, which was conducted by Lisa Thomas of Independent Board Evaluation. Following the review the Committee is considered to be operating effectively. Further details on the evaluation process are set out on page 70.

Membership and attendees

Throughout 2022, all Non-executive Directors, whilst in office, were members of the Committee. Regular attendees at the meetings also include the Chief Executive and the Group HR Director. Other attendees joined for topical discussions, including the Chief Financial Officer and Head of Corporate Affairs to discuss the Group's approach to inclusion and belonging. The biographies of the members of the Committee can be found on pages 64 and 65 and attendance at Committee meetings on page 66.

Activities of the Committee during 2022

During the year, the Committee's key activities included:

- a deep dive into the talent strategy and priorities being implemented by the Group HR Director as discussed further on page 43 of the Strategic Report;
- an in-depth session on the results from the employee engagement survey;
- consideration of workforce challenges in different jurisdictions in which the Group operates;
- a detailed update on the establishment of the Group's inclusion and belonging roadmap;
- regular updates from the Workforce Engagement Director;
- considering the independence of each Non-executive Director and their time commitments;
- considering Non-executive succession plans, particularly in light of the pending retirement of Ulf Quellmann and Bill Seeger ahead of the 2024 Annual General Meeting ('AGM');
- the annual review of the Board's Skills and Capabilities Matrix; and
- developing a 2022 training programme for the Non-executive Directors.

Nomination Committee Report continued

Succession planning

As part of the development of the Board's succession pipeline, the Committee began to consider succession planning for Ulf Quellmann and Bill Seeger, who would both have served nine years on the Board ahead of the 2024 AGM. In preparing for this succession process, the Committee will consider the skills and capabilities of the Board in addition to the Board's Diversity Policy and use this exercise to guide early discussions with the external recruitment agency, the Lygon Group, in order to put together a long-list of candidates.

In line with the requirements of the UK Corporate Governance Code, the Committee can confirm that there is no further connection between the Lygon Group and the Company or individual Directors. In addition to merit and objective criteria, the Committee is clear that any external search consultancy engaged should also ensure that the selection process followed promotes diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths of the individuals selected.

After considering a shortlist of candidates a recommendation will be put forward to the Board for their consideration. The Committee will take account of matters such as the candidates existing appointments and associated time commitments as well as any actual or potential conflicts prior to recommending their appointment to the Board. The Committee feels that the Board's overall composition has a broad range of skills and experience, with a variety of different lengths of tenures which will provide a good

basis for any short-term succession challenges. The medium-term planning continues as part of the Committee's regular agenda, including the annual review of the skills and capabilities matrix (which not only informs the appointment process, but also the training and development programme for the Board). In respect of the longer-term Board composition, as Board members progress through their tenure, the Committee continues to consider their independence, the role they play within the Boardroom and how it may need to plan for the departure of directors. This includes having clear succession pipelines for the key roles on the Board, as well as the executive director positions.

Workforce engagement

The Committee has continued to receive regular updates from Kjersti Wiklund as the Workforce Engagement Director on the work that was carried out during 2022. With the return in international travel, Kjersti was able to hold in-person meetings with employee representatives in Darmstadt, Malvern and Crowborough. Key topics discussed at the meetings included: engagement, leadership, sustainability and inclusion. In addition to these meetings, Ulf Quellmann visited the PMS site at Boulder, Colorado and undertook employee feedback meetings with feedback later provided to the Committee. Further details of the Workforce Engagement activities undertaken during the year are set out on page 71.

Board Diversity Policy

During the year, the Board's Diversity Policy was carefully considered and reviewed in line with the recommendations issued by the FTSE Women Leaders Review, which sets new targets for FTSE 350 Boards and for FTSE 350 Leadership teams. The new targets increase the overall percentage of women on boards to 40% and require companies to have at least one woman in the Chair or Senior Independent Director role and/or one woman in the Chief Executive or Finance Director role by the end of 2025.

Following a review of the above recommendations, the Board's Diversity Policy was updated to include the target that 40% of the Board be comprised of women by the end of 2025.

Our diversity goals

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

FTSE Women Leaders Review (%)

Target	40
Spectris	33

Target: 40% women by 2025

Parker Review

Target	1
Spectris	1

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



Read our Board Diversity Policy

www.spectris.com/corporategovernance

Nomination Committee Report continued

External appointments and time commitments

External directorships and conflicts of interest are declared by Directors on appointment and are reviewed at least annually by the Nomination Committee. Any external appointments are considered and approved by the Board following careful consideration of the impact on the individual Director's ability to meet the necessary time commitments. Conflicts of interest are recorded and reviewed together with any evidence of situational or transactional conflicts, as well as each Director's shareholding in the Company. This helps to ensure that the judgement of the Board remains uncompromised and independent. The Board considers all Directors have sufficient time to meet their Board responsibilities. Details of the Directors external appointments are included in their biographies on pages 64 and 65.

Director election and re-election

In considering the recommendation of the election and re-election of Directors, the Nomination Committee considers a number of factors. These include:

- the results of the individual evaluation process;
- the tenure and independence of each of the Directors; and
- the other external appointments held by the Directors.

Any potential conflicts of interest are also considered. This review allows the Board to consider any circumstances that are likely to, or could, impair a Non-executive Director's independence. With the support of the Nomination Committee's recommendation the Board has concluded that all Non-executive Directors being recommended for re-election are considered to be independent.



Overboarding scores¹

1 mandates	1
2 mandates	2
3 mandates	4
4 mandates	2
5 mandates	0



Nationality of Directors

British	5
American	1
German	1
Norwegian	1
Singaporean	1



Board tenure

1-3 years	2
3-6 years	1
6 years+	4



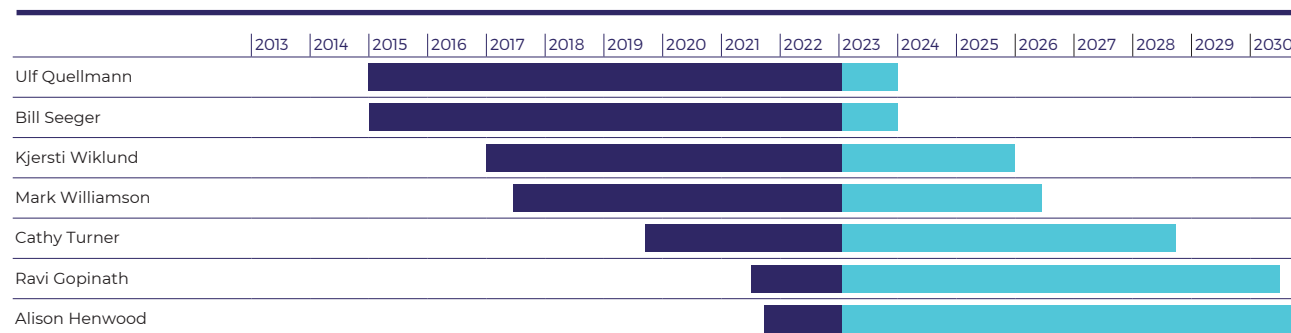
Gender

Male	67%
Female	33%

1. Based on the 2021 ISS Guidance, which classifies any person with more than five mandates at a listed company as being overboarded. A Non-executive Directorship counts as one mandate, a Non-executive chairmanship counts as two mandates and a position as an Executive Director (or comparable role) counts as three mandates.

Non-executive Directors' tenure

The Committee monitors a schedule of the Non-executive Directors' tenure and reviews potential departure dates assuming the relevant Directors are not permitted to serve more than three three-year terms (nine years) from their appointment date, unless in exceptional circumstances (see the chart below).



Audit and Risk Committee Report

Audit and Risk Committee Report



The following report sets out the key activities of the Audit and Risk Committee which have taken place throughout 2022.

The Committee's primary role during the year has been to support the Board in key matters relating to financial reporting, internal controls and risk management. The Committee has also spent time reviewing preparations for changes in the Group's audit and corporate governance processes to reflect the planned changes in internal control regulations for Premium Listed Companies.

A significant focus during 2022 was the oversight of the transition to a fully outsourced internal audit function, led by PwC. The Committee is grateful to the work that PwC have carried out alongside the Head of Internal Audit in managing this transfer and is looking forward to developing their relationship with PwC in 2023. Further details are set out on page 82 of this report.

The Committee has been able to meet in person throughout 2022 and Committee members also attended a site visit to HBK in Germany in October 2022. This visit offered a valuable opportunity to meet key employees within the HBK business and was consolidated by a detailed update from the HBK audit and risk committee in December 2022. Dedicated sessions have

also continued to be held at the Board on the Group's Principal Risks in 2022, including on Talent and Market/Financial Risks.

The Committee as a whole has dedicated time with the external and internal audit teams at each meeting without management present. I have also continued to meet regularly with members of these teams outside the Committee cycle, as well as receiving regular updates from the CFO on accounting judgements and issues, risk and internal controls, and the progress against the internal audit plans.

In 2023, a core focus of the Committee will be the oversight of the impact from the ongoing planned changes and reforms to the governance and audit landscape for Premium Listed Companies and the Group's approach to disclosure against the Taskforce on Climate Related Financial Disclosures, in addition to the oversight of the Group's financial and narrative reporting processes.

Bill Seeger

Chairman of the Audit and Risk Committee
22 February 2023

Role of the Committee

Membership and attendees

During 2022 the Committee was comprised solely of the following independent Non-executive Directors:

- Bill Seeger
- Kjersti Wiklund
- Ulf Quellmann, and
- Alison Henwood

Bill Seeger is determined by the Committee to have 'recent and relevant financial experience' as required by the UK Corporate Governance Code 2018 (the 'Code'). In addition, Alison Henwood, a chartered management accountant, is also determined to have 'recent and relevant financial experience'. All members of the Committee are considered to have competencies that the Board deems relevant to the sectors in which the Company operates.

Attendees at meetings normally include the Chairman, the Chief Executive, the CFO, the Head of Internal Audit, the Head of Risk and Control, and the Head of Corporate Affairs. Representatives from the external auditor, Deloitte, and the internal auditor, PwC, also attend meetings.



Read more about the current members of the Committee on pages 64 and 65. Details of attendance at Committee meetings is set out on page 66.

Role and responsibilities

The Committee supports the Board in fulfilling its responsibilities in respect of:

- overseeing the Company's financial and narrative reporting processes, including advising the Board on the fair, balanced and understandable assessment of the information provided;
- reviewing, challenging and approving significant accounting judgements (see page 121) proposed by management;
- reviewing and monitoring the way in which management ensures and oversees the

adequacy of financial, risk management and internal controls;

- the appointment, remuneration, independence and performance of the Group's external auditor;
- the independence and performance of the Group's internal audit arrangements;
- ensuring that relevant and significant areas of risk management are appropriately considered and addressed; and,
- that additional consideration is given to relevant regulatory developments and emerging best practice.



The full terms of reference setting out the activities of the Audit and Risk Committee Terms of Reference are available at www.spectris.com/corporategovernance

Audit Committee meetings

Three scheduled meetings were held in 2022. Informal discussions on key topics were also held outside of meetings where required. The Committee retains time around each meeting to meet separately without management present and invites the Head of Internal Audit, the PwC internal audit co-source partner and representatives from the external auditor to attend for part of this session.

Significant matters considered during the year

The UK Corporate Governance Code requires, on a comply or explain basis, that the Committee report on the significant matters considered during the year. In 2022, the Committee considers that the most important matters were:

- Continuing to support the preparations in response to the BEIS Consultation document, including receiving updates from the Head of Risk and Control and PwC as well as the views of Deloitte as the external auditor on the enhancements for the internal controls framework;

Audit and Risk Committee Report continued

- Consideration and decisions around the accounting for transactions within the business, including the completion of the Omega divestment in July 2022, as well as the acquisition of Creoptix AG, MB Connect line GmbH and Dytran Instruments, Inc. in 2022; and
- Providing oversight to the transition from a co-source internal audit arrangement to a fully outsourced internal audit function led by PwC.

Annual performance evaluation

During 2022, the Committee's performance was assessed externally as part of the wider Board evaluation process. The review was conducted externally and led by Lisa Thomas of Independent Board Evaluation. As part of the evaluation, Ms. Thomas attended a meeting of the Committee and met individually with each Committee member and key contributors to the Committee including Head of the Internal Audit outsource arrangement and the External Audit partner. During the year, it was considered that the Committee had operated effectively, with further consideration to be given to holding an additional Committee meeting each year, bringing the total scheduled meetings to four. More details on the Board evaluation process can be found on page 70.

Activities of the Committee during 2022

The Committee has an annual forward agenda developed from its terms of reference. Standing items are considered at each meeting, in addition to any specific matters arising, and topical business or financial items on which the Committee has chosen to focus. The work of the Committee in 2022 was principally split into four key areas:

- Accounting, tax and financial reporting;
- Risk management and internal controls;
- Internal audit; and
- External audit.

These topics are regularly considered in conjunction with each other given the importance of each element operating cohesively. For clarity of reporting, details of the Committee's involvement in each of these areas is set out separately below.

Accounting, tax and financial reporting

The Committee plays an integral role in providing assurance to the Board around the integrity of the half-year and annual Financial Statements and the associated significant financial reporting judgements, estimates and disclosures. During 2022, as part of its review of the half-year and annual financial statements, the Committee has:

- considered the viability assessment and scenarios, liquidity risk and the basis for preparing the half-year and annual Financial Statements on a going concern basis, and reviewed the related disclosures in the Annual Report and Accounts, the provisions of the Code regarding going concern and viability statements and reviewed best practice and investor comment;
- reviewed the areas of key judgements such as revenue recognition, the Vendor Loan Note and Eurazeo investment (as part of the consideration for the sale of Millbrook), and other acquisitions and disposals;
- reviewed the areas of key judgements in respect of the Omega disposal and the acquisitions of Dytran, MB connect, and Creoptix;
- reviewed the overall drafting and review processes to assure the integrity of the Annual Report and Accounts;
- reviewed the management representation letter to Deloitte as the external auditor and the findings and opinions of the external auditor;

- considered the process designed to ensure Deloitte is aware of all 'relevant audit information', as required by Sections 418 and 419 of the Companies Act 2006;
- assessed the disclosures in the reports in relation to internal controls and the work of the Committee; and
- reviewed the proposed update to the Group's tax strategy.

The Committee also carries out a regular review of the Group's ongoing litigation matters and associated provisions.

Having reviewed and considered these key areas, and following their review of the process undertaken to ensure that the Annual Report and Accounts adhered to relevant legal and regulatory requirements, the Committee was able to recommend to the Board that, when taken as a whole, the Annual Report and Accounts is fair, balanced and understandable and contains all relevant information necessary for shareholders to assess the Company's position and performance, business model and strategy.



"The Committee plays a key role in supporting the Board in providing oversight of the Group's financial reporting, internal controls and risk management processes. During the year, a particular focus of the Committee was the oversight of enhancements to the Group's internal controls framework. The Committee looks forward to further supporting management with this and other matters throughout 2023."

Bill Seeger

Chairman of the Audit and Risk Committee

Audit and Risk Committee Report continued

Key areas of focus in relation to the Financial Statements

The Committee has reviewed the key judgements applied to the following significant issues in the preparation of the Financial Statements. The table below sets out the issue, its significance, how the Committee considered it and any comments and conclusions reached.

Revised segmental reporting

Issues and significance

The Group announced a new divisional structure at the Capital Markets Day held in October 2022 based on a redefinition of its operating segments and reportable operating segments in accordance with IFRS 8. The new segmental platform structure reflects the current internal reporting provided to the Chief Operating Decision Maker (considered to be the Board) on a regular basis to assist in making decisions on capital allocated to each segment and to assess performance. The structure includes separate reportable operating segment disclosures for the two major Divisions: Spectris Scientific, containing Malvern Panalytical and Particle Measuring Systems, and Spectris Dynamics, containing HBK. As Spectris Scientific and Spectris Dynamics form more than 75% of the Group's total revenue, operating profit and assets, the results of the remaining businesses (Red Lion Controls and Servomex) will be presented in aggregate in 'Other'. The central costs of running the PLC will be disclosed as 'Group costs'.

The role of the Committee

The Committee discussed the proposal in accordance with IFRS 8 including the manner in which the Group operates and decisions are taken and considered the potential inference to the Group of having 'Other' as a non-reportable operating segment. The Committee also sought views from Deloitte.

Comments and conclusions

The Committee concluded that the new divisional structure is appropriate and will provide clarity to the understanding of the Group from its stakeholders. The Committee was comfortable that the new reportable segments were appropriate and presented in accordance with IFRS 8.

Alternative performance measures ('APMs')

Issues and significance

The Group continues to monitor and consider whether the items included as APMs are adjusting in accordance with the Group's policies. There are several new APMs presented in the 2022 Annual Report all added to provide clarity and context to the financial performance of the Group. The new APM's added in 2022 are not adjusting existing statutory measures, but are added to provide clarity as these cannot be derived from the reported accounts (adjusted gross profit, adjusted gross margin, LFL adjusted overheads, order intake, order book and vitality index).

Furthermore, one existing APM definition 'fair value through profit and loss movements on equity investments', has been amended to 'fair value through profit and loss movements on debt and equity investments' to allow use in respect of the revaluation of a debt instrument added in the prior year.

The role of the Committee

The Committee received and considered the proposed APM rewording and revised list of APMs.

Comments and conclusions

The Committee has recognised the need for the additional APM's and supports that these add clarity to the understanding of the Company's financial performance. The Committee reviewed and concluded that the relative prominence of statutory measures compared to APMs is balanced.

Estimation, uncertainty and judgement

Issues and significance

During the year, the Committee received reports and recommendations from management to consider the significant accounting issues, estimates and judgements applicable to the Group's Financial Statements and disclosures.

The key risks of estimation disclosed in the Group's 2022 Financial Statements are in relation to the assumptions applied in the calculation of retirement benefit plan liabilities (Note 19).

The role of the Committee

The Committee received confirmation from management that they were not aware of any material or immaterial misstatements made intentionally to achieve a particular presentation.

The Committee considered the appropriateness of disclosures and sensitivities with respect to the turbulent macro-economic environment particularly around risk factors and their impact on discount rates.

The Committee reviewed and challenged presentations by management and also questioned Deloitte to understand whether the external auditor had, to the Committee's satisfaction, fulfilled its responsibilities with diligence and professional scepticism and in a sufficiently robust manner.

Comments and conclusions

Following detailed review, challenging the presentations and reports from management and where necessary, consulting with the external auditor, the Committee is satisfied that the Financial Statements appropriately address critical judgements and key estimates (both in respect of the amounts reported and the disclosures).

M&A Activity

Issues and significance

The Omega reportable operating segment was disposed of during the year. Due to the size and significance of the business it was determined that the Omega business should be treated as a discontinued operation. This resulted in the Consolidated Income Statement being restated on a continuing operations basis, with the financial results of Omega being disclosed as discontinued operations in the Consolidated Income Statement and associated key financial metrics for both current and prior year comparatives in the 2022 Annual Report and Consolidated Financial Statements.

During the year, the Group entered into a 50:50 joint arrangement known as 'Blueberry', to accelerate aspects of R&D within the Spectris Dynamics Division. Although immaterial in size, Blueberry was presented as it is the first time that such an arrangement has been agreed, and the accounting principles are new to the Group. The arrangement is designed to ensure that the parties sharing joint control and the liabilities of the arrangement are satisfied by cash flows received from both parties. It has been determined that the entity will be accounted for as a joint operation in accordance with IFRS 11.

The accounting implications of all the above were presented for review.

The role of the Committee

The Committee reviewed the papers provided to the Board and considered the relevant accounting judgements for the transactions in question. Opinions were sought from Deloitte.

Comments and conclusions

Following the Committee's review of the accounting treatments proposed by management for the acquisitions and disposal that took place within the year, the Committee was satisfied that the treatments used were appropriate for each transaction.

Principal Risks and Uncertainties

Issues and significance

During 2022, management reassessed the appropriateness of the Group's existing Principal Risks and considered any additional or emerging risks that might need to be included. As a result of this reassessment no changes were proposed to the existing categories of Group Principal Risk and no new emerging risks were identified for inclusion.

The role of the Committee

The Committee reviewed this process during its December 2022 and February 2023 meetings and considered the appropriate disclosure for the Principal Risks and Uncertainties section and Viability Statement within the Annual Report.

Comments and conclusions

The Committee endorsed the revised assessment of the Group's Principal Risks, and the respective scenarios considered in the preparation of the Viability Statement.

Going Concern and Viability

Issues and significance

Management presented the Committee with an updated calculation of going concern and an assessment of the viability of the Group over a five-year period. This included revised forecasts including using the 2023 Budget, and the latest Strategic Plan which looked forward to 2027.

The role of the Committee

The Committee reviewed the papers received from management in respect of the assessment of both going concern and viability and challenged the assumptions made by management in their assessment.

The views of the external auditor were also sought to provide context and further challenge to the assumptions in the papers.

Comments and conclusions

The Committee concluded that, given the cash profile and strength of the financial forecast, the position of the Group remained strong and that the financial statements could continue to be prepared on a going concern basis. The Committee also concluded, based on the outcomes of the viability assessment, that it is reasonable to expect that the Group would be able to continue to operate and meet its obligations and liabilities as they fall due over the period to 31 December 2027.

Audit and Risk Committee Report continued

Risk management and internal controls

Internal control and risk management systems

To assist the Board with its responsibilities to effectively determine the nature and extent of the Group's significant risks, the Committee carries out a robust annual assessment of the principal risks and uncertainties facing the Group. The Board remains ultimately responsible for monitoring the risk management and internal controls systems which mitigate potential impacts on shareholder investments and the Company's assets, and for reviewing the effectiveness of those systems. Before reporting its findings and recommendations to the Board, the Committee ensure that its responsibilities as set out in its Terms of Reference (available at www.spectris.com) are adequately met. This includes:

- evaluating and challenging the results and recommendations of audits undertaken by the internal audit team and the external auditor;
- considering the level of alignment between the Company's Principal Risks and internal audit programme;
- reviewing reports received on significant control issues to the Group and considering and challenging as necessary the adequacy of management's response to any matters raised;
- has oversight of the governance and risk management framework, including a definition of risk appetite by risk category and principal risk, put in place throughout the Group;
- appraising the Group's response to information security and data protection risks;
- considering key emerging risks and management's approach to the ongoing oversight and management of those risks;
- considering the Group's ethics programme and the anti-bribery and corruption programme;

- considering common control themes identified throughout the business and where themes are identified, ensures that subsequent action has been taken to minimise the risk; and
- assessing the Group's responsibilities relating to regulated exposures of the Group.

Regular meetings were held between the Head of Internal Audit and the Audit and Risk Committee Chairman, who also held discussions with the Head of Risk and Control.

Throughout 2022, the Committee has continued to receive and review risk management updates from the businesses by way of reporting from the operating business audit and risk committee chairmen. Updates on the business audit and risk committees will remain as a standing item on its agenda for future meetings.

The Committee's primary responsibility in respect of risk management and internal controls systems is to review their effectiveness and to make recommendations for possible improvements as appropriate. The Board notes that, as with all such systems, the Group's approach to risk management and internal controls is designed to manage, rather than eliminate the risk of failure to achieve business objectives and can therefore not provide absolute assurance against material misstatement or loss.

Preparation for changes in audit and governance reform

Developments and enhancements have continued to be made to the internal control and risk management processes in 2022, further details of which are set out below. This has been largely in response to the proposals set out in the BEIS consultation regarding a strengthened internal-controls reporting framework. The timing for the proposed reform within the consultation has not yet been defined, nonetheless the Committee has been pleased with the enhancements being made to the Group's internal control and risk management framework. This work has included:

- monthly steering committee meetings and an agreed project charter, as well as coordination with the platform risk committees to track and monitor progress;
- a detailed gap analysis of critical controls and agreed remediation actions;
- ongoing work alongside the improvements being undertaken as part of a business-wide transformation project on the IT general controls environment;
- identified a group governance, risk and compliance tracker to provide clearer ways of tracking, testing and evidencing internal controls;
- defined a target operating model for risk, control and internal audit which will be further refined subject to any future guidance from the UK Government;
- regular updates to the Committee from the Head of Risk and Control as well as routine updates from the platform audit and risk committees; and
- a detailed update at each meeting on the progress being made to enhance the internal controls framework.

The Committee will continue to receive regular updates and engage closely with management on any changes that might benefit the Group's existing approach to internal controls and to ensure compliance with legislation and best practice as they are updated.

Throughout the year, the Committee has monitored the Group's internal control and risk management systems and at its meeting in February, specifically reviewed the effectiveness of these.

Key areas of focus for 2023

- Work alongside the business transformation project to embed risk and internal controls within the business systems in place across the Group.
- Enhance the risk-based approach taken to considering other controls improvement work, specifically for financial, operational and compliance controls.
- Implement and launch the Group governance, risk and compliance tracker, including the introduction of training in the

use of the tracker and general controls awareness.

- Refine the target operating model for risk, control and internal audit and leveraging the Group governance, risk and compliance tracker.

The ongoing work to further enhance internal controls will lead to better assurance, efficiencies through opportunities to formalise and automate controls and better quality of information for decision making purposes.

Ethics & Compliance and the Spectris Confidential Helpline

The Committee receives updates on any reports raised through the Group's independent and confidential helpline, and the status of associated investigations (further details of the Group's Speak-Up policy can be found on page 46). The Committee also reviews the control procedures in place to comply with the Group's policies on business ethics, anti-bribery, compliance and fraud, including the steps being taken to enhance the Group's ethics and compliance programme.

Viability Statement

The Committee reviewed the preparation of the 2022 Viability Statement and considered the following factors which could impact the duration over which the Viability Statement is made:

- budgeting, forecasting and strategic planning cycles;
- the time frame over which are risks are assessed;
- the approach taken by our peers; and
- proposed changes in corporate reporting requirements regarding long-term resilience.

The Committee remains of the view that the statement made regarding the Company's viability period continues to be an accurate assessment of the Company's viability as at the date of the report. The Viability Statement can be found on page 39.

Audit and Risk Committee Report continued

Internal audit

The purpose of internal audit is to provide independent, objective assurance to add value and improve the Group's operations. Its responsibilities include assessing the key risks of the organisation and examining, evaluating and reporting on the adequacy and effectiveness of the systems of internal control and risk management in place, and the governance processes in operation throughout the Group.

During 2022, the Internal Audit function was led by the Head of Internal Audit, and supported through a co-source relationship with PwC, with oversight provided by the Committee. The Committee is required to provide assurance to the Board on the adequacy of the resourcing and internal audit planning. It is also responsible for monitoring the effectiveness of the internal audit function.

During 2022, the co-source arrangement with PwC operated smoothly, with positive progress made with ways of working, external quality assessment ('EQA') recommendation activities, risk assurances and subsequent reporting. Due to the success of the programme and to better support the new divisional structure of Spectris Scientific and Spectris Dynamics, the decision was made to fully outsource the internal audit function, with the intention being to better utilise the capability and flexibility of PwC, while continuing to embed third-line activities directly into the business. The internal audit plan and approach will then be tailored to the respective needs of each business.

Internal audit planning

During 2022, the internal audit team has increasingly been able to return to in-person audits, albeit this remains challenging in some jurisdictions. The outsource arrangement with PwC has supported the businesses in these instances, allowing for remote and guest auditors to support the work being carried out. This has continued to support the provision of effective assurance during 2022.

The Committee has received regular reports from the Head of Internal Audit regarding the status of the internal audit plan and the reports generated from these audits. The majority of actions raised as part of the 2022 internal audit plan had been implemented to schedule, with the remaining actions clearly owned and progressing with management.

At its final meeting in 2022, the Committee also considered the internal audit programme for 2023. The plan was developed using a risk-based approach and has taken into consideration the organisational objectives and priorities, as well as possible risks that may prevent the achievement of those objectives. Internal audit will continue to work closely with the risk and control function on the development of the 2023 internal audit plan. The Committee was pleased to approve the 2023 internal audit plan and was reassured by the integration plan in place to embed PwC as the outsourced internal audit function. The Committee will continue to be updated at each session on the progress against the plan as well as receiving updates on the outcomes of these audits and how promptly actions have been addressed.

Effectiveness of internal audit

As part of its consideration of the effectiveness of the internal audit function, the Committee considered the adequacy of resources and its ability to meet the scope of the internal audit programme. Whilst the Committee recognised the success of the co-source arrangement put in place with PwC and continued this to be effective, the benefits identified to introduce a fully outsourced arrangement were also noted.

The Committee confirms that it viewed the co-source internal audit function in place throughout 2022 as operating effectively and looks forward to working closely with PwC as part of a fully-outsourced arrangement to continue to develop and improve the assurance provided by a strong internal audit function.

Business audit and risk committees

In each of its meetings during the year the Committee received an update from one of the businesses in respect of topics discussed by that business's audit and risk committee. These business audit and risk committees, which meet quarterly and are chaired by the business unit CFOs, provide the opportunity for each business to consider actions from internal audit reports, to discuss business risk registers and to receive an ethics and compliance update from the Chief Ethics and Compliance Officer. The Committee was informed about the process by which the business audit and risk committees support the existing internal audit and risk management framework and received assurance on the ways in which businesses track and monitor risk within their functions.

External auditor

One of the Committee's key responsibilities is to manage the relationship with the Group's external auditor on behalf of the Board.

Deloitte LLP was appointed as the Company's auditor in 2016, with effect from 1 January 2017, following a competitive tender process, and has now completed its sixth year as auditor. Andrew Bond has held the role of lead audit partner since March 2019.

2022 External audit process

The external audit for the financial year ended 31 December 2022 has once again, been carried out with a combination of remote and in-person work. Document repository sites have continued to be utilised as an effective way of reviewing documentation to support the audit. The Committee receives regular reports from Deloitte at its meetings and management and the Chairman of the Committee maintain an ongoing dialogue with the external audit team outside of the usual meeting cycle. This has provided comfort to the Committee on the steps that have been put in place to ensure that there was no adverse effect on the quality or the timescale for the completion of the audit of the financial statements. The Committee has also:

- considered and approved the audit approach, the scope of the audit undertaken by Deloitte as external auditor and the fees for the same;
- agreed reporting materiality thresholds;
- reviewed reports on audit findings; and
- considered and approved letters of representation issued to Deloitte.

Audit and Risk Committee Report continued

Audit and non-audit fees

The engagement letter for the audit of the 2022 Financial Statements was reviewed by the Committee, and, in accordance with the authority given to the Committee at the 2022 AGM, the Committee reviewed the proposed remuneration of Deloitte. The Committee considered the proposed auditor's remuneration to be appropriate.

The Committee believes that non-audit work may only be undertaken by the external auditor in limited circumstances. A cumulative annual cap is imposed for non-audit services provided by our external auditor (save for acquisition due diligence), above which all engagements are subject to the Committee's prior approval.

The Committee's non-audit services policy is available at www.spectris.com/corporategovernance and is used to safeguard Deloitte's independence and objectivity. Non-audit fees for services provided by Deloitte for the year amounted to £0.2 million (11% of the total audit fee). As in previous years, a proportion of these fees were in respect of the half-year review. In addition, non-audit services in the year included the engagement of Deloitte to provide assurance on the data collation and calculations used to meet the requirements to report on the Group's environmental impacts. Non-audit services in the year also included the reporting accountant role performed by Deloitte in respect of the unsuccessful acquisition of a UK publicly listed company. Deloitte was considered best placed to support the Company in this role as a result of its unique knowledge of the Group, having considered the threats to auditor independence including non-audit service fee caps for the Group and the UK. Further details are included in Note 4 to the Consolidated Financial Statements.

The Committee considered the engagement of Deloitte and was comfortable Deloitte was best placed to support the Company as a result of its unique knowledge of the Group and that none adversely impacted the independence of the external auditor nor were they considered out of line with the Group's Policy on Non-Audit Services. Further details are included in Note 4 to the Financial Statements.

Effectiveness of the external auditor

During the year, the Committee carried out the annual effectiveness review of the external auditor. The findings of this review were reported in detail to the Board. The review process included:

- considering the independence of Deloitte;
- the Deloitte Audit Quality Inspection Report;
- non-audit work undertaken by the external auditor;
- feedback from a survey targeted at various stakeholders; and
- the Committee's own assessment.

There were no significant findings following the review and it was concluded that the audit process continued to be effective.

Deloitte's audit of the Group's 31 December 2021 year end was selected for review by the FRC's AQR team as part of the 2022/2023 inspection cycle. The Audit Committee Chair met with the AQR team as part of the process and was kept up to date by Deloitte as the review progressed. The review has now completed, receiving a minor improvements required, with the Chair of the Audit Committee receiving a copy of the findings. Having considered the results of the review, the actions taken by Deloitte to continue to enhance audit quality, and following the Committee's own assessment of the performance, independence and effectiveness of Deloitte, the Committee is satisfied that Deloitte continues to remain effective in its role as external auditor.

External auditor reappointment

Following the Committee's consideration of the effectiveness of Deloitte as the Company's external auditor, it is proposed that Deloitte be reappointed as auditor of the Company at the next AGM in May 2023 and, if so reappointed, that it will hold office until the conclusion of the next general meeting of the Company at which accounts are laid. Further details are set out in the Notice of Meeting, which is available at: www.spectris.com/AnnualGeneralMeeting

Deloitte was appointed as the Group's external auditor for the 2017 audit following a formal tender process and their reappointment was last approved by shareholders at the 2022 AGM. During the year, the Committee reviewed the arrangements with the current external auditor and considered whether it was appropriate to initiate a tender process. The Committee noted that given the knowledge and standard of services provided by Deloitte that it would be in the best interests of the Company and its stakeholders for Deloitte to continue as auditor. It is the Committee's present intention to initiate a competitive tender process for the external auditor in 2026.

The Group will continue the practice of the rotation of the key audit engagement partner at least every five years, with all other partners and senior management required to rotate at least every seven years. The independent external auditor's report to shareholders is set out on pages 109 to 115.

As detailed above, the Company complied with the Statutory Audit Services Order 2014 throughout 2022.

Directors' Remuneration Report

Remuneration Committee Chairman's statement



On behalf of the Remuneration Committee ('the Committee'), I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2022. This statement sets out the work of the Committee during the year and provides context for the decisions taken.

The macro-economic backdrop of 2022 has been challenging with the ongoing impact of the pandemic and increasing inflation. Despite these challenges, the Group has performed strongly, delivering a confident in-year performance, making significant progress against key strategic objectives and communicating ambitious strategic priorities for the coming years. Against this backdrop, the Committee has focused on ensuring that our employees are supported during this challenging time and that their reward has been managed responsibly and fairly.

This report provides a comprehensive picture of the structure and scale of our remuneration framework, its alignment with both the Group's strategy and the wider workforce framework. Additionally, it sets out the decisions made by the Committee for 2022 and the intended arrangements for 2023.

2023 Remuneration Policy

We appreciated shareholder support and approval of the Group's Remuneration Policy (the 'Policy') at the General Meeting in December 2022. I would like to thank our

shareholders for engaging with us and providing feedback. The Policy received over 95% of votes in favour and came into effect on 1 January 2023.

The Committee and I are confident that the Policy provides a balance between motivating and challenging our Executive Directors and senior management to deliver our business priorities and to drive the long-term sustainable success of the Group in the interests of all our stakeholders.

2022 Remuneration

Wider employee pay arrangements

Following the easing of travel restrictions, I was pleased to meet directly with employees at several facilities during the year and hear their thoughts on pay as well as broader employee interests. The Committee continues to receive, and welcome, regular and detailed updates during the year relating to the Group's wider pay arrangements and in particular the measures being taken across the Group to counter the cost-of-living challenge. Key actions discussed with the Committee included:

- Salary increases of 7.5% to the lowest paid employees at Red Lion Controls;
- Restructuring pay at PMS over a two-year period, including increases of 15% to the lowest paid employees, with profit related bonuses also introduced for the lowest paid employees; and
- A £500 cost of living payment by Malvern Panalytical to those UK employees earning less than £35,000 per annum in December

2022 and accelerating the 2023 pay increases for the lowest paid workers.

The Committee also approved an increase in company pension contributions for all UK employees to 10.5% (from 6%) to create pension parity across our business as part of the 2023 Remuneration Policy.

I look forward to continuing the direct conversations with employees during 2023 to ensure we continue to listen, review and ensure that appropriate support is directed to those most impacted.

Executive Director salary increases

In 2022, the Committee recommended a two-year structured increase in Andrew Heath's salary with a 9% increase in 2022 and a further 9% increase in 2023. These phased increases were to enable his salary to reach market median. We received support for this approach at the 2022 AGM and implemented in April 2022. The Committee sought to mitigate concerns around a single large salary increase by implementing the increase across 2022 and 2023. This approach smoothed the impact of the salary change and provided the Committee with a point of review before implementing the second increase.

The Committee are cognisant of the changes in the macro-economic environment since this initial recommendation and the ongoing sensitivity around material salary increases. Following careful consideration of many factors, both internal and external, we unanimously agreed that implementing the second part of the prior commitment was appropriate and best serves the interests of the organisation. Further detail around the thinking behind this decision is provided below.

We have considered the Group's performance under Andrew Heath's leadership. Andrew has now led the Group as Chief Executive for over four years. In that time, the Group has achieved a total shareholder return of 41.8%, a share price increase of 27.5% and the Group now has a market capitalisation of £3.1 billion¹. The Committee recognises that Andrew's current salary remains below the median

against his peer group and continue to feel that this is not commensurate or reflective of his vital role in the ongoing transformation of the Group into a more focused, higher quality, more profitable and more resilient business, supported by a very strong balance sheet.

The Committee also believes that the base salary of our Executive Directors should be positioned appropriately to secure the continuity of our management team, avoid salary compression below Board level and support long term succession planning. It is possible, given the inflation level, that Andrew's salary post this increase will fall behind the targeted market median. The Committee discussed and acknowledged this possibility but feel comfortable, notwithstanding this risk, that his total compensation is now well aligned with the market.

This increase will bring Andrew Heath's salary to £750,000, which will place his salary arrangement at the median of the FTSE 50-150 peer group. The impact on the Chief Executive's total remuneration will be to position it just ahead of median vs the same peer group. It is expected that any future salary increase awarded to the Chief Executive would be no higher than those awarded to the wider workforce.

The Committee reviewed wider pay arrangements across the Group and the Executive Management team for 2023. Based on this review, the Committee agreed that Derek Harding's salary is set at a competitive level against external benchmarks and his proposed salary increase is 5% which is aligned to the wider employee population.

2022 Annual bonus outcome

The Group's performance in 2022 was strong, with increases in both like-for-like sales and profit. The Group achieved a 17% increase in adjusted operating profit and a 26% increase in adjusted earnings per share see page 165. This contributed to bonus outcomes for 2022 of 78.4% of the maximum bonus opportunity for Andrew Heath and 79.0% of the maximum

1. As at 31 December 2022.

Directors' Remuneration Report continued

bonus opportunity for Derek Harding. A number of mechanical adjustments have been made to the annual bonus targets and final outcome to appropriately, and in line with plan rules, reflect the acquisition and disposal of companies throughout the year. This approach is consistent with prior years and ensures the bonus outcome accurately reflects the underlying performance of the business. In accordance with the Policy, 50% of any outturn from the bonus will be deferred into shares. No discretion has been applied to the 2022 annual bonus outcome.



Full details of the 2022 annual bonus performance outcome are set out on page 89.

2022 LTIP grant

In March 2022, the Committee granted awards under the Long Term Incentive Plan to both Executive Directors in line with the Group's Remuneration Policy.

2020 – 2022 LTIP outcome

Both Executive Directors were granted a Long Term Incentive Plan Award in March 2020 that will vest at 65% of the total maximum opportunity on 25 March 2023 and is thereafter subject to a further two-year holding period.

EPS and ROGCE performance has been strong over the performance period and this has resulted in a total confirmed outturn of 91% of the base award.

However, based on interim results as at 31 December 2022, the TSR performance-related multiplier did not meet the threshold performance targets for absolute TSR, despite the very strong relative TSR performance against the peer group during the period. This element of the award is therefore not expected to payout (the final measurement of TSR will be at 24 March 2023). This demonstrates the high level of stretch that is built into the TSR component of the LTIP.

No discretion has been applied to the 2020 LTIP outcome. Please see the next sections for

details of how the Committee assessed whether windfall gains were in evidence. Full details of the estimated 2020 LTIP performance outcome are set out on pages 92 and 93.

Review of windfall gains

Given the level of market volatility at the start of 2020, the Committee committed to reviewing the vesting outcome of the 2020 LTIP to ensure that the final payout did not include a windfall gain. After meaningful deliberation, the Committee concluded that a discretionary adjustment to the 2020 LTIP outturn would not be appropriate. The key factors informing the Committee decision were:

- The 2020 LTIP grant share price was 16% lower than the 2019 LTIP grant which is below the 20% threshold identified by some shareholders as the point at which an adjustment would be appropriate.
- The overall vesting of the 2020 LTIP at 65% of the maximum opportunity is considered moderate in the context of the strong performance of the business over the performance period and does not result in excessive value being delivered to participants.

The share price performance has been strong since the grant of the 2020 LTIP, growing at c.39% and this demonstrates the strong operational performance delivered by the leadership team and the wider participants in the LTIP.

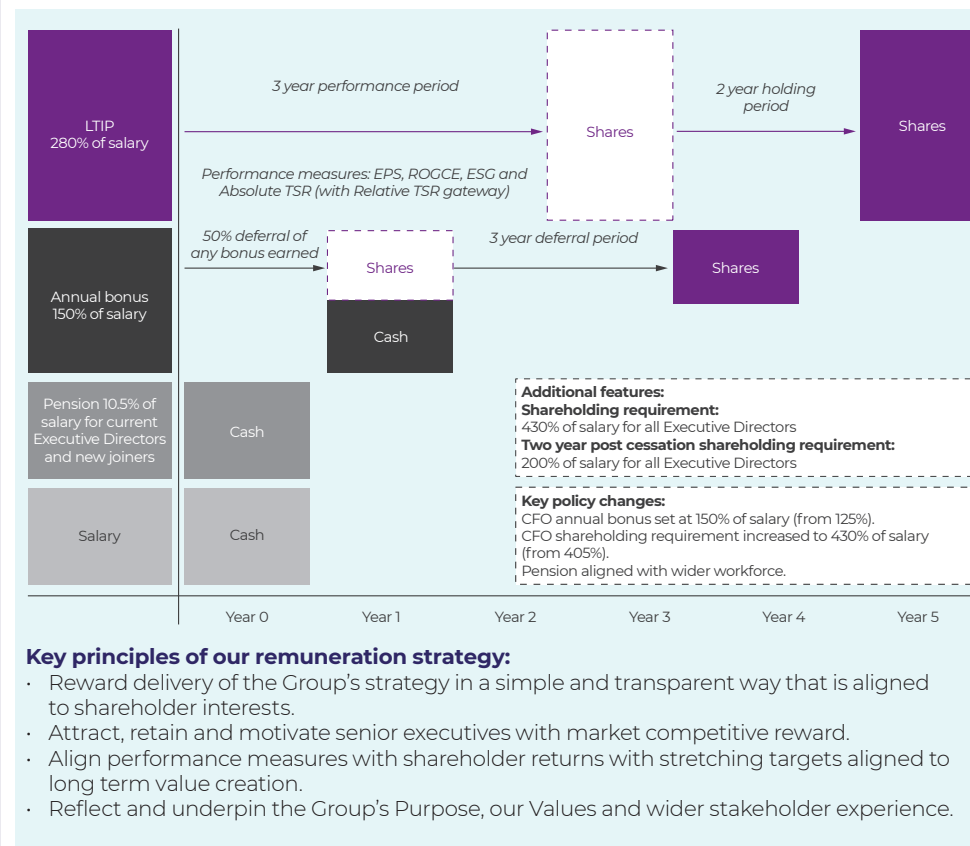
Taking these factors into consideration, the Committee concluded that the level of vesting and value delivered under the 2020 LTIP is appropriate, reflects the underlying performance of the business, and value delivered to shareholders. Therefore, no windfall adjustment to the final level of vesting has been deemed appropriate.

2023 Remuneration outlook

The Executive Directors' salaries were reviewed by the Committee in February 2023 as detailed above. The fee structure for the Chairman and Non-executive Directors was

2023 Remuneration Policy – Our Remuneration Structure

The diagram depicts our remuneration structure from 1 January 2023 – the overall structure remains consistent with the 2020 Policy.



Key principles of our remuneration strategy:

- Reward delivery of the Group's strategy in a simple and transparent way that is aligned to shareholder interests.
- Attract, retain and motivate senior executives with market competitive reward.
- Align performance measures with shareholder returns with stretching targets aligned to long term value creation.
- Reflect and underpin the Group's Purpose, our Values and wider stakeholder experience.

also reviewed in February 2023 with increases taking effect from 1 April 2023, with further details set out on page 97. A summary of the planned implementation of the Policy in 2023 is set out on page 86.

The Committee continues to spend considerable time deliberating the right balance between policy, performance and fairness to all stakeholders. We are confident that the Policy and the proposed

implementation of the Policy reflects this balance and the Committee therefore recommends this report to shareholders. If you do wish to explore any of the matters contained in the report, I would be happy to discuss them with you.

Cathy Turner

Chairman of the Remuneration Committee
22 February 2023

Directors' Remuneration Report continued

Summary of key changes to the Group's Remuneration Policy effective 1 January 2023

The 2023 Remuneration Policy was approved by shareholders on 13 December 2022. Full details of the 2023 Remuneration Policy can be found at www.spectris.com/remuneration

Arrangements under 2020 Policy	Key changes to 2023 Policy	Planned 2023 implementation of 2023 Policy
Executive fixed pay		
Salary		
Fixed remuneration which reflects required skills and expertise to deliver the Group's strategic and performance objectives.	No change to Policy.	Chief Executive: £750,000 CFO: £530,250 Increase for FY2023 of 9% for the Chief Executive and 5% for the CFO in line with average increase for UK employees. Further details are set out on page 84.
Pension		
Executive Directors receive an annual cash allowance in lieu of participation in a Spectris pension scheme. Maximum potential payment under Policy of 25% of salary.	Allowance for Executive Directors and new joiners aligned to the wider UK workforce company contribution rate of 10.5%.	Chief Executive: 10.5% of salary CFO: 10.5% of salary New joiners: 10.5% of salary
Benefits		
Car and fuel allowances, healthcare, life and disability assurance with a maximum total £30,000.	No change to Policy.	Provided in line with the Remuneration Policy.
Executive variable pay		
Bonus		
Maximum opportunity based on salary. 50% paid in cash, 50% deferred in shares for three years.	Increase in quantum for the CFO (maximum opportunity increasing from 125% to 150% of salary).	Chief Executive: 150% of salary (maximum opportunity) CFO: 150% of salary (maximum opportunity)
Percentage of total opportunity: <i>Measure</i> Adjusted Operating Profit Adjusted Cash conversion Operational and strategic measures	Percentage of total opportunity: <i>Measure</i> Adjusted Operating Margin Growth <i>Like-for-Like ("LFL")</i> <i>Sales Growth</i> Adjusted Cash conversion Operational and strategic measures	<i>weighting</i> 60% 20% 20% 30% 30% 20% 20%
Annual bonus payout curve: Threshold: 1% of maximum opportunity Target: 50% of maximum opportunity Maximum: 100% of maximum opportunity Performance targets are not disclosed in advance due to their commercial sensitivity. All targets will be disclosed retrospectively following the end of the performance period.	No change to Policy.	In line with the Remuneration Policy.

Arrangements under 2020 Policy	Key changes to 2023 Policy	Planned 2023 implementation of 2023 Policy
Long Term Incentive Plan ('LTIP')		
Maximum opportunity based on 280% of salary through multiplier of 1.4x base award with TSR performance conditions. Performance measures and weightings aligned with Strategy for Profitable Growth. 100% Adjusted EPS growth: Threshold: 4% p.a. Target: 7% p.a. Maximum: 10% p.a. 100% Return on Gross Capital Employed: Threshold: 2019 ROGCE +1%. Target: +2%. Maximum: +3% 80% Absolute TSR (with relative TSR underpin): Threshold: 8% p.a. Target: 10% p.a. Maximum: 15% p.a. (280% of salary total)	No changes to Policy.	In line with Remuneration Policy.
	Quantum unchanged with performance measure structure altered to reflect the Group's Strategy for Sustainable Growth. Base Award: (equal thirds) · Adjusted Earnings Per Share ("EPS") Growth · ROGCE – average over the three-year LTIP -performance period. · ESG – equally split between employee engagement and Scope 1 and 2 emissions reduction. TSR multiplier unchanged.	Adjusted EPS growth: Threshold: 4% p.a. Target: 7% p.a. Maximum: 10% p.a. Return on Gross Capital Employed: Threshold: 14%. Target: 16%. Maximum: 17% Employee Engagement (GrandMean): Threshold: 3.94. Target 4.00. Maximum 4.06. Scope 1 and 2 reduction (2022 baseline): Threshold 27.5%. Target 31.5%. Maximum 35.5%.
Other		
Shareholding requirement: one-year variable pay to be built up within five years of appointment.	No change to Policy. CFO shareholding requirement increased due to change in variable pay.	Chief Executive: 430% of salary CFO: 430% of salary
Post-cessation shareholding requirement: Any Executive Director who leaves the Company to retain the lower of: · Actual shareholding at the date of departure; or · 200% of final salary. To be retained by a departing Executive Director for two years post-cessation.	No change to Policy.	In line with Remuneration Policy.
Malus and Clawback Clawback and malus provisions enable variable remuneration to be reclaimed under the following circumstances: material misstatements of results or accounts; gross misconduct or fraud; award calculated in error; material failure of risk management; and a material breach of our Code of Business Ethics. Standard clawback provisions on bonus and LTIPs apply within two years of the end of the relevant performance period.	No change to Policy.	In line with Remuneration Policy
Non-executive fees		
Fees reflect responsibilities and time commitments for the role.	The fee structure for Non-executive Directors is reviewed annually. The fee structure was reviewed in February 2023 against FTSE 50-150 market practice and changes were approved to take effect from 1 April 2023 to maintain fees at close to median level.	Chairman £250,000 NED basic fee £63,000 Senior Independent Director £13,000 Committee Chairman fee £15,000 (Audit and Risk and Remuneration) Workforce Engagement Director £12,000 Travel supplement (overseas NEDs) £15,000

Directors' Remuneration Report continued

2022 Remuneration at a Glance

Business performance

Strong financial performance, with great momentum in the business and an order book 36% higher than 2021, providing confidence of making further progress in 2023 towards our medium term performance objectives, compounding growth through the cycle, expanding margins and making Spectris a leading sustainable business.

Key statistic highlights

- Strong like-for-like sales growth of 14%.
- Adjusted operating margin increased to 16.8%
- Strong order book, up 36% year on year.
- Increasing investment in our R&D programmes to 7.8% of sales.
- Sale of Omega completed in July for £418 million.
- £190 million of £300 million share buyback programme completed.
- Dividend per share increase of 5.0%, 33 years of consistent dividend growth.

2022 adjusted cash conversion (bonus outcome)

79%

2022 dividend per share

75.4p

Performance outcomes

2022 Annual Bonus Plan

Performance dimensions (% weighting)	Outcome
Adjusted operating profit (60%)	53.2/60
Adjusted cash conversion (20%)	8.8/20
Strategic and operational (20%) – Andrew Heath	16.4/20
Derek Harding	17.0/20
Total	
Andrew Heath	78.4/100
Derek Harding	79.0/100

Annual Bonus Plan outcome

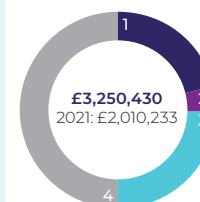
Andrew Heath	£807,528
Derek Harding	£498,453

2020 Long Term Incentive Plan ('LTIP')

Performance conditions (% weighting of max award)	Outcome (% of maximum award)
EPS (35.7%)	29.3%
ROGCE (35.7%)	35.7%
TSR Multiplier (28.6%)	0.0% (estimated) March 2023 final position confirmed
Total	65.0%

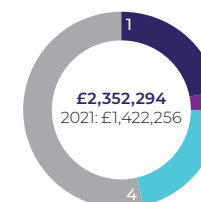
LTIP Outcome	Estimated vesting value
Andrew Heath	£1,619,270
Derek Harding	£1,260,870

Total remuneration



Andrew Heath

1 Salary and benefits	21.2%
2 Retirement benefits	4.1%
3 Annual bonus	24.9%
4 Long Term Incentives	49.8%



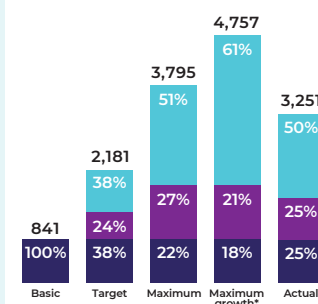
Derek Harding

1 Salary and benefits	22.0%
2 Retirement benefits	3.2%
3 Annual bonus	21.2%
4 Long Term Incentives	53.6%

Outcomes scenarios

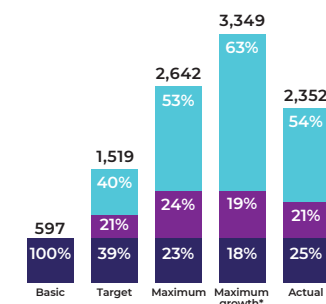
Andrew Heath

£'000



Derek Harding

£'000



* Maximum with 50% share price growth

Key

- Total fixed pay
- Annual Bonus
- LTIP/PSP

Each coloured bar shows the percentage of the total comprised by each of the parts

Directors' Remuneration Report continued

Remuneration for FY2022

This section of the Report sets out the details of the implementation of the 2020 Remuneration Policy during the 2022 financial year. Details of how the Remuneration Committee intends to implement the 2023 Remuneration Policy during 2023 are summarised on page 86. This part of the Report together with the Remuneration Committee Chairman's Statement, Overview of the 2023 Remuneration Policy and its implementation, and the information on the Remuneration Committee form the Annual Report on Remuneration which is subject to an advisory shareholder vote at the 2022 Annual General Meeting and contains both unaudited and audited information. The audited sections of this Report are clearly identified.

Executive Directors' remuneration

Single total figure of remuneration (audited)

The single total figure of remuneration of each Executive Director who served during the year is as follows:

£'000		A. Base salary	B. Taxable benefits	C. Pension- related benefits	Fixed Pay and benefits (sub-total)	D. Annual Bonus ¹	E. LTIP ²	F. All- employee share plans	Variable remuneration (sub-total)	Total
Andrew Heath	2022	673	16	135	824	808	1,619	–	2,427	3,251
	2021	625	17	125	767	925	318	–	1,243	2,010
Derek Harding	2022	501	16	75	592	498	1,261	–	1,759	2,351
	2021	486	17	73	576	598	248	–	846	1,422

- In line with 2020 Remuneration Policy, 50% of the bonus paid to Executive Directors is deferred in shares for three years. These deferred share awards remain subject to continued employment conditions and malus/clawback provisions although no further performance conditions are attached to them. Full details of the nominal cost share options granted under the Deferred Bonus Plan on 17 March 2022 can be found on page 93 which satisfies the deferred element of the Executive Directors' 2021 bonus entitlement.
- A breakdown of how the LTIP values have been determined by year is shown below. Further details of the values for 2021 and 2022 can be found on pages 91 and 93.
 - The 2022 figures relates to the 2020 LTIP awards which are due to vest on 25 March 2023 and are based on estimated vesting levels as at 31 December 2022. The value attributed to share price appreciation in respect of the 2020 award (based on the three-month average share price at 31 December 2022 of 3,049.43 pence per share) was £430,897 and £335,524 for Andrew Heath and Derek Harding respectively. This equates to 27% of the total award vested for both Executive Directors.
 - The 2021 figures have been restated to reflect the actual vesting outcomes for Andrew Heath's and Derek Harding's 2019 PSP award. Due to a slight fall in the share price over the three year performance period, there was no share price appreciation for the 2019 PSP award.

Notes to the single total figure of remuneration table

A. Salary (audited)

Andrew Heath received a 9.1% and Derek Harding a 3.0% salary increase with effect from 1 April 2022. The average salary review increase for employees of Spectris plc in 2022 was 3.5%.

B. Taxable benefits (audited)

Taxable benefits include allowances paid in lieu of company cars and private fuel, medical expenses insurance (including family cover) and life and disability cover.

Details of the taxable benefits paid in 2022 are set out in the table below:

Executive Director	Car and fuel allowances £	Medical/ healthcare cover £	Total £
Andrew Heath	15,165	1,311	16,476
Derek Harding	15,165	1,311	16,476

C. Retirement benefits (audited)

Executive Directors are entitled to a defined contribution pension contribution. Andrew Heath and Derek Harding received 20% and 15% of base salary respectively. However, as stated in the 2023 Remuneration Policy, with effect from 1 January 2023, this has now been reduced to 10.5% of base salary to align with the terms applicable to the majority of the UK wider workforce.

Due to the pension lifetime allowance and the maximum annual pension contribution allowance, the Executive Directors are entitled, at their option, to a taxable salary supplement in lieu of some or all of such pension contributions. Both Executive Directors have chosen this option and each receives a cash payment in lieu of participation in a Spectris pension scheme.

No Executive Director participated in a defined benefit pension plan during the year.

Directors' Remuneration Report continued

Remuneration for FY2022 continued

D. 2022 Annual bonus outcome (audited)

The maximum bonus opportunity for Andrew Heath, Chief Executive, remains unchanged at 150% of base salary (90% operating profit, 30% cash conversion and 30% operational and strategic objectives). The maximum bonus opportunity for Derek Harding, Chief Financial Officer, currently remains unchanged at 125% of base salary (75% operating profit, 25% cash conversion and 25% operational and strategic objectives) but this will increase to 150% of base salary from 2023 onwards. The on-target bonus for each Executive Director is 50% of the maximum bonus opportunity. The table below sets out the annual bonus earned by the Executive Directors in respect of the 2022 financial year including the financial trigger points used in determining the level of bonus payable.

	Maximum bonus opportunity (% of salary)	Bonus performance conditions (% of maximum bonus opportunity)	Threshold (% of salary)	On-target (% of salary)	Maximum (% of salary)	Actual Group performance/assessment of personal objective performance	Payout ¹ £	Percentage of maximum bonus
Andrew Heath (Salary – £687,000)	150%	Adj. Operating Profit (60%)	0%	45%	90%	79.7%	547,818	53.2%
		Adj. Cash Conversion (20%)	0%	15%	30%	13.2%	90,708	8.8%
		Strategic Objectives (20%)	0%	15%	30%	24.6%	169,002	16.4%
		Total	0%	75%	150%	117.5%	807,528	78.4%
Derek Harding (Salary – £505,000)	125%	Adj. Operating Profit (60%)	0%	37.5%	75%	66.4%	335,576	53.2%
		Adj. Cash Conversion (20%)	0%	12.5%	25%	11.0%	55,564	8.8%
		Strategic Objectives (20%)	0%	12.5%	25%	21.3%	107,313	17.0%
		Total	0%	62.5%	125%	98.7%	498,453	79.0%

1. 50% of the Executive Directors' 2022 Bonus will be deferred into shares for three years in line with the 2020 Remuneration Policy.

Bonus performance measures

The performance against the 2022 bonus financial metrics was as follows:

Bonus targets ¹	Threshold (0% of max)	Target (50% of max)	Maximum (100% of max)	Actual
Operating profit	£192.6m	£202.6m	£212.9m	£210.6m
Cash conversion	70%	80%	90%	78.8%

1. 2022 bonus targets and actual results are prepared and calculated on standard FX rates so that the bonus outcome was not impacted (positively or negatively) by exchange rate movements during the bonus year.

The Committee has not exercised any discretion in relation to the outcome of bonus awards to the Executive Directors.

When reviewing performance against the financial metrics, the Committee considers whether any items should be excluded because it gives a distorted view of performance.

For 2022, the targets reflect the acquisitions of Creoptix and MB connect plus disposal of Omega in the period to ensure a fair like-for-like comparison with the actual result.

As Dytran Instruments Inc. was acquired in September 2022, the Group's actual operating profit result were adjusted downwards by £1.1 million which recognises that the bonus targets set at the beginning of the year did not account for any profit from this business.

Throughout 2022, the Group faced unprecedented supply chain challenges and, in order to support customer demand and production schedules, a decision was taken to forward purchase key components and inventory. While this policy has been successful in supporting our customers, it has resulted in a lower cash conversion result than would have otherwise been the case.

Actual cash conversion excludes a \$16.4 million delta cash outflow in relation to exceptional capital expenditure for the PMS manufacturing facility in the United States. The original target had assumed a two-phase expense, whereas a greater expense was incurred in 2022 due to the change in purchase opportunity.

The Committee approved the above partial payout for both the Adjusted Operating Profit and Cash Conversion metrics.

Directors' Remuneration Report continued

Remuneration for FY2022 continued

The 2022 operational and strategic objectives for the current Executive Directors, which were set at the beginning of the year and account for 20% of the maximum bonus opportunity, cover a range of the Company's targeted strategic priorities. Each priority is assigned an individual weighting and performance against each of the defined targets was assessed by the Remuneration Committee with input from the Chairman. The objectives for both Executive Directors and performance against them are summarised in the table below.

As outlined in last year's Remuneration report, and in line with the treatment of the wider employee population, the Committee reviewed the Executive Directors' performance against the Group's Values as part of the evaluation of the outcome of performance under the strategic and operational objectives, considering not only what was achieved, but how it was achieved.

Andrew Heath	% of salary target	Performance summary	% bonus awarded
• Grow the business	8%	Successful refresh of the Group's Strategy with the launch of the Group's Strategy for Sustainable Growth. A strong emphasis on building out the Group's Purpose, with a broad focus on sustainability, our key growth markets and the investments required to build a world-class business. Communicated compelling strategy at Capital Markets Day with strong positive feedback from shareholders.	8%
• Customer	4%	On-time delivery improvements budgeted for in 2022 were not achieved due to supply constraints.	2%
• Portfolio strategy	5%	Successfully executed the divestment of Omega Engineering. Led a compelling bid for Oxford Instruments which was hindered by external events.	3%
• Operating leverage	5%	Achieved robust operating leverage, but below target. Developed the Group's organisational design to support the Group's strategic ambitions.	4%
• Employee Engagement and leadership	4%	Led a significant improvement in the Group's GrandMean employee engagement score in 2022 from 3.72 to 3.86. Developed and deployed a robust roadmap to build the Group's approach to inclusion and belonging. Strengthened business leadership in Red Lion and Servomex and made good progress in building succession pipeline.	4%
• ESG	4%	Delivered a 21.3% reduction in in-year Scope 1 and 2 emissions and developed the Group's Net Zero Roadmap moving from estimated to actual data at Red Lion, PMS and Servomex.	4%
Total	30%		25%

Derek Harding	% of salary target	Performance summary	% of bonus awarded
• Facilitate a detailed understanding of the Group's target operating model and cost base. To ensure a clear and sustainable path to increased operating margins	7%	Achieved and build a new reporting model for the Group. Deployment delayed until early 2023. Investment decision for ERP transformation justified on target operating model.	4%
• Oversee a significant investment in our IT capability	4%	Successfully led the ERP transformation project with appropriate governance and communication structure in place. Group consolidation system to be deployed in 2023.	3%
• Strengthen Risk Management & Control	5%	Delivered the continued improvement of the Group's controls environment, including the further development of the Group's risk management structure and internal controls processes.	5%
• Strengthen Investor Relations and the leadership of Audit	5%	Delivered a strong Capital Markets Day and supported the development of a clear financial strategy and performance targets to underpin the strategy. Effectively managed the outsourcing of the Group's Internal Audit Function to PwC.	5%
• Make significant improvement on employee engagement scores in the Finance function	4%	Achieved a significant improvement in engagement scores across the global finance function. Provided effective support and guidance to the development of the Group's approach to inclusion and belonging, including leading the launch of the inclusion roadmap at the Group's leadership conference.	4%
Total	25%		21%

Directors' Remuneration Report continued

Remuneration for FY2022 continued

E. Long Term Incentive Plan (LTIP)/ Performance Share Plan ('PSP') (audited)

PSP awards made under the Spectris Performance Share Plan ('PSP') to the Executive Directors were structured so that one-third of the award was subject to a Group EPS target, one-third was subject to a TSR target and one-third was subject to an Economic Profit ('EP') target. Each condition operated over a fixed three-year period (being the three financial years commencing with the financial year in which an award was made in respect of the Group EPS and EP measures; and three years from the date of grant in respect of the TSR measure) with no opportunity for re-testing. The TSR performance condition is measured independently by Aon Hewitt ('Aon'). A holding period of two years applies to all awards following vesting.

F. All-employee share plans (audited)

There were no payments during the year to Executive Directors under the Spectris all-employee share plans.

Payments for loss of office (audited)

There were no payments for loss of office in 2022.

Payments to past Directors (audited)

There were no payments to past Directors in 2022.

PSP awards vested in March 2022 (audited)

The 2019 PSP awards granted to Andrew Heath and Derek Harding matured in March 2022. 25.4% of the total award vested on 7 March 2022 (see table below) and is now subject to the additional two-year holding period. The balance of the award lapsed.

Performance condition	Weighting	Threshold (20% vesting)	Maximum (100% vesting) ¹	Actual	Percentage weighted performance condition vested	Percentage of total award vested
Group EPS	One-third	CPI + 5% c.p.a.	CPI + 11% c.p.a. or above	CPI – 1.7% c.p.a.	0.0%	0.0%
				Actual – 48.8% ² Median – 15.5% UQ – 71.3%		
TSR	One-third	Median	Upper quintile or above		76.2%	25.4%
EP	One-third	£139.8m	£226.3m or above	£76.5m	0.0%	0.0%
Total						25.4%

1. Vesting between threshold and maximum performance is on straight-line basis.

2. TSR outcome based on the final TSR performance results on 7 March 2022.

The 2021 single total figure of remuneration for Andrew Heath and Derek Harding have been restated as shown below to reflect the final vesting outcome.

Executive Director	Total number of shares subject to PSP option at date of grant	Face value at date of grant ¹	Vesting percentage of total award	Vested award	Reinvested Dividend Shares	Total Vested Award	Share price on vesting date (7 March 2022)	Vesting value	Share price appreciation as a % of the total vested award value
Andrew Heath	45,710	£1,220,000	25.4%	11,608	858	12,466	2,557p	£318,175	(4)% ²
Derek Harding	35,593	£949,977	25.4%	9,039	668	9,707	2,557p	£247,756	(4)% ²

1. The face value is based in the average of the closing share price over the five days immediately prior to the date of grant of 2,669 pence.

2. The share price on the vesting date (2,557 pence) was lower than the share price as at the date of grant (2,669 pence). If the share price had remain at the share price as at the date of grant the vesting value would have been £13,962 and £10,872 higher respectively for Andrew Heath and Derek Harding.

Directors' Remuneration Report continued

Remuneration for FY2022 continued

LTIP awards vesting in March 2023 (audited)

Both Andrew Heath and Derek Harding were granted LTIP awards in 2020, which will mature in March 2023. The LTIP base award are subject to EPS and Return on Gross Capital Employed ('ROGCE') performance conditions. A multiplier (up to a maximum of 1.4 times) will apply to the base award vesting level but only on achieving stretching absolute and relative Total Shareholder Return ('TSR') targets.

The Committee has given appropriate consideration to the possibility of a windfall gain in respect of the 2020 LTIP, which was granted when the share price was subject to significant market volatility at the start of the Covid-19 pandemic. After meaningful deliberation, the Committee concluded that a discretionary adjustment to the 2020 LTIP outturn would not be appropriate. The key factors informing the Committee were:

- The 2020 LTIP grant share price was 16% lower than the 2019 LTIP grant which is below the 20% threshold identified by some shareholders as the point at which an adjustment would be appropriate.
- The overall vesting of the 2020 LTIP at 65% of the maximum opportunity is considered moderate in the context of the strong performance of the business over the performance period and does not result in excessive value being delivered to participants.
- The share price performance has been strong since the grant of the 2020 LTIP, growing at c.39% and this demonstrates the strong operational performance delivered by the leadership team and the wider participants in the LTIP.

The Committee has therefore determined that the vesting of the 2020 LTIP award did not include a windfall gain that resulted in excess value being delivered to the Executive Directors.

The final vesting position of the EPS and ROGCE conditions as well as the best estimate of the vesting position for the TSR Multiplier (based on Aon's interim report as at 31 December 2022) are provided below:

Performance condition	Award level (% of salary)		Threshold	Maximum	Actual	Actual/estimated percentage vesting	Actual/estimated percentage of total vested award
EPS	100%		4% p.a.	10% p.a.	8.64% p.a. ¹	81.9%	29.3%
ROGCE	100%		13.7% (2019 ROGCE +1%)	15.7% (2019 ROGCE+3%)	16.0% ²	100.0%	35.7%
TSR Multiplier	80% (Up to 1.4X multiplier)	Multiplier	Absolute TSR	Relative TSR Gateway	Estimated TSR	0.0% (1.0X multiplier)	0.0%
		1.0X	8% p.a. or less	Median or above	Absolute: 6.9% p.a.		
		1.0X to 1.2X	8% –10% p.a.				
		1.2X	10% p.a.	Upper Quartile or above	Relative: Above Upper Quartile ³		
		1.2X to 1.4X	10% – 15% p.a.				
			1.4X	15% p.a.			
Total	280%				Estimated total vesting	65.0%	

1. The EPS outcome figure has been calculated on the following basis:

- In order to account for material business divestments which occurred with more than one year remaining of the performance period of the 2020 LTIP (namely the BTG, EMS, Millbrook, BK Vibro, ESG and NDCT disposals), the base performance condition and outcomes have been adjusted to remove the impact of the disposed entities.
- In order to account for material business divestments which occurred with less than one year remaining of the performance period of the 2020 LTIP (namely the Omega disposal), no changes have been made to the base calculation, but the final outturn has been adjusted to reflect a full year's contribution from the divested business.

Directors' Remuneration Report continued

Remuneration for FY2022 continued

This approach was agreed by the Committee in December 2019, and has been applied consistently to date. A full reconciliation of this outcome from the Adjusted EPS figure (as set out in the Appendix to the Consolidated Financial Statements on page 165) is provided below:

	As at 31 December 2019 pence	As at 31 December 2022 pence
Adjusted EPS (reported)	168.0p	159.9p
Adjustments relating to disposals (BTG, EMS, Millbrook, BK Vibro, ESG and NDCT)	(27.7p)	
Adjustments relating to disposal of Omega		20.0p
Adjusted EPS (excluding disposals)	140.3p	179.9p

Compound annual growth in EPS **8.64%**

2. The ROGCE outcome figure has been calculated on the following basis: adding on to reported adjusted operating profit the discontinued operating profit for Omega. This is because the capital employed for Omega is included in the 2021 gross capital employed and is not included in the 2022 closing balance gross capital employed due to the disposal. As a result the average gross capital employed is skewed due to Omega. To ensure an equitable calculation the 2022 discontinued profit earned has been added back to the return when calculating ROGCE. This approach was agreed by the Committee in December 2021, and is a consistent approach to prior years and prior disposals. A full reconciliation of this outcome from the Adjusted ROGCE figure (as set out in the Appendix to the Consolidated Financial Statements on pages 165 and 166) is provided below:

	31 December 2022 £m
Average gross capital employed (reported)	1,473.4
Adjusted operating profit (reported)	222.4
Discontinued operating profit for Omega (reported)	14.0
Adjusted operating profit (including Omega H1)	236.4
ROGCE	16.0%

3. TSR performance, both absolute and relative to the FTSE 250 (excluding investment trusts), has been estimated based on the position as at 31 December 2022.

The vesting estimates as at 31 December 2022 are detailed in the table below:

Executive Director	Maximum vesting opportunity under LTIP option ¹	Face value of maximum LTIP award ²	Estimated vesting % of maximum award	Estimated number of shares vesting	Estimated reinvested dividend shares ³	Estimated total number of shares vesting	Year-end three-month average share price	Estimated vesting value	Estimated share price appreciation as a % of vested value
Andrew Heath	76,276	£1,707,972	65.0%	49,555	3,627	53,182	3,049.43p	1,619,270	27%
Derek Harding	59,395	£1,329,973	65.0%	38,587	2,824	41,411	3,049.43p	1,260,870	27%

- The Maximum vesting opportunity under the LTIP Award equals the Base Award times a 1.4 TSR Multiplier.
- The face value is based on the average closing share price over the five days immediately prior to the date of grant (25 March 2020) of 2,239.2 pence.
- The estimated dividend shares are based on dividends paid over the three-year performance period. Dividend shares will accrue from date of grant to the end of the holding period (fifth year anniversary from date of grant) which is the first opportunity the award can be exercised.
- The estimated value attributed to share price appreciation, based on the three-month average share price at 31 December 2022 of 3,049.43 pence per share, was £430,897 and £335,524 for Andrew Heath and Derek Harding respectively. These values are only estimates, however, as stated above, the Committee have determined that no discretionary adjustment will be made to the final LTIP vesting position.

Vested awards are satisfied in shares (normally treasury shares) with sufficient shares being sold to meet income tax and national insurance contributions due on exercise, at the Director's discretion, and the net balance of shares transferred to the individual. Awards lapse if they do not vest on the third anniversary of their award.

Deferred Bonus Plan ('DBP') awards granted during 2022 (audited)

50% of each Executive Director's pre-tax annual bonus is compulsorily deferred under the terms of the DBP in the form of a nominal cost share option grant. The DBP share options remain subject to continued employment conditions as well as malus and clawback provisions although no further performance conditions apply.

The DBP share options granted to the Executive Directors on 17 March 2022, based on their 2021 Bonus entitlement and calculated according to the average of the closing share price over the five days immediately prior to the date of grant, are summarised in the table below:

Director	Exercise price	Number of shares under DBP share option	Face value of DBP share option at date of grant ¹
Andrew Heath	5p	17,407	£462,678
Derek Harding	5p	11,249	£298,998

- Face value of DBP share option based on the average of the closing share price over five days immediately prior to date of grant – £26.58.

Directors' Remuneration Report continued

Remuneration for FY2022 continued

LTIP awards granted during 2022 (audited)

The 2022 LTIP awards to Andrew Heath and Derek Harding were granted on 17 March 2022 and are subject to the performance conditions detailed below.

Director	Exercise price	Number of shares under Base award (% of salary)	Face value of Base award at date of grant ¹ (£)
Andrew Heath	5p	47,367 (200% of salary)	£1,259,015
Derek Harding	5p	36,884 (200% of salary)	£980,377

2022 LTIP base award performance conditions

Condition ²	% of Base award that vests	Performance Metric	Performance Period
Adjusted EPS Growth (50% of base award)	0%	Less than 4%	1 Jan 2022 to 31 Dec 2024
	10%	4%	
	10% to 50% (straight-line pro-rata basis)	Between 4% and 10%	
	50%	10% or more	
Return on Gross Capital Employed (‘ROGCE’) (50% of base award)	0%	Less than 1% above 2021 ROGCE	1 Jan 2022 to 31 Dec 2024
	10%	1% above 2021 ROGCE	
	10% to 50% (straight-line pro-rata basis)	Between 1% and 3% above 2021 ROGCE	
	50%	3% or more above 2021 ROGCE	

1. Face value of base award calculated using the average of the closing share price over five days immediately prior to the date of grant – £26.58.

2. A holding period of two years applies to all awards following vesting.

The above table details LTIP nominal-cost share options granted to Executive Directors, in line with the 2020 Remuneration Policy, during 2022. The base level of award is 200% of base salary, calculated according to the average of the closing share price over the five days immediately prior to the date of grant. A multiplier (up to a maximum of 1.4 times) will apply to the base award vesting level but only on achieving stretching absolute and relative Total Shareholder Return (‘TSR’) targets.

The EPS figure is obtained from the audited Financial Statements and the calculation of achievement against the growth condition is presented to and approved by the Committee. ROGCE is obtained from the audited Financial Statements and is a comprehensive measure of the effectiveness of all capital deployed by the Group and supports the Group's key strategic intention to improve its overall return on capital invested in the medium term. The Committee will monitor outcomes for the EPS and ROGCE measures to ensure that they achieve the original objectives and may adjust the vesting accordingly. Any exercise of discretion will be justified in the next Directors' Remuneration Report.

Maximum TSR Multiplier	TSR Multiplier 0.4x maximum additional share opportunity (shares)	Maximum Opportunity Base award + TSR Multiplier (shares)	Face value of Maximum award at date of grant ¹ (£)
1.4 X base award	18,946 (80% of salary)	66,313 (280% of salary)	£1,762,600
	14,753 (80% of salary)	51,637 (280% of salary)	£1,372,511

2022 LTIP TSR Multiplier performance conditions

TSR Multiplier	Absolute TSR Growth Targets	Relative TSR gateway – assessed against FTSE 250 index (excluding investment trusts)	Performance Period
1.0 X	8% p.a. or less	Median or above	17 March 2022 to 17 March 2025
Between 1.0 X and 1.2 X	Between 8% and 10% p.a.		
1.2 X	10% p.a.		
Between 1.2 X and 1.4 X	Between 10% and 15% p.a.		
1.4 X	15% p.a. or more	Upper quartile or above	

The Multiplier condition requires the achievement of both relative and absolute TSR metrics which means that any additional pay-out from the Multiplier would only occur when shareholders benefit from a material increase in share value which outperforms the FTSE 250 comparator group.

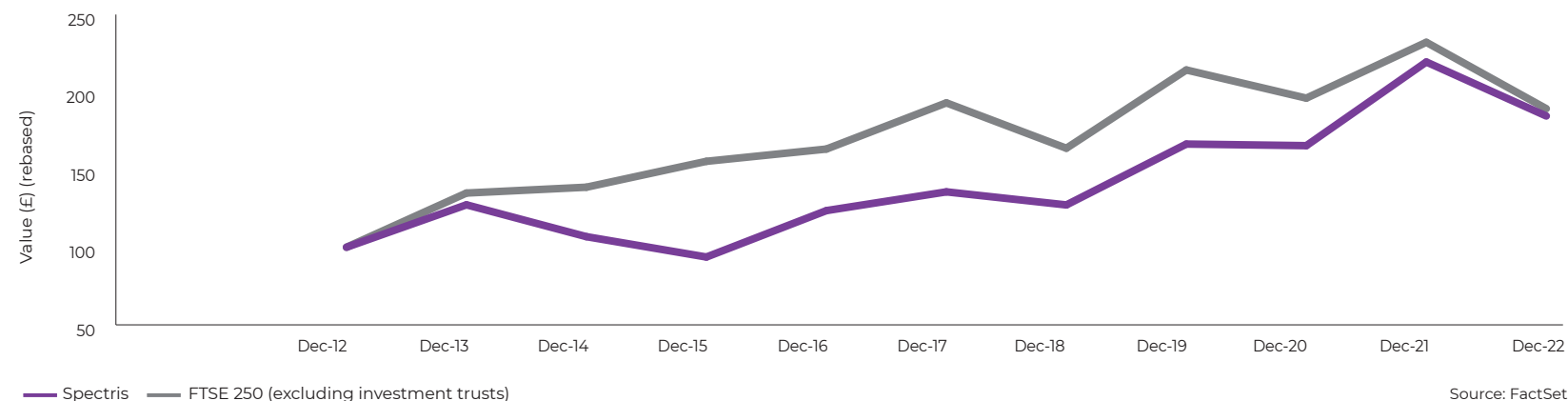
Threshold and Maximum Vesting (as a % of the 2022 LTIP base award)

Performance Level	EPS Vesting	ROGCE Vesting	Base award Vesting	TSR Multiplier factor	Overall Vesting (as % of base award)
Threshold	10%	+	10%	=	20%
Maximum	50%	+	50%	=	140%

Directors' Remuneration Report continued

Remuneration for FY2022 continued

Total shareholder return performance



This graph shows the value, by 31 December 2022, of £100 invested in Spectris on 31 December 2011, compared with the value of £100 invested in the FTSE 250 (excluding investment trusts) Index on the same date. This index has been chosen because it is a widely-recognised performance benchmark for large UK companies and Spectris is a constituent of the FTSE 250. The other points plotted are the values at intervening financial year ends.

Historical Chief Executive remuneration

The table below shows the total remuneration figure for the Chief Executive for the current year and over the previous nine years. The total remuneration figure includes the annual bonus and LTIP awards that vested based on performance in those years. The annual bonus and LTIP percentages show the pay-out for each year as a percentage of the potential maximum.

	2013	2014	2015	2016	2017	2018	2018	2019	2020	2021	2022
	John O'Higgins	John O'Higgins	John O'Higgins	John O'Higgins	John O'Higgins	John O'Higgins	Andrew Heath	Andrew Heath	Andrew Heath	Andrew Heath	Andrew Heath
Single total figure of remuneration (£'000)	2,172	1,122	729	1,388	1,611	2,253 ²	324 ²	1,163	1,404	2,010 ³	3,251 ⁴
Annual bonus (% of maximum)	20%	18%	0% ¹	90%	80%	54%	60%	45%	40%	98%	78%
PSP vesting (% of maximum)	100%	28%	0%	0%	10%	68%	N/A	N/A	31%	25% ³	65% ⁴

1. Bonus entitlement waived.

2. Pro-rated figures based on time served as Chief Executive during 2018 (nine months for John O'Higgins and three months for Andrew Heath).

3. Restated figure to reflect actual vesting of 2019 PSP award.

4. Based on estimated vesting for 2020 LTIP award.

Directors' Remuneration Report continued

Remuneration for FY2022 continued

Percentage change in remuneration of the Directors

The table below shows the percentage change in the salary/fees, and benefits of each Executive Director, the Chairman and the Non-executive Directors compared with the change in the Group's UK-based employees between the year ended 31 December 2021 and 31 December 2022. The Group-wide 2022 annual bonus payments will be confirmed in March 2023 and therefore estimated figures for UK-based employees have been used in the comparison. The Committee has selected this comparator group on the basis that the Executive Directors are UK-based so it provides a local market reference to a sufficiently large comparator group on a similar incentive structure to the Executive Directors. This reduces any distortion arising from currency and cost of living differences in other geographies in which Spectris operates.

	% change 2021–2022			% change 2020–2021		
	Salary /Fees ¹	Benefits ²	Annual bonus ³	Salary /Fees	Benefits	Annual bonus
Executive Directors						
Andrew Heath	9.1%	(3.6%)	(12.7%)	3.2%	(0.5%)	152.8%
Derek Harding	3.0%	(3.6%)	(16.7%)	3.2%	(0.5%)	151.8%
Chairman and Non-executive Directors						
Mark Williamson	3.0%	n/a	n/a	5.5%	n/a	n/a
Ravi Gopinath	2.4%	n/a	n/a	n/a	n/a	n/a
Alison Henwood	3.0%	n/a	n/a	n/a	n/a	n/a
Ulf Quellmann	2.4%	n/a	n/a	4.3%	n/a	n/a
Bill Seeger	1.8%	n/a	n/a	7.8%	n/a	n/a
Cathy Turner	2.4%	n/a	n/a	10.8%	n/a	n/a
Kjersti Wiklund	2.5%	n/a	n/a	11.1%	n/a	n/a
Spectris UK-based employees	6.2%	20.5%	(4.1%)	7.0%	0.3%	120.3%

- The change in the Executive Directors' salaries plus the Chairman and Non-executive Directors' fees reflect the increases disclosed in 2021 Remuneration Report. The Chief Executive's 9% pay increase was the first part of a two-year structured increase to bring his salary to the median position for the FTSE 50 – 150 peer group. This first part was approved by shareholders as part of the implementation vote on the 2022 Remuneration Report.
- The 20.5% increase in the employees' benefits reflects approved changes to the benefit package including a new travel allowance for a significant proportion of these employees. The Executive Directors do not receive these benefits.
- The financial metrics were partially met for the 2022 bonus, whereas they were fully met for the 2021 comparative. The greater percentage change in Andrew Heath's and Derek Harding's bonus compared to the average Spectris UK-based employee reflects that a greater portion of the employees' 2022 bonus will pay out in March 2023 than it does for the Executive Directors.

CEO pay ratios

The table below sets out the 2019, 2020, 2021 and 2022 pay ratios of the Chief Executive's total remuneration to the 25th, median (50th), and 75th percentile full-time equivalent ('FTE') remuneration of Group UK employees.

Financial year	Method	25th percentile pay ratio (lower quartile)	50th percentile pay ratio (median)	75th percentile pay ratio (upper quartile)
31 December 2019	Option A	40:1	30:1	21:1
31 December 2020	Option A	47:1	36:1	25:1
31 December 2021 ¹	Option A	64:1	45:1	32:1
31 December 2022	Option A	96:1	70:1	49:1

1. Restated figures to reflect actual vesting of 2019 PSP award.

Further details on the 2022 total pay figures used for each quartile employee are set out in the table and notes below.

Financial year	No. of UK employees	Remuneration	Chief Executive	25th percentile employee (lower quartile)	50th percentile employee (median)	75th percentile employee (upper quartile)
31 December 2021	1,331	Base salary	£672,630	£30,000	£40,800	£55,378
		Total remuneration	£3,250,430 STFR	£33,712 total FTE	£46,440 total FTE	£66,209 total FTE

- The components of the Chief Executive and UK employees' STFR figure comprises of base salary, taxable benefits, pension-related benefits, annual bonus and PSPs, where applicable.
- The total remuneration for UK employees is calculated on the same basis as the single total figure of remuneration for Executive Directors. The only exception to this is the personal element of the annual bonus for UK employees which is not known as at the date of report. This has been estimated as the same performance level as the Chief Executive. Given the complexity of the calculations, such estimated values will not be restated next year to reflect the actual outcomes, however they will be for the Chief Executive's STFR calculations.

The Chief Executive's total remuneration as calculated for his single total figure of remuneration ('STFR') as reported in the table on page 88. The remuneration of the lower, median and upper quartile employees is calculated on full-time equivalent ('FTE') data for the full year, run on 30 November, with estimated figures for the annual bonus and LTIP vesting. Option A methodology was chosen as it is considered to be the most statistically accurate way to identify the best equivalents of the 25th, median and 75th percentile figures used to calculate the pay ratios each year, and it is aligned with best practice and investor expectations. The Committee is satisfied that the individuals identified within each relevant percentile appropriately reflect the employee pay profiles at those quartiles, and that the overall picture presented by the ratios is consistent with our pay, reward and progression policies for UK employees. Roles are regularly benchmarked against PricewaterhouseCoopers' benchmarking report of FTSE 50–150 companies.

Directors' Remuneration Report continued

Remuneration for FY2022 continued

The increase in the pay ratio this year is predominantly the result of the Chief Executive's LTIP value which is 409% higher than in 2021 LTIP. Consequently there has been a 61.7% increase in the Chief Executive's 2022 STFR on last year. The equivalent percentage increase for the lower quartile, median and upper quartile of the Group UK employees' SFTR compared to 2021 is 8.1%, 4.1% and 4.7% respectively.

However excluding LTIP value, the Chief Executive's 2022 remuneration (excluding LTIP values) is 3.6% lower than it was in 2021 (the equivalent percentage change figure for the lower quartile, median and upper quartile of Group UK employees is an increase of 8.1%, 3.7% and 4.9%. This highlights the greater volatility in the Chief Executive's STFR which has a greater emphasis on variable remuneration to ensure his pay reflects the Group's performance and is better aligned with shareholder interests.

The reward policies and practices for our employees broadly follow those set for the Executive Directors, including the Group Chief Executive. The Committee has responsibility for setting and making any changes in remuneration for the senior management. This includes the reviewing of policies and practices for our workforce and consideration of shareholders and other stakeholder views as part of designing the Remuneration Policy and its operation for the Executive Directors. On this basis, the Committee is satisfied that the median pay ratio is consistent with the pay, reward and progression policies across all of the Company's employees.

Relative importance of spend on pay

The table below shows the relative expenditure of the Group on the pay of its employees in comparison to adjusted profit before tax and distributions to shareholders by way of dividends payments between the years ended 31 December 2021 and 31 December 2022. Total employee pay is the total pay cost for all Group employees. Adjusted profit before tax is used as this is a key financial metric which the Board considers when assessing the Group's financial performance.

	2022 £m	2021 £m	% change
Total employees pay ¹	514.0	484.0	6.2%
Dividends paid during the year ²	78.6	79.0	(0.5%)
Share buyback	191.0	201.3	(5.1%)
Adjusted profit before tax ³	219.7	184.7	18.9%

- Both the 2021 total employees pay and the 2021 adjusted profit before tax have been restated following the announcement and completion of Omega disposal during 2022 in line with the reporting requirements under IFRS5. Further details are provided in Note 24 to the Consolidated Financial Statements.
- The dividend paid during the year reduced by 0.5% because of the reduction in the Company's Issued Share Capital caused by the share buyback programme.
- Adjusted profit before tax is calculated as being statutory profit before tax adjusted to exclude certain items defined in the Appendix to the Consolidated Financial Statements on page 164.

Non-executive Directors' remuneration

Chairman and Non-executive Directors' fees

The fee structure for the Non-executive Directors remained broadly unchanged for 2022 as set out below:

	2023 ² £'000	2022 £'000	2021 £'000
Chairman (all-inclusive fee)	250	239	232
Non-executive Director basic fee	63	60	58
Senior Independent Director ('SID') fee	13	10	10
Chairman of the Audit and Risk Committee	15	14	14
Chairman of the Remuneration Committee	15	14	14
Workforce Engagement Director	12	12	12
Annual travel supplement to be paid to overseas-based Non-executive Directors ¹	15	15	15

- Due to the ongoing COVID-19 pandemic, the travel supplement was not paid from April 2020 until overseas-based Non-executive Directors needed to travel for their roles (Ulf Quellmann – October 2021, Ravi Gopinath – December 2021 and Bill Seeger – February 2022).
- A fee review was undertaken in February 2023 against externally available market data on Non-executive fee structures in the FTSE 50-150, the wider Group pay review process and the Group's position in the FTSE 250.

Directors' Remuneration Report continued

Remuneration for FY2022 continued

Single total figure of remuneration (audited)

The single total figure of remuneration for each Non-executive Director who served during the year is as follows:

		Basic fees £'000	Additional fees £'000	Taxable expenses £'000	Total £'000
Mark Williamson ¹ <i>Non-executive Chairman</i>	2022	237	–	–	237
	2021	229	–	–	229
Ravi Gopinath ^{2,3}	2022	59	15	–	74
	2021	34	1	–	35
Alison Henwood ²	2022	59	–	–	59
	2021	19	–	–	19
Ulf Quellmann ³	2022	59	15	–	74
	2021	57	4	–	61
Bill Seeger ⁴ <i>SID, Chairman – Audit and Risk</i>	2022	59	38	–	97
	2021	57	23	–	80
Cathy Turner <i>Chairman – Remuneration</i>	2022	59	14	–	73
	2021	57	13	–	70
Kjersti Wiklund <i>Workforce Engagement Director</i>	2022	59	12	–	71
	2021	57	11	–	68

1. Mark Williamson's fee is all-inclusive.
2. Ravi Gopinath and Alison Henwood joined the Board on 1 June 2021 and 1 September 2021, respectively. Their 2021 fees are pro-rated to reflect their date of joining.
3. Ravi Gopinath, Ulf Quellmann and Bill Seeger (all based overseas) receive an additional annual travel supplement of £15,000. The travel supplement was not paid during the COVID-19 pandemic from April 2020 until impacted directors were required to travel for their roles: Ulf Quellmann – October 2021, Ravi Gopinath – December 2021 and Bill Seeger – February 2022.

Directors' shareholdings and share interests (audited)

Each Executive Director is, subject to personal circumstances, required to build a retained shareholding in Spectris plc of at least one-year maximum variable pay in value (Andrew Heath: 430% of salary, Derek Harding currently 405% of salary but for 2023 this will increase to also be 430%) within five years of appointment and is required to retain shares with the post-tax benefit of any vested PSP, LTIP or DBP awards until this shareholding requirement is achieved. Both Andrew Heath and Derek Harding (appointed on 3 September 2018 and 1 March 2019 respectively) are in the process of building their shareholding. There is no such requirement in respect of the Chairman or Non-executive Directors, who have discretion as to whether to hold the Company's shares or not.

The beneficial share interest of each Executive Director (including their closely associated persons) on 31 December 2022, is:

Director	Ordinary shares held on 31 December 2022	Interest in share plans			Total Interests in shares on 31 December 2022	Total shares counting towards shareholding requirement ⁴	Shareholding as a % of base salary on 31 December 2022 ⁵	Shareholding requirement met
		LTIP ¹ (share options)	PSP/DBP ² (share options)	SIP shares ³				
Andrew Heath	33,397	196,907	43,409	345	274,058	56,984	249.2%	No
Derek Harding	11,234	153,328	24,977	296	189,835	24,932	148.3%	No

1. LTIP awards are all nominal cost share options of 5 pence and are currently have outstanding performance conditions attached to them.
2. PSP and DBP awards are all nominal cost share options of 5 pence but are no longer subject to performance conditions. The outstanding PSP awards that remain are post the application of the respective performance conditions during the three-year performance period but are now subject to an additional 2-year vesting period.
3. Includes shares purchase through, and Matching Shares held in, the Company's all-employee Share Incentive Plan ("SIP"). The Matching Shares may be subject to forfeiture within three years of the award. As at 31 December 2022, Andrew Heath and Derek Harding held 36 and 37 Matching Shares, respectively which were still subject to forfeiture rules.
4. Based on shareholding plus the net of UK income tax and NI contribution value of share options held without performance conditions (see below):
 - Andrew Heath's balance includes 20,183 vested PSP share options that are currently subject to an additional two-year vesting period and 23,226 unvested DBP share option with no performance conditions attached. Net of UK income tax and NI Contributions, these represents 10,622 and 12,620 shares respectively; and
 - Derek Harding's balance 9,952 vested PSP share options that are currently subject to an additional 2-year vesting period and 15,025 unvested DBP share option with no performance conditions attached. Net of UK income tax and NI Contributions, these represents 5,239 and 8,163 shares respectively.
5. Based on the closing price on 31 December 2022 of 3,002 pence per share.

Directors' shareholding in the SIP

	No. of shares held at 1 January 2022	No. of Partnership shares purchased during the year	No. of Matching shares awarded during the year	Dividend shares	Total No. of shares held within the SIP as at 31 December 2022
Andrew Heath	264	61	12	8	345
Derek Harding	215	61	13	7	296

The SIP was approved by shareholders at the 2018 AGM. This scheme is an HMRC tax favoured share purchase scheme open to all UK employees. The Executive Directors have the opportunity to participate in the SIP on the same terms as other Group UK employees. Under the SIP, Partnership shares may be purchased each month at market value using gross salary up to a maximum monthly value set by HMRC (currently £150 per month). For every five Partnership shares purchased, the Company will award one free Matching share. All shares are held in trust by the SIP Trustees. The Matching shares are subject to forfeiture within three years of the date of award.

Between 1 January and 22 February 2023, Andrew Heath and Derek Harding purchased 9 and 10 Partnership shares respectively and both received 2 free Matching shares through the Company's SIP. There were no other movements in share interests during this period.

Directors' Remuneration Report continued

Remuneration for FY2022 continued

Directors' share options (audited)

Director	Share plan ¹	Date granted	Performance period end date	Expiry date	Exercise price (pence)	Market value per share at date of award	Face value at date of grant (£)	No. of shares subject to options at 1 January 2022	Granted during the year	Exercised during the year	Lapsed during the year	No. of shares subject to options at 31 December 2022
Andrew Heath	PSP ^{2,5}	Sept 2018	Sept 2021	Sept 2028	5	2,378.4	508,312	7,221 ⁶	182 ⁷	–	–	7,403
		Mar 2019	Mar 2022	Mar 2029	5	2,669.0	1,220,000	45,710	1,172 ⁷	–	34,102	12,780
	LTIP ^{3,5}	Mar 2020	Mar 2023	Mar 2030	5	2,239.2	1,707,972	76,276	–	–	–	76,276
		Mar 2021	Mar 2024	Mar 2031	5	3,144.4	1,707,975	54,318	–	–	–	54,318
		Mar 2022	Mar 2025	Mar 2032	5	2,658.0	1,762,600	–	66,313 ⁶	–	–	66,313
	DBP ⁴	Mar 2021	Mar 2024	Mar 2031	5	3,144.4	182,973	5,819	–	–	–	5,819
		Mar 2022	Mar 2025	Mar 2032	5	2,658.0	462,678	–	17,407	–	–	17,407
Total								189,344	85,074	–	34,102	240,316
Derek Harding	PSP ^{2,5}	Mar 2019	Mar 2022	Mar 2029	5	2,669.0	949,977	35,593 ⁶	913 ⁷	–	26,554	9,952
	LTIP ^{3,5}	Mar 2020	Mar 2023	Mar 2030	5	2,239.2	1,329,973	59,395	–	–	–	59,395
		Mar 2021	Mar 2024	Mar 2031	5	3,144.4	1,329,955	42,296	–	–	–	42,296
		Mar 2022	Mar 2025	Mar 2032	5	2,658.0	1,372,511	–	51,637	–	–	51,637
	DBP ⁴	Mar 2021	Mar 2024	Mar 2031	5	3,144.4	118,733	3,776	–	–	–	3,776
		Mar 2022	Mar 2025	Mar 2032	5	2,658.0	298,998	–	11,249	–	–	11,249
Total								141,060	63,799	–	26,554	178,305

- Shareholders approved the current PSP rules at the AGM held on 24 May 2017 and approved the LTIP and DBP rules at the General Meeting held on 4 December 2019. The PSP, LTIP and DBP awards are conditional rights to acquire shares and are nominal cost options. The exercise price is the nominal value of a Spectris ordinary share, which is 5 pence.
- PSP awards granted to the Executive Directors are structured so that one-third of the award is subject to an EPS target, one-third is subject to a TSR target and one-third is subject to an Economic Profit ('EP') target. Each condition operates over a fixed three-year period (being the three financial years commencing with the financial year in which an award is made in respect of the EPS and EP conditions; and three years from the date of grant in respect of the TSR condition) with no opportunity for re-testing.
- LTIP awards granted to the Executive Directors are currently structured so that 50% of the base award is subject to an EPS target and the other 50% is subject to an Return on Gross Capital Employed ('ROGCE') target. A multiplier (up to a maximum of 1.4 times) will apply to the base award vesting level but only on achieving both absolute and relative stretching TSR targets. Each condition operates over a fixed three-year period (being the three financial years commencing with the financial year in which an award is made in respect of the EPS and ROGCE conditions; and three years from the date of grant in respect of the TSR condition) with no opportunity for re-testing.
- DBP awards represents the 50% of each Executive Director's pre-tax annual bonus that is compulsorily deferred into shares. No further performance conditions apply to these DBP award.
- PSP and LTIP awards are subject to an additional two-year holding period following the initial three-year performance period. These awards will become available to exercise at the end of the holding period (which will be the fifth anniversary of the date of grant).
- These PSP and LTIP awards are linked to a grant of market value share options ('Linked Awards'). Such Linked Awards are granted up to the HMRC's limit of an aggregate value of £30,000, and have the same performance and vesting conditions as the PSP and LTIP awards to which they are linked. No additional gross value can be delivered from the exercise of the Linked Awards. Further details are set out in Note 22 to the Financial Statements.
- These are additional share awards for the dividend equivalent shares that would be received on the vested share award between the date of grant and the date the award becomes exercisable. These additional dividend share awards are structured as nil cost options (i.e. exercise price is nil).

Directors' Remuneration Report continued

Remuneration for FY2022 continued

Dilution limits

In line with best practice, the use of new or treasury shares to satisfy the vesting of awards made under the Company's share plans is restricted to 10% in any ten-year rolling period. A further restriction applies to discretionary share plans (PSP, LTIP and DBP) of 5% over the same period of which 2.67% has been utilised.

Chairman and Non-executive Directors' interest in shares

The Chairman and Non-executive Directors are not permitted to participate in any of the Company's incentive schemes nor are they required to build and retain a minimum shareholding in the Company. They have discretion as to whether to hold the Company's shares or not. The table below sets out the beneficial interests in the ordinary shares of the Company of each current Non-executive Director (including their closely associated persons) during the year ended 31 December 2022.

Current Non-executive Director	Shares held at 1 January 2022 (or date of joining)	Shares held at 31 December 2022 (or date of cessation)
Mark Williamson	17,282	17,282
Ravi Gopinath	–	–
Alison Henwood	–	947
Ulf Quellmann	2,341	2,398
Bill Seeger	3,000	3,000
Cathy Turner	2,660	2,660
Kjersti Wiklund	–	1,500

There has been no change in the interests in shares of the Chairman and Non-executive Directors between 1 January 2023 and 22 February 2023.

Share price

At 31 December 2022, the mid-market closing share price on the London Stock Exchange of a Spectris ordinary share was 3,002 pence per share. The highest mid-market closing share price in the year was 3,703 pence per share and the lowest was 2,458 pence per share.

Directors' service contracts and letters of appointment

The Executive Directors have rolling contracts subject to 12-months' notice of termination by either party, or to summary notice in the event of serious breach of the Director's obligations, dishonesty, serious misconduct or other conduct bringing the Company into disrepute. All letters of appointment in respect of the Non-executive Directors are renewable at each AGM, subject to review prior to proposal for re-election, and provide for a notice period of six months. Ordinarily, appointments do not continue beyond nine years after first election, at which time Non-executive Directors cease to be presumed independent under the UK Corporate Governance Code.

The table below summarises the current Directors' service contracts or terms of appointment.

	Date of contract	Expiry date	Notice period	Length of service at 22 February 2023
Executive Director				
Andrew Heath	3 Sept 2018	Rolling contract with no fixed expiry date	12 months	4 years 5 months
Derek Harding	1 Mar 2019	Rolling contract with no fixed expiry date	12 months	3 years 11 months
Non-executive Director				
Mark Williamson	26 May 2017	Renewable at each AGM	6 months	5 years 9 months
Ravi Gopinath	1 Jun 2021	Renewable at each AGM	6 months	1 year 8 months
Alison Henwood	1 Sep 2021	Renewable at each AGM	6 months	1 year 5 months
Ulf Quellmann	1 Jan 2015	Renewable at each AGM	6 months	8 years 1 month
Bill Seeger	1 Jan 2015	Renewable at each AGM	6 months	8 years 1 month
Cathy Turner	1 Sep 2019	Renewable at each AGM	6 months	3 years 5 months
Kjersti Wiklund	19 Jan 2017	Renewable at each AGM	6 months	6 years 1 month

Directors' Remuneration Report continued

Remuneration for FY2022 continued

External appointments – Executive Directors

Executive Directors may retain any payments received in respect of external non-executive appointments held. Such appointments are normally limited to one per Director at any time and are subject to the approval of the Board. Derek Harding became a Non-executive Director of Sage Group plc in March 2021. During 2022, he received £65,833 in fees for that role. Andrew Heath did not hold any external non-executive appointments during 2022.

Summary of shareholder voting on Directors' remuneration

The 2021 Directors' Remuneration Report was approved by 97.28% of the votes cast at the 2022 AGM held on 27 May 2022. The 2023 Remuneration Policy was approved by shareholders at a General Meeting held on 13 December 2022 by 95.50% of the votes cast, as detailed in the table below:

		Votes for		Votes against		Votes withheld
		Number	%	Number	%	Number
2022 General Meeting	2023 Directors' Remuneration Policy	86,543,504	95.50%	4,077,799	4.50%	38,488
2022 AGM	2021 Directors' Remuneration Report	88,187,689	97.28%	2,468,988	2.72%	692,290

Directors' interest in contracts

No Director had, during the year or at the end of the year, any material interest in any contract of significance to the Group's business.

Loans to Directors

During the year, there were no outstanding loans to any Director.

Role of the Remuneration Committee

The Committee is responsible for recommending to the Board the Group's Remuneration Policy, including the remuneration arrangements for the Chairman, the Executive Directors and members of the Executive Committee, and for the practical operation of the Policy. It regularly reviews the balance between fixed and variable pay and the performance conditions that attach to both short-term and long-term incentives. In 2022, the Committee oversaw the formal integration of ESG targets into the Group's long-term incentive arrangements as part of the 2023 Remuneration Policy. The Committee monitors the level and structure of remuneration for senior management and takes into account workforce remuneration, related policies and the alignment of incentives and rewards with the Group's culture. The remuneration of Non-executive Directors is a matter reserved for the Board. The full terms of reference for the Remuneration Committee are reviewed annually and are available at www.spectris.com/corporategovernance.

Committee members and attendees

All members of the Committee are independent Non-executive Directors. During 2022, the members were: Cathy Turner (Chairman), Ravi Gopinath, Ulf Quellmann and Kjersti Wiklund.

Details of each member's attendance are disclosed on page 66. Only members of the Committee have the right to attend meetings but other individuals and external advisers may attend by invitation. The Chairman is invited to attend all meetings of the Committee. During the year, the Committee also invited Andrew Heath (Chief Executive), Derek Harding (CFO), Andrew Harvey (Group Human Resources Director) and Rebecca Dunn (Head of Corporate Affairs) to attend certain meetings to provide advice to the Committee to allow it to make informed decisions. No individual was present when their own remuneration was being discussed.

The Committee also meets without management present and has received independent remuneration advice during the year from the external advisers appointed to support the Committee.

Committee activities in 2022

The Committee addressed the following key agenda items during its five formal meetings in 2022:

January 2022

- The review and approval of incentive outcomes relating to the 2021 annual bonus plan.
- The consideration and approval of target performance measures and personal objectives relating to the 2022 Annual Bonus Plan.
- Review of the outcomes of the Committee's annual self-evaluation exercise.

February 2022

- Review of Executive Director and Executive Committee salaries and Chairman's fee.
- Agreement of Executive Directors' 2022 bonus arrangements, target performance measures and personal objectives.
- Review and approval of incentive outcomes for the 2019 Performance Share Plan ('PSP').
- Review and approval of 2022 LTIP grant levels and target range for performance measures.
- Review and approval of the 2021 Directors' Remuneration Report.

June 2022

- Review of external market practice and investor feedback on current remuneration structure.
- Review of potential structures for 2023 Remuneration Policy with the Group's external remuneration adviser.

July 2022

- Consideration and approval of interim LTIP awards for new joiners and promotions below Board level.
- Agreement for the treatment of share awards granted to Omega employees on the divestment of the Omega business from the Spectris Group.
- Review of emerging market practice on remuneration matters, led by the Committee's external remuneration adviser.
- Review of the planned structure of the Group's 2023 Remuneration Policy.

December 2022

- A review of the likely formulaic outcomes of the 2022 Bonus and 2020 LTIP awards and a discussion of the need for the Committee to consider any upward or downward discretion in relation to those likely outcomes.
- Review of the wider external remuneration landscape, including investor body guidelines on workforce pay and windfall gains.
- Review of the Committee's Terms of Reference.

Directors' Remuneration Report continued

In line with the requirements of the UK Corporate Governance Code to include explanation of the Company's approach to investing in and rewarding its workforce, some of the work that the Committee has carried out in this area is set out below. The Committee has taken time during the year to review the remuneration of the wider workforce, related policies and the alignment of incentives and rewards with culture as part of its implementation of the 2020 Remuneration Policy.

Stakeholder Engagement

Values and culture in remuneration

The Group's Values: Be True, Own It and Aim High are built into the Group's performance management framework. The Remuneration Committee has used this framework as the foundation for the operational and strategic targets for the Executive Directors and Executive Committee members for 2022. In assessing performance against these targets, the Committee has also considered wider stakeholder experience during 2022. The employee engagement survey was also used to obtain feedback from the workforce on remuneration and this will continue in future surveys.

Stakeholder views

Through the consultation process that supported the approval of the 2023 Remuneration Policy, the Committee reached out to investors holding in excess of 50% of the Group's issued share capital. The Remuneration Committee Chairman also held face-to-face meetings with investors holding over 40% of the Group's issued share capital.

Recognising the inflationary pressures on the global workforce, the Committee has worked closely with the Executive team to review the Group's wider pay policies and particular strategies for supporting employees through the cost of living challenges present in key jurisdictions. The Committee focused on ensuring the approach taken to remuneration balanced the interests of all stakeholders. Careful consideration has also been given by the Committee to the guidance issued by investors and investor bodies on the management of remuneration during this inflationary period.

Employee share ownership

Spectris is a proud advocate of employee share ownership. Due to the Group's decentralised structure, particular importance is placed on aligning management in our businesses with the Group. Awards under the Spectris LTIP are granted to each management team within each business to support the alignment of their interests with shareholders. In the UK, the Group also manages a successful all-employee Share Incentive Plan ('SIP') to allow all UK-based employees to build a shareholding in Spectris. For every five shares purchased by an employee under the SIP, the Company awards one free Matching share.

Directors' Remuneration Report continued

Role of the Remuneration Committee continued

Gender pay gap reporting

Spectris plc employs fewer than 250 people in the UK and is therefore not required to publish gender pay gap data. However, the Committee considers the issue of gender pay to be important and voluntarily collate the results for all UK-based employees of the Group and disclose the Group's gender pay gap. The detailed disclosure is set out below and key metrics relating to the disclosure are included in the Sustainability Report on page 44. Last year, the Committee elected to use the data collated for the CEO pay ratio to produce a consistent gender pay gap disclosure which allows the Committee to analyse both key metrics from one source of data.

Both the median and mean gender pay gap have reduced slightly compared to 2021 by 0.4% and 1.4% respectively. The Committee is confident that men and women are being paid equally for doing the same job and that the imbalance in the number of male and female employees in similar roles, in the composition of the UK workforce, continues to drive our gender pay gap. This imbalance continues to be a core focus of time and attention by the Board and Nomination Committee and there have been early signs of it reducing. For example, the percentage of female employees in the Management group increased by 7.7% from 2021.

	Non-Management		Management		Total	
	Median	Mean	Median	Mean	Median	Mean
Gender pay gap	18.4%	16.9%	13.6%	41.2%	18.6%	21.7%
Bonus gap	28.6%	18.8%	16.1%	53.1%	31.6%	37.2%
	Male	Female	Male	Female	Male	Female
% receiving a bonus	97.8%	96.6%	100.0%	100.0%	97.9%	96.7%

Advisers to the Committee

PricewaterhouseCoopers LLP ('PwC') was first appointed as independent remuneration adviser in January 2018. This appointment took place following a competitive tender process overseen by Russell King, the then Committee Chairman. During 2022, PwC has provided advisory support to the Committee on various aspects of the Directors' remuneration, including:

- advice on emerging external market practice and stakeholder expectations relating to the setting of the 2023 Remuneration Policy and global inflationary pressures;
- analysis on all elements of the implementation of the 2020 Remuneration Policy; and
- advice on the interpretation of investor body guidelines concerning remuneration outcomes.

PwC reports directly to the Committee Chairman. During 2022, PwC also provided certain project advisory and tax services to the Company.

Aon separately supports the Company in compiling IFRS 2 'Share-based Payment' reporting on the Company's share plans and TSR performance calculations in relation to the Company's PSP and LTIP. Aon does not provide any other services to the Company. Total fees paid during the financial year to these advisers were: PwC £153,081 (2021: £69,999) and Aon £32,760 (2021: £41,040). These fees were charged on the basis of each firm's standard terms of business.

Both PwC and Aon are members of the Remuneration Consultants Group and adhere to its Code of Conduct.

The Committee reviewed the objectivity and independence of the advice it receives from its advisers each year and is satisfied that both PwC and Aon provided credible and professional advice during 2022.

Annual performance evaluation

The performance of the Committee was reviewed as part of the wider external Board evaluation process, led by Lisa Thomas of Independent Board Evaluation. Further details regarding the process followed are set out on page 70. Following this review and the feedback received, the Committee considered that it had operated effectively during the year.

2023 Remuneration Committee workplan

The Committee intends to focus on the following key areas during 2023:

- setting first targets under the 2023 Remuneration Policy;
- wider workforce remuneration structures and key policies; and
- monitoring of the Group's Remuneration Policy against the Group's strategy, market practice, changes in the external governance environment and investor guidance.

By order of the Board

Cathy Turner

Chairman of the Remuneration Committee
22 February 2023

This Directors' Remuneration Report for the year ended 31 December 2022 complies with the requirements of the Listing Rules of the UK Listing authority, Schedule 8 of the Large- and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended in 2013, 2018 and 2019 and the provisions of the 2018 UK Corporate Governance Code.

Directors' Report

Directors' Report

This section sets out the information required to be disclosed by the Company and the Group in the Directors' Report in compliance with the Companies Act 2006 (the 'Act'), the Listing Rules of the UK Listing Authority ('Listing Rules') and the Disclosure Guidance and Transparency Rules ('DTR').

Overview of information required to be disclosed

Certain matters that would otherwise be disclosed in this Directors' Report have been reported elsewhere in this Annual Report. This report should therefore be read in conjunction with the Strategic Report on pages 2 to 59 and the Governance section 62 to 107 which are incorporated by reference into this Directors' Report. The Strategic Report and this Directors' Report, together with other sections of this Annual Report and Accounts including the Governance section on pages 62 to 107 are incorporated by reference, and when taken as a whole, form the Management Report as required under Rule 4.1.5R of the DTR.

Disclosure	Reported in	Page reference
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Articles of Association	Directors' Report	Page 106
Annual General Meeting	Directors' Report	Page 106
Appointment and removal of Directors	Governance	Page 76
Auditors' re-appointment and remuneration	Directors' Report	Page 83
Authority to allot shares	Directors' Report	Page 107
Business model	Strategic Report	Pages 16 and 17
Branches	Directors' Report	Page 106
Change of control	Directors' Report	Page 106
Community and charitable giving	Strategic Report	Pages 60 and 61
Corporate governance	Governance	Pages 62 to 107
Directors' conflicts of interest	Directors' Report	Page 106
Directors' details	Governance	Pages 64 and 65
Directors' indemnity	Directors' Report	Page 106
Directors' remuneration and interest	Directors' Report	Page 106

Disclosure	Reported in	Page reference
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Disclosure of information to auditor	Directors' Report	Page 107
Diversity, equality and inclusion	Strategic Report	Page 44
Employee engagement	Strategic Report Governance	Pages 42 to 44 and 71 to 73
Employee equal opportunities	Strategic Report	Page 44
Employee share plans	Directors' Report	Page 106
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Financial instruments	Directors' Report	Page 106
Future developments and strategic priorities	Chief Executive Review	Pages 8 to 13
Going concern	Directors' Report	Page 106
Internal control and risk management systems	Governance	Page 81
Non-financial information statement and index	Strategic Report	Page 59
Ongoing director training and development	Governance	Page 70
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Post balance sheet events	Directors' Report	Page 106
Powers of Directors	Directors' Report	Page 106
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Purchase of own shares	Directors' Report	Page 107
Research and development activities	Strategic Report	Page 6 – 7
Results and dividends	Directors' Report	Page 106
Rights and obligations attaching to shares including restrictions on transfer of shares and voting rights	Directors' Report	Page 107
Section 172 statement	Strategic Report Governance	Page 5 Pages 68 and 69
Share capital	Directors' Report	Page 107
Stakeholder engagement	Governance	Pages 68 and 69
Streamlined Energy and Carbon disclosures	Strategic Report	Pages 50 and 51
Substantial share interests	Directors' Report	Page 107
Treasury shares	Director's Report	Page 107
Viability Statement	Strategic Report	Page 39

Directors' Report continued

Results and dividends	<p>The financial results for the financial year ended 31 December 2022 are set out on pages 116 to 178. Adjusted operating profit for the year amounts to £222.4 million (2021: £189.6 million).</p> <p>An interim dividend of 24.1 pence per share was paid on 11 November 2022 in respect of the half year ended 30 June 2022. The Board is recommending a final dividend of 51.3 pence per share for the year ended 31 December 2022. Together with the interim dividend paid in November 2022, subject to shareholder approval of the final dividend, total dividends for the year ended 31 December 2022 will amount to 75.4 pence per share.</p> <p>Dividend details are given in Note 8 to the Consolidated Financial Statements on page 134.</p> <p>Subject to the approval of shareholders at the 2023 AGM, the final dividend will be paid on 30 June 2023 to those shareholders on the register on 19 May 2023.</p>
Articles of Association ('Articles')	<p>The Company's Articles contain specific provisions and restrictions regarding the Company's powers to borrow money. Powers relating to pre-emptive rights, allotment of shares and purchase of the Company's own shares are also included in the Articles and such authorities are renewed by shareholders each year at the Annual General Meeting. The Articles also give power to the Board to appoint and remove Directors and require Directors to submit themselves for election at the first AGM following their appointment and for annual re-election at subsequent AGMs. The Articles may be amended by special resolution of the shareholders. The Company's Articles are available on the Company's website: www.spectris.com.</p>
Annual General Meeting ('AGM')	<p>It is intended that the 2023 AGM will be held at 3:00pm on 26 May 2023 at Melbourne House, 5th floor, 44-46 Aldwych, London WC2B 4LL. The Notice of the AGM accompanies this Annual Report and is available at www.spectris.com/AnnualGeneralMeeting.</p>
Auditor's re-appointment and remuneration	<p>Resolutions for the re-appointment of Deloitte LLP as the Company's auditor and to authorise the Directors, acting through the Audit & Risk Committee, to agree the remuneration of the auditor are to be proposed at the 2023 AGM.</p>
Branches	<p>The Spectris Group, through various subsidiaries, has established branches in a number of different countries in which the business operates.</p>
Change of control	<p>There are a number of agreements that take effect, alter or terminate upon a change of control of the Group following a takeover, such as bank loan agreements and Company share plans. None of these are deemed to be significant in terms of their potential impact on the business of the Group as a whole. It is also possible that funding arrangements for the Group's defined benefit pension arrangements would need to be enhanced following a change in control if that resulted in a weakening of the employer covenant. The Company does not have any agreements with any Director that would provide for enhanced compensation for loss of office or employment following a takeover bid.</p>

Directors	<p>Details of the Directors who served during the year are set out on pages 64 – 65 there have been no changes to the Board during the year.</p>
Directors' conflicts of interest	<p>The Board has an established process to review at least annually, and, if appropriate, authorise conflicts of interest. Any transactional conflicts are reviewed as they arise. Directors are asked to review and confirm reported conflicts of interest as part of the year-end process.</p>
Directors' remuneration and interest	<p>Details of Directors' remuneration and their interest in the Company's shares are set out in the Directors' Remuneration Report on pages 84 to 104.</p>
Indemnity provisions	<p>The Spectris Group maintains liability insurance for its Directors and officers. The Directors and Company Secretary have also been granted a third-party indemnity, under the Act, which remains in force. Neither the Company's indemnity nor insurance provides cover in the event that an indemnified individual is proven to have acted fraudulently or dishonestly.</p> <p>During the year and at the date of this report, the Company has in place Pension Trustee Liability Insurance for the Trustees of the Spectris pension plan.</p>
Directors' powers	<p>The business of the Company is managed by the Board, which may exercise all the powers of the Company subject to the Articles and the Act.</p>
Employee share plans	<p>Details of employee share plans are set out in Note 22 to the Consolidated Financial Statements on page 148 to 151.</p>
Financial instruments	<p>Details of the Group's financial risk management in relation to its financial instruments are given in Note 26 to the Consolidated Financial Statements on pages 156 to 158.</p>
Going concern and Viability Statement	<p>Having reviewed the Group's plans and available financial facilities, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months following the signing of the accounts. For this reason, it continues to adopt the going concern basis in preparing the Group's accounts. The Company's Viability Statement can be found on page 39.</p>
Political donations	<p>The Group's policy is not to make any political donations and none were made during the financial year ended 31 December 2022 (2021: nil).</p>
Post balance sheet events	<p>None.</p>

Purchase of own shares

The Company was authorised by shareholders at the 2022 AGM to purchase in the market ordinary shares with a nominal value of 5 pence each up to an amount not exceeding 10% of the Company's issued share capital, as permitted under the Company's Articles. During the year ended 31 December 2022, 6,439,493 ordinary shares were repurchased and cancelled by the Group, for an average price of 2,948.00 pence per share, as part of the £300 million share buyback programme announced on 19 April 2022, resulting in a cash outflow of £191.0 million, including transaction fees of £1.2 million. The share buyback programme was launched as a result of our enhanced balance sheet, projections for 2022 and the pipeline of acquisition opportunities. The initial tranche for £150 million was launched pursuant to the authority granted by the Company's shareholders at the 2021 AGM, and the further tranche of £150 million was launched, pursuant to the authority granted by the Company's shareholders at the 2022 AGM, held on 27 May 2022. The share buyback programme concluded on 16 December 2022. This standard authority is renewable annually and the Directors will seek to renew this authority at the 2023 AGM.

Related party transactions

Details of related party transactions are set out in Note 31 to the Financial Statements on page 161.

Share capital

The share capital of the Company comprises ordinary shares of 5 pence each: each share (with the exception of those held by the Company in Treasury) carries the right to one vote at general meetings of the Company. The Company may reduce or vary the rights attaching to its share capital by special resolution subject to the Articles and applicable laws and regulations. The issued share capital of the Company together with movements in the Company's issued share capital during the year are shown in Note 21 to the Financial Statements on page 148.

Shareholders' rights and obligations attaching to shares

The Articles (available on the Company's website www.spectris.com) contain provisions governing the ownership and transfer of shares. All shareholders have equal voting rights with one vote per share and there are no special control rights attaching to the shares. There are no restrictions on the transfer of shares or voting rights (under any agreement or otherwise) beyond those required by applicable law under the Articles or under any applicable share dealing policy.

Subject to any special rights or restrictions, every shareholder on the Register not less than 48 working hours before the time fixed for a general meeting, will have one vote for every fully-paid share that they hold. Shareholders may cast votes either personally or by proxy, and a proxy need not be a shareholder. Details relating to the appointment of proxies and registration of voting instructions for the 2023 AGM are set out in the Notice of AGM accompanying this Annual Report.

Substantial shareholders

As at 31 December 2022, the Company had received formal notifications of the following holdings in its ordinary shares in accordance with DTR 5:

	Shareholding in Spectris shares	Date of notification	Percentage of issued share capital at date of notification
FMR LLC	8,682,229	01 Jan 2020	7.48%
BlackRock	6,069,049	21 Dec 2020	6.23%
UBS	5,954,961	11 Jan 2021	5.12%
Massachusetts Financial Services Company	5,178,500	15 Mar 2022	4.67%

Between 31 December 2022 and the date of this report, the Company received no further notifications. A list of the Company's major shareholders is set out on page 179.

Treasury shares

Shares held by the Company in treasury do not have voting rights and are not eligible to receive dividends.

Disclosures required under UK Listing Rule 9.8.4

There are no disclosures required to be made under UK Listing Rule 9.8.4 other than in respect of long-term incentive schemes, details of which are set out in the Directors' Remuneration Report on pages 84 to 104.

Disclosure of information to auditor

The Directors who held office at the date of approval of the Directors' Report confirm that:

- so far as they are each aware, there is no relevant audit information, which would be needed by the Company's auditor in connection with preparing its audit report, of which the Company's auditor is unaware; and
- each Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the Board

Rebecca Dunn

Head of Corporate Affairs and Company Secretary
22 February 2023

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the Group and Company Financial Statements in accordance with applicable law and regulations.

Under the Companies Act, the Directors are required to prepare the Group Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applied in the European Union ('EU') and have also elected to prepare the Company Financial Statements in accordance with UK Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'.

Under company law, the Directors are required to prepare such Financial Statements for each financial year and must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period.

In preparing each of the Group and Company Financial Statements, the Directors are required to:

- select accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group Financial Statements, state whether they have been prepared in conformity with the requirements of United Kingdom adopted international accounting standards;

- for the Company Financial Statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report on pages 2 to 59 and the Directors' Report on pages 62 to 107 include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Strategic Report and the Directors' Report were approved by the Board on 22 February 2023.

By order of the Board

Andrew Heath

Chief Executive

Derek Harding

Chief Financial Officer

22 February 2023

Independent auditor's report to the members of Spectris plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Spectris plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Statements of Financial Position;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated Statement of Cash Flows; and
- the Consolidated Notes 1 to 33 and Parent Company Notes 1 to 14.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in note 4 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters

The key audit matter that we identified in the current year was:

- Revenue recognition

Materiality

The materiality that we used for the Group financial statements was £10.9 million which equates to 5% of adjusted profit before tax from continuing operations.

Scoping

Full scope audit work was completed on 44 components and specified audit procedures were undertaken on a further 2 components. We also performed specified audit procedures over the Omega businesses given its classification as discontinued operations during the period. Our full scope and specified audit procedures represent 73% of total Group revenue and 83% of Group adjusted profit before tax.

Significant changes in our approach

Our audit approach is consistent with the previous year with the exception of the following:

- In the prior year, we identified the valuation of customer relationship intangible asset arising from the acquisition of Concurrent Real Time as a key audit matter. We have not identified any key audit matters associated with the Group's acquisitions during the year.
- The change in the number of components in full scope audits and specified audit procedures reflects the developments in the business relating to the Group's acquisitions and disposals in the year.

Independent auditor's report to the members of Spectris plc continued

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the financing facilities available to the Group including the nature of facilities, repayment terms and covenants;
- challenging the assumptions used in the forecasts by reference to historical performance, trading run rate, and other supporting evidence, such as business disposal agreements and the current macroeconomic environment;
- recalculating and assessing the amount of cash and covenant headroom in the forecasts; and
- performing a sensitivity analysis to consider specific scenarios, including a reverse stress test based on a reduction in revenue and associated margin.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Revenue recognition

Key audit matter description

The Group recognised revenue of £1,327 million (2021: £1,292 million) predominantly through the provision of goods and services accounted for under IFRS 15 Revenue from Contracts with Customers. Given the number of businesses in the Group, the variety of revenue streams and the bespoke nature of businesses spanning across numerous countries and industries; understanding the revenue cycles in each business and their respective control environments underpinned our risk assessment and the basis for our planned audit procedures.

We have identified a key audit matter relating to a risk of material misstatement in relation to cut-off for revenue recognition. The risk relates to the potential overstatement of revenue within certain components where a significantly higher-than-average volume and value of trade is recognised in December 2022 compared to the rest of the year.

Note 1 to the Consolidated Financial Statements sets out the Group's accounting policy for revenue recognition and notes 2 and 3 include details of the Group's revenue by segment and timing of revenue recognition.

How the scope of our audit responded to the key audit matter

We designed our audit procedures to be specific to each operating company to which the cut-off risk had been identified. Consequently, we have performed a combination of the following audit procedures as relevant:

- Obtained an understanding of the relevant controls over the revenue recognition process specifically in relation to cut-off and in one instance tested the operating effectiveness of these relevant controls;
- Assessed a sample of revenue recognised in December 2022 against third party supporting evidence to determine whether appropriate cut-off was applied and whether the performance obligations had been satisfied;
- Considered material contracts with multiple performance obligations and assessed the identification of separate performance obligations, the timing of revenue recognition and the evidence of the performance obligations being satisfied;
- Challenged the appropriateness of accrued income recognised by agreeing a sample to supporting evidence and assessing whether the performance obligation had been met or partially met (as appropriate); and
- Obtained a schedule of adjusting and manual journals posted in December 2022 with a credit impact on revenue; and on a sample basis, assessed the adjustments and manual journals against supporting evidence.

Key observations

We consider that revenue across the Group has been appropriately recognised and that the year-end cut-off is materially accurate. We concur with management's accounting policies and their application across the Group.

Independent auditor's report to the members of Spectris plc continued

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£10.9 million (2021: £10.0 million)	£6.7 million (2021: £7.5 million)
Basis for determining materiality	5% (2021: 5%) of adjusted profit before tax from continuing operations	Parent Company materiality equates to 1% of the Parent Company's net assets. In the prior year, materiality was determined on the basis of 1% of the Parent Company's net assets and this was then capped at 75% of Group's materiality.
Rationale for the benchmark applied	Adjusted profit before tax is a key performance measure for management, investors and the analyst community. This metric is important to the users of the financial statements because it portrays the performance of the business and hence its ability to pay a return on investment to the investors. Likewise, this metric takes into account the acquisitive nature of the Group which results in adjusting items needing to be considered when determining the performance of the business. Refer to the Appendix to the Consolidated Financial Statements for the Group's definition and calculation of Alternative Performance Measures.	We consider net assets to be the most appropriate benchmark as the Parent Company is a non-trading entity, whose primary function within the Spectris Group is to act as a holding company.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	70% (2021: 70%) of Group materiality	70% (2021: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	<p>In determining performance materiality, we considered the following factors:</p> <ul style="list-style-type: none"> • our risk assessment, including our assessment of the Group's overall control environment and our past experience of the audit; • the disaggregated nature of the Group which reduces the likelihood of an individually material error; and • the low number of corrected and uncorrected misstatements identified in previous audits. 	

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.5 million (2021: £0.5 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent auditor's report to the members of Spectris plc continued

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The Group operates in more than 30 countries spread across five continents with the largest footprint being in North America, Asia and Europe. Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component level.

Within the Group, financial information is reported through individual reporting entities, which combine to make up the segments reported externally to the market. We have defined a component at the reporting entity level. In determining the audit scope we have considered the following at a component level to obtain sufficient coverage over the risks of material misstatement and for the Group as a whole:

- Qualitative and quantitative factors which are risk driven and based on the component materiality range of £3.3 million – £6.7 million;
- The importance of the platform businesses as part of the overall Group strategy;
- Changes in the legal entity structure and local statutory requirements;
- Changes in finance systems and control environment; and
- The ability to centralise audit effort into fewer locations.

Given the highly disaggregated nature of the Group's components, we have also considered coverage over key benchmarks being revenue and adjusted profit before tax when determining the appropriateness of the audit scope to support the Group audit opinion. We have scoped the Group in a way that allows us to obtain sufficient coverage not only at a Group level but also across the Group's 2 divisions and other businesses. This is consistent with previous years in both methodology and quantum of expected coverage. We have also performed specified audit procedures over Omega businesses given the discontinued classification in the current year. Full scope audit work was completed on 44 (2021: 49) components and specified audit procedures were undertaken on a further 2 (2021: 3) components.

Our full scope and specified audit procedures represent 73% (2021: 74%) of total Group revenue and 83% (2021: 83%) of Group adjusted profit before tax. The Parent Company is located in the UK and is audited directly by the Group audit team. Our work on the components, including the Parent Company, was executed at levels of materiality applicable to each individual component, which were lower than Group materiality and ranged from £3.3 million to £6.7 million (2021: £3.2 million to £7.5 million).

At the Group level we also tested the consolidation process and carried out analytical procedures to obtain further assurance that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or specified audit procedures.

7.2. Our consideration of the control environment

The Group operates a range of IT systems which underpin the financial reporting processes. This can vary by geography and/or reporting entity. For certain components subject to full scope audits, we identified relevant IT systems for the purpose of our audit work. These were typically the principal Enterprise Resource Planning (ERP) systems for each relevant component that govern the general ledger and transaction accounting balances and also included the Group's consolidation system. Our approach was principally designed to inform our risk assessment and, as such, we obtained an understanding of relevant IT controls and tested the general IT controls for some operating entities using our IT specialists.

In the current year we did not plan to rely on the operating effectiveness of controls. This strategy reflected our historic knowledge of the control environment, which we reconfirmed in the current year, as well as our understanding of the Group's business transformation programme. This programme seeks to enhance the internal control framework and has both IT and business control aspects. Therefore, in addition to the audit work on IT controls described above, additional audit work on controls was limited to obtaining an understanding of the relevant controls in key financial reporting process cycles to inform our risk assessment.

The Group continues to invest time in responding to and addressing our observations. Management determines their response to these observations and continues to monitor their resolution with reporting to and oversight from the Audit and Risk Committee as explained in the Audit and Risk Committee report on page 81. As management develops and completes the business transformation project, we expect our audit approach to evolve in future years alongside these developments in the internal control environment.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements.

The Group has assessed the risk and opportunities relevant to climate change and this remains a principal risk for the Group. This risk has also been considered and embedded into the businesses as explained in the Strategic Report.

As a part of our audit procedures, we have obtained management's climate-related risk assessment and held discussions with those charged with governance to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. While management has acknowledged the risks posed by climate change, they have assessed that climate change does not create any further key sources of estimation uncertainty in the financial statements as at 31 December 2022 as explained in note 1 on page 122.

We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transactions and did not identify any additional risks of material misstatement. Our procedures include reading disclosures included in the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

Independent auditor's report to the members of Spectris plc continued

7.4. Working with other auditors

Our oversight of component auditors focussed on the planning of their audit work and understanding of their risk assessment process to identify key areas of estimates and judgements, as well as the execution of their audit work. We sent our component teams detailed instructions, reviewed and challenged the related component inter-office reporting and findings from their work, reviewed relevant documents in underlying audit files, attended component audit closing conference calls and held regular remote meetings to interact on any related audit and accounting matters which arose. We also visited some components, held in person discussions and reviewed on site.

Dedicated members of the Group audit team were assigned to each component to facilitate an effective and consistent approach to component oversight.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuation, pension and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

Independent auditor's report to the members of Spectris plc continued

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pension legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 106;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 106;
- the directors' statement on fair, balanced and understandable set out on page 108;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 34;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 81; and
- the section describing the work of the Audit and Risk Committee set out on page 77.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Spectris plc continued

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the Board of Directors on 28 July 2016 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is six years, covering the years ending 31 December 2017 to 31 December 2022.

15.2. Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Andrew Bond, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London UK
22 February 2023

Consolidated Income Statement

For the year ended 31 December 2022

	Note	2022 £m	(Restated) ¹ 2021 £m
Continuing operations			
Revenue	2,3	1,327.4	1,163.0
Cost of sales		(576.6)	(487.5)
Gross profit		750.8	675.5
Indirect production and engineering expenses		(114.1)	(92.6)
Sales and marketing expenses		(233.0)	(222.2)
Administrative expenses		(231.1)	(220.8)
Operating profit	2,4	172.6	139.9
Fair value through profit and loss movements on debt investments	27	(4.1)	–
Profit on disposal of businesses	24	0.3	226.5
Financial income	6	1.9	12.8
Finance costs	6	(19.2)	(5.4)
Profit before tax		151.5	373.8
Taxation charge	7	(36.7)	(38.2)
Profit for the year from continuing operations		114.8	335.6
Profit for the year from discontinued operations	24	286.7	11.3
Profit for the year from continuing and discontinued operations attributable to owners of the Company		401.5	346.9

Earnings per share

From continuing operations

Basic	9	106.7p	295.2p
Diluted	9	106.0p	294.1p

From continuing and discontinued operations

Basic	9	373.1p	305.1p
Diluted	9	370.7p	304.0p

Dividends – amounts arising in respect of the year

Interim dividend paid and final dividend proposed/paid for the year (per share)	8	75.4p	71.8p
Dividends paid during the year (per share)	8	72.9p	69.5p

1. The Omega reportable segment has been classified as a discontinued operation under IFRS 5, following the announcement and completion of its disposal during 2022. As a result, the income statement-related financial data for the year ended 31 December 2021 has been represented to show continuing operations where required to by IFRS 5 throughout the Consolidated Financial Statements. Further details are provided in note 24 to the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Profit for the year attributable to owners of the Company		401.5	346.9
Other comprehensive income:			
Items that will not be reclassified to the Consolidated Income Statement:			
Re-measurement of net defined benefit obligation	19	13.1	(1.8)
Fair value gain/(loss) and foreign exchange movements on translation of investment in equity instruments designated as at fair value through other comprehensive income	12	5.0	(1.8)
Tax (charge)/credit on items above	7	(4.0)	0.7
		14.1	(2.9)
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 on cash flow hedges		0.4	(1.9)
Foreign exchange movements on translation of overseas operations		105.1	(25.1)
Currency translation differences transferred to profit on disposal of business	24	(86.7)	(4.8)
Tax credit on items above	7	–	0.3
		18.8	(31.5)
Total other comprehensive income/(loss)		32.9	(34.4)
Total comprehensive income for the year attributable to owners of the Company		434.4	312.5

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Note	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Capital redemption reserve £m	Total equity £m
At 1 January 2022		5.8	231.4	957.6	66.2	(3.5)	3.1	0.7	1,261.3
Profit for the year		–	–	401.5	–	–	–	–	401.5
Other comprehensive income		–	–	12.7	19.8	0.4	–	–	32.9
Total comprehensive income for the year		–	–	414.2	19.8	0.4	–	–	434.4
Transactions with owners recorded directly in equity:									
Equity dividends paid by the Company	8	–	–	(78.6)	–	–	–	–	(78.6)
Own shares acquired for share buyback programme	21	(0.3)	–	(191.0)	–	–	–	0.3	(191.0)
Share-based payments, net of tax	22	–	–	10.6	–	–	–	–	10.6
Proceeds from exercise of equity-settled options		–	–	0.2	–	–	–	–	0.2
At 31 December 2022		5.5	231.4	1,113.0	86.0	(3.1)	3.1	1.0	1,436.9

For the year ended 31 December 2021

	Note	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Capital redemption reserve £m	Total equity £m
At 1 January 2021		6.0	231.4	882.6	98.0	(1.9)	3.1	0.5	1,219.7
Profit for the year		–	–	346.9	–	–	–	–	346.9
Other comprehensive loss		–	–	(1.0)	(31.8)	(1.6)	–	–	(34.4)
Total comprehensive income/(loss) for the year		–	–	345.9	(31.8)	(1.6)	–	–	312.5
Transactions with owners recorded directly in equity:									
Equity dividends paid by the Company	8	–	–	(79.0)	–	–	–	–	(79.0)
Own shares acquired for share buyback programme	21	(0.2)	–	(201.3)	–	–	–	0.2	(201.3)
Share-based payments, net of tax	22	–	–	9.1	–	–	–	–	9.1
Proceeds from exercise of equity-settled options		–	–	0.3	–	–	–	–	0.3
At 31 December 2021		5.8	231.4	957.6	66.2	(3.5)	3.1	0.7	1,261.3

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	2022 £m	2021 £m
ASSETS			
Non-current assets			
Goodwill	10	606.1	631.5
Other intangible assets	10	184.1	169.1
Property, plant and equipment	11	160.7	150.5
Right-of-use assets	11	59.7	60.5
Investments in equity instruments	12	29.3	24.3
Investment in debt instruments	27	18.9	23.0
Investment in associate	12	2.9	–
Derivative financial instruments	27	0.4	–
Other receivables	14	4.2	–
Deferred tax assets	20	16.2	21.2
		1,082.5	1,080.1
Current assets			
Inventories	13	263.3	187.9
Current tax assets		8.6	5.7
Trade and other receivables	14	362.5	315.9
Derivative financial instruments	27	1.3	0.3
Cash and cash equivalents	15	228.1	167.8
Assets held for sale	24	1.7	10.4
		865.5	688.0
Total assets		1,948.0	1,768.1
LIABILITIES			
Current liabilities			
Borrowings	16	(0.1)	–
Derivative financial instruments	27	(2.3)	(1.2)
Trade and other payables	17	(373.7)	(330.2)
Lease liabilities		(14.9)	(16.6)
Current tax liabilities		(14.2)	(28.1)
Provisions	18	(12.8)	(17.6)
		(418.0)	(393.7)
Net current assets		447.5	294.3

	Note	2022 £m	2021 £m
Non-current liabilities			
Other payables	17	(13.8)	(13.8)
Derivative financial instruments	27	(0.2)	–
Lease liabilities		(50.2)	(49.3)
Provisions	18	(4.4)	(4.7)
Retirement benefit obligations	19	(8.9)	(22.3)
Deferred tax liabilities	20	(15.6)	(23.0)
		(93.1)	(113.1)
Total liabilities		(511.1)	(506.8)
Net assets		1,436.9	1,261.3
EQUITY			
Share capital	21	5.5	5.8
Share premium		231.4	231.4
Retained earnings		1,113.0	957.6
Translation reserve	21	86.0	66.2
Hedging reserve	21	(3.1)	(3.5)
Merger reserve	21	3.1	3.1
Capital redemption reserve	21	1.0	0.7
Total equity attributable to owners of the Company		1,436.9	1,261.3

The Financial Statements on pages 116 to 166 were approved by the Board of Directors on 22 February 2023 and were signed on its behalf by:

Derek Harding
Chief Financial Officer

Company Registration No. 02025003

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Cash generated from operations	25	166.8	191.6
Net income taxes paid		(46.8)	(32.2)
Net cash inflow from operating activities		120.0	159.4
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(44.9)	(35.3)
Proceeds from disposal of property, plant and equipment and software		13.4	–
Finance sublease receivable collected, net of initial direct costs		–	0.1
Acquisition of businesses, net of cash acquired	23	(114.7)	(135.5)
Purchase of investment in associate	12	(2.9)	–
Proceeds from disposal of equity investments	12	–	38.3
Proceeds from disposal of businesses, net of tax paid of £27.9m (2021: £nil)	24	365.4	333.7
Interest received		1.9	0.5
Net cash flows from investing activities		218.2	201.8
Cash flows used in financing activities			
Interest paid on borrowings		(1.4)	(3.4)
Interest paid on lease liabilities	16	(2.5)	(1.8)
Dividends paid	8	(78.6)	(79.0)
Share buyback purchase of shares	21	(191.0)	(201.3)
Net proceeds from exercise of share options		0.2	0.3
Payments on principal portion of lease liabilities	16	(13.9)	(13.0)
Proceeds from borrowings	16	326.2	70.0
Repayment of borrowings	16	(326.8)	(169.8)
Net cash flows used in financing activities		(287.8)	(398.0)
Net increase/(decrease) in cash and cash equivalents		50.4	(36.8)
Cash and cash equivalents at beginning of year		167.8	210.9
Effect of foreign exchange rate changes		9.9	(6.3)
Cash and cash equivalents at end of year	15	228.1	167.8

Notes to the Accounts

1. Basis of preparation and summary of significant accounting policies

a) Basis of preparation

Basis of accounting

The Consolidated Financial Statements have been prepared on a historical cost basis except for items that are required by International Financial Reporting Standards ('IFRS') to be measured at fair value, principally certain financial instruments. The Consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK adopted IFRSs.

The Consolidated Financial Statements set out on pages 116 to 166 have been prepared using consistent accounting policies. In the current year there are no new standards and interpretations that have had a material impact on the Group's Statement of Financial Position.

These Consolidated Financial Statements are presented in millions of Sterling rounded to the nearest one decimal place.

Basis of consolidation

The Consolidated Financial Statements set out the Group's financial position as at 31 December 2022 and the Group's financial performance for the year ended 31 December 2022, which incorporate the Financial Statements of Spectris plc and its subsidiaries and include its share of the results of associates using the equity method of accounting. The Group recognises its direct rights to (and its share of) jointly held assets, liabilities, revenues and expenses of joint operations under the appropriate headings in the Consolidated Financial Statements.

i. Subsidiaries

A subsidiary is an entity that is controlled by another entity, known as the parent or investor (such as the Group). An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the year are consolidated from and up to the date of change of control. Where necessary, accounting policies of subsidiaries have been aligned with the policies adopted by the Group. All intra-group transactions including any gains or losses, balances, income or expenses are eliminated in full on consolidation.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between the aggregate of the fair value of the consideration received and the amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

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

ii. Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

1. Basis of preparation and summary of significant accounting policies continued

Under the equity method, an investment in an associate is recognised initially in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's Consolidated Financial Statements only to the extent of interests in the associate or joint venture that are not related to the Group.

iii. Joint operations

Joint arrangements are contractual arrangements which the Group has entered into with one or more parties to undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity and exists only when decisions relating to the relevant activities require the unanimous consent of the parties sharing the control. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. As a result, the Group recognises its interest in the joint operation, including its share of any assets, liabilities, revenue and expenses of the joint operation. The Group accounts for the assets, liabilities, revenue and expenses relating to its interest in a joint operation in accordance with the IFRS Standards applicable to the particular assets, liabilities, revenue and expenses. When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Going concern

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

The Group's business activities, together with factors likely to affect its future development, performance and financial position, are set out in the Strategic Report on pages 2 to 59. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 30 to 33. In addition, note 26 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Group finances its operations from retained earnings and, where appropriate, from third-party borrowings. Total borrowings as at 31 December 2022 were £0.1 million (2021: £nil).

As at 31 December 2022, the Group had £414.9 million of committed facilities, consisting entirely of a \$500 million multi-currency revolving credit facility ('RCF') maturing in July 2025. The RCF was undrawn at 31 December 2022 (2021: undrawn).

The RCF has a leverage (covenant defined net debt/EBITDA) covenant of up to 3.5x. The Group regularly monitors its financial position to ensure that it remains within the terms of its banking covenants. At 31 December 2022, there was net finance income for covenant purposes of £0.1 million, resulting in the interest cover ratio being n/a (31 December 2021: 67 times). The minimum covenant interest cover requirement is 3.75 times (covenant defined earnings before interest, tax and amortisation divided by net finance charges). Leverage (covenant defined earnings before interest, tax, depreciation, and amortisation divided by net cash) was less than zero (31 December 2021: less than zero), due to the Group's net cash position, against a maximum permitted leverage of 3.5 times.

In addition to the above, at 31 December 2022, the Group had a cash and cash equivalents balance of £228.1 million. The Group also had various uncommitted facilities and bank overdraft facilities available. Gross debt was £0.1 million, resulting in a net cash position of £228.0 million, an increase of £60.2 million from £167.8 million at 31 December 2021.

The Group has prepared and reviewed cash flow forecasts for the period to 31 December 2027, which reflect forecasted changes in revenue across its business and performed a reverse stress test of the forecasts to determine the extent of downturn which would result in insufficient liquidity or a breach of banking covenants. Revenue would have to reduce by 31% over the period under review for the Group to run out of liquidity headroom. The reverse stress test does not take into account further mitigating actions which the Group would implement in the event of a severe and extended revenue decline, such as cancelling the dividend or reducing capital expenditure. This assessment indicates that the Group can operate within the level of its current facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

Notes to the Accounts continued

1. Basis of preparation and summary of significant accounting policies continued

Following this assessment, the Board of Directors are satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in relation to this conclusion and preparing the Consolidated Financial Statements. There are no key sensitivities identified in relation to this conclusion. Further information on the going concern of the Group can be found on page 39 in the Viability Statement.

Climate risks reflected in the Consolidated Financial Statements

The Consolidated Financial Statements have been prepared with full consideration of both physical and transition risks resulting from climate change, our journey towards achieving our net zero ambition and in accordance with our Task Force for Climate Change Related Financial Disclosures ('TCFD') report.

In conjunction with our net zero ambition and TCFD report a review has been performed in the following areas that are deemed most at-risk of being impacted by climate change:

Going concern – The Group has reviewed sensitivities to future cash flows and discount rates aligned with our principal risks and uncertainties. The review covered sensitivities with respect to potential loss of revenue, associated profits and cashflows due to Spectris, its customers and/or its suppliers making different choices in the achievement of net zero objectives, the potential impact that moving to a more sustainable supply chain may have on profits and cashflows, and the cashflows of mitigating potential physical risks, such as potential site moves resulting from increased water levels.

Intangible assets – The Group has assessed future economic benefits, predominantly technology related to our product portfolio and the transition risk to our scope 1 and 2 net zero ambitions. This incorporates any known change or potential change from our customers in our scope 3 ambitions.

Property, plant & equipment, remeasurement of leases and intangible assets – The Group has reviewed the useful economic life of these non-current assets with respect to the physical risk of our sites resulting from flooding and the transition to carbon neutrality and has validated that all of our property, plant and equipment, lease right of use assets and intangible assets have been checked to ensure that useful economic lives are in line with current and foreseeable transition plans.

Inventories and associated provision for obsolescence – The Group has performed reviews taking into account the potential risks and subsequent impact of transitioning our product range to the use of sustainable raw materials and having considered the support to our customers and suppliers in achieving their scope 3 ambitions.

For all the aforementioned climate risks, the Group considers that it is too early to foresee any adjustment to carrying value for the year ended 31 December 2022 and that the sensitivities used to test going concern adequately cover foreseeable risks.

New standards and interpretations adopted

In the current year there are no new standards and interpretations that have had a material impact on the Group's Statement of Financial Position.

New accounting standards and interpretations not yet adopted

At the date of authorisation of these Consolidated Financial Statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendments to IAS 16	Property, plant and equipment – proceeds before intended use
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 first-time adoption of international financial reporting standards, IFRS 9 financial instruments, IFRS 16 leases, and IAS 41 agriculture
Amendments to IFRS 3 (May 2020)	Reference to the conceptual framework
Amendments to IAS 37 (May 2020)	Onerous contracts – costs of fulfilling a contract
Amendment to IFRS 16	COVID-19-related rent concessions beyond 30 June 2021
IFRS 17	Insurance contracts
Amendments to IFRS 17	IFRS 17
Amendments to IAS 1	Classification of liabilities as current or non-current
Amendments to IAS 1	Classification of liabilities as current or non-current — deferral of effective date
Amendments to IFRS 4	Extension of the temporary exemption from applying IFRS 9
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to IAS 8	Definition of accounting estimates
Amendments to IFRS 17	Initial application of IFRS 17 and IFRS 9 – comparative information
Amendments to IFRS 16	Lease liability in a sale and leaseback
Amendment to IAS 1	Non-current liabilities with covenants

The Directors do not expect that the adoption of the IFRS Standards listed above will have a material impact on the Consolidated Financial Statements of the Group in future periods.

Significant accounting judgements and estimates

In determining and applying accounting policies, judgement is often required where the choice of specific policy, assumption or accounting estimate to be followed could materially affect the reported amounts of assets, liabilities, income and expenses, should it be determined that a different choice be more appropriate. Estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances, including the impact of COVID-19 and climate change on the Group.

Critical accounting judgements

There are no critical accounting judgements at 31 December 2022.

Key sources of estimation uncertainty

Management considers the following to be the sole key source of estimation uncertainty for the Group at the end of the current reporting period due to the risk of causing a material change to the carrying amount of assets and liabilities within the next year.

i) Retirement benefit plans

Accounting for retirement benefit plans under IAS 19 (revised) requires an assessment of the future benefits payable in accordance with actuarial assumptions. The discount rate and rate of

1. Basis of preparation and summary of significant accounting policies continued

retail price inflation ('RPI') assumptions applied in the calculation of plan liabilities, which are set out in note 19, represent a key source of estimation uncertainty for the Group. Details of the related sensitivities are set out on page 146 and the accounting policies applied in respect of retirement benefit plans are set out on page 126.

Climate change is referred to in the Risk Management and Sustainability sections of the Strategic Report. Spectris is well placed to face this global challenge and, although we acknowledge the risks to businesses and trade, we do not consider climate change creates any further key sources of estimation uncertainty at this time.

b) Summary of significant accounting policies

The accounting policies set out below have been applied consistently by Group entities to all years presented in these Consolidated Financial Statements.

Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group and the liabilities incurred by the Group to the former owners of the acquiree. The identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date.

Transaction costs on a business combination are expensed as incurred in the Consolidated Income Statement and treated as an adjusting item for the purposes of alternative performance measures (see appendix to the Consolidated Financial Statements).

Goodwill represents the excess of the fair value of the purchase consideration for the interests in subsidiary undertakings over the net fair value to the Group of the identifiable assets, liabilities and contingent liabilities acquired. Where the fair value of the Group's share of identifiable net assets acquired exceeds the fair value of the consideration, the difference is recognised immediately in the Consolidated Income Statement. Contingent consideration is initially recognised as a liability with changes to estimates of contingent consideration reflected in operating profit unless they occur during the 12-month measurement period, in which situation the amount of goodwill recognised on the acquisition is adjusted if they are the result of obtaining additional information about facts and circumstances that existed at the acquisition date. Adjustments to contingent consideration are treated as an adjusting item for the purposes of alternative performance measures (see appendix to the Consolidated Financial Statements).

Goodwill arising on the acquisition of a business is tested annually for impairment. Goodwill is not amortised, and any impairment losses are not subsequently reversed. The net book value of goodwill at the date of transition to IFRS has been treated as deemed cost. On the subsequent disposal or discontinuance of a previously acquired business, the relevant goodwill is dealt with in the Consolidated Income Statement except for the goodwill already charged to reserves. Goodwill is allocated on acquisition to cash generating units ('CGUs') that are anticipated to benefit from the combination. Goodwill is tested for impairment by assessing the recoverable amount of the CGU to which the goodwill relates and comparing it against the net book value. This estimate of recoverable amount is determined annually and additionally when there is an indication that a CGU may be impaired. The Group's identified CGUs are equivalent to or smaller than the reportable operating segments in note 2.

The estimate of recoverable amount requires significant assumptions to be made and is based on a number of factors, such as the near-term business outlook for the CGU, including both its operating profit and operating cash flow performance. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in the Consolidated Income Statement. Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

Intangible assets and amortisation

The cost of acquiring software (including associated implementation costs where applicable) that is not specific to an item of property, plant and equipment is classified as an intangible asset. The Group only capitalises costs relating to the configuration and customisation of SaaS arrangements as intangible assets where control of the software exists.

Self-funded research and development costs are charged to the Consolidated Income Statement in the year in which they are incurred, unless development expenditure meets certain strict criteria for capitalisation. These criteria include demonstration of the technical feasibility, intent of completing a new intangible asset that is separable, the ability to measure reliably the expenditure attributable to the intangible asset during its development phase and that the asset will generate probable future economic benefits. From the point where expenditure meets the criteria, development costs are capitalised and amortised over the useful economic lives of the assets to which they relate.

Intangible assets arising from a business combination that are separable from goodwill are recognised initially at fair value at the date of acquisition. Other acquired intangible assets (including software not specific to an item of property, plant and equipment) are initially recognised at cost (plus any associated implementation costs where applicable).

Subsequent expenditure is capitalised only when it increases the future economic benefits, otherwise it is expensed as incurred.

Amortisation of intangible assets is charged to administrative expenses in the Consolidated Income Statement on a straight-line basis over the shorter of the estimated useful economic life (determined on an asset-by-asset basis) or underlying contractual life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives are as follows:

- > software – three to seven years;
- > patents, contractual rights and technology – up to 11 years, dependent upon the nature of the underlying contractual right; and
- > customer-related and trade names – three to 20 years, dependent upon the underlying contractual arrangements and specific circumstances such as customer retention experience.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal.

Notes to the Accounts continued

1. Basis of preparation and summary of significant accounting policies continued**Property, plant and equipment and depreciation**

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost comprises the purchase price paid and any costs directly attributable to bringing it into working condition for its intended use. Tangible assets arising from a business combination are recognised initially at fair value at the date of acquisition.

Depreciation is recognised in the Consolidated Income Statement on a straight-line basis to write off the cost, less the estimated residual value (which is reviewed annually) of property, plant and equipment over its estimated useful economic life. Depreciation commences on the date the assets are available for use within the business and the asset carrying values are reviewed for impairment when there is an indication that they may be impaired. The depreciation charge is revised where useful lives are different from those previously estimated, or where technically obsolete assets are required to be written down. Where parts of an item of plant and equipment have separate lives, they are accounted for and depreciated as separate items. Land is not depreciated. Estimated useful lives are as follows:

- > freehold and long leasehold property – 20 to 40 years;
- > short leasehold property – over the period of the lease; and
- > plant and equipment – three to 20 years.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that take a substantial period of time to get ready for their intended use are capitalised as part of the cost of the respective asset.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise: fixed lease payments (including in substance fixed payments), less any lease incentives; variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; the amount expected to be payable by the lessee under residual value guarantees; the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is presented as a separate line in the Consolidated Statement of Financial Position.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The right-of-use assets are presented as a separate line in the Consolidated Statement of Financial Position.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever: the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate; the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is re-measured by discounting the revised lease payments using the initial discount rate; or a lease contract is modified, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The interest portion of lease payments is presented under financing activities in the Consolidated Statement of Cash Flows.

1. Basis of preparation and summary of significant accounting policies continued

Inventories

Inventories and work in progress are carried at the lower of cost and net realisable value. Inventory acquired as part of business combinations is valued at fair value less cost to sell. Cost represents direct costs incurred and, where appropriate, production or conversion costs and other costs to bring the inventory to its existing location and condition. In the case of manufacturing inventory and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Inventory is accounted for on a first-in, first-out basis or, in some cases, a weighted-average basis, if deemed more appropriate for the business. Provisions are made to write down slow-moving, excess and obsolete items to net realisable value, based on an assessment of technological and market developments and on an analysis of historical and projected usage with regard to quantities on hand.

Trade and other receivables

Trade and other receivables are carried at original invoice amount (which is considered a reasonable proxy for fair value) and are subsequently held at amortised cost less provision for impairment. The provision for impairment of receivables is based on lifetime expected credit losses. Lifetime expected credit losses are calculated by assessing historical credit loss experience, adjusted for factors specific to the receivable and operating company. The movement in the provision is recognised in the Consolidated Income Statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits held on call or with maturities of less than three months at inception. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash equivalents for the purposes of the Consolidated Statement of Cash Flows.

Assets and liabilities held for sale

Assets, liabilities and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets, liabilities and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable, and the asset (or disposal group) is available for immediate sale in its present condition and when management is committed to the sale which is expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

Trade and other payables

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. These are recognised at the amounts expected to be paid to counterparties and subsequently held at amortised cost.

Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources, that can be reliably measured, will be required to settle the obligation. In respect of warranties, a provision is recognised when the underlying products or services are sold. Provisions are recognised at an amount equal to the best estimate of the expenditure required to settle the Group's liability. A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised but are disclosed where an inflow of economic benefit is probable. Obligations arising from restructuring plans are recognised when detailed formal plans have been established and when there is a valid expectation that such a plan will be carried out.

Taxation

Tax on the profit or loss for the year comprises both current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised either in other comprehensive income or directly in equity, in which case tax is recognised in the Consolidated Statement of Comprehensive Income or the Consolidated Statement of Changes in Equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustments to tax payable in respect of prior years. Tax positions are reviewed to assess whether a provision should be made based on prevailing circumstances. Tax provisions are included within current taxation liabilities.

Deferred taxation is provided on taxable temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and their corresponding tax bases. No provision is made for deferred tax which would become payable on the distribution of retained profits by overseas subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is measured using the tax rates expected to apply when the asset is realised, or the liability settled based on tax rates enacted or substantively enacted at the Consolidated Statement of Financial Position date.

Deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the Accounts continued

1. Basis of preparation and summary of significant accounting policies continued

Additional income taxes that arise from the distribution of intra-group dividends are recognised at the same time as the liability to pay the related dividend.

Foreign currency translation

The functional currency for each entity in the Group is determined with reference to the currency of the primary economic environment in which it operates. Transactions in currencies other than the functional currency are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Consolidated Statement of Financial Position date. Exchange gains and losses on settlement of foreign currency transactions are determined using the rate prevailing at the date of the transactions, or the translation of monetary assets and liabilities at period end exchange rates and are charged/credited to the Consolidated Income Statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction.

On consolidation, the Income Statement items of subsidiaries are translated into Sterling at average rates of exchange. Statement of Financial Position items are translated into Sterling at year-end exchange rates. Exchange differences on the retranslation are taken to the translation reserve within equity. Exchange differences on foreign currency borrowings designated as a hedge of the net investment in a foreign operation are reported in the Consolidated Statement of Comprehensive Income. All other exchange differences are charged or credited to the Consolidated Income Statement in the year in which they arise. On disposal of an overseas subsidiary, any cumulative exchange movements relating to that subsidiary held in the translation reserve are transferred to the Consolidated Income Statement.

Derivative financial instruments may be purchased to hedge the Group's exposure to changes in foreign exchange rates. The accounting policies applied in these circumstances are described below.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings on an effective-interest basis.

Finance costs and financial income

Finance costs comprise the interest payable on borrowings calculated using the effective interest method, the unwinding of discount factor on lease liabilities and the unwinding of the discount factor on deferred or contingent consideration. Financial income comprises interest income on cash and invested funds, together with interest income from the joint venture, and is recognised in the Consolidated Income Statement as it accrues. The net gain or loss on retranslation of short-term inter-company loan balances is also presented within net finance costs.

Financial instruments**Recognition**

The Group recognises financial assets and liabilities on its Consolidated Statement of Financial Position when it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, and the net amount is reported in the Consolidated Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Measurement

When financial assets and liabilities are initially recognised, they are measured at fair value, being the consideration given or received plus directly attributable transaction costs. In determining estimated fair value, investments are valued at quoted bid prices on the trade date. When quoted prices on an active market are not available, fair value is determined by reference to price quotations for similar instruments traded. In determining fair value for deferred contingent consideration, the fair value is determined by reference to best estimates of the likely outcome.

Originated loans and receivables are initially recognised in accordance with the policy stated above and subsequently re-measured at amortised cost using the effective-interest method. Allowance for impairment is estimated on a case-by-case basis.

The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge risks associated with foreign exchange fluctuations. These are designated as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement.

Amounts deferred in equity are reclassified to the Consolidated Income Statement in the periods when the hedged item is recognised in the Consolidated Income Statement, in the same line of the Consolidated Income Statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When hedge accounting is discontinued any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the Consolidated Income Statement.

1. Basis of preparation and summary of significant accounting policies continued

Derecognition

A financial asset is derecognised when the Group loses control over the contractual rights to the cash flows from the asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. Originated loans and receivables are derecognised on the date they are transferred by the Group.

Investments in debt instruments

The Group's investment in debt instruments consists of a Vendor Loan Note Receivable. The Vendor Loan Note Receivable was initially recognised at fair value, being the consideration received. The Vendor Loan Note Receivable is measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

Investments in equity instruments classified as fair value through other comprehensive income

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income. Designation at fair value through other comprehensive income is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

An investment in equity instruments is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the retained earnings reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends from investments in equity instruments designated as at fair value through other comprehensive income are recognised in profit and loss in accordance with IFRS 9 unless the dividends clearly represent a recovery of part of the cost of the investment.

Impairment of financial assets

The Group assesses at each Consolidated Statement of Financial Position reporting date whether there is any objective evidence that a financial asset, or group of financial assets, is impaired. A financial asset, or group of financial assets, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For trade receivables, the Group recognises impairment provisions based on lifetime expected credit losses.

Employee benefits

The Group operates defined benefit post-retirement benefit plans and defined contribution pension plans.

Defined benefit plans

The Group's net obligation recognised in the Consolidated Statement of Financial Position in respect of defined benefit plans is calculated separately for each plan as the present value of the plan's liabilities less the fair value of the plan's assets. The operating and financing costs of defined benefit plans are recognised separately in the Consolidated Income Statement. Operating costs comprise the current service cost, plan administrative expense, any gains or losses on settlement or curtailments, and past service costs where benefits have vested. Finance items comprise the unwinding of the discount on the net asset surplus/deficit. Actuarial gains or losses comprising changes in plans' liabilities due to experience and changes in actuarial assumptions are recognised in the Consolidated Statement of Comprehensive Income.

The amount of any pension fund asset recognised in the Consolidated Statement of Financial Position is limited to any future refunds from the plan or the present value of reductions in future contributions to the plan.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised in the Consolidated Income Statement in the periods during which services are rendered by employees.

In certain countries, the Group participates in industry-wide defined benefit-type pension arrangements. In such circumstances, it is not possible to determine the amount of any surplus or deficit attributable to the Group and the pension costs are accounted for as if the arrangements were defined contribution plans. These are not material to the Group and, accordingly, no additional disclosures are provided.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based payments

Certain employees of the Group receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards with market-related vesting conditions is determined by an external consultant and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each Consolidated Statement of Financial Position reporting date up to the vesting date, at which point the estimate is adjusted to reflect the actual outcome of awards which have vested. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

Notes to the Accounts continued

1. Basis of preparation and summary of significant accounting policies continued

Where it is not possible to incentivise managers of the Group's platforms/operating companies with equity-settled options, they are issued with cash-settled options. A liability is recognised for the services acquired, measured initially at the fair value of the liability. The charge for these awards is adjusted at each reporting date, with any changes in fair value recognised in profit or loss, to reflect the expected and actual levels of options that vest, and the fair value is based on either the share price at date of exercise or the share price at the Consolidated Statement of Financial Position date if sooner.

Own shares

Own equity instruments which are re-acquired (own shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the Consolidated Income Statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration paid to acquire such equity instruments is recognised within equity.

Dividends

Dividends are recognised as a liability in the period in which they are approved by shareholders.

Revenue

Revenue is measured based on the fair value of the consideration specified in a contract with a customer, net of returns and discounts, and excludes amounts collected on behalf of third parties, value added tax and other sales-related taxes. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group's major revenue streams are the same as its reportable operating segments (Spectris Scientific, Spectris Dynamics, and Other non-reportable segments).

The following table provides further details on the nature of each of the major revenue streams. The table shows where each revenue factor forms more than 10% of the reportable operating segment's total revenue:

Revenue stream	% of total Group sales 2022	Revenue derived from:			
		Provision of services	Sale of goods without installation	Sale of goods with simple installation	Sale of goods with complex installation
Spectris Scientific	50%	✓	✓		✓
Spectris Dynamics	37%	✓	✓	✓	
Other	13%		✓		

Further details of the nature of each major revenue stream are provided in the following section.

Spectris Scientific

Revenue from the provision of services, including ongoing support, servicing and maintenance, is recognised in line with the delivery of the service, either at a point in time or, for some ongoing services, over time.

Revenue from the sale of goods, where the goods are not required to be installed, is recognised at a point in time when control of the goods has transferred. This may occur, depending on the individual customer terms, when the product is transferred to a freight carrier, or when the customer has received the product.

When the sale of goods is combined with installation, revenue recognition depends upon the nature of the installation. Simple installations are those which the customer perceives as a separate performance obligation within the overall contract to deliver goods, whereas complex installations are those for which the installation is an integral part of the delivery of the goods.

Revenue is recognised for simple installations separately from the delivery of goods, and only at a point in time when the installation has occurred.

For complex installations, revenue is normally deferred until installation is complete. For a small number of complex installations, revenue is recognised before installation when: a) a significant period of time has elapsed since completion of the product; b) an installation date has not been agreed despite multiple attempts to arrange; and c) payment has been received from the customer. Judgement is required for these installations. Revenue from these arrangements represents approximately 2% of the segment's total sales.

Occasionally, the initial contract covers both the supply of goods and ongoing support, servicing and maintenance. For such contracts, revenue is allocated across each of the individual components in line with their relative price and value of the performance obligation and each element is accounted for as described above.

Payment is normally due at the point that the performance obligation is completed. For some of the segment's business, the customer may make partial payment in advance. Such payments are recognised as contract liabilities until the performance obligation has been satisfied.

Sales-related warranties associated with the products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications.

1. Basis of preparation and summary of significant accounting policies continued

Spectris Dynamics

Revenue from the provision of services, including ongoing support, servicing and maintenance, is recognised in line with the delivery of the service, either at a point in time or, for some ongoing services, over time.

Revenue from the sale of goods, where the goods are not required to be installed, is recognised at a point in time when control of the goods has transferred. This may occur, depending on the individual customer terms, when the product is transferred to a freight carrier, or when the customer has received the product.

Simple installations are those which the customer perceives as a separate performance obligation within the overall contract to deliver goods. Revenue is recognised for simple installations separately from the delivery of goods, and only at a point in time when the installation has occurred.

Occasionally, the initial contract covers both the supply of goods and ongoing support, servicing and maintenance. For such contracts revenue is allocated across each of the individual components in line with their relative price and value of the performance obligation and each element is accounted for as described above.

Payment is normally due at the point that the performance obligation is completed. For some of the segment's business the customer may make partial payment in advance. Such payments are recognised as contract liabilities until the performance obligation has been satisfied.

Sales-related warranties associated with the products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications.

Other

Revenue from the sale of goods, where the goods are not required to be installed, is recognised at a point in time when control of the goods has transferred. This may occur, depending on the individual customer terms, when the product is transferred to a freight carrier, or when the customer has received the product.

Occasionally, the initial contract covers both the supply of goods and ongoing support, servicing and maintenance. For such contracts, revenue is allocated across each of the individual components in line with their relative price and value of the performance obligation and each element is accounted for as described above.

Payment is normally due at the point that the performance obligation is completed. For some of the segment's business, the customer may make partial payment in advance. Such payments are recognised as contract liabilities until the performance obligation has been satisfied.

Sales-related warranties associated with the products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications.

2. Operating segments

The Group's reportable segments are described below. In 2022, the Group's reportable operating segments have changed following the reorganisation of the Group's businesses announced at the Capital Markets Day in October 2022. The new segmental divisional structure reflects the current internal reporting provided to the Chief Operating Decision Maker (considered to be the Board) on a regular basis to assist in making decisions on capital allocated to each segment and to assess performance. The tables in this note show restated comparative figures for the reportable operating segments for the year ended 31 December 2021, reflecting the impact of changes the Group made to its operating segments during the year ended 31 December 2022. The segment results include an allocation of head office expenses, where the costs are attributable to a segment. Costs of running the PLC are reported separately as Group costs.

The Omega business, which had previously been disclosed as a reportable segment, has now been classified as a discontinued operation under IFRS 5, following the completion of its disposal on 1 July 2022 and therefore excluded from the segmental analysis. As a result, the financial data for the year ended 31 December 2021 has also been represented to show continuing operations where required to by IFRS 5, including a reclassification of continuing head office expenses that had previously been allocated to the Omega reportable segment to the continuing reportable segments. Further details of discontinued operations are provided in note 24.

The following summarises the operations in each of the Group's reportable segments:

- Spectris Scientific provides advanced measurement and materials characterisation, accelerating innovation and efficiency in R&D and manufacturing. The operating companies in this segment are Malvern Panalytical and Particle Measuring Systems;
- Spectris Dynamics provides differentiated sensing, data acquisition, analysis modelling and simulation solutions to help customers accelerate product development and enhance product performance;
- the Other non-reportable segments are a portfolio of high-value precision in-line sensing and monitoring businesses. The operating companies in this segment in 2022 are Red Lion Controls and Servomex. In 2021 Brüel & Kjær Vibro (disposed 1 March 2021), ESG Solutions (disposed 3 May 2021), Millbrook (disposed 2 February 2021) and NDC Technologies (disposed 1 November 2021) are also included in Other non-reportable segments.
- Group costs consist of costs of running the PLC.

Notes to the Accounts continued

2. Operating segments continued

Further details of the nature of these segments and the products and services they provide are contained in the Strategic Report on pages 2 to 59.

Information about continuing reportable segments	Spectris Scientific £m	Spectris Dynamics £m	Other £m	Group costs ¹ £m	2022 Total £m
Segment revenues	658.0	492.4	177.4	–	1,327.8
Inter-segment revenue	(0.2)	(0.2)	–	–	(0.4)
External revenue	657.8	492.2	177.4	–	1,327.4
Operating profit	118.3	46.5	26.2	(18.4)	172.6
Fair value through profit and loss movements on debt investments ¹					(4.1)
Profit on disposal of businesses ¹					0.3
Financial income ¹					1.9
Finance costs ¹					(19.2)
Profit before tax ¹					151.5
Taxation charge ¹					(36.7)
Profit after tax from continuing operations ¹					114.8

1. Not allocated to reportable segments.

Information about continuing reportable segments	Spectris Scientific £m	Spectris Dynamics £m	Other £m	Group costs ¹ £m	2021 Total £m
Segment revenues	531.3	425.7	206.5	–	1,163.5
Inter-segment revenue	(0.1)	(0.2)	(0.2)	–	(0.5)
External revenue	531.2	425.5	206.3	–	1,163.0
Operating profit	94.2	45.6	19.2	(19.1)	139.9
Profit on disposal of businesses ¹					226.5
Financial income ¹					12.8
Finance costs ¹					(5.4)
Profit before tax ¹					373.8
Taxation charge ¹					(38.2)
Profit after tax from continuing operations ¹					335.6

1. Not allocated to reportable segments.

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

	Carrying amount of segment assets		Carrying amount of segment liabilities	
	2022 £m	2021 £m	2022 £m	2021 £m
Spectris Scientific	673.8	530.0	(237.7)	(191.3)
Spectris Dynamics	766.1	635.9	(193.5)	(177.7)
Omega	–	197.4	–	(24.0)
Other	202.7	159.9	(31.9)	(30.8)
Group-related	2.6	2.6	(6.7)	(8.4)
Total segment assets and liabilities	1,645.2	1,525.8	(469.8)	(432.2)
Cash and borrowings	228.1	167.8	(0.1)	–
Derivative financial instruments	1.7	0.3	(2.5)	(1.2)
Investment in debt instruments	18.9	23.0	–	–
Investment in equity instruments	29.3	24.3	–	–
Retirement benefit liabilities	–	–	(8.9)	(22.3)
Taxation	24.8	26.9	(29.8)	(51.1)
Consolidated total assets and liabilities	1,948.0	1,768.1	(511.1)	(506.8)

Segment assets comprise: goodwill, other intangible assets, property, plant and equipment, right of use assets, inventories and trade and other receivables, investments in associates and assets held for sale that are attributable to the reported operating segment. Segment liabilities comprise: trade and other payables, provisions, lease liabilities and other payables which can be reasonably attributed to the reported operating segment. Unallocated items represent all components of net cash, derivative financial instruments, assets held for sale that are not allocable to a segment, investment in debt instruments, investment in equity instruments, retirement benefit liabilities and current and deferred taxation balances.

	Additions to non-current assets from continuing and non-continuing operations		Depreciation, amortisation and impairment from continuing operations	
	2022 £m	2021 £m	2022 £m	2021 £m
Spectris Scientific	68.9	16.2	23.9	20.0
Spectris Dynamics	85.7	200.6	27.9	15.4
Omega	0.7	1.9	–	–
Others	18.0	13.6	6.9	5.8
Group-related	0.6	0.5	0.6	0.4
Total segments	173.9	232.8	59.3	41.6
Investment in debt instruments	–	23.0	–	–
Investment in equity instruments	–	25.0	–	–
Consolidated total	173.9	280.8	59.3	41.6

Notes to the Accounts continued

2. Operating segments continued

Geographical segments

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

	Spectris Scientific £m	Spectris Dynamics £m	Other £m	2022 Total £m
UK	27.8	18.5	4.9	51.2
Germany	31.5	85.4	6.5	123.4
France	18.2	22.7	3.9	44.8
Rest of Europe	87.8	72.6	12.0	172.4
USA	137.1	133.1	89.7	359.9
Rest of North America	16.6	6.7	6.7	30.0
Japan	36.6	29.9	3.0	69.5
China	132.4	74.8	26.4	233.6
South Korea	42.5	10.6	5.3	58.4
Rest of Asia	85.0	25.8	14.7	125.5
Rest of the world	42.3	12.1	4.3	58.7
	657.8	492.2	177.4	1,327.4

	Spectris Scientific £m	Spectris Dynamics £m	Other £m	2021 Total £m
UK	25.5	15.3	10.4	51.2
Germany	24.6	78.4	8.2	111.2
France	16.2	21.5	3.7	41.4
Rest of Europe	76.1	70.8	19.9	166.8
USA	106.2	95.8	87.4	289.4
Rest of North America	15.1	5.7	7.8	28.6
Japan	34.2	27.1	4.8	66.1
China	100.2	67.2	33.3	200.7
South Korea	30.1	9.7	5.4	45.2
Rest of Asia	70.5	19.7	18.2	108.4
Rest of the world	32.5	14.3	7.2	54.0
	531.2	425.5	206.3	1,163.0

	Non-current assets	
	2022 £m	2021 £m
UK	239.3	239.3
Germany	86.8	74.1
France	7.0	4.1
Rest of Europe ¹	283.4	230.8
USA	406.4	468.5
Rest of North America	16.0	16.1
Japan	5.3	5.6
China	9.7	9.8
South Korea	1.2	0.8
Rest of Asia	8.6	8.1
Rest of the world	2.6	1.7
	1,066.3	1,058.9
Deferred tax assets ²	16.2	21.2
Total non-current assets	1,082.5	1,080.1

1. Principally in Switzerland, Netherlands and Denmark (2021: Denmark and Netherlands).

2. Not allocated to reportable geographic area in reporting to the Chief Operating Decision Maker.

Notes to the Accounts continued

3. Revenue**Disaggregation of revenue**

The Group derives its revenue from the provision of goods and services both at a point in time and over time. Product lines are presented consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 (see note 2). The tables below show restated comparative figures for the year ended 31 December 2021, reflecting the impact of the changes the Group made to its operating segments during the year ended 31 December 2022 (see note 2).

IFRS 15, paragraph 114, requires an entity to disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This disaggregation will depend on the entity's individual facts and circumstances. The Group has assessed that the disaggregation of revenue by reportable operating segments is appropriate in meeting this disclosure requirement as this is the information regularly reviewed by the Chief Operating Decision Maker in order to evaluate the financial performance of the entity. The Group also believes that presenting a disaggregation of revenue based on the timing of transfer of goods or services provides users of the Financial Statements with useful information as to the nature and timing of revenue from contracts with customers.

	2022 £m	2021 £m
Timing of revenue recognition from continuing operations		
At a point in time:		
Spectris Scientific	577.6	458.8
Spectris Dynamics	432.1	370.9
Others	177.4	204.0
	1,187.1	1,033.7
Over time:		
Spectris Scientific	80.2	72.4
Spectris Dynamics	60.1	54.6
Others	–	2.3
	140.3	129.3
Revenue from continuing operations	1,327.4	1,163.0

The Group's material revenue streams have an expected duration of one year or less. The Group has therefore applied the practical expedient in IFRS 15, paragraph 121, to not disclose information about its remaining performance obligations.

No individual customer accounted for more than 1% of external revenue in 2022 (2021: 1%).

Total revenue for the Group from continuing operations, after including financial income of £1.9m (2021: £12.8m) (see note 6), was £1,329.3m (2021: £1,175.8m).

4. Operating profit

Operating profit from continuing operations is stated after charging/(crediting):

	Note	2022 £m	2021 £m
Net foreign exchange (gains)/losses included in operating profit		(0.3)	0.3
Research and development expense		102.9	81.8
Amortisation and other non-cash adjustments made to intangible assets	10	25.1	20.9
Depreciation of owned property, plant and equipment	11	20.0	18.8
Reversal of impairment of owned property, plant and equipment	11, 24	–	(6.0)
Depreciation and impairment of right-of-use assets	11	14.0	11.5
Income from sub-leasing right-of-use assets		(0.3)	(0.2)
Expenses relating to short-term and low-value leases		0.1	–
Donations to the Spectris Foundation		0.1	15.0
Cost of inventories recognised as expense		351.9	283.0
(Profit)/loss on disposal and re-measurements of property, plant and equipment and associated lease liabilities		(1.5)	0.1

	2022 £m	2021 £m
Auditor's remuneration		
Fees payable to the Company's auditor for audit of the Company's annual accounts	0.7	0.5
Fees payable to the Company's auditor for the audit of the Company's subsidiaries, pursuant to legislation	1.7	1.8
Total audit-related fees	2.4	2.3
Fees payable to the Company's auditor for other services:		
– audit-related assurance services ¹	0.1	0.1
– other non-audit services ²	0.2	0.1
	2.7	2.5

1. Review of the half-year Financial Statements
2. Assurance work over ESG disclosures and the reporting accountant role performed by Deloitte in respect of the unsuccessful acquisition of a UK publicly listed company.

Notes to the Accounts continued

5. Employee costs and other information

Employee costs, including Directors' remuneration, comprise:

	Continuing operations		Total continuing and discontinued operations	
	2022 £m	2021 £m	2022 £m	2021 £m
Wages and salaries	414.4	391.1	433.0	424.8
Social security costs	68.3	67.3	72.6	74.9
Defined benefit pension plans:				
– current service cost (see note 19)	0.4	0.7	0.4	0.7
– past service credit (see note 19)	(0.1)	(0.3)	(0.1)	(0.3)
Defined contribution pension plans	20.0	17.2	20.1	17.3
Equity-settled share-based payment expense	10.1	7.1	10.3	7.8
Cash-settled share-based payment expense	0.9	0.9	0.8	1.2
	514.0	484.0	537.1	526.4

	Continuing operations		Total continuing and discontinued operations	
	2022 Number	2021 Number	2022 Number	2021 Number
Average number of employees				
Production and engineering	3,642	3,302	3,844	3,682
Sales, marketing and service	2,764	2,906	2,860	3,089
Administrative	870	827	900	888
	7,276	7,035	7,604	7,659

	2022 Number	2021 Number
Directors' remuneration		
Short-term benefits	2.8	2.7
Equity-settled share-based payment expense	1.6	0.9
	4.4	3.6

Further details of Directors' remuneration and share options are given in the Directors' Remuneration Report on pages 84 to 104.

6. Financial income and finance costs

	2022 £m	2021 £m
Financial income from continuing operations		
Interest receivable	(1.9)	(0.5)
Interest credit on release of provision on settlement of EU dividends tax claim (see note 7)	–	(5.1)
Net gain on retranslation of short-term inter-company loan balances	–	(7.2)
	(1.9)	(12.8)

	2022 £m	2021 £m
Finance costs from continuing operations		
Interest payable on loans and overdrafts	1.8	3.6
Net loss on retranslation of short-term inter-company loan balances	14.6	–
Unwinding of discount factor on lease liabilities	2.5	1.6
Net interest cost on pension plan obligations	0.3	0.2
	19.2	5.4

Net finance costs/(credit) from continuing operations	17.3	(7.4)
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Net interest credit of £0.1m (2021: charge of £3.1m), for the purposes of the calculation of interest cover, comprises interest receivable of £1.9m (2021: £0.5m) and interest payable on loans and overdrafts of £1.8m (2021: £3.6m).

The net finance charge of £17.3m (2021: £7.4m credit) includes £14.6m of unrealised losses on intercompany loan balances (2021: gain of £7.2m). This is a consequence of the significant volatility of Sterling against the US Dollar and Euro, particularly in the second half of 2022.

Notes to the Accounts continued

7. Taxation

	2022			2021		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Current tax charge/(credit)	4.8	41.2	46.0	(2.4)	45.8	43.4
Adjustments in respect of current tax of prior years	(1.4)	(1.4)	(2.8)	(0.6)	(0.4)	(1.0)
Deferred tax – origination and reversal of temporary differences (note 20)	(1.3)	(5.2)	(6.5)	(2.8)	(1.4)	(4.2)
Taxation charge from continuing operations	2.1	34.6	36.7	(5.8)	44.0	38.2

The standard rate of corporation tax for the year, based on the weighted average of tax rates applied to the Group's profits, is 23.8% (2021: 25.4%). The tax charge for the year is higher (2021: lower) than the tax charge using the standard rate of corporation tax for the reasons set out in the following reconciliation:

	2022 £m	2021 £m
Profit before taxation from continuing operations	151.5	373.8
Corporation tax charge at standard rate of 23.8% (2021: 25.4%)	36.1	94.9
Profit on disposal of business taxed at lower rate	(0.1)	(46.5)
Other non-deductible expenditure	9.1	4.4
Release of provision on settlement of EU dividend claim	–	(8.0)
Tax credits and incentives	(7.6)	(6.0)
Adjustments to prior year current and deferred tax charges	(0.8)	(0.6)
Taxation charge	36.7	38.2

The Group's standard rate of corporation tax of 23.8% is lower than the prior year rate (25.4%), principally due to profits being made in countries with lower statutory tax rates.

'Profit on disposal of business taxed at a lower rate' in the prior year principally refers to the benefit of tax exemptions for the sale of shares in certain countries.

'Other non-deductible expenditure' in the current year includes the £3.4m impact of non-deductible foreign exchange losses. In 2021 the impact of non-taxable foreign exchange gains was (£1.1m).

'Tax credits and incentives' above, refers principally to research and development tax credits and other reliefs for innovation, such as the UK Patent Box regime and Dutch Innovation Box regime, as well as tax reliefs available for Foreign Derived Intangible Income in the US.

Factors that may affect the future tax charge

The Group's tax charge in future years is likely to be affected by the proportion of profits arising, and the effective tax rates, in the various territories in which the Group operates, as well as changes in tax law affecting future periods. Such law changes may affect the future availability or amount of existing tax reliefs or incentives. Furthermore, future tax or other legal cases or investigations may result in a re-assessment of the Group's tax liabilities in respect of prior years.

Tax on items recognised directly in the Consolidated Statement of Comprehensive Income	2022 £m	2021 £m
Tax credit on net gain/(loss) on effective portion of changes in fair value of forward exchange contracts	–	(0.3)
Tax charge on investment in equity instruments designated as at fair value through other comprehensive income	0.6	0.2
Tax charge/(credit) on re-measurement of net defined benefit obligations, net of foreign exchange	3.4	(0.9)
Aggregate current and deferred tax charge/(credit) relating to items recognised directly in the Consolidated Statement of Comprehensive Income	4.0	(1.0)

Tax on items recognised directly in the Consolidated Statement of Changes in Equity	2022 £m	2021 £m
Tax credit in relation to share-based payments	(0.2)	(1.3)

Aggregate current and deferred tax credit relating to items recognised directly in the Consolidated Statement of Comprehensive Income	(0.2)	(1.3)
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The following tax charges/(credits) relate to items of income and expense that are excluded from the Group's adjusted performance measures.

Tax on items of income and expense that are excluded from the Group's adjusted profit before tax	2022 £m	2021 £m
Tax credit on amortisation of acquisition-related intangible assets	(4.6)	(2.9)
Tax credit on net transaction-related costs and fair value adjustments	(0.5)	(3.0)
Tax charge on retranslation of short-term inter-company loan balances	0.6	0.3
Tax charge on profit on disposal of businesses	–	14.2
Tax credit on configuration and customisation costs carried out by third parties on material SaaS projects	(5.1)	(1.4)
Tax credit on release of provision and deferred tax asset on settlement of EU dividends tax claim	–	(7.0)
Tax (credit)/charge on fair value through profit and loss movements on debt and equity investments	(1.4)	0.9
Tax credit on restructuring costs	–	(2.7)
Total tax credit	(11.0)	(1.6)

Notes to the Accounts continued

7. Taxation continued

The effective adjusted tax rate for the year was 21.7% (2021: 21.5%) as set out in the reconciliation below.

Reconciliation of the statutory taxation charge to the adjusted taxation charge	2022 £m	2021 £m
Statutory taxation charge	36.7	38.2
Tax credit on items of income and expense that are excluded from the Group's adjusted profit before tax	11.0	1.6
Adjusted taxation charge	47.7	39.8

Management judgement is applied to determine the level of provisions required in respect of both direct and indirect taxes. The Group is potentially subject to tax audits in many jurisdictions. By their nature these are often complex and could take a significant period of time to be agreed with the tax authorities. Judgement is therefore applied based on the interpretation of country-specific tax legislation and the likelihood of settlement. The Group estimates and accrues taxes that will ultimately be payable when reviews or audits by tax authorities of tax returns are completed. These estimates include judgements about the position expected to be taken by each tax authority.

The Group applies judgement in respect of possible tax audit adjustments primarily in respect of transfer pricing as well as in respect of financing arrangements and tax credits and incentives. In respect of transfer pricing, the level of provision is determined by reference to management judgements of the adjustments that would arise in the event that certain intra-group transactions are successfully challenged as not being at arm's length.

Management estimates of the level of risk arising from tax audit may change in the next year as a result of changes in legislation or tax authority practice or correspondence with tax authorities during a specific tax audit. It is not possible to quantify the impact that such future developments may have on the Group's tax positions. Actual outcomes and settlements may differ from the estimates recorded in these Consolidated Financial Statements.

Judgement is also applied relating to the recognition of deferred tax assets which are dependent on an assessment of the generation of future taxable income in the countries concerned in which temporary differences become deductible or in which tax losses can be utilised. These estimates may change in the next year if there are changes in the forecast profitability of the relevant company.

In June 2021, the Group agreed a formal settlement with HMRC to resolve its dispute in relation to the taxation of dividends received from EU based subsidiaries prior to 2009. The outstanding liability agreed with HMRC of £0.3m of tax and £0.2m of interest was paid in June 2021. As a result, £8.0m of provision for current tax liabilities and a deferred tax asset of £1.0m related to accrued interest liabilities were released to the Consolidated Income Statement in the year ending 31 December 2021. In addition, as a result of the dispute resolution, £5.1m of accrued interest liabilities were released to the Consolidated Income Statement in 2021, as disclosed in note 6.

8. Dividends

Amounts recognised and paid as distributions to owners of the Company in the year	2022 £m	2021 £m
Interim dividend for the year ended 31 December 2022 of 24.1p (2021: 23.0p) per share	25.3	25.4
Final dividend for the year ended 31 December 2021 of 48.8p (2021: 46.5p) per share	53.3	53.6
	78.6	79.0

Amounts arising in respect of the year	2022 £m	2021 £m
Interim dividend for the year ended 31 December 2022 of 24.1p (2021: 23.0p) per share	25.3	25.4
Proposed final dividend for the year ended 31 December 2022 of 51.3p (2021: 48.8p) per share	53.6	53.3
	78.9	78.7

The proposed final dividend is subject to approval by shareholders at the AGM on 26 May 2023 and has not been included as a liability in these Financial Statements.

Notes to the Accounts continued

9. Earnings per share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year but adjusted for the effects of dilutive options. The key features of the Company's share option schemes are described in note 22.

Basic earnings per share from continuing operations	2022	2021
Profit after tax from continuing operations (£m)	114.8	335.6
Weighted average number of shares outstanding (millions)	107.6	113.7
Basic earnings per share from continuing operations (pence)	106.7	295.2
Diluted earnings per share from continuing operations	2022	2021
Profit after tax from continuing operations (£m)	114.8	335.6
Basic weighted average number of shares outstanding (millions)	107.6	113.7
Weighted average number of dilutive 5p ordinary shares under option (millions)	0.9	0.5
Weighted average number of 5p ordinary shares that would have been issued at average market value from proceeds of dilutive share options (millions)	(0.2)	(0.1)
Diluted weighted average number of shares outstanding (millions)	108.3	114.1
Diluted earnings per share (pence)	106.0	294.1
Basic earnings per share from discontinued operations	2022	2021
Profit after tax from discontinued operations (£m)	286.7	11.3
Weighted average number of shares outstanding (millions)	107.6	113.7
Basic earnings per share from discontinued operations (pence)	266.4	9.9
Diluted earnings per share from discontinued operations	2022	2021
Profit after tax from discontinued operations (£m)	286.7	11.3
Diluted weighted average number of shares outstanding (millions)	108.3	114.1
Diluted earnings per share from discontinued operations (pence)	264.7	9.9

The denominators used for diluted earnings per share from discontinued operations are the same as those used for diluted earnings per share from continuing operations.

10. Goodwill and other intangible assets

Cost	Note	Goodwill £m	Patents, contractual rights and technology £m	Customer- related and trade names £m	Software £m	Total £m
At 1 January 2021		755.6	220.2	261.5	63.4	1,300.7
Additions – separately acquired		–	–	–	2.2	2.2
Additions – internal development		–	4.1	–	–	4.1
Additions – business combinations	23	66.8	26.8	55.2	–	148.8
Reclassifications		–	–	–	0.5	0.5
Disposals		–	(72.6)	(76.6)	(7.4)	(156.6)
Disposals of business	24	(22.6)	(16.4)	(13.9)	(3.7)	(56.6)
Foreign exchange difference		(10.9)	(0.1)	0.6	(0.7)	(11.1)
At 31 December 2021		788.9	162.0	226.8	54.3	1,232.0
Measurement period adjustments		(0.8)	–	–	–	(0.8)
Additions – separately acquired		–	–	–	1.0	1.0
Additions – internal development		–	3.4	–	–	3.4
Additions – business combinations	23	49.7	22.9	36.5	–	109.1
Reclassifications		–	–	–	0.3	0.3
Disposals		–	–	–	(1.3)	(1.3)
Disposals of business	24	(213.4)	(36.9)	(81.4)	(8.0)	(339.7)
Foreign exchange difference		57.9	16.9	20.1	2.6	97.5
At 31 December 2022		682.3	168.3	202.0	48.9	1,101.5

Notes to the Accounts continued

10. Goodwill and other intangible assets continued

Accumulated amortisation and impairment	Note	Goodwill £m	Patents, contractual rights and technology £m	Customer- related and trade names £m	Software £m	Total £m
At 1 January 2021		178.6	174.1	207.3	55.9	615.9
Charge for the year		–	13.3	8.2	3.0	24.5
Disposals		–	(72.6)	(76.2)	(8.1)	(156.9)
Disposals of business	24	(19.6)	(12.2)	(13.9)	(3.5)	(49.2)
Foreign exchange difference		(1.5)	(0.1)	(0.1)	(1.1)	(2.8)
At 31 December 2021		157.5	102.5	125.3	46.2	431.5
Charge for the year		–	15.4	7.7	3.2	26.3
Disposals		–	–	–	(1.3)	(1.3)
Disposals of business	24	(92.1)	(36.9)	(42.9)	(6.6)	(178.5)
Foreign exchange difference		10.8	10.2	9.9	2.4	33.3
At 31 December 2022		76.2	91.2	100.0	43.9	311.3
Carrying amount						
At 31 December 2022		606.1	77.1	102.0	5.0	790.2
At 31 December 2021		631.4	59.5	101.5	8.1	800.5

Goodwill is allocated to the cash-generating units that are anticipated to benefit from the acquisition.

The Group's identified cash-generating units total five, smaller than the three reportable segments, being the two operating companies in the Spectris Scientific Division (Malvern Panalytical and Particle Measuring Systems), the Spectris Dynamics Division, and the two operating companies in the Other non-reportable segment (Red Lion Controls and Servomex) as at 31 December 2022 (2021: six, including Omega Engineering, which has been disposed of during 2022). Goodwill arising on a bolt-on acquisition is combined with the goodwill in the existing Group company and is not considered separately for impairment purposes, since such acquisitions are quickly integrated.

The most significant amounts of goodwill are as follows:

	2022 £m	2021 £m
Malvern Panalytical	234.6	205.2
Spectris Dynamics	290.4	246.2
Omega	–	109.3
Non-significant CGUs	81.1	70.8
	606.1	631.5

Included within 'Non-significant CGUs' in 2022 and 2021 are three – Particle Measuring Systems, Red Lion Controls and Servomex cash-generating units, in which none of the goodwill balances are considered to be individually significant. The Group defines significant as 10% of the total carrying value of goodwill.

Goodwill is not amortised but is tested for impairment annually or whenever there is an indication that the asset may be impaired. As part of the annual impairment review, the carrying amount of goodwill has been assessed with reference to its recoverable amount determined based on value in use. In assessing value in use, the forecast projected cash flows of each cash-generating unit, which are based on actual operating results, the most recent budget for the next financial year as approved by the Board, detailed strategic review projections and an assumed long-term growth rate to perpetuity, are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the cash-generating unit.

Key assumptions used in the value in use calculations

The calculation of value in use is most sensitive to the following assumptions:

- CGU specific operating assumptions on business performance over the forecast period to December 2027 (five years);
- discount rates; and
- projected growth rates used to extrapolate risk adjusted cash flows beyond the forecast period.

CGU specific operating assumptions are applicable to the forecasted cash flows for the forecast period to December 2027 and relate to revenue forecasts, expected project outcomes and forecast operating margins in each of the operating companies. The relative value ascribed to each assumption will vary between CGUs as the forecasts are built up from the underlying operating companies within each CGU group. A long-term rate is applied to these values for the year to December 2028 and onwards.

The Group calculates value in use using the strategic plans relevant to each CGU. A long-term growth rate of 2.0% (2021: 2.0%) has been applied consistently across each CGU. Discount rates are based on estimations of the assumptions that market participants operating in similar sectors to Spectris would make, using the Group's economic profile as a starting point and adjusting appropriately. The Directors do not currently expect any significant change in the present base discount rate of 12.9% (2021: 9.3%). The base discount rate, which is pre-tax and is based on short-term variables, may differ from the Weighted Average Cost of Capital ('WACC'). Discount rates are adjusted for economic risks that are not already captured in the specific operating assumptions for each CGU group. This results in the impairment testing using discount rates ranging from 13.5% to 15.0% (2021: 9.6% to 11.1%) across the CGU groups. The table below discloses the discount rates and short-term growth rates for each significant CGU, and the average across the non-significant CGUs. The Group defines significant as 10% of the total carrying value of goodwill.

	Risk Adjusted discount rates		Short-term growth rates	
	2022 %	2021 %	2022 %	2021 %
Malvern Panalytical	13.5	9.6	7.6	5.6
Spectris Dynamics	14.1	10.3	8.3	10.0
Omega	–	10.9	–	11.6
Non-significant CGUs	15.0	11.1	13.0	13.9

Notes to the Accounts continued

10. Goodwill and other intangible assets continued

Impairment of goodwill and acquisition-related intangible assets 2022 and 2021

There were no impairments of goodwill and intangible assets recognised in 2022 and 2021.

Sensitivity analysis

For all cash-generating units with goodwill balances at 31 December 2022 the Directors do not consider that there are any reasonably possible sensitivities for the business that could arise in the next 12 months that could result in an impairment charge being recognised.

Other intangible assets

Internally generated assets arising from the capitalisation of qualifying development expenditure typically have a finite expected useful life of four to ten years. Capitalised development expenditure is amortised on a straight-line basis. All amortisation charges for the year have been charged against operating profit. The Group has capitalised £3.4m of internally-generated intangible assets from development expenditure in 2022 (2021: £4.1m). Accumulated amortisation on internally-generated intangible assets was £5.5m (2021: £2.8m).

The customer-related assets recognised on the acquisition of Concurrent Real Time ('Concurrent-RT') in 2021 and Dytran Instruments Inc ('Dytran') in 2022, and included within the Spectris Dynamics reportable segment, are considered significant by the Directors as they represent 57% (2021: 54%) and 31% (2021: nil) of the NBV of total customer-related and trade names respectively. The carrying amount of the Concurrent-RT customer-related intangible assets at 31 December 2022 is £54.0m (2021: £50.7m) and is being amortised over 20 years with the remaining amortisation period being 17.5 years. The carrying amount of the Dytran customer-related intangible assets at 31 December 2022 is £26.0m (2021: nil) and is being amortised over 20 years with the remaining amortisation period being 19.75 years. The technology assets recognised on the acquisition of Concurrent-RT in 2021 and Creoptix AG in 2022, and included within the Spectris Dynamics and Spectris Scientific reportable segments respectively, are considered significant by the Directors. Concurrent-RT represents 24% (2021: 32%) of total NBV of patents, contractual rights and technology. The carrying amount of the Concurrent-RT technology intangible assets at 31 December 2022 is £18.5m (2021: £18.8m) and is being amortised over ten years with the remaining amortisation period being seven and a half years. Creoptix AG represents 24% (2021: nil) of total NBV of patents, contractual rights and technology. The carrying amount of the Creoptix AG technology intangible assets at 31 December 2022 is £18.3m (2021: nil) and is being amortised over ten years with the remaining amortisation period being nine years.

The trade names asset recognised on the acquisition of Omega Engineering in 2011, and included within the Omega reportable segment, were considered significant by the Directors in 2021 as they represented 35% of total customer-related and trade names. These assets were disposed of as part of the sale of the Omega reportable segment in 2022. The carrying amount of the Omega customer-related and trade name intangible assets at 31 December 2021 was £35.8m and the assets being amortised over 20 years with the remaining amortisation period being ten years.

11. Property, plant and equipment

Property, plant and equipment: owned

Cost	Note	Freehold property £m	Leasehold property £m	Plant and equipment £m	Total £m
At 1 January 2021		160.7	17.7	203.6	382.0
Additions – separately acquired		3.5	6.4	19.2	29.1
Additions – business combinations		–	2.2	0.5	2.7
Reclassifications		(0.8)	1.8	6.2	7.2
Transfer to assets held for sale		(20.5)	–	(0.2)	(20.7)
Disposals		(0.2)	(1.7)	(12.9)	(14.8)
Disposal of business		(4.5)	(1.2)	(12.6)	(18.3)
Foreign exchange difference		(7.1)	(0.2)	(6.2)	(13.5)
At 31 December 2021		131.1	25.0	197.6	353.7
Additions – separately acquired		19.0	2.5	18.9	40.4
Additions – business combinations	23	1.0	0.6	1.4	3.0
Reclassifications		–	–	(0.3)	(0.3)
Transfers to assets held for sale	24	(3.3)	–	–	(3.3)
Disposals		(0.6)	(0.7)	(6.8)	(8.1)
Disposal of business	24	(17.3)	(1.8)	(14.4)	(33.5)
Foreign exchange difference		9.2	1.6	11.2	22.0
At 31 December 2022		139.1	27.2	207.6	373.9

Accumulated depreciation and impairment

At 1 January 2021		69.1	12.3	144.6	226.0
Charge for the year		4.1	1.9	14.4	20.4
Reversal of impairment		(6.0)	–	–	(6.0)
Reclassifications		(0.6)	1.8	6.6	7.8
Transfers to assets held for sale		(10.7)	–	0.3	(10.4)
Disposals		(0.1)	(1.7)	(12.7)	(14.5)
Disposal of business		(1.8)	(0.8)	(9.0)	(11.6)
Foreign exchange difference		(3.6)	(0.4)	(4.5)	(8.5)
At 31 December 2021		50.4	13.1	139.7	203.2
Charge for the year		3.5	2.5	14.6	20.6
Reclassifications		–	0.1	–	0.1
Transfers to assets held for sale	24	(1.6)	–	–	(1.6)
Disposals		–	(0.7)	(6.0)	(6.7)
Disposal of business	24	(3.4)	(1.2)	(10.2)	(14.8)
Foreign exchange difference		3.2	0.8	8.4	12.4
At 31 December 2022		52.1	14.6	146.5	213.2

Carrying amount

At 31 December 2022		87.0	12.6	61.1	160.7
At 31 December 2021		80.7	11.9	57.9	150.5

Notes to the Accounts continued

12. Investments in equity instruments and investment in associate and joint operation continued

	2022 £m	2021 £m
Investment in associate – carrying amount of interests accounted for using the equity method	2.9	–
Share of associate's profit from continuing operations	–	–
Share of associate's other comprehensive income	–	–
Share of associate's total comprehensive income	–	–

Joint operation

The Group's joint operation has share capital consisting solely of ordinary shares and is indirectly held, and principally operates in Slovenia. The financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for all but an insignificant amount of the output to be consumed by the shareholders.

Name of joint operation	Principal activity	Country of incorporation or registration	Percentage shareholding
Blueberry d.o.o.	Research and development activities	Slovenia	50%

Significant judgement made by Group in determining the nature of its interest and the type of joint arrangement

Blueberry d.o.o. is a joint arrangement that is primarily designed for the provision of output to the parties sharing joint control; this indicates that the parties have rights to substantially all the economic benefits of the assets. The liabilities of the arrangements are in essence satisfied by cash flows received from both parties; this dependence indicates that the parties in effect have obligations for the liabilities. It is these facts and circumstances that give rise to the classification of this entity as a joint operation.

13. Inventories

	2022 £m	2021 £m
Raw materials	129.1	76.5
Work in progress	49.0	38.2
Finished goods and goods held for resale	85.2	73.2
	263.3	187.9

In the ordinary course of business, the Group makes provision for slow-moving, excess and obsolete inventory to write it down to its net realisable value based on an assessment of technological and market developments specific to the relevant business, and an analysis of historical and projected usage on an individual item or product line basis.

Expenses relating to inventories written down during the year totalled £10.5m (2021: £5.2m) for the Group.

Finished goods and goods held for resale expected to be utilised after 12 months amounted to £0.2m (2021: £1.4m).

14. Trade and other receivables

	2022 £m	(Restated) ¹ 2021 £m
Current and non-current		
Trade receivables	283.3	240.4
Prepayments	31.1	29.1
VAT and similar taxes receivable	27.2	18.6
Research and development credits recoverable	2.9	3.1
Other receivables	12.0	13.9
Contract assets	10.2	10.8
	366.7	315.9

1. The Group has performed an analysis to disaggregate the 'Other Receivables'. As a result, prior year comparatives have been restated to reflect this realignment. Total trade and other receivables for 2021 remains unchanged.

Non-current trade and other receivables total £4.2m (2021: £2.8m), consisting of £2.3m of prepayments and £1.9m of other receivables. Other current and non-current receivables include advances to suppliers of £2.4m and other debtors of £9.6m.

Trade receivables are non-interest bearing. Standard credit terms provided to customers differ according to business and country, and are typically between 30 and 60 days. Trade receivables are stated after the provision for impairment of £5.3m (2021: £6.1m).

The fair value of trade and other receivables approximates to its carrying amount due to the short-term maturities associated with these items. There is no impairment risk identified with regards to other receivables where no amounts are past due.

The maximum exposure to credit risk for trade receivables at 31 December by geographic region was:

	2022 £m	2021 £m
UK	9.8	16.7
Germany	23.8	17.1
France	16.7	13.7
Rest of Europe	46.1	39.8
USA	77.1	64.4
Rest of North America	9.8	5.5
Japan	15.0	12.4
China	25.0	26.9
South Korea	9.5	7.2
Rest of Asia	37.1	26.4
Rest of the world	13.4	10.3
	283.3	240.4

Expected credit losses

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses ('ECL'). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic

Notes to the Accounts continued

14. Trade and other receivables continued

conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The ageing of trade receivables and related provisions for impairment at 31 December was:

	2022		2021	
	Gross £m	Impairment £m	Gross £m	Impairment £m
Not past due	199.0	–	159.0	–
One month past due	36.3	–	35.6	–
Two months past due	14.7	–	14.2	–
Three months past due	10.5	–	8.8	–
Four months past due	5.6	–	4.3	–
More than four months past due	22.5	5.3	24.6	6.1
	288.6	5.3	246.5	6.1

The movement in the provision for impairment in respect of trade receivables during the year was as follows:

	2022 £m	2021 £m
At 1 January	6.1	7.6
Provision for impairment of receivables	0.2	0.3
Impairment loss utilised	(1.1)	(1.0)
Disposal of business	(0.4)	(0.6)
Foreign exchange difference	0.5	(0.2)
At 31 December	5.3	6.1

All of the above impairment losses relate to receivables arising from contracts with customers.

15. Cash and cash equivalents

	2022 £m	2021 £m
Cash and cash equivalents	228.1	167.8

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 27.

16. Borrowings

Current	Interest rate	Repayable date	2022 £m	2021 £m
Bank overdrafts		On demand	0.1	–
Bank loans unsecured – £45.0m (2021: £50.0m) uncommitted facility	Determined on draw down	On demand	–	–
Total current borrowings			0.1	–

Non-current	Interest rate	Maturity date	2022 £m	2021 £m
Bank loans unsecured – \$500.0m revolving credit facilities	Relevant RFR/IBOR +55bps	31 July 2025	–	–
Total non-current borrowings			–	–

Total current and non-current borrowings	0.1	–
Total unsecured borrowings	0.1	–

At 31 December 2022, the \$500m (£414.9m) revolving credit facilities were undrawn (31 December 2021: the \$500m (£370.3m) facilities were undrawn).

Movements in total unsecured borrowings are reconciled as follows:

	2022 £m	2021 £m
At 1 January	–	119.8
Notional cash-pooling movements	–	(15.0)
Proceeds from borrowings	326.2	70.0
Repayment of borrowings	(326.8)	(169.8)
Effect of foreign exchange rates	0.7	(5.0)
At 31 December	0.1	–

Notes to the Accounts continued

16. Borrowings continued

Changes in liabilities arising from financing arrangements

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's Consolidated Statement of Cash Flows as cash flow from financing activities.

£m	Note	At 31 December 2021	Financing cash flows ¹	New leases	Acquisitions of businesses	Disposal of businesses	Other non-cash movement	Exchange movement	At 31 December 2022
Bank overdrafts (including notional cash-pool related bank overdrafts)		–	0.1	–	–	–	–	–	0.1
Debt		–	(0.7)	–	0.1	–	(0.1)	0.7	–
Total borrowings		–	(0.6)	–	0.1	–	(0.1)	0.7	0.1
Lease liabilities		65.9	(16.4)	13.2	1.0	(3.2)	0.3	4.3	65.1
Total liabilities from financing arrangements		65.9	(17.0)	13.2	1.1	(3.2)	0.2	5.0	65.2

£m	Note	At 31 December 2020	Financing cash flows ¹	New leases	Acquisitions of businesses	Disposal of businesses	Other non-cash movement	Exchange movement	At 31 December 2021
Bank overdrafts (including notional cash-pool related bank overdrafts and overdrafts classified as held for sale)		15.3	(15.3)	–	–	–	–	–	–
Debt		104.5	(99.5)	–	–	–	–	(5.0)	–
Total borrowings		119.8	(114.8)	–	–	–	–	(5.0)	–
Lease liabilities (including lease liabilities classified as liabilities held for sale) ²		50.8	(14.8)	40.5	5.4	(15.2)	0.9	(1.7)	65.9
Total liabilities from financing arrangements		170.6	(129.6)	40.5	5.4	(15.2)	0.9	(6.7)	65.9

1. The cash flows from bank overdrafts (including notional cash-pool related bank overdrafts) and debt make up the net amount of proceeds from borrowings, repayment of borrowings and notional cash-pooling movement in the Consolidated Statement of Cash Flows.

2. Lease liabilities at 31 December 2022 includes £nil liabilities classified as held for sale (2021: £nil, 2020: £11.9m).

Notes to the Accounts continued

17. Trade and other payables

	2022 £m	Restated ¹ 2021 £m
Current		
Trade payables	62.8	59.7
Accruals	114.0	108.2
Customer advances	48.5	39.9
Contract liabilities	98.4	77.9
Deferred and contingent consideration on acquisitions	3.3	1.1
VAT and similar taxes payable	27.0	17.5
Goods received not invoiced	14.9	14.9
Other payables	4.8	11.0
	373.7	330.2
Non-current		
Contract liabilities	3.9	3.4
Deferred and contingent consideration on acquisitions	–	0.4
Accruals	9.9	10.0
	13.8	13.8

1. The Group has performed an analysis to disaggregate the 'Other Payables'. As a result, prior year comparatives have been restated to reflect this realignment. Total trade and other payables for 2021 remains unchanged.

The fair value of trade and other payables approximates to their carrying amount due to the short-term maturities associated with these items.

Total contract liabilities relate to the following product groups:

	2022 £m	Restated ² 2021 £m
Spectris Scientific	71.5	53.8
Spectris Dynamics	30.6	27.2
Omega	–	0.1
Others	0.2	0.2
	102.3	81.3

2. The table above shows restated comparative figures for the product groups at 31 December 2021, reflecting the impact of changes the Group made to its operating segments during the year ended 31 December 2022 (see note 2 for further details).

Significant changes in contract liabilities during the year

2022:

During 2022, £1.4m of contract liability balances were recognised as part of the acquisition of Creoptix, in the Spectris Scientific product group. The remainder of the increase primarily reflects increased systems-related orders in Spectris Scientific.

There were no other significant changes in contract liability balances during 2022.

2021:

During 2021, £3.9m of contract liability balances were recognised as part of the acquisition of Concurrent-RT, in the Spectris Dynamics product group. Also, during 2021, £2.3m of contract liability balances were derecognised on the disposal of ESG and NDC Technologies, part of the Other non-reportable segments product group.

18. Provisions

	Note	Reorganisation £m	Product warranty £m	Legal, contractual and other £m	Total £m
At 1 January 2022		9.6	6.8	5.9	22.3
Provision during the year		1.3	3.9	2.4	7.6
Disposal of business	24	–	(0.2)	–	(0.2)
Utilised during the year		(7.9)	(3.7)	(1.4)	(13.0)
Released during the year		–	(0.2)	(0.1)	(0.3)
Foreign exchange difference		0.1	0.4	0.3	0.8
At 31 December 2022		3.1	7.0	7.1	17.2

Reorganisation

Reorganisation provisions relate to committed restructuring plans in place within the business. Costs are mostly expected to be incurred within one year and there is little judgement in determining the amount.

Product warranty

Product warranty provisions reflect commitments made to customers on the sale of goods in the ordinary course of business and included within the Group's standard terms and conditions. Warranty commitments typically apply for a 12-month period, but can extend to 36 months. These extended warranties are not individually significant.

Legal, contractual and other

Legal, contractual and other provisions mainly comprise amounts provided against open legal and contractual disputes arising in the normal course of business. The Group has on occasion been required to take legal or other actions to protect its intellectual property rights, to enforce commercial contracts or otherwise and similarly to defend itself against proceedings brought by other parties. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, taking into account professional advice received, and represent management's best estimate of the most likely outcome. The timing of utilisation of these provisions is frequently uncertain, reflecting the complexity of issues and the outcome of various court proceedings and negotiations. Contractual and other provisions represent the Directors' best estimate of the cost of settling current obligations.

No provision is made for proceedings which have been or might be brought by other parties against Group companies unless management, taking into account professional advice received, assesses that it is probable that such proceedings may be successful. Contingent liabilities associated with such proceedings have been identified, but the Directors are of the opinion that any associated claims that might be brought can be defeated successfully and, therefore, the possibility of any material outflow in settlement is assessed as remote.

Notes to the Accounts continued

19. Retirement benefit plans

Spectris plc operates funded defined benefit and defined contribution pension plans for the Group's qualifying employees in the UK. At 31 December 2022, 16 overseas subsidiaries (2021: 15) in six overseas countries (2021: six) provided defined benefit plans. Other UK and overseas subsidiaries have their own defined contribution plans invested in independent funds.

Defined benefit plans

The UK, German, Dutch, Swiss, French, Italian and Japanese plans provide pensions in retirement, death in service and, in some cases, disability benefits to members. The pension benefit is linked to members' final salary at retirement and their service life. Since 31 December 2009, the UK plan has been closed to all service accruals. The German and Dutch plans are closed to new members. The Italian plan is a mandatory Trattamento di Fine Rapporto ('TFR') severance plan.

The UK plan is administered by a pension fund, but the Swiss and Dutch plans are held by insurance companies that are legally separate from the Group. The majority of the overseas plan assets are insurance policies. The UK plan is managed by a Board of Trustees that represents both employees and employer, who is required to act in the best interest of the plan's participants and is responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the various funds.

The plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk. Inflation and interest rate hedges are taken out to mitigate against risks arising on the UK plan and some reinsurance exists in respect of the overseas plans.

The overseas plans are funded by the Group's overseas subsidiaries, and the UK plan has been funded by both the Group's UK subsidiaries and the Company. The assets of the UK plan are invested in accordance with Section 40 of the Pensions Act 1995. Although the Act permits 5% of the plan's assets to be invested in 'employer-related investments', the Trustee has elected that none of the plan assets are to be invested directly in Spectris plc shares. The Trustee also holds interest rate and inflation swaps to help protect against the impact of changes in prevailing interest rates and price inflation, which in conjunction with the corporate bond portfolio aims to fully hedge against interest and inflation rate risks on the basis used by the Trustee to fund the plan. Trustee investment in derivatives is only made in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

The Trustee of the UK plan has invested a large proportion of the plan's assets in a buy and maintain corporate bond portfolio, designed to move in a similar way to the value of the plan's liabilities. The Trustee has also entered into a swaps strategy which seeks to further mitigate against movement in interest rates and price inflation over time.

The funding requirements are based on the individual fund's actuarial measurement framework set out in the funding policies of the various plans.

The Group has determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (including minimum funding requirements) of the plans of the respective jurisdictions, the present value of the refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. This determination has been made on a

plan-by-plan basis. As such, no decrease in the defined benefit asset was necessary at 31 December 2022.

The last full actuarial valuation for the UK plan was 31 December 2020 and for the overseas plans was 31 December 2022, where available. Where applicable, the valuations were updated to 31 December 2022 for IAS 19 (Revised) 'Employee Benefits' purposes by qualified independent actuaries.

The Group's contributions to defined benefit plans during the year ended 31 December 2022 were £2.0m (2021: £1.1m). Contributions for 2023 are expected to be £1.2m for the UK plan and £1.1m for the overseas plans.

As a result of the UK plan's full actuarial valuation at 31 December 2020, it has been agreed that the Group will make past service deficit recovery payments totaling £1.2m a year for a period of six years from 1 January 2022 until 31 December 2027. The contribution rates are subject to review at future valuations and periodic certifications of the schedule of contributions.

The assumptions used by the actuary to value the liabilities of the defined benefit plans were:

	2022		2021	
	UK plan % p.a.	Overseas plans % p.a.	UK plan % p.a.	Overseas plans % p.a.
Discount rate	4.85	2.15 – 3.80	1.8	0.0 – 1.0
Salary increases	n/a	1.50 – 3.00	n/a	1.0 – 3.0
Pension increases in payment	2.30 – 3.41	0.00 – 2.25	2.35 – 3.55	0.0 – 1.75
Pension increases in deferment	2.55 – 3.02	n/a	2.8 – 3.25	n/a
Inflation assumption	2.55 – 3.02	1.25 – 3.50	2.8 – 3.25	1.0 – 2.0
Interest credit rate	n/a	1.00	n/a	1.0

The weighted average duration of the defined benefit obligation at 31 December 2022 was approximately 12 years (2021: 14 years) for the UK plan and 14.3 years (2021: 18.3 years) for the overseas plans.

Pensioner life expectancy assumed in the 31 December 2022 valuation is based on the following tables:

UK plan	103% and 106% of the S3PA tables centred in 2013 for males and females respectively. Future improvements in line with the core CMI_2021 model subject to a long-term improvement rate of 1.25% per annum, an initial addition of 0.2% and weightings of 7.5% on both 2020 and 2021.
French plans	INSEE 2013
German plans	Dr K Heubeck pension tables 2018 G
Dutch plans	A.G. Prognosetafel 2018 tables
Swiss plan	BVG 2020 – CMI 1.50%
Italian plans	SI 2019

Notes to the Accounts continued

19. Retirement benefit plans continued

Samples of the ages which pensioners are assumed to live to across the Group's defined benefit plans are as follows:

	Male	Female
Pensioners aged 65 in 2022	84.9–87.0	88.1–89.7
Pensioners aged 65 in 2042	82.6–88.9	88.4–91.3

	UK plan		Overseas plans		Total	
Amounts recognised in the Consolidated Income Statement	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Current service cost	–	–	0.4	0.7	0.4	0.7
Past service credit	–	–	(0.1)	(0.3)	(0.1)	(0.3)
Administrative cost	–	0.7	–	–	–	0.7
Settlement/curtailment	–	–	(0.1)	–	(0.1)	–
Net interest cost	0.2	0.1	0.1	0.1	0.3	0.2
	0.2	0.8	0.3	0.5	0.5	1.3

The current service cost, past service credit, administrative cost and settlement/curtailment are recognised in administrative expenses in the Consolidated Income Statement. The net interest cost on the net defined benefit obligation is recognised in finance costs in the Consolidated Income Statement. Actuarial gains and losses are recognised in the Consolidated Statement of Comprehensive Income.

During the year, insurance premiums for death-in-service benefits amounting to £0.4m (2021: £0.3m) were paid.

There was a total return on plan assets in the year of -£32.1m (2021: +£6.7m).

	UK plan		Overseas plans		Total	
Amounts recognised in the Consolidated Statement of Comprehensive Income	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Actuarial gains/(losses) recognised in the current year	9.8	(2.4)	3.3	0.6	13.1	(1.8)
Foreign exchange (losses)/gains in the current year	–	–	(0.7)	0.8	(0.7)	0.8
Total gains/(losses) recognised in the current year	9.8	(2.4)	2.6	1.4	12.4	(1.0)

	UK plan		Overseas plans		Total	
Amounts recognised in the Consolidated Statement of Financial Position	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Present value of defined benefit obligations	(90.6)	(133.2)	(22.4)	(26.5)	(113.0)	(159.7)
Fair value of plan assets	90.4	122.2	13.7	15.2	104.1	137.4
Net deficit in plans	(0.2)	(11.0)	(8.7)	(11.3)	(8.9)	(22.3)

	UK plan		Overseas plans		Total	
Reconciliation of movement in net deficit	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
At 1 January	(11.0)	(7.8)	(11.3)	(12.6)	(22.3)	(20.4)
Balance transferred from other payables	–	–	–	(0.2)	–	(0.2)
Current service cost	–	–	(0.4)	(0.7)	(0.4)	(0.7)
Net interest cost	(0.2)	(0.1)	(0.1)	(0.1)	(0.3)	(0.2)
Plan administrative cost	–	(0.7)	–	–	–	(0.7)
Settlement/curtailment	–	–	0.1	–	0.1	–
Acquisitions of businesses	–	–	(0.5)	(0.5)	(0.5)	(0.5)
Past service credit	–	–	0.1	0.3	0.1	0.3
Contributions from sponsoring company and plan members	1.2	–	0.3	0.4	1.5	0.4
Benefits paid	–	–	0.5	0.7	0.5	0.7
Actuarial gains/(losses)	9.8	(2.4)	3.3	0.6	13.1	(1.8)
Foreign exchange difference	–	–	(0.7)	0.8	(0.7)	0.8
At 31 December	(0.2)	(11.0)	(8.7)	(11.3)	(8.9)	(22.3)

Notes to the Accounts continued

19. Retirement benefit plans continued

Analysis of movement in the present value of the defined benefit obligation	UK plan		Overseas plans		Total	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
At 1 January	133.2	130.0	26.5	27.3	159.7	157.3
Balance transferred from other payables	–	–	–	0.2	0.0	0.2
Current service cost	–	–	0.4	0.7	0.4	0.7
Interest cost	2.4	1.8	0.2	0.1	2.6	1.9
Settlement/curtailment	–	–	(0.1)	–	(0.1)	–
Acquisitions of businesses	–	–	2.6	0.5	2.6	0.5
Past service credit	–	–	(0.1)	(0.3)	(0.1)	(0.3)
Contributions from plan members	–	–	0.2	0.2	0.2	0.2
Actuarial (gains)/losses – financial	(44.5)	(4.0)	(7.7)	(2.0)	(52.2)	(6.0)
Actuarial (gains)/losses – demographic	(1.2)	4.9	–	0.3	(1.2)	5.2
Actuarial (gains)/losses – experience	6.0	7.5	(0.1)	0.1	5.9	7.6
Benefits paid	(5.3)	(7.0)	(1.4)	(0.6)	(6.7)	(7.6)
Adjustments and balances transferred to liabilities held for sale	–	–	–	1.7	–	1.7
Foreign exchange difference	–	–	1.9	(1.7)	1.9	(1.7)
At 31 December	90.6	133.2	22.4	26.5	113.0	159.7

Analysed as:

Present value of unfunded defined benefit obligation	–	–	5.0	6.2	5.0	6.2
Present value of funded defined benefit obligation	90.6	133.2	17.4	20.3	108.0	153.5

Reconciliation of movement in fair value of plan assets	UK plan		Overseas plans		Total	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
At 1 January	122.2	122.2	15.2	14.7	137.4	136.9
Interest income on assets	2.2	1.7	0.1	–	2.3	1.7
Plan administration cost	–	(0.7)	–	–	–	(0.7)
Acquisitions of businesses	–	–	2.1	–	2.1	–
Contributions from sponsoring company	1.2	–	0.3	0.4	1.5	0.4
Contributions from plan members	–	–	0.2	0.2	0.2	0.2
Actuarial (losses)/gains	(29.9)	6.0	(4.5)	(1.0)	(34.4)	5.0
Benefits paid	(5.3)	(7.0)	(0.9)	0.1	(6.2)	(6.9)
Adjustments and balances transferred to liabilities held for sale	–	–	–	1.7	–	1.7
Foreign exchange difference	–	–	1.2	(0.9)	1.2	(0.9)
At 31 December	90.4	122.2	13.7	15.2	104.1	137.4

Fair value of assets	UK plan		Overseas plans		Total	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Equity instruments	1.7	7.8	–	–	1.7	7.8
Corporate bonds	67.1	92.6	–	–	67.1	92.6
Government bonds	12.5	20.2	–	–	12.5	20.2
Cash and financial derivatives and other (net)	9.0	1.5	–	–	9.0	1.5
Insurance policies	0.1	0.1	13.7	15.2	13.8	15.3
	90.4	122.2	13.7	15.2	104.1	137.4

Asset class	UK plan		Overseas plans	
	2022 £m	2021 £m	2022 £m	2021 £m
i. Government Bonds	13.8	17.2	–	–
ii. Corporate Bonds	74.2	76.1	–	–
iii. Equity	1.9	5.9	–	–
iv. Cash	25.0	6.8	–	–
v. Insurance contracts	0.1	0.1	100.0	100.0
vi. Other	(15.0)	(6.1)	–	–
	100.0	100.0	100.0	100.0

The UK plan assets are invested in active markets which have a quoted market price. The overseas plan assets are invested in insurance policies.

19. Retirement benefit plans continued**Sensitivity analysis**

The table below shows the sensitivity of the Consolidated Statement of Financial Position to changes in the significant pension assumptions based on a reasonably expected change given current market conditions:

	Impact on plan liabilities as at 31 December 2022		
	Change in assumption	UK plan	Overseas plans
Discount rate	Increase by 1%	Decrease by £9.3m	Decrease by £2.5m
Rate of price inflation (RPI)	Increase by 1%	Increase by £5.9m	Increase by £1.1m
Assumed life expectancy at age 65	Increase by 1 year	Increase by £2.4m	Increase by £0.5m

The sensitivity analysis is approximate and extrapolation beyond the ranges shown may not be appropriate.

Defined contribution plans

The total cost of the defined contribution plans for the year was £20.1m (2021: £17.3m). There were no outstanding or prepaid contributions to these plans as at the end of the year.

20. Deferred tax

The movement in the net deferred tax asset/(liability) is shown below.

	Note	2022 £m	2021 £m
At 1 January		1.8	(11.1)
Measurement period adjustments		(1.4)	–
Foreign exchange difference		2.0	0.8
Acquisition of subsidiary undertakings	23	2.5	17.0
Disposal of businesses		(8.6)	0.6
Deferred tax on changes in fair value of forward exchange contracts recognised in the Consolidated Statement of Comprehensive Income		(0.1)	(0.2)
Deferred tax on re-measurement of net defined benefit liability recognised in the Consolidated Statement of Comprehensive Income		3.4	(0.9)
Deferred tax on share-based payments recognised in equity		(0.1)	(1.1)
Deferred tax charge on discontinued operations		6.4	0.9
Credited to the Consolidated Income Statement		(6.5)	(4.2)
At 31 December		(0.6)	1.8
Comprising:			
Deferred tax liabilities		15.6	23.0
Deferred tax assets		(16.2)	(21.2)
		(0.6)	1.8

Notes to the Accounts continued

20. Deferred tax continued

The movements in deferred tax assets and liabilities during the year are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and they relate to income taxes levied by the same taxation authority.

Net deferred tax (assets)/liabilities	Accelerated tax depreciation £m	Accruals and provisions £m	Tax losses £m	Unrealised profit on inter-company transactions £m	Pension plans £m	Goodwill and other intangible assets £m	Other £m	2022 Total £m
At 1 January 2022	0.4	(18.2)	(0.3)	(7.0)	(6.0)	36.1	(3.2)	1.8
Measurement period adjustments	–	–	(1.4)	–	–	–	–	(1.4)
Foreign exchange difference	–	–	–	–	–	2.0	–	2.0
Acquisition of subsidiary undertakings	–	0.2	(2.2)	–	(0.1)	4.6	–	2.5
Disposal of businesses	0.1	0.6	–	–	–	(9.3)	–	(8.6)
Deferred tax on changes in fair value of forward exchange contracts recognised in the Consolidated Statement of Comprehensive Income	–	–	–	–	–	–	(0.1)	(0.1)
Deferred tax on re-measurement of net defined benefit obligation recognised in the Consolidated Statement of Comprehensive Income	–	–	–	–	3.4	–	–	3.4
Deferred tax on share-based payments recognised in equity	–	–	–	–	–	–	(0.1)	(0.1)
Discontinued Operations deferred tax charge	0.1	0.4	–	–	–	0.1	5.8	6.4
(Credited)/charged to the Consolidated Income Statement	1.5	(6.4)	(0.4)	(3.5)	–	1.6	0.7	(6.5)
At 31 December 2022	2.1	(23.4)	(4.3)	(10.5)	(2.7)	35.1	3.1	(0.6)

Net deferred tax (assets)/liabilities	Accelerated tax depreciation £m	Accruals and provisions £m	Tax losses £m	Unrealised profit on inter-company transactions £m	Pension plans £m	Goodwill and other intangible assets £m	Other £m	2021 Total £m
At 1 January 2021	3.4	(19.7)	(0.7)	(6.7)	(5.7)	18.8	(0.5)	(11.1)
Foreign exchange difference	–	–	–	–	–	0.8	–	0.8
Acquisition of subsidiary undertakings	–	–	–	–	(0.1)	17.1	–	17.0
Disposal of businesses	0.1	0.7	0.4	0.9	0.1	(1.8)	0.2	0.6
Deferred tax on changes in fair value of forward exchange contracts recognised in the Consolidated Statement of Comprehensive Income	–	–	–	–	–	–	(0.2)	(0.2)
Deferred tax on re-measurement of net defined benefit obligation recognised in the Consolidated Statement of Comprehensive Income	–	–	–	–	(0.9)	–	–	(0.9)
Deferred tax on share-based payments recognised in equity	–	–	–	–	–	–	(1.1)	(1.1)
Discontinued Operations deferred tax charge	(2.7)	0.3	–	–	–	3.3	–	0.9
(Credited)/charged to the Consolidated Income Statement	(0.4)	0.5	–	(1.2)	0.6	(2.1)	(1.6)	(4.2)
At 31 December 2021	0.4	(18.2)	(0.3)	(7.0)	(6.0)	36.1	(3.2)	1.8

Notes to the Accounts continued

20. Deferred tax continued Unrecognised temporary differences

Deferred tax assets have not been recognised on the following temporary differences due to the degree of uncertainty over both the amount and utilisation of the underlying tax losses and deductions in certain jurisdictions. £2.0m will expire between 2026 and 2030. There is no expiry date associated with the remaining tax losses of £23.1m which mainly comprise of UK capital losses.

	2022 £m	2021 £m
Tax losses	25.1	29.0
	25.1	29.0

It is likely that the unremitted earnings of overseas subsidiaries would qualify for the UK dividend exemption such that no UK tax would be due upon remitting these earnings to the UK. However, £306.6m (2021: £263.7m) of those earnings may still result in a tax liability, principally as a result of the dividend withholding taxes levied by the overseas tax jurisdictions in which those subsidiaries operate. These tax liabilities are not expected to exceed £16.3m (2021: £13.6m), of which only £4.5m (2021: £2.5m) has been provided for as the Group is able to control the timing of the dividends. It is not expected that further amounts will crystallise in the foreseeable future.

21. Share capital and reserves

	2022		2021	
	Number of shares Millions	£m	Number of shares Millions	£m
Issued and fully paid (ordinary shares of 5p each):				
At 1 January and 31 December	109.1	5.5	115.6	5.8

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

During the year ended 31 December 2021, 5,596,739 ordinary shares were repurchased and cancelled by the Group as part of the £200m share buyback programme announced on 25 February 2021, resulting in a cash outflow of £201.3m, including transaction fees of £1.3m.

No ordinary shares were issued upon exercise under share option schemes during the year (2021: nil).

At 31 December 2022, the Group held 4,596,698 treasury shares (2021: 4,767,106). During the year, 170,408 of these shares were issued to satisfy options exercised by, and SIP Matching shares awarded to, employees which were granted under the Group's share schemes (2021: 167,461).

The Group has an employee benefit trust ('EBT'), which operates the Spectris Share Incentive Plan ('SIP') to all eligible UK-based employees. The EBT holds shares in Spectris plc for the purposes of the SIP, further details of which are disclosed in the Directors' Remuneration Report. At 31 December 2022, the EBT held 55,570 shares which were purchased from the

market during the year (31 December 2021: 44,440). The costs of funding and administering the plan are charged to the Consolidated Income Statement in the period to which they relate.

Other reserves

Movements in reserves are set out in the Consolidated Statement of Changes in Equity. The retained earnings reserve also includes own shares purchased by the Company and treated as treasury shares. The nature and purpose of other reserves forming part of equity are as follows:

Translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the Financial Statements of foreign subsidiaries, including gains or losses arising on net investment hedges.

Hedging reserve

This reserve records the cumulative net change in the fair value of forward exchange contracts where they are designated as effective cash flow hedge relationships.

Merger reserve

This reserve arose on the acquisition of Servomex Limited in 1999, a purchase satisfied substantially by the issue of share capital and therefore eligible for merger relief under the provisions of Section 612 of the Companies Act 2006.

Capital redemption reserve

This reserve records the repurchase of the Company's own shares. During the year, as a result of the share buyback programme, the capital redemption reserve increased by £0.3m (2021: £0.2m), reflecting the nominal value of the cancelled ordinary shares.

22. Share-based payments

Spectris Long Term Incentive Plan ('LTIP') – awards granted from 2020 onwards with performance conditions attached

The LTIP is used to grant share awards with performance conditions attached to senior executives and key employees that are settled in either equity or cash.

Both cash and equity-settled LTIP awards are expected to vest, subject to their performance conditions, after three years. Vested equity-settled awards, which are granted in the form of nominal share options, must be exercised within the next seven years, whereas vested conditional share awards and cash-settled awards are paid out on or shortly after the vesting date. All LTIP awards granted to Executive Directors are subject to an additional two-year holding period. The Executive Directors' LTIP awards vest after five years (three-year performance period plus two-year holding period) and must be exercised within the next five years.

Subject to the LTIP awards vesting, participants receive additional dividend shares on the vested shares under the LTIP award. Dividend shares are of equivalent value to the Company's dividends paid between the date of grant and the vesting date.

Spectris Performance Share Plan ('PSP') – awards granted prior to 2020

The PSP was used to grant share awards to senior executives and key employees that are settled in either equity or cash, however the only outstanding PSP awards remaining are all settled in equity.

Both cash and equity-settled PSP awards are expected to vest, subject to their performance conditions, after three years. Vested equity-settled awards must be exercised within the next

Notes to the Accounts continued

22. Share-based payments continued

seven years, whereas vested cash-settled awards are paid out on or shortly after the vesting date. Outstanding PSP awards granted to Executive Directors are subject to an additional two-year holding period. The Executive Directors' PSP awards vest after five years (three-year performance period plus two-year holding period) and must be exercised within the next five years.

Subject to the PSP awards vesting, participants receive additional dividend shares on the vested shares under the PSP award. For PSP awards granted in or after 2014, the dividend shares are of equivalent value to the Company's dividends paid between the date of grant and the vesting date. For PSP awards granted before 2014, dividend shares were of equivalent value to the Company's dividends paid between the date of grant and the date of exercise.

Linked (tax-advantaged) awards

Some PSP and LTIP awards granted to UK employees are linked to a grant of market value share options under the terms of HMRC's tax-advantaged Company Share Option Plan ('Linked (tax-advantaged) awards'). Linked (tax-advantaged) awards are granted up to an aggregate value of £30,000, which is HMRC's limit. The Linked (tax-advantaged) awards have the same performance and vesting conditions as the PSP/LTIP awards to which they are linked.

When an employee chooses to exercise a PSP/LTIP award which is linked to a Linked (tax-advantaged) award, both parts are also automatically exercised at the same time. Should there be a gain on exercise from the Linked (tax-advantaged) award part, then a proportion of the PSP/LTIP award will lapse to ensure that the overall gross value received from the combined exercise of these awards is no more than would have been delivered from a stand-alone equivalent PSP/LTIP award. Should there be no gain on exercise from the Linked (tax-advantaged) award part, then this part is forfeited and there is no reduction in the remaining PSP/LTIP award.

LTIP performance conditions

LTIP awards granted to Executive Directors and Executive Committee members are subject to an adjusted earnings per share growth target ('EPS') and a return on gross capital employed ('ROGCE') target. Any vesting under these performance conditions will then be further assessed against both absolute and relative Total Shareholder Return ('TSR') metrics which can potentially increase the vested award via a multiplier (maximum 1.4 times).

The performance conditions attached to LTIP awards granted to senior managers are one-third EPS, one-third ROGCE and the remaining one-third solely subject to continuous employment over the three-year vesting period. LTIP Awards below senior management level are subject to EPS (50%) and ROGCE (50%).

Normally, LTIP awards granted to participants who leave employment prior to vesting will be forfeited. In the event a participant leaves due to a qualifying reason, they receive a time pro-rated entitlement.

PSP performance conditions

Outstanding PSP awards granted to Executive Directors were subject to the following performance conditions: one-third EPS; one-third economic profit ('EP'); and one-third relative TSR. The vesting outcome against the PSP performance conditions have been confirmed and the Executive Directors' outstanding PSP awards are currently in the additional two-year holding period.

PSP awards granted to other members of the Executive Committee in 2017 and 2018 are subject to the following performance conditions: one-third subject to EPS; one-third subject to EP; and one-third solely subject to continuous employment over the three-year vesting period. In 2019, the same conditions applied for Head Office Executive Committee roles however the EP target was replaced for an operating company profit target for the Executive Committee members who are Presidents of an operating company.

PSP awards granted to other senior head office managers were, until 2016, 50% subject to EPS and 50% subject to TSR. From 2017 onwards, senior head office management have two-thirds of their PSP awards subject to EPS and the remaining one-third solely subject to continuous employment over the three-year vesting period.

PSP awards granted to executives and senior managers of the Group's operating companies until 2016 had two-thirds subject to an operating company profit target and one-third subject to EPS. In 2017 and 2018, the performance conditions have been two-thirds operating company profit targets and one-third continuous employment over the three-year vesting period. In 2019, the performance conditions were one-third operating company profit targets, one-third EPS and one-third continuous employment over the three-year vesting period.

Normally, PSP awards granted to participants who leave employment prior to vesting will be forfeited. In the event a participant leaves due to a qualifying reason, they receive a time pro-rated entitlement.

Spectris Reward Plan ('SRP') – awards granted from 2020 onwards with no performance conditions attached

The SRP is used to grant share awards with no performance conditions attached to key employees that are settled in equity or, in limited circumstances, in cash. SRP awards cannot be granted to an Executive Director of Spectris plc.

Both cash and equity-settled SRP awards are expected to vest after three years. Vested equity-settled awards, which are granted in the form of nominal share options, must be exercised within the next seven years, whereas vested conditional share awards and cash-settled awards are paid out on or shortly after the vesting date.

On vesting, participants receive additional dividend shares on the vested shares under the SRP award. Dividend shares are of equivalent value to the Company's dividends paid between the date of grant and the vesting date.

Spectris Deferred Bonus Plan ('DBP') – awards granted from 2021 onwards with no performance conditions attached

The DBP is used to grant share awards with no performance conditions attached to Executive Directors and are settled in equity. This represents the 50% of the Executive Directors' annual bonus that is deferred into shares each year.

DBP awards are expected to vest after three years and must be exercised within the next seven years. On vesting, the Executive Directors receive additional dividend shares on the vested shares under the DBP award. Dividend shares are of equivalent value to the Company's dividends paid between the date of grant and the vesting date.

Spectris Share Incentive Plan ('SIP')

The SIP, a UK tax-advantaged share matching plan, was launched after it was approved by shareholders at the May 2018 AGM. UK employees can invest up to £150 per month to buy ordinary shares in the Company ('Partnership shares') tax efficiently and for every five

Notes to the Accounts continued

22. Share-based payments continued

Partnership shares purchased, the Company will gift one free ordinary share ('Matching share'). Matching shares need to be held in the SIP Trust for at least three years otherwise these shares are potentially subject to forfeiture. The Company incurs a charge on any Matching shares awarded under the SIP. The charge in 2022 was £0.1m (2021: £0.1m).

The number of outstanding share incentives are summarised below:

Incentive plan	2022 Number thousands	2021 Number thousands
Equity-settled:		
Long Term Incentive Plan	1,385	1,023
Performance Share Plan	135	522
Long Term Incentive Plan (Linked tax-advantaged)	99	64
Performance Share Plan (Linked tax-advantaged)	8	37
Spectris Reward Plan	262	221
Deferred Bonus Plan	38	10
Total equity-settled	1,927	1,877
Cash-settled:		
Long Term Incentive Plan Cash	71	43
Spectris Reward Plan Cash	15	12
Performance Share Plan (Phantom allocations)	–	12
Total cash-settled	86	67
Total outstanding	2,013	1,944

Share options outstanding at the end of the year (equity settled)

Long Term Incentive Plan, Performance Share Plan, Spectris Reward Plan and Deferred Bonus Plan		2022		2021	
Year of grant	Remaining contractual life of options	Number thousands	Weighted average Exercise price £	Number thousands	Weighted average Exercise price £
2012	PSP	–	–	–	0.04
2013	PSP	1 year	–	–	0.04
2015	PSP	3 years	1	1	0.05
2016	PSP	4 years	9	10	0.05
2017	PSP	5 years	37	52	0.05
2018	PSP	6 years	26	38	0.05
2019	PSP	7 years	62	421	0.05
2020	LTIP/ SRP	8 years	515	601	0.05
2021	LTIP/ SRP/ DBP	9 years	533	653	0.05
2022		10 years	637	–	–
		1,820	0.05	1,776	0.05

The weighted average remaining contractual life of these LTIP, SRP and PSP equity settled awards is 8.85 years (2021: 8.97 years).

Long Term Incentive Plan, Spectris Reward Plan and Performance Share Plan (equity awards)		2022		2021	
	Number thousands	Weighted average exercise price £	Weighted average fair value at grant date £	Number thousands	Weighted average exercise price £
At 1 January	1,776	0.05		1,599	0.05
Shares granted	711	0.05	21.13	688	0.05
Addition of reinvested dividends	17	–		10	–
Exercised	(166)	0.05		(155)	0.05
Forfeited	(518)	0.05		(366)	0.05
At 31 December	1,820	0.05		1,776	0.05
Exercisable at 31 December	120	0.05		70	0.05

Long Term Incentive Plan and Performance Share Plan (Linked tax-advantaged)		2022		2021	
Year of grant	Remaining contractual life of options	Number thousands	Weighted average Exercise price £	Number thousands	Weighted average Exercise price £
2012	PSP	–	–	–	17.31
2017	PSP	5 years	1	2	26.31
2018	PSP	6 years	1	2	26.03
2019	PSP	7 years	5	33	26.53
2020	LTIP	8 years	29	31	22.69
2021	LTIP	9 years	30	33	31.91
2022	LTIP	10 years	41	–	–
		107	27.11	101	27.05

The weighted average remaining contractual life of the PSP and LTIP (Linked tax-advantaged) awards is 8.93 years (2021: 8.89 years).

Long Term Incentive Plan and Performance Share Plan (Linked tax-advantaged)		2022		2021	
	Number thousands	Weighted average exercise price £	Weighted average fair value at grant date £	Number thousands	Weighted average exercise price £
At 1 January	101	27.05		106	25.17
Shares granted	45	26.74	5.81	35	31.88
Exercised	(6)	25.99		(9)	26.18
Forfeited	(33)	26.62		(31)	26.37
At 31 December	107	27.11		101	27.05
Exercisable at 31 December	7	26.76		3	25.57

Notes to the Accounts continued

22. Share-based payments continued

Share options outstanding at the end of the year (cash-settled)

		2022		2021	
Long Term Incentive Plan, Spectris Reward Plan and Performance Share Plan (Phantom allocations)		Weighted average remaining contractual life of options	Number thousands	Weighted average Exercise price £	Number thousands
Year of grant					Weighted average Exercise price £
2019	PSP	–	–	–	11
2020	LTIP/SRP	1 year	28	0.05	28
2021	LTIP/SRP	1.86 years	27	0.05	28
2022	LTIP/SRP	3 years	31	0.05	–
			86	0.05	67
					0.05

The weighted average remaining contractual life of the cash-settled awards is 1.99 years (2021: 2.18 years).

		2022		2021	
Long Term Incentive Plan, Spectris Reward Plan and Performance Share Plan (Phantom allocations)		Number thousands	Exercise price £	Number thousands	Exercise price £
			Weighted average fair value at grant date £		Weighted average fair value at grant date £
At 1 January		67	0.05	157	0.05
Shares granted		33	0.05	40	0.05
Addition of reinvested dividends		–	–	6	–
Exercised		(4)	0.05	(92)	0.05
Forfeited		(10)	0.05	(44)	0.05
At 31 December		86	0.05	67	0.05
Exercisable at 31 December		–	–	–	–

Share-based payment expense

Share options are valued using the stochastic option pricing model (also known as the Monte Carlo model) in respect of TSR, and the Black-Scholes model for all other options, with support from an independent remuneration consultant. For options granted in 2022 and 2021, the fair value of options granted and the assumptions used in the calculation, are as follows:

	Equity-settled				Cash-settled	
	Share awards LTIP & SRP		(Linked tax-advantaged) LTIP & SRP		LTIP Cash & SRP Cash	
	2022	2021	2022	2021	2022	2021
Weighted average share price at date of grant (£)	26.94	31.55	26.97	31.81	26.98	31.69
Weighted average exercise price (£)	0.05	0.05	26.74	31.88	0.05	0.05
Expected volatility	28.41%	29.83%	28.55%	29.38%	28.58%	29.86%
Expected life	3.30 yrs	3.12 yrs	3.07 yrs	3 yrs	3 yrs	2.86 yrs
Risk-free rate	1.37%	0.22%	1.39%	0.21%	1.39%	0.20%
Expected dividends (expressed as a yield)	–	–	–	–	–	–
Weighted average fair values at date of grant (£):						
TSR condition	10.25	19.12	n/a	n/a	n/a	n/a
ROGCE condition	20.38	23.99	5.81	6.52	26.91	31.73
EPS condition	20.38	23.99	5.81	6.52	26.91	31.73
Service condition	26.48	31.37	5.84	6.50	26.98	31.54
Weighted average fair values at 31 December (£):						
ROGCE condition (cash-settled)					29.09	35.41
EPS condition (cash-settled)					29.09	35.70
Profit condition (cash-settled)					n/a	36.40
Service condition (cash-settled)					29.12	35.52

The expected volatility is based on historical volatility over the expected term. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

The weighted average share price at the date of exercise for share options exercised in 2022 was £28.27 (2021: £33.11). The weighted average fair value of cash-settled options outstanding at 31 December 2022 is £29.10 (2021: £35.57). The Group recognised a total share-based payment charge from continuing and discontinued operations of £11.1m (2021: £9.0m) in the Consolidated Income Statement, of which £10.4m (2021: £7.8m) related to equity-settled share-based payment transactions.

23. Acquisitions

2022

Creoptix

On 7 January 2022, the Group acquired 100% of the share capital of Creoptix AG ('Creoptix') for net consideration of £37.0m, made up of £37.3m of gross consideration (consisting of £35.1m of cash paid and £2.2m of contingent consideration) less £0.3m of cash acquired. Creoptix is a bioanalytical sensor company, which provides solutions to accelerate discovery and development of new pharmaceutical drugs, substances and products. The transaction is in line with Spectris' strategy to make synergistic acquisitions to enhance and grow its businesses. Creoptix will be integrated into the Spectris Scientific reportable segment and the Malvern Panalytical cash generating unit.

The excess of the fair value of consideration paid over the fair value of the net tangible assets acquired is represented by a technology intangible asset and goodwill. Goodwill arising is attributable to the assembled workforce, in process research, expected future customer relationships and synergies from cross-selling goods and services.

In the Consolidated Income Statement for the year ended 31 December 2022, sales of £3.9m and statutory operating loss of £4.2m have been included for the acquisition of Creoptix. As Creoptix was acquired near to the start of the current reporting period, Group revenue and statutory operating profit from continuing operations for the year ended 31 December 2022 would be the approximately the same had this acquisition taken place on the first day of the financial period.

Where appropriate, a detailed exercise has been undertaken to assess the fair value of assets acquired and liabilities assumed, supported by the use of third-party experts. The valuation of the above intangible and tangible assets requires the use of assumptions and estimates. Intangible asset assumptions consist of future growth rates, expected inflation and attrition rates, discount rates used and useful economic lives. Due to their contractual due dates, the fair value of receivables approximates to the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial. There are no material contingent liabilities recognised in accordance with IFRS 3 (Revised).

Acquisition-related costs (included in administrative expenses) amount to £2.8m.

MB connect line

On 31 March 2022, the Group acquired 100% of the share capital of MB connect line GmbH ('MB connect') for net consideration of £8.7m, made up of £9.0m gross consideration in cash less £0.3m net cash acquired. There was no contingent consideration recognised on this acquisition. MB connect is a leading provider of secure connections between machines and plants for remote access, data collection, and M2M-communication. The transaction is in line with Spectris' strategy to make synergistic acquisitions to enhance and grow its businesses. MB connect will be integrated into Other non-reportable segments and the Red Lion Controls cash generating unit.

The excess of the fair value of consideration paid over the fair value of the net tangible assets acquired is represented by the following intangible assets: customer-related relationships, technology, brand and goodwill. Goodwill arising is attributable to the assembled workforce, synergies from cross-selling goods and services and cost synergies.

In the Consolidated Income Statement for the year ended 31 December 2022, sales of £4.2m and statutory operating profit of £0.5m have been included for the acquisition of MB connect. Group revenue and statutory operating profit from continuing operations for the year ended 31 December 2022 would have been £1,328.6m and £172.6m, respectively, had this acquisition taken place on the first day of the financial year.

Where appropriate, a detailed exercise has been undertaken to assess the fair value of assets acquired and liabilities assumed, supported by the use of third-party experts. The valuation of the above intangible and tangible assets requires the use of assumptions and estimates. Intangible asset assumptions consist of future growth rates, expected inflation and attrition rates, discount rates used and useful economic lives. Due to their contractual due dates, the fair value of receivables approximates to the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial. There are no material contingent liabilities recognised in accordance with IFRS 3 (Revised).

Acquisition-related costs (included in administrative expenses) amount to £0.1m.

Dytran

On 1 September 2022, the Group acquired 100% of the share capital of Dytran Instruments, Inc ('Dytran') for net consideration of £69.6m, made up of £70.5m gross consideration in cash less £0.9m net cash acquired. There was no contingent consideration recognised on this acquisition. Dytran is a leading designer and manufacturer of piezo-electric and MEMS-based accelerometers and sensors for measuring dynamic force, pressure and vibration, with its largest market in North America. The transaction is in line with Spectris' strategy to make synergistic acquisitions to enhance and grow its businesses. The acquisition strengthens Spectris Dynamics' piezo electric offering, adds new MEMS capability and expands sales into North America. The acquisition also allows both companies to leverage complementary capabilities and provide enhanced customer offerings and solutions to enable accelerated product development. Dytran will be integrated into the Spectris Dynamics reportable segment and cash generating unit.

The excess of the fair value of consideration paid over the fair value of the net tangible assets acquired is represented by the following intangible assets: customer-related relationships, brand, order backlog and goodwill. Goodwill arising is attributable to the assembled workforce, synergies from cross-selling goods and services and cost synergies.

In the Consolidated Income Statement for the year ended 31 December 2022, sales of £8.3m and statutory operating profit of £1.3m have been included for the acquisition of Dytran. Group revenue and statutory operating profit from continuing operations for the year ended 31 December 2022 would have been £1,343.5m and £174.3m, respectively, had this acquisition taken place on the first day of the financial year.

Where appropriate, a detailed exercise has been undertaken to assess the fair value of assets acquired and liabilities assumed, supported by the use of third-party experts. The valuation of the above intangible and tangible assets requires the use of assumptions and estimates. Intangible asset assumptions consist of future growth rates, expected inflation and attrition rates, discount rates used and useful economic lives. Due to their contractual due dates, the fair value of receivables approximates to the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial. There are no material contingent liabilities recognised in accordance with IFRS 3 (Revised).

Acquisition-related costs (included in administrative expenses) amount to £1.9m.

Notes to the Accounts continued

23. Acquisitions continued

The fair values included in the table below relate to the acquisition of Creoptix, MB connect and Dytran during the year:

	Creoptix £m	MB connect £m	Dytran £m	2022 Total fair value £m
Intangible assets	18.5	5.1	35.8	59.4
Property, plant and equipment	0.1	1.2	1.7	3.0
Right of use assets	1.0	–	–	1.0
Inventories	0.6	0.3	5.2	6.1
Trade and other receivables	1.6	0.1	2.9	4.6
Cash and cash equivalents	0.3	0.3	0.9	1.5
Borrowings	–	(0.1)	–	(0.1)
Trade and other payables	(1.9)	(0.1)	(2.3)	(4.3)
Retirement benefit obligations	(0.5)	–	–	(0.5)
Lease liabilities	(1.0)	–	–	(1.0)
Current tax liabilities	–	(0.1)	–	(0.1)
Deferred tax liabilities	(0.9)	(1.6)	–	(2.5)
Net assets acquired	17.8	5.1	44.2	67.1
Goodwill	19.5	3.9	26.3	49.7
Gross consideration	37.3	9.0	70.5	116.8
Adjustment for cash acquired	(0.3)	(0.3)	(0.9)	(1.5)
Net consideration	37.0	8.7	69.6	115.3

Analysis of cash outflow in Consolidated Statement of Cash Flows	2022 £m	2021 £m
Gross consideration in respect of acquisitions during the year	116.8	146.1
Adjustment for net cash acquired	(1.5)	(12.3)
Net consideration in respect of acquisitions during the year	115.3	133.8
Deferred and contingent consideration on acquisitions included in net consideration during the year to be paid in future years	(2.2)	–
Cash paid during the year in respect of acquisitions during the year	113.1	133.8
Cash paid in respect of prior years' acquisitions	1.6	1.7
Net cash outflow relating to acquisitions	114.7	135.5

2021

Concurrent Real-Time

On 9 July 2021, the Group acquired 100% of Concurrent Real-Time ('Concurrent-RT') for net consideration of £123.6m, made up of £135.9m gross consideration in cash less £12.3m cash acquired. There was no contingent consideration recognised on this acquisition. The transaction is in line with Spectris' strategy to make synergistic acquisitions to enhance and grow its division's businesses. Concurrent-RT will be integrated into the Spectris Dynamics reportable segment and cash generating unit. The excess of the fair value of consideration paid over the fair value of the net tangible assets acquired is represented by the following intangible assets: customer-related relationships, contractual rights, technology and goodwill. Goodwill arising is attributable to the acquired workforce, expected future customer relationships and synergies from cross-selling goods and services.

In the Consolidated Income Statement for the year ended 31 December 2021, sales of £15.4m and statutory operating profit of £3.7m have been included for the acquisition of Concurrent-RT. Group revenue and statutory operating profit for the year ended 31 December 2021 would have been £1,308.1m and £158.0m, respectively, had this acquisition taken place on the first day of the financial year.

Where appropriate, a detailed exercise has been undertaken to assess the fair value of assets acquired and liabilities assumed, supported by the use of third-party experts. The valuation of the above intangible and tangible assets requires the use of assumptions and estimates. Intangible asset assumptions consist of future growth rates, expected inflation and attrition rates, discount rates used and useful economic lives.

Acquisition-related costs (included in administrative expenses) amounted to £2.7m in 2021.

Due to their contractual due dates, the fair value of receivables approximates to the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial. There are no material contingent liabilities recognised in accordance with IFRS 3 (Revised).

Software licence and asset purchase agreement with VIMANA

On 24 August 2021, the Group completed a software licence and asset purchase agreement with VIMANA for gross consideration of £10.2m in cash. There was no contingent consideration recognised on this acquisition. The transaction advances HBK's software strategy by bringing technology to HBK, and will form the basis for a new engineering centre of excellence focused on data management and connectivity. The fair value of net assets acquired was £7.2m, consisting of £7.2m of intangible assets (technology). As a result £3.0m of goodwill was generated, which is attributable to the acquired workforce. There are no material contingent liabilities recognised in accordance with IFRS 3 (Revised). The fair value of the net assets is final. The acquisition is included in the Spectris Dynamics reportable segment and cash generating unit.

In the Consolidated Income Statement for the year ended 31 December 2021, statutory operating profit included £0.3m of costs relating to the VIMANA business. Group revenue and statutory operating profit for the year ended 31 December 2021 would have been £1,292.0m and £154.9m, respectively, had this acquisition taken place on the first day of the financial year.

Acquisition-related costs (included in administrative expenses) amount to £0.6m in 2021.

Notes to the Accounts continued

23. Acquisitions continued

The fair values included in the table below relate to the acquisition of Concurrent-RT and VIMANA during 2021:

	Concurrent-RT £m	VIMANA £m	2021 Total fair value £m
Intangible assets	74.8	7.2	82.0
Property, plant and equipment	2.7	–	2.7
Right of use assets	5.4	–	5.4
Inventories	1.5	–	1.5
Current tax asset	0.3	–	0.3
Trade and other receivables	5.0	–	5.0
Cash and cash equivalents	12.3	–	12.3
Trade and other payables	(6.7)	–	(6.7)
Retirement benefit obligations	(0.5)	–	(0.5)
Lease liabilities	(5.4)	–	(5.4)
Provisions	(0.3)	–	(0.3)
Deferred tax liabilities	(17.0)	–	(17.0)
Net assets acquired	72.1	7.2	79.3
Goodwill	63.8	3.0	66.8
Gross consideration	135.9	10.2	146.1
Adjustment for cash acquired	(12.3)	–	(12.3)
Net consideration	123.6	10.2	133.8

24. Business disposals and disposal groups held for sale

Business disposals

2022

On 1 July 2022, the Group disposed of the Omega reportable segment. The consideration received was £417.9m, settled in cash received. This generated a pre-tax profit on disposal of £293.9m. The divestment was effected to offer a better opportunity to generate returns for shareholders and further enhance Group margins.

The profit on disposal of the Omega reportable segment was calculated as follows:

	2022 Omega £m
Goodwill	121.3
Other intangible assets	39.9
Property, plant and equipment – owned and right of use assets	20.5
Current tax assets	0.1
Inventories	20.8
Trade and other receivables	18.0
Cash and cash equivalents	7.7
Trade and other payables	(19.9)
Lease liabilities	(3.2)
Current and deferred tax liabilities	(8.6)
Provisions	(0.2)
Net assets of disposed businesses	196.4
Consideration received	
Settled in cash	417.9
Total consideration received	417.9
Transaction expenses booked to profit on disposal of business	(14.3)
Net consideration from disposal of business	403.6
Net assets disposed of (including cash and cash equivalents held by disposal group)	(196.4)
Currency translation differences transferred from translation reserve	86.7
Pre-tax profit on disposal of the Omega reportable segment	293.9
Net proceeds recognised in the Consolidated Statement of Cash Flows	
Consideration received settled in cash	417.9
Cash and cash equivalents held by disposed business	(7.7)
Transaction fees paid	(14.3)
Tax paid on current year disposal of business	(15.3)
Net proceeds recognised in the Consolidated Statement of Cash Flows in respect of current year disposals	380.6
Payments made in respect of prior years' disposal of businesses	(2.6)
Tax paid on prior year disposal of businesses	(12.6)
Net proceeds recognised in the Consolidated Statement of Cash Flows	365.4

Notes to the Accounts continued

24. Business disposals and disposal groups held for sale continued

The Omega reportable segment has been classified as discontinued operations in the Consolidated Income Statement. The results of these discontinued operations, which have been included in the profit for the year, were as follows:

	2022 £m	2021 £m
Revenue	73.9	129.0
Expenses included in adjusted operating profit	(59.9)	(109.2)
Adjusted operating profit	14.0	19.8
Other expenses	(1.1)	(5.0)
Profit before tax	12.9	14.8
Attributable tax expense	(2.7)	(3.5)
	10.2	11.3
Profit on disposal of discontinued operations	293.9	–
Tax expense attributable to profit on disposal of discontinued operations	(17.4)	–
Profit after tax from discontinued operations for the year attributable to owners of the Company	286.7	11.3

During the year, discontinued operations contributed £6.5m (2021: £23.5m) to the Group's net cash inflow from operating activities, received £379.8m (2021: £1.8m) in respect of investing activities and paid £0.5m (2021: £0.9m) in respect of financing activities.

2021

On 5 January 2021, the Group disposed of Concept Life Sciences' legacy food testing business based in Cambridge, which formed part of the Spectris Scientific Division. The consideration received was £6.2m, settled in cash received. This generated a profit on disposal of £1.9m.

On 2 February 2021, the Group disposed of 100% of its Millbrook business, which formed part of the Other non-reportable segments. The consideration received was £119.2m, consisting of £71.2m of cash received, €27.5m (£25.0m) of investment units in EZ Ring FPCI (the fund holding the combined UTAC-Millbrook group) and a £23.0m investment in debt instruments.

On 1 March 2021, the Group disposed of 100% of its Brüel & Kjær Vibro business, which formed part of the Other non-reportable segments. The consideration received was £154.7m, settled in cash received.

On 3 May 2021, the Group disposed of 100% of its ESG business, which formed part of the Other non-reportable segments. The consideration received was £3.4m, settled by cash received. This generated a loss on disposal of £4.8m.

On 1 November 2021, the Group disposed of 100% of its NDC Technologies business, which formed part of the Other non-reportable segments. The consideration received was £133.0m, settled by £135.4m cash received less £2.4m estimated completion accounts true-up.

Also included in profit on disposal of businesses in 2021 is a £1.2m credit relating to prior year disposals.

The total profit on disposal of businesses was £226.5m, calculated as follows:

	Brüel & Kjær/ Vibro £m	2021 Millbrook £m	2021 NDC Technologies £m	2021 Other disposals £m	2021 Total £m
Goodwill	14.9	–	3.0	1.1	19.0
Other intangible assets	1.0	0.5	4.4	0.0	5.9
Property, plant and equipment – owned and right of use assets	2.8	108.7	4.1	6.2	121.8
Current and deferred tax assets	–	1.8	–	1.6	3.4
Inventories	3.4	2.9	9.0	0.5	15.8
Trade and other receivables	8.2	23.9	13.9	2.9	48.9
Cash and cash equivalents	6.2	7.1	5.6	1.7	20.6
Trade and other payables	(6.9)	(14.0)	(15.1)	(1.5)	(37.5)
Lease liabilities	(1.1)	(9.8)	(3.2)	(1.1)	(15.2)
Current and deferred tax liabilities	(0.9)	–	(0.7)	–	(1.6)
Provisions	(0.5)	(0.3)	(0.6)	(0.1)	(1.5)
Retirement benefit obligations	(0.6)	–	–	–	(0.6)
Net assets of disposed businesses	26.5	120.8	20.4	11.3	179.0
Consideration received					
Settled in cash	154.7	71.2	135.4	9.6	370.9
Investment in equity instruments	–	25.0	–	–	25.0
Investment in debt instruments	–	23.0	–	–	23.0
Estimated completion accounts payable	–	–	(2.4)	–	(2.4)
Total consideration received	154.7	119.2	133.0	9.6	416.5
Transaction expenses booked to profit/(loss) on disposal of business	(7.1)	(3.5)	(5.0)	(0.2)	(15.8)
Net consideration from disposal of business	147.6	115.7	128.0	9.4	400.7
Net assets disposed of (including cash and cash equivalents held by disposal group)	(26.5)	(120.8)	(20.4)	(11.3)	(179.0)
Currency translation differences transferred from translation reserve	3.3	0.4	0.9	0.2	4.8
Profit/(loss) on disposal of business	124.4	(4.7)	108.5	(1.7)	226.5
Net proceeds recognised in the Consolidated Statement of Cash Flows					
Consideration received settled in cash	154.7	71.2	135.4	9.6	370.9
Cash and cash equivalents held by disposed businesses	(6.2)	(7.1)	(5.6)	(1.7)	(20.6)
Transaction fees paid	(7.1)	(3.7)	(4.6)	(1.2)	(16.6)
Net proceeds recognised in the Consolidated Statement of Cash Flows	141.4	60.4	125.2	6.7	333.7

Notes to the Accounts continued

24. Business disposals and disposal groups held for sale continued

The disposals in 2021 did not meet the definition of discontinued operations given in IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations' and, therefore, no disclosures in relation to discontinued operations were made.

Disposal groups held for sale 2022

Assets classified as held for sale at 31 December 2022 consist of the Group's former headquarters building in Egham, Surrey, UK. This disposal does not meet the definition of discontinued operations given in IFRS 5.

2021

Assets held for sale at 31 December 2021 consisted of a freehold property with net book value of £10.4m, which forms part of the Spectris Dynamics reportable segment. As a result of the classification as held for sale the impairment of this asset that was recognised in 2020 has resulted in a £6.0m impairment reversal in 2021. This disposal does not meet the definition of discontinued operations given in IFRS 5.

25. Cash generated from operations

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Profit after tax		401.5	346.9
Adjustments for:			
Taxation charge		56.8	41.7
Profit on disposal of businesses	24	(294.2)	(226.5)
Finance costs	6	19.2	5.6
Financial income	6	(1.9)	(12.8)
Depreciation and impairment of property, plant and equipment	11	34.8	26.4
Amortisation, impairment and other non-cash adjustments made to intangible assets	10	26.3	23.9
Transaction-related fair value adjustments	27	1.0	0.2
Fair value through profit and loss movements on debt investments	27	4.1	–
(Profit)/loss on disposal and re-measurements of property, plant and equipment and associated lease liabilities		(1.5)	0.1
Equity-settled share-based payment expense	5	10.4	7.8
Operating cash flow before changes in working capital and provisions		256.5	213.3
Increase in trade and other receivables		(47.9)	(40.2)
Increase in inventories		(75.6)	(30.3)
Increase in trade and other payables		40.9	50.3
Decrease in provisions and retirement benefits		(7.1)	(1.5)
Cash generated from operations		166.8	191.6

26. Financial risk management

The Group's multinational operations and debt financing expose it to a variety of financial risks. In the course of its business, the Group is exposed to foreign currency risk, interest rate risk, liquidity risk and credit risk. Financial risk management is an integral part of the way the Group is managed. Financial risk management policies are set by the Board of Directors. These policies are implemented by a central treasury department that has formal procedures to manage foreign exchange risk, interest rate risk and liquidity risk, including, where appropriate, the use of derivative financial instruments. The Group has clearly defined authority and approval limits. The central treasury department operates as a service centre to the Group and not as a profit centre.

In accordance with its treasury policy, the Group does not hold or use derivative financial instruments for trading or speculative purposes. Such instruments are only used to manage the risks arising from operating or financial assets or liabilities, or highly probable future transactions. The quantitative analysis of financial risk is included in note 27.

Foreign currency risk

Foreign currency risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies of Group companies (transactional exposures) and where the results of overseas companies are consolidated into the Group's reporting currency of Sterling (translational exposures). The Group has operations around the world which record their results in a variety of different local functional currencies. In countries where the Group does not have operations, it invariably has some customers or suppliers that transact in a foreign currency. The Group is therefore exposed to the changes in foreign currency exchange rates between a number of different currencies, but the Group's primary exposures relate to the US Dollar, Euro, Chinese Yuan Renminbi and Japanese Yen. Where appropriate, the Group manages its foreign currency exposures using derivative financial instruments.

The Group's translational exposures to foreign currency risks can relate both to the Consolidated Income Statement and net assets of overseas subsidiaries. The Group's policy is not to hedge the translational exposure that arises on consolidation of the Consolidated Income Statement of overseas subsidiaries. The Group finances overseas company investments partly through the use of foreign currency borrowings in order to provide a natural hedge of foreign currency risk arising on translation of the Group's foreign currency subsidiaries. The quantitative analysis of foreign currency risk is included in note 27.

The Group manages its transactional exposures to foreign currency risks through the use of forward exchange contracts. Forward exchange contracts are used to hedge highly probable transactions which can be forecast to occur typically up to 18 months into the future. For the hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount, life and the underlying) of the forward exchange contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite directions in response to movements in the underlying exchange rates.

The main potential source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the forward contracts,

Notes to the Accounts continued

26. Financial risk management continued

which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. No other sources of ineffectiveness emerged from these hedging relationships.

The following tables detail the foreign currency forward contracts outstanding at the end of the reporting period, as well as information regarding their related hedged items. Foreign currency forward contract assets and liabilities are presented in the line 'Derivative financial instruments' (either as assets or liabilities) within the Consolidated Statement of Financial Position.

Hedging instruments – outstanding contracts

	Change in fair value for recognising hedge ineffectiveness		Carrying amount of the hedging instruments	
	2022 £m	2021 £m	2022 £m	2021 £m
Cash flow hedges				
Currency risk – forward exchange contracts				
Less than 6 months	(0.8)	(0.3)	(0.8)	(0.3)
6 to 12 months	(0.1)	(0.6)	(0.1)	(0.6)
12 to 18 months	0.1	–	0.1	–
	(0.8)	(0.9)	(0.8)	(0.9)

Hedging instruments – hedged items

	Change in value used for calculating hedge effectiveness		Balance in cash flow hedge reserve/foreign currency translation reserve for continuing hedges	
	2022 £m	2021 £m	2022 £m	2021 £m
Currency risk				
Forecast sales	0.8	0.9	0.8	0.9

Interest rate risk

Interest rate risk comprises both the interest rate price risk that results from borrowing at fixed rates of interest and also the interest cash flow risk that results from borrowing at variable rates. Where appropriate, interest rate swaps are used to manage the Group's interest rate profile.

Liquidity risk

Liquidity risk represents the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages this risk through the use of regularly updated cash flow and covenant compliance forecasts and a liquidity headroom analysis which is used to determine funding requirements. Adequate committed lines of funding are maintained from high-quality investment grade lenders. The facilities committed to the Group as at 31 December 2022 are set out in note 16.

Credit risk

Credit risk arises because a counterparty may fail to perform its obligations. The Group is exposed to credit risk on financial assets such as cash balances, derivative financial instruments and trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts recognised in the Consolidated Statement of Financial Position are net of appropriate allowances for doubtful receivables, estimated by the Group's management based on whether receivables are past due based on contractual terms, payment history and other available evidence of collectability. Trade receivables are subject to credit limits and control and approval procedures in the operating companies. Due to its large geographical base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables. The quantitative analysis of credit risk relating to receivables is included in note 14.

Credit risk associated with cash balances and derivative financial instruments is managed centrally by transacting with existing relationship banks with strong investment grade ratings, with a Moody's LT Counterparty Risk ratings range of A1(cr) to Baa2(cr). Accordingly, the Group's associated credit risk is limited. The Group has no significant concentration of credit risk.

The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, as shown in note 27.

Capital management

The Board considers equity shareholders' funds, together with undrawn committed debt facilities, as capital for the purposes of funding the Group's operations.

Total managed capital at 31 December is:

	2022 £m	2021 £m
Equity shareholders' funds	1,436.9	1,261.3
Undrawn committed debt facilities	414.9	370.3
	1,851.8	1,631.6

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Board of Directors monitors both the geographic spread of shareholders and the level of dividends to ordinary shareholders.

The Board encourages employees to hold shares in the Company. This is carried out through the Spectris Share Incentive Plan in the UK, as well as Long Term Incentive, Performance and Restricted Share Plans. Full details of these schemes are given in note 22.

The main financial covenants in the Company's debt facilities are the ratio of net debt to adjusted earnings before interest, tax, depreciation and amortisation, and the ratio of finance charges to adjusted earnings before interest, tax, amortisation and impairment. Covenant testing is completed twice a year based on the half-year and year-end Financial Statements. At 31 December 2022, the Company had, and is expected to continue to have, significant headroom under these financial covenant ratios.

Notes to the Accounts continued

26. Financial risk management continued

From time to time the Group purchases its own shares in the market; the timing of these purchases depends on market prices. Buy and sell decisions are made on a specific transaction basis by the Board. During the year ended 31 December 2022, 6,439,493 ordinary shares were repurchased and cancelled by the Group as part of the £300m share buyback programme announced on 19 April 2022, resulting in a cash outflow of £191.0m. During the year ended 31 December 2021 5,596,739 shares were repurchased and cancelled by the Group as part of the £200m share buyback programme announced on 25 February 2021, resulting in a cash outflow of £201.3m, including transaction fees of £1.2m (see note 21).

There were no changes to the Group's approach to capital management during 2022 and 2021.

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

27. Financial instruments

The following tables show the fair value measurement of financial instruments by level following the fair value hierarchy:

- > Level 1: quoted listed stock exchange prices (unadjusted) in active markets for identical assets;
- > Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- > Level 3: inputs for assets and liabilities derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

Fair value and carrying amount of financial instruments	Level 1 fair value £m	Level 2 fair value £m	Level 3 fair value £m	2022 Carrying amount £m
Trade and other receivables excluding prepayments and contract assets	–	–	–	327.3
Trade and other payables excluding contract liabilities and customer advances	–	–	(3.3)	(236.8)
Investments in equity instruments designated at initial recognition at fair value through other comprehensive income (see note 12)	0.7	–	28.6	29.3
Investment in debt instruments	–	–	18.9	18.9
Forward exchange contract assets	–	1.7	–	1.7
Cash and cash equivalents	–	228.1	–	228.1
Forward exchange contract liabilities	–	(2.5)	–	(2.5)
				366.0

Fair value and carrying amount of financial instruments	Level 1 fair value £m	Level 2 fair value £m	Level 3 fair value £m	2021 Carrying amount £m
Trade and other receivables excluding prepayments and contract assets	–	–	–	277.0
Trade and other payables excluding contract liabilities and customer advances	–	–	(1.5)	(222.7)
Investments in equity instruments designated at initial recognition at fair value through other comprehensive income (see note 12)	1.2	–	23.1	24.3
Investment in debt instruments	–	–	23.0	23.0
Forward exchange contract assets	–	0.3	–	0.3
Cash and cash equivalents	–	167.8	–	167.8
Forward exchange contract liabilities	–	(1.2)	–	(1.2)
				268.5

There were no movements between the different levels of the fair value hierarchy in the year.

The fair value of cash and cash equivalents, receivables and payables approximates to the carrying amount because of the short maturity of these instruments.

The fair value of floating rate borrowings approximates to the carrying amount because interest rates are at floating rates where payments are reset to market rates at intervals of less than one year.

The fair value of fixed rate borrowings is estimated by discounting the future contracted cash flow, using appropriate yield curves, to the net present values.

The fair value of forward exchange contracts is determined using discounted cash flow techniques based on readily available market data.

The fair value of forward exchange contracts outstanding as at 31 December 2022 is a net liability of £0.8m (2021: £0.9m), of which £3.0m has been credited to the hedging reserve (2021: £3.4m) and £3.7m debited from the Consolidated Income Statement (2021: £2.1m credited). These contracts mature over periods typically not exceeding 18 months. A summary of the movements in the hedging reserve during the year is presented below. All of the cash flow hedges in 2022 and 2021 were deemed to be effective.

The level 1 £0.7m (2021: £1.2m) of investments in equity instruments is calculated using quoted market prices in an active market at the balance sheet date.

The level 3 £28.6m (2021: £23.1m) of investment in equity instruments consists of the investment units in EZ Ring FPCI, the fund holding the combined UTAC-Millbrook group (see note 24). This investment is recognised at fair value, using the income approach, with the key input being a discounted cash flow.

The level 3 £18.9m (2021: £23.0m) of investment in debt instruments consists of a vendor loan note receivable received as part of the sales proceeds from the Millbrook business disposal in 2021. This investment is recognised at fair value by establishing an appropriate market yield. The key inputs used were synthetic credit ratings and market interest rates.

Notes to the accounts continued

27. Financial instruments continued

Analysis of movements in hedging reserve, net of tax	2022 £m	2021 £m
At 1 January	(3.5)	(1.9)
Amounts removed from the Consolidated Statement of Changes in Equity and included in the Consolidated Income Statement during the year	3.7	(2.1)
Amounts recognised in the Consolidated Statement of Changes in Equity during the year	(3.3)	0.5
At 31 December	(3.1)	(3.5)

The amount included in the Consolidated Income Statement is split between revenue and administrative expenses depending on the nature of the hedged item.

Reconciliation of level 3 fair value for deferred and contingent consideration payable on acquisitions	2022 £m	2021 £m
At 1 January	(1.5)	(3.1)
Deferred and contingent consideration arising from current year acquisitions payable in future years	(2.2)	–
Deferred and contingent consideration paid in the current year relating to previous years' acquisitions	1.6	1.7
Costs charged to the Consolidated Income Statement:		
Subsequent adjustments on acquisitions and disposals	(1.0)	(0.2)
Foreign exchange difference	(0.2)	0.1
At 31 December	(3.3)	(1.5)

Reconciliation of level 3 fair value for investment in equity instruments	2022 £m	2021 £m
At 1 January	23.1	–
Investment in equity instruments recognised on disposal of business	–	25.0
Fair value movement on level 3 investment in equity instruments	4.1	–
Foreign exchange difference	1.4	(1.9)
At 31 December	28.6	23.1

Reconciliation of level 3 fair value for investment in debt instruments	2022 £m	2021 £m
At 1 January	23.0	–
Vendor loan note receivable recognised on disposal of business (see note 24)	–	23.0
Fair value movement on level 3 investment in debt instruments	(4.1)	–
At 31 December	18.9	23.0

The fair value of deferred and contingent consideration is determined by considering the performance expectations of the acquired or disposed entity or the likelihood of non-financial integration milestones whilst applying the entity-specific discount rates. The unobservable inputs are the projected forecast measures that are assessed on an annual basis. Changes in the fair value of deferred and contingent consideration relating to updated projected forecast performance measures are recognised in the Consolidated Income Statement within administrative expenses in the Consolidated Income Statement in the period that the change occurs.

Deferred and contingent consideration relates to financial (2022: £0.7m, 2021: £1.2m) and non-financial (2022: £2.6m, 2021: £0.3m) milestones on current and prior year acquisitions. The financial milestones are mainly sensitive to annual future revenue targets.

The following table shows the total outstanding contractual forward exchange contracts hedging designated transactional exposures split by currencies which have been sold back into the functional currency of the underlying business. These contracts typically mature in the next 18 months and, therefore, the cash flows and resulting effect on the Consolidated Income Statement are expected to occur within this time period.

Forward exchange contracts at 31 December	2022	2021
Foreign currency sale amount (£m)	117.2	96.1
Percentage of total:		
US Dollar	36%	38%
Chinese Yuan Renminbi	25%	18%
Euro	15%	11%
Japanese Yen	15%	23%
Other	9%	10%

Notes to the Accounts continued

27. Financial instruments continued

A maturity profile of the gross cash flows related to financial liabilities is:

	2022				2021			
Maturity of financial liabilities	Derivative financial liabilities	Overdrafts £m	Unsecured loans £m	Total £m	Derivative financial liabilities	Overdrafts £m	Unsecured loans £m	Total £m
Due within one year	2.3	0.1	–	2.4	1.1	–	–	1.1
Due between one and two years	0.2	–	–	0.2	0.1	–	–	0.1
	2.5	0.1	–	2.6	1.2	–	–	1.2

Trade and other payables (note 17) are substantially due within one year.

It is not expected that the cash flows described above could occur significantly earlier or at substantially different amounts.

	Financial assets				Financial liabilities			
Interest rate exposure of financial assets and liabilities by currency	Fixed Rate £m	Floating Rate £m	Non interest bearing £m	Total £m	Fixed rate £m	Floating rate £m	Total £m	2022 Net financial assets £m
Sterling	90.2	13.7	8.2	112.1	–	–	–	112.1
Euro	0.1	0.5	21.9	22.5	–	–	–	22.5
US Dollar	1.4	5.1	19.6	26.1	(0.1)	–	(0.1)	26.0
Other	0.2	36.2	31.0	67.4	–	–	–	67.4
	91.9	55.5	80.7	228.1	(0.1)	–	(0.1)	228.0

	Financial assets				Financial liabilities			
Interest rate exposure of financial assets and liabilities by currency	Fixed Rate £m	Floating Rate £m	Non interest bearing £m	Total £m	Fixed rate £m	Floating rate £m	Total £m	2021 Net financial assets/ (liabilities) £m
Sterling	2.4	60.1	5.0	67.5	–	–	–	67.5
Euro	0.3	1.1	16.6	18.0	–	–	–	18.0
US Dollar	0.3	10.6	20.8	31.7	–	–	–	31.7
Other	0.1	26.9	23.6	50.6	–	–	–	50.6
	3.1	98.7	66.0	167.8	–	–	–	167.8

Notes to the Accounts continued

27. Financial instruments continued**Sensitivity analysis**

The tables below show the Group's sensitivity to foreign exchange rates and interest rates. The US Dollar, Euro, Danish Krone and Chinese Yuan Renminbi represent the main foreign exchange translational exposures for the Group.

	2022		2021	
	Decrease/ (increase) in equity £m	Decrease/ (increase) in profit before tax from continuing operations £m	Decrease/ (increase) in equity £m	Decrease/ (increase) in profit before tax from continuing operations £m
Impact on foreign exchange translational exposures against Sterling				
10% weakening in the US Dollar	130.2	6.9	88.3	5.5
10% weakening in the Euro/Danish Krone	78.0	4.8	67.5	6.4
10% weakening in the Chinese Yuan Renminbi	5.5	3.6	5.3	2.5

Impact of interest rate movements

1pp increase in interest rates	(0.6)	(0.6)	(1.0)	(1.0)
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28. Contingent liabilities

In the normal course of business, Group companies have provided bonds and guarantees through local banking arrangements amounting to £20.4m (2021: £14.1m). Contingent liabilities in respect of taxation are disclosed in note 7.

29. Lease liabilities

	2022			2021		
	Property £m	Plant and equipment £m	Total £m	Property £m	Plant and equipment £m	Total £m
Undiscounted lease liability maturity analysis under IFRS 16						
Less than one year	10.8	3.1	13.9	10.8	3.3	14.1
One to five years	25.0	3.9	28.9	24.8	3.4	28.2
More than five years	34.9	0.1	35.0	38.2	–	38.2
Total undiscounted lease liabilities at 31 December	70.7	7.1	77.8	73.8	6.7	80.5

The total cash outflow on lease liabilities made in the year was £16.4m (2021: £14.8m).

30. Capital commitments

At 31 December 2022, the Group had entered into contractual commitments for the purchase of property, plant and equipment and software amounting to £1.7m (2021: £6.2m) and nil (2021: £0.4m) respectively which have not been accrued.

31. Related party transactions

The Group has related party relationships with its subsidiaries (a list of all related undertakings is shown in note 14 of the Company Financial Statements) on pages 175 to 177, with its associate and with its Executive Directors and members of the Executive Management Committee.

Transactions with key management personnel

The remuneration of key management personnel during the year was as follows:

	2022 £m	2021 £m
Short-term benefits	7.2	8.0
Post-employment benefits	0.1	0.1
Equity-settled share-based payment expense	3.1	1.9
	10.4	10.0

In accordance with IAS 24 'Related Party Disclosures', key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. Key management personnel comprise the Directors and the other members of the Executive Management Committee.

Further details of the Executive Directors' remuneration are included in the Directors' Remuneration Report on pages 84 to 104.

Transactions with associate

There were no related party transactions and no balance payables/receivable with the Group's associate, CM Labs, in 2022 (2021: nil). See note 12 for details of the 19.4% (17.2% fully diluted) shareholding acquired in CM Labs during 2022.

There were no other related party transactions in either 2022 or 2021.

32. Subsidiary undertakings

The table below lists the Group's principal subsidiary undertakings at 31 December 2022. They operate mainly in the countries of incorporation. All of the subsidiaries are involved in the manufacture and sale of highly-specialised measuring instruments and controls, together with the provision of services.

Spectris plc holds 100% of the ordinary share capital of all the subsidiaries either directly or indirectly through intermediate holding companies.

Name	Country of incorporation
Malvern Panalytical Limited	England & Wales
Servomex Group Limited	England & Wales
Hottinger Brüel & Kjær GmbH	Germany
Particle Measuring Systems, Inc.	USA
Red Lion Controls Inc	USA

A full list of subsidiaries is given in note 14 of the Company Financial Statements on pages 175 to 177.

33. Events after the balance sheet date

There were no material post balance sheet events.

Appendix – Alternative performance measures

Policy

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

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

Adjusted measures

The Group's policy is to exclude items that are considered to be significant in nature and/or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to better assess the period-on-period trading performance of the Group. The Group excludes certain items, which management have defined for 2022 and 2021 as:

- restructuring costs from significant programmes;
- amortisation of acquisition-related intangible assets;
- depreciation of acquisition-related fair value adjustments to property, plant and equipment;
- transaction-related costs, deferred and contingent consideration fair value adjustments;
- configuration and customisation costs carried out by third parties on material SaaS projects;
- profits or losses on termination or disposal of businesses;
- unrealised changes in the fair value of financial instruments;
- interest credit on release of provision on settlement of EU dividends tax claim;
- fair value through profit and loss movements on debt and equity investments;
- gains or losses on retranslation of short-term inter-company loan balances; and
- related tax effects on the above and other tax items which do not form part of the underlying tax rate (see note 7).

The 2021 restructuring costs charge was in relation to the Group-wide profit improvement programme. The total cost of implementation of this programme is considered to be significant in both nature and amount. On this basis the costs of the implementation of this programme is excluded from adjusted operating profit. Adjusted operating profit (including on a LFL basis) is therefore presented before the impact of the Group profit improvement programme. Following the conclusion of this programme there was no restructuring charge in 2022.

LFL measures

Reference is made to LFL and organic measures throughout this document. LFL and organic have the same definition, as set out below.

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

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

The incremental impact of business acquisitions is excluded for the first 12 months of ownership from the month of purchase. For business disposals, comparative figures for segmental sales and adjusted operating profit are adjusted to reflect the comparable periods of ownership.

On 2 February 2021, the Millbrook business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for the Other non-reportable segments for 2021 exclude the trading results of the Millbrook business.

On 1 March 2021, the Brüel & Kjær Vibro business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for the Other non-reportable segments for 2021 exclude the trading results of the Brüel & Kjær Vibro business.

On 3 May 2021, the ESG business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for the Other non-reportable segments for 2021 exclude the trading results of the ESG business.

On 1 November 2021, the NDC business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for the Other non-reportable segments for 2021 exclude the trading results of the NDC business.

The Omega business has been classified as a discontinued operation under IFRS 5, following the completion of its disposal on 1 July 2022. As a result, the financial data for 2022 excludes the trading results of the Omega business and the financial data for 2021 has been represented to show continuing operations where required to by IFRS 5, including a reclassification of continuing head office expenses that had previously been allocated to the Omega reportable segment to the three continuing reportable segments. Further details of discontinued operations are provided in note 24 to the Consolidated Financial Statements.

The tables on the following pages show restated comparative figures for the reportable operating segments for the year ended 31 December 2021, reflecting the impact of changes the Group made to its reportable operating segments during the year ended 31 December 2022 (see note 2) and the classification of the Omega business as a discontinued operation (see above).

The LFL measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period statutory results as well as allowing the Board to assess the underlying trading performance of the businesses on a LFL basis for both sales and operating profit.

Notes to the Accounts continued

Appendix – Alternative performance measures continued

Based on the above policy, the adjusted performance measures are derived from the statutory figures as follows:

Income statement measures

a) LFL adjusted sales by segment

2022 LFL adjusted sales versus 2021 LFL adjusted sales

2022 sales by segment	Spectris Scientific £m	Spectris Dynamics £m	Other £m	2022 Total £m
Sales	657.8	492.2	177.4	1,327.4
Constant exchange rate adjustment to 2021 exchange rates	(24.5)	(15.6)	(12.9)	(53.0)
Acquisitions	(3.9)	(19.5)	(4.2)	(27.6)
LFL adjusted sales	629.4	457.1	160.3	1,246.8

2021 sales by segment	Spectris Scientific £m	Spectris Dynamics £m	Other £m	2021 Total £m
Sales	531.2	425.5	206.3	1,163.0
Disposal of businesses	–	–	(65.9)	(65.9)
LFL adjusted sales	531.2	425.5	140.4	1,097.1

b) Adjusted operating profit and operating margin

2022 LFL adjusted operating profit versus 2021 LFL adjusted operating profit

2022 adjusted operating profit	Spectris Scientific £m	Spectris Dynamics £m	Other £m	Group costs £m	2022 Total £m
Statutory operating profit	118.3	46.5	26.2	(18.4)	172.6
Net transaction-related costs and fair value adjustments	5.1	2.8	0.4	–	8.3
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2	–	–	–	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	8.7	13.0	–	–	21.7
Amortisation of acquisition-related intangible assets	7.7	11.3	0.6	–	19.6
Adjusted operating profit	140.0	73.6	27.2	(18.4)	222.4
Constant exchange rate adjustment to 2021 exchange rates	(5.5)	(4.2)	(2.8)	–	(12.5)
Acquisitions	4.2	(4.0)	(0.4)	–	(0.2)
LFL adjusted operating profit	138.7	65.4	24.0	(18.4)	209.7

	Spectris Scientific £m	Spectris Dynamics £m	Other £m	Group costs £m	2021 Total £m
2021 adjusted operating profit					
Statutory operating profit	94.2	45.6	19.2	(19.1)	139.9
Restructuring costs	2.4	4.6	3.2	–	10.2
Net transaction-related costs and fair value adjustments	8.2	7.8	3.0	–	19.0
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2	–	–	–	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	1.6	4.6	0.8	–	7.0
Amortisation and impairment of acquisition-related intangible assets	5.6	7.7	–	–	13.3
Adjusted operating profit	112.2	70.3	26.2	(19.1)	189.6
Disposal of businesses	–	–	(5.5)	–	(5.5)
LFL adjusted operating profit	112.2	70.3	20.7	(19.1)	184.1

2022 operating margin	Spectris Scientific %	Spectris Dynamics %	Other %	2022 Total %
Statutory operating margin ¹	18.0	9.4	14.8	13.0
Adjusted operating margin ²	21.3	15.0	15.3	16.8
LFL adjusted operating margin ³	22.0	14.3	15.0	16.8

2021 operating margin	Spectris Scientific %	Spectris Dynamics %	Other %	2021 Total %
Statutory operating margin ¹	17.7	10.7	9.3	12.0
Adjusted operating margin ²	21.1	16.5	12.7	16.3
LFL adjusted operating margin ³	21.1	16.5	14.7	16.8

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

c) Adjusted gross profit and adjusted gross margin

2022 LFL adjusted gross profit	2022 Total £m
Statutory gross profit	750.8
Constant exchange rate adjustment to 2021 exchange rates	(24.5)
Acquisitions	(16.3)
LFL adjusted gross profit	710.0

Notes to the Accounts continued

Appendix – Alternative performance measures continued

	2021 Total £m
2021 LFL adjusted gross profit	
Statutory gross profit	675.5
Disposal of businesses	(32.9)
LFL adjusted gross profit	642.6

	2022 Total %
2022 gross margin	
Statutory gross margin ¹	56.6
LFL adjusted gross margin ²	56.9

	2021 Total %
2021 gross margin	
Statutory gross margin ¹	58.1
LFL adjusted gross margin ²	58.5

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

d) LFL adjusted overheads

	2022 Total £m
2022 LFL adjusted overheads	
Statutory indirect production and engineering expenses	(114.1)
Statutory sales and marketing expenses	(233.0)
Statutory administrative expenses	(231.1)
Total overheads	(578.2)
Net transaction-related costs and fair value adjustments	8.3
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	21.7
Amortisation of acquisition-related intangible assets	19.6
Constant exchange rate adjustment to 2021 exchange rates	12.1
Acquisitions	16.1
LFL adjusted overheads	(500.2)

	2021 Total £m
2021 LFL adjusted overheads	
Statutory indirect production and engineering expenses	(92.6)
Statutory sales and marketing expenses	(222.2)
Statutory administrative expenses	(220.8)
Total overheads	(535.6)
Restructuring costs	10.2
Net transaction-related costs and fair value adjustments	19.0
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	7.0
Amortisation of acquisition-related intangible assets	13.3
Acquisitions	27.4
LFL adjusted overheads	(458.5)

	2022 Total %
2022 LFL adjusted overheads as a percentage of sales	
LFL adjusted overheads as a percentage of sales ¹	40.1

	2021 Total %
2021 LFL adjusted overheads as a percentage of sales	
LFL adjusted overheads as a percentage of sales ¹	41.8

1. LFL overheads as a percentage of sales is calculated as LFL adjusted overheads divided by LFL adjusted sales. Refer to the tables above for a reconciliation of the nearest GAAP measure (sales/total overheads respectively) to LFL adjusted sales/LFL adjusted overheads.

e) Adjusted net finance costs

	Note	2022 £m	2021 £m
Statutory net finance (costs)/credit	6	(17.3)	7.4
Net loss/(gain) on retranslation of short-term inter-company loan balances	6	14.6	(7.2)
Interest credit on release of provision on settlement of EU dividends tax claim	6	–	(5.1)
Adjusted net finance costs		(2.7)	(4.9)

f) Adjusted profit before taxation

	Note	2022 £m	2021 £m
Adjusted operating profit	2b	222.4	189.6
Adjusted net finance costs	2c	(2.7)	(4.9)
Adjusted profit before taxation		219.7	184.7

Notes to the Accounts continued

Appendix – Alternative performance measures continued g) Adjusted earnings per share from continuing operations

Adjusted earnings from continuing operations	Note	2022 £m	2021 £m
Statutory profit after tax from continuing operations		114.8	335.6
Adjusted for:			
Restructuring costs		–	10.2
Net transaction-related costs and fair value adjustments		8.3	19.0
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	11	0.2	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects		21.7	7.0
Amortisation of acquisition-related intangible assets	10	19.6	13.3
Fair value through profit and loss movements on debt investments	27	4.1	–
Profit on disposal of businesses	24	(0.3)	(226.5)
Interest credit on release of provision on settlement of EU dividends tax claim	6	–	(5.1)
Net loss/(gain) on retranslation of short-term inter-company loan balances	6	14.6	(7.2)
Tax effect of the above and other non-recurring items	7	(11.0)	(1.6)
Adjusted earnings from continuing operations		172.0	144.9
Adjusted earnings per share from continuing operations		2022	2021
Weighted average number of shares outstanding (millions)	9	107.6	113.7
Adjusted earnings per share from continuing operations (pence)		159.9	127.4

Basic earnings per share in accordance with IAS 33 'Earnings Per Share' are disclosed in note 9.

Financial position measures

h) Net cash

	Note	2022 £m	2021 £m
Bank overdrafts	16	(0.1)	–
Total borrowings		(0.1)	–
Cash and cash equivalents	15	228.1	167.8
Net cash		228.0	167.8

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

Reconciliation of changes in cash and cash equivalents to movements in net cash	2022 £m	2021 £m
Net increase/(decrease) in cash and cash equivalents	50.4	(36.8)
Proceeds from borrowings	(326.2)	(70.0)
Repayment of borrowings	326.8	169.8
Effect of foreign exchange rate changes	9.2	(1.3)
Movement in net cash	60.2	61.7
Net cash at beginning of year	167.8	106.1
Net cash at end of year	228.0	167.8

Cash flow measures

i) Adjusted cash flow

	2022 £m	2021 £m
Cash generated from operations (from continuing and discontinued operations)	166.8	191.6
Net income taxes paid	(46.8)	(32.2)
Net cash inflow from operating activities	120.0	159.4
Transaction-related costs paid	6.5	26.6
Restructuring cash outflow	7.6	11.9
Net income taxes paid	46.8	32.2
Purchase of property, plant and equipment and intangible assets (from continuing and discontinued operations)	(44.9)	(35.3)
SaaS-related cash expenditure	21.7	5.9
Proceeds from disposal of property, plant and equipment and software	13.4	–
Adjusted cash flow from discontinued operations	(7.3)	(22.6)
Adjusted cash flow from continuing operations	163.8	178.1
Adjusted cash flow conversion from continuing operations ¹	74%	94%

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

Other measures

j) Return on gross capital employed ('ROGCE')

The return on gross capital employed is calculated as adjusted operating profit from continuing and discontinued operations for the last 12 months divided by the average of opening and closing gross capital employed. Gross capital employed is calculated as net assets excluding net cash and excluding accumulated amortisation and impairment of acquisition-related intangible assets including goodwill.

Notes to the Accounts continued

	31 December 2022 £m	31 December 2021 £m	31 December 2020 £m
Net cash (see APM h)	(228.0)	(167.8)	(104.6)
Accumulated impairment losses on goodwill (see note 10)	76.2	157.5	178.6
Accumulated amortisation and impairment of acquisition-related intangible assets	185.7	225.0	407.6
Shareholders' equity	1,436.9	1,261.3	1,219.7
Gross capital employed	1,470.8	1,476.0	1,701.3
Average gross capital employed (current and prior year)¹	1,473.4	1,588.7	
Adjusted operating profit for the year from continuing operations (see APM b)	222.4	189.6	
Adjusted operating profit for the year from discontinued operations (see note 24)	14.0	19.8	
Total adjusted operating profit for the year from continuing and discontinued operations	236.4	209.4	
Return on gross capital employed	16.0%	13.2%	

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

k) Net transaction-related costs and fair value adjustments

Net transaction-related costs and fair value adjustments comprise transaction costs of £7.3m (2021: £18.8m) that have been recognised in the Consolidated Income Statement under IFRS 3 (Revised) 'Business Combinations' and other fair value adjustments relating to deferred and contingent consideration comprising a charge of £1.0m (2021: £0.2m). Net transaction-related costs and fair value adjustments are included within administrative expenses. Transaction-related costs have been excluded from the adjusted operating profit and transaction costs paid of £6.5m (2021: £26.6m) have been excluded from the adjusted cash flow.

l) Order intake and order book

Order intake is defined as the monetary value of contractual commitments towards future product fulfilment recorded within the financial year. The order book is defined as the volume of outstanding contractual commitments for future product fulfilment measured at period end. These measures cannot be reconciled because they do not derive from the Consolidated Financial Statements, and are presented because they are indicative of potential future revenues.

m) Vitality index

Vitality index measures current year revenue from products released over the previous five years as a percentage of total revenue in the current period. This measure cannot be reconciled because it cannot be derived from the Consolidated Financial Statements and represents the effectiveness of the Group's research and development expenditure.

Spectris plc Statement of Financial Position

As at 31 December 2022

	Note	2022 £m	2021 £m
ASSETS			
Non-current assets			
Intangible assets	4	0.1	0.2
Property, plant and equipment	5	0.9	2.2
Investments in subsidiary undertakings	6	1,128.9	1,126.1
Derivative financial instruments		0.6	–
Deferred tax assets		3.6	5.0
		1,134.1	1,133.5
Current assets			
Current tax assets		13.8	13.5
Other receivables (due after more than one year: £138.8m (2021: £139.1m))	7	196.6	178.3
Derivative financial instruments		3.6	2.3
Cash and cash equivalents		117.9	75.6
Assets held for sale	5	1.7	–
		333.6	269.7
Total assets		1,467.7	1,403.2
LIABILITIES			
Current liabilities			
Derivative financial instruments		(3.6)	(2.4)
Other payables	9	(569.1)	(597.4)
		(572.7)	(599.8)
Net current liabilities		(239.1)	(330.1)
Non-current liabilities			
Derivative financial instruments		(0.6)	–
Other payables	9	(132.4)	(151.5)
Retirement benefit obligations	11	(0.2)	(11.0)
		(133.2)	(162.5)
Total liabilities		(705.9)	(762.3)
Net assets		761.8	640.9
EQUITY			
Share capital	10	5.5	5.8
Share premium		231.4	231.4
Retained earnings		486.7	365.8
Merger reserve	10	3.1	3.1
Capital redemption reserve	10	1.0	0.7
Special reserve	10	34.1	34.1
Total equity		761.8	640.9

The Company's profit for the year was £373.1m (2021: profit £202.9m).

The Financial Statements on pages 166 to 178 were approved by the Board of Directors on 22 February 2023 and were signed on its behalf by:

Derek Harding

Chief Financial Officer

Company Registration No. 02025003

Spectris plc Statement of Changes in Equity

For the year ended 31 December 2022

	Note	Share capital £m	Share premium £m	Retained earnings £m	Merger reserve £m	Capital redemption reserve £m	Special reserve £m	Total equity £m
At 1 January 2022		5.8	231.4	365.8	3.1	0.7	34.1	640.9
Profit for the year		–	–	373.1	–	–	–	373.1
Other comprehensive income:								
Re-measurement of net defined benefit obligations, net of tax		–	–	7.3	–	–	–	7.3
Total comprehensive income for the year		–	–	380.4	–	–	–	380.4
Own shares acquired for share buyback programme	10	(0.3)	–	(191.0)	–	0.3	–	(191.0)
Equity dividends paid	13	–	–	(78.6)	–	–	–	(78.6)
Capital contribution relating to share-based payments		–	–	5.6	–	–	–	5.6
Share-based payments, net of tax		–	–	4.3	–	–	–	4.3
Utilisation of treasury shares		–	–	0.2	–	–	–	0.2
At 31 December 2022		5.5	231.4	486.7	3.1	1.0	34.1	761.8

For the year ended 31 December 2021

	Note	Share capital £m	Share premium £m	Retained earnings £m	Merger reserve £m	Capital redemption reserve £m	Special reserve £m	Total equity £m
At 1 January 2021		6.0	231.4	437.2	3.1	0.5	34.1	712.3
Profit for the year		–	–	202.9	–	–	–	202.9
Other comprehensive income:								
Re-measurement of net defined benefit obligations, net of tax		–	–	(1.3)	–	–	–	(1.3)
Total comprehensive income for the year		–	–	201.6	–	–	–	201.6
Transactions with owners recorded directly in equity:								
Own shares acquired for share buyback programme	10	(0.2)	–	(201.3)	–	0.2	–	(201.3)
Equity dividends paid	13	–	–	(79.0)	–	–	–	(79.0)
Capital contribution relating to share-based payments		–	–	5.6	–	–	–	5.6
Share-based payments, net of tax		–	–	1.4	–	–	–	1.4
Utilisation of treasury shares		–	–	0.3	–	–	–	0.3
At 31 December 2021		5.8	231.4	365.8	3.1	0.7	34.1	640.9

Notes to the Company Accounts

1. Basis of preparation and summary of significant accounting policies

The separate Financial Statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate Financial Statements have been prepared in accordance with applicable accounting standards in the United Kingdom. In accordance with the exemption provided by Section 408 of the Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income.

a) Basis of preparation

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). The Company's shareholders were notified in 2015 of the use of the UK-adopted IFRS disclosure exemptions and there were no objections to the adoption of FRS 101.

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK ('IFRS'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes.
- Comparative period reconciliations for share capital, property, plant and equipment and intangible assets.
- Disclosures in respect of transactions with wholly owned subsidiaries.
- Disclosures in respect of capital management.
- The effects of new but not yet effective IFRSs.
- Disclosures in respect of the compensation of key management personnel.
- The requirement to present a Statement of Financial Position at the beginning of the preceding period when retrospectively applying an accounting policy.

As the Consolidated Financial Statements of Spectris plc (pages 116 to 166) include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 'Share Based Payments' in respect of Group-settled share-based payments.
- Certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instrument Disclosures'.

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies are set out below.

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own Income Statement or Statement of Comprehensive Income for the year. The profit attributable to the Company is disclosed in the footnote to the Company's Statement of Financial Position.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Financial Statements.

Significant accounting judgements and estimates

In determining and applying accounting policies, judgement is often required where the choice of specific policy, assumption or accounting estimate to be followed could materially affect the reported amounts of assets, liabilities, income and expenses, should it later be determined that a different choice be more appropriate. Estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

In the course of preparing these Financial Statements in accordance with the Group's accounting policies, no judgements that have a significant effect on the amounts recognised in the Financial Statements have been made, other than those involving estimation. Management consider the following to be areas of estimation for the Company due to greater complexity and/or are particularly subject to uncertainty.

Key sources of estimation uncertainty

Retirement benefit plans

Accounting for retirement benefit plans under IAS 19 (revised) requires an assessment of the future benefits payable in accordance with actuarial assumptions. The discount rate and rate of retail price inflation ('RPI') assumptions applied in the calculation of plan liabilities, which are set out in Note 19, represent a key source of estimation uncertainty for the Company. Details of the accounting policies applied and the related sensitivities in respect of the UK scheme for the Company retirement benefit plans are set out on page 126.

b) Summary of significant accounting policies

Intangible assets

Intangible assets purchased by the Company are capitalised at their cost.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful economic lives are as follows:

- Software – 3 to 7 years

The cost of acquiring software (including associated implementation costs where applicable) that is not specific to an item of property, plant and equipment is classified as an intangible asset. The Company only capitalises costs relating to the configuration and customisation of SaaS arrangements as intangible assets where control of the software exists.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost comprises the purchase price paid and any costs directly attributable to bringing it into working condition for its intended use.

Notes to the Company Accounts continued

1. Basis of preparation and summary of significant accounting policies continued

Depreciation is recognised in the Income Statement on a straight-line basis to write off the cost, less the estimated residual value (which is reviewed annually), of property, plant and equipment over its estimated useful economic life. Depreciation commences on the date the assets are available for use within the business and the asset carrying values are reviewed for impairment when there is an indication that they may be impaired. Land is not depreciated. Estimated useful lives are as follows:

- Freehold property – 25 years.
- Short leasehold property – over the period of the lease.
- Office equipment – 3 to 20 years.

Investments

Investments in subsidiaries are stated at historical cost, less provision for any impairment in value.

Assets held for sale

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition and when management is committed to the sale which is expected to qualify for recognition as a completed sale within one year from the date of classification.

Trade and other receivables

Trade and other receivables are carried at original invoice amount (which is considered a reasonable proxy for fair value) and are subsequently held at amortised cost less provision for impairment. The provision for impairment of receivables is based on lifetime expected credit losses. Lifetime expected credit losses are calculated by assessing historic credit loss experience, adjusted for factors specific to the receivable and operating company.

Cash and cash equivalents

This comprises cash at bank and in hand and short-term deposits held on call or with maturities of less than three months at inception.

Trade and other payables

Trade and other payables are recognised at the amounts expected to be paid to counterparties and subsequently held at amortised cost.

Provisions

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources, that can be reliably measured, will be required to settle the obligation. In respect of warranties, a provision is recognised when the underlying products or services are sold. Provisions are recognised at an amount equal to the best estimate of the expenditure required to settle the Company's liability. A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of the obligation

cannot be measured with reasonable reliability. Contingent assets are not recognised but are disclosed where an inflow of economic benefit is probable. Obligations arising from restructuring plans are recognised when detailed formal plans have been established and when there is a valid expectation that such a plan will be carried out.

Taxation

Tax on the profit or loss for the year comprises both current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised either in other comprehensive income or directly in equity, in which case tax is recognised in the Statement of Comprehensive Income or the Statement of Changes in Equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustments to tax payable in respect of prior years. Tax positions are reviewed to assess whether a provision should be made based on prevailing circumstances. Tax provisions are included within current taxation liabilities.

Deferred taxation is provided on taxable temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and their corresponding tax bases. Deferred tax is measured using the tax rates expected to apply when the asset is realised or the liability settled based on tax rates enacted or substantively enacted at the Statement of Financial Position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised or that they will reverse. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign currency translation

The functional currency of the Company is Pounds Sterling and is determined with reference to the currency of the primary economic environment in which it operates. Transactions in currencies other than the functional currency are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Statement of Financial Position date. Exchange gains and losses on settlement of foreign currency transactions are translated at the rate prevailing at the date of the transactions, or the translation of monetary assets and liabilities at period end exchange rates, and are charged/credited to the Income Statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction.

Notes to the Company Accounts continued

1. Basis of preparation and summary of significant accounting policies continued

Financial instruments

Recognition

The Company recognises financial assets and liabilities in its Statement of Financial Position when it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Measurement

When financial assets and liabilities are initially recognised, they are measured at fair value, being the consideration given or received plus directly attributable transaction costs.

Originated loans and debtors are initially recognised in accordance with the policy stated above and subsequently re-measured at amortised cost using the effective interest method. Allowance for impairment is estimated on a case-by-case basis.

The Company uses derivative financial instruments such as forward foreign exchange contracts to hedge risks associated with foreign exchange fluctuations. These are designated as cash flow hedges. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts deferred in equity are reclassified to the Income Statement in the periods when the hedged item is recognised in the Income Statement, in the same line of the Income Statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When hedge accounting is discontinued any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the Income Statement.

Derecognition

A financial asset is derecognised when the Company loses control over the contractual rights to the cash flows from the asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires. Originated loans and debtors are derecognised on the date they are transferred by the Company.

Impairment of financial assets

The Company assesses at each Statement of Financial Position reporting date whether there is any objective evidence that a financial asset, or group of financial assets, is impaired. A financial asset, or group of financial assets, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Employee benefits

The Company operates a defined benefit post-retirement benefit plan and a defined contribution pension plan.

Defined benefit plan

The Company's net obligation recognised in the Statement of Financial Position in respect of its defined benefit plan is calculated as the present value of the plan's liabilities less the fair value of the plan's assets. The operating and financing costs of the defined benefit plan are recognised separately in the Income Statement. Operating costs comprise the current service cost, plan administrative expense, any gains or losses on settlement or curtailments, and past service costs where benefits have vested. Finance items comprise the unwinding of the discount on the net asset/deficit. Actuarial gains or losses comprising changes in plan liabilities due to experience and changes in actuarial assumptions are recognised in other comprehensive income.

The amount of any pension fund asset recognised in the Statement of Financial Position is limited to any future refunds from the plan or the present value of reductions in future contributions to the plan.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised in the Income Statement in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based payments

Certain employees of the Company receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards with market-related vesting conditions is determined by an external consultant and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each Statement of Financial Position reporting date up to

Notes to the Company Accounts continued

1. Basis of preparation and summary of significant accounting policies continued

the vesting date, at which point the estimate is adjusted to reflect the actual outcome of awards which have vested. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

Where it is not possible to incentivise managers of the Company with equity-settled options, they are issued with cash-settled options. The charge for these awards is adjusted to reflect the expected and actual levels of options that vest and the fair value is based on either the share price at date of exercise or the share price at the Statement of Financial Position date if sooner.

Where the Company grants options over its own shares to the employees of its subsidiaries, it recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share based payment charge recognised in the subsidiary's Financial Statements with the corresponding credit being recognised directly in equity. In cases where a subsidiary is recharged for the share based payment expense, no such increase in investment is recognised which may result in a credit in a particular year.

Dividends

Dividends are recognised as a liability in the period in which they are approved by shareholders.

Treasury shares

Shares held in treasury are treated as a deduction from equity until the shares are cancelled, reissued or disposed. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental costs and related tax effects, is included in equity attributable to the Company's equity shareholders.

2. Auditor's remuneration

The details regarding the remuneration of the Company's auditor are included in note 4 to the Group Consolidated Financial Statements under 'Fees payable to the Company's auditor for audit of the Company's annual accounts'.

3. Employee costs and other information

Average number of employees on a full-time equivalent basis:

	2022 Number	2021 Number
Administrative	67	67

Employee costs, including Directors' remuneration, are as follows:

	2022 £m	2021 £m
Wages and salaries	11.6	15.2
Social security costs	2.6	3.4
Defined contribution pension plans	0.7	0.6
Equity-settled share-based payment expense	4.4	0.9
Cash-settled share-based payment expense	0.1	0.1
	19.4	20.2

Directors' remuneration

Further details of Directors' remuneration and share options are given in note 5 to the Group Consolidated Financial Statements and in the Directors' Remuneration Report on pages 84 to 104.

Tax losses

As at 31 December 2022, the Company had capital tax losses of £16.4m (2021: £16.4m). No provision has been made for deferred tax on the basis that there is insufficient evidence that suitable taxable profits will arise in the future against which the losses may be offset and the asset recovered.

4. Intangible assets

Cost	Software £m
At 1 January 2022	4.6
At 31 December 2022	4.6

Accumulated amortisation and impairment

At 1 January 2022	4.4
Charge for the year	0.1
At 31 December 2022	4.5

Carrying amount

At 31 December 2022	0.1
At 31 December 2021	0.2

Notes to the Company Accounts continued

5. Property, plant and equipment

Cost	Freehold property £m	Leasehold Improvements £m	Right of Use PPE £m	Office equipment £m	Total £m
At 1 January 2022	3.4	0.1	–	1.5	5.0
Additions	–	0.3	0.3	0.3	0.9
Transfers to assets held for sale	(3.3)	–	–	–	(3.3)
Disposals	(0.1)	–	–	(0.3)	(0.4)
At 31 December 2022	–	0.4	0.3	1.5	2.2

Accumulated depreciation and impairment

At 1 January 2022	1.6	–	–	1.2	2.8
Charge for the year	–	0.1	0.1	0.1	0.3
Transfers to assets held for sale	(1.6)	–	–	–	(1.6)
Disposals	–	–	–	(0.2)	(0.2)
At 31 December 2022	–	0.1	0.1	1.1	1.3

Carrying amount

At 31 December 2022	–	0.3	0.2	0.4	0.9
At 31 December 2021	1.8	0.1	–	0.3	2.2

Assets held for sale

At 31 December 2022 assets classified as held for sale consisted of the Company's former headquarters building in Egham, Surrey, UK.

This disposal does not meet the definition of discontinued operations given in IFRS 5.

6. Investments in subsidiary undertakings

Cost and carrying amount	Investment in subsidiary undertakings £m
At 1 January 2022	1,126.1
Movements relating to share options granted to subsidiary employees	2.8
At 31 December 2022	1,128.9

Details of the Company's subsidiaries are given in note 14.

7. Other receivables

Current	2022 £m	2021 £m
Amounts owed by Group undertakings	9.0	2.1
Loans owed by Group undertakings	44.6	31.4
Prepayments	3.5	2.7
Other receivables	0.7	3.0
	57.8	39.2

Non-current	2021 £m	2020 £m
Loans owed by Group undertakings	138.0	138.0
Prepayments	0.8	1.1
	138.8	139.1

Total other receivables	196.6	178.3
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All loans owed by Group undertakings are in relation to interest bearing intra-group loans which are formalised arrangements on an arm's length basis. Interest is charged at market reference rate plus 2%. The structure and terms of these intra-group loans are unchanged from 2021. Other amounts owed by Group undertakings are non-interest bearing and repayable on demand.

Notes to the Company Accounts continued

8. Borrowings

Current	Interest rate	Repayable date	2022 £m	2021 £m
Bank overdrafts		on demand	–	–
Bank loans unsecured – £45.0m (2021: £50.0m) uncommitted facility	determined on drawdown	on demand	–	–
Total current borrowings			–	–
Non-current	Interest rate	Maturity date	2022 £m	2021 £m
Total non-current borrowings			–	–
Total current and non-current borrowings			–	–
Total unsecured borrowings			–	–

Further details of borrowings are provided in note 16 to the Group Consolidated Financial Statements.

9. Other payables

Current	2022 £m	2021 £m
Amounts owed to Group undertakings	7.3	0.8
Loans owed to Group undertakings	547.4	583.1
Accruals	14.4	13.5
	569.1	597.4
Non-current	2022 £m	2021 £m
Loans owed to Group undertakings	132.4	151.5

All loans owed to Group undertakings are in relation to interest bearing intra-group loans which are formalised arrangements on an arm's length basis. Interest is charged at market reference rate minus 0.25%. The structure and terms of these intra-group loans are unchanged from 2021. Other amounts owed to Group undertakings are non-interest bearing and repayable on demand.

10. Share capital and reserves

	2022	2021
	Number of shares millions	Number of shares millions
Issued and fully paid (ordinary shares of 5p each):		
At 1 January and 31 December	109.1	5.5
		115.6
		5.8

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

During the year ended 31 December 2021, 5,596,739 ordinary shares were repurchased and cancelled by the Company as part of the £200m share buyback programme announced on 25 February 2021, resulting in a cash outflow of £201.3m, including transaction fees of £1.3m.

No ordinary shares were issued upon exercise under share option schemes during the year (2021: nil).

At 31 December 2022, the Company held 4,596,698 treasury shares (2021: 4,767,106). During the year, 170,408 of these shares were issued to satisfy options exercised by, and SIP Matching shares awarded to, employees which were granted under the Group's share schemes (2021: 167,461).

The Company has an employee benefit trust ('EBT'), which operates the Spectris Share Incentive Plan ('SIP') to all eligible UK-based employees. The EBT holds shares in Spectris plc for the purposes of the SIP, further details of which are disclosed in the Directors' Remuneration Report. At 31 December 2022, the EBT held 55,570 shares which were purchased from the market during the year (31 December 2021: 44,440). The costs of funding and administering the plan are charged to the Income Statement in the period to which they relate.

Distributable reserves at 31 December 2022 are £452.0m (2021: £334.5m).

Notes to the Company Accounts continued

Other reserves

Movements in reserves are set out in the Statement of Changes in Equity. The retained earnings reserve also includes own shares purchased by the Company and treated as treasury shares. The nature and purpose of other reserves forming part of equity are as follows:

Merger reserve

This reserve arose on the acquisition of Servomex Limited in 1999, a purchase satisfied substantially by the issue of share capital and therefore eligible for merger relief under the provisions of Section 612 of the Companies Act 2006.

Capital redemption reserve

This reserve records the historical repurchase of the Company's own shares.

During the year, as a result of the share buyback programme, the capital redemption reserve increased by £0.3m (2021: £0.2m), reflecting the nominal value of the cancelled ordinary shares.

Special reserve

The special reserve was created historically following the cancellation of an amount of share premium for the purpose of writing off goodwill. The special reserve is not distributable.

11. Retirement benefit plan

The Company participates in, and is the sponsoring employer of the UK Group defined benefit plan. The plan provides pensions in retirement, death in service and in some cases disability benefit to members. The pension benefit is linked to members' final salary at retirement and their service life. Since 31 December 2009, the UK plan has been closed to new members.

In accordance with IAS 19 (Revised 2011), there were £1.2m of Company contributions made to the defined benefit plan during the year (2021: nil).

Further details of the Spectris Pension Plan (UK) including all disclosures required under FRS 101 are contained in note 19 to the Group Consolidated Financial Statements.

12. Contingent liabilities

The cross-guarantee arrangements to support trade finance facilities are included in note 28 of the Group Consolidated Financial Statements.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group the Company considers these to be insurance arrangements in accordance with the requirements of IFRS 4 and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

In the normal course of business, the Company has provided bonds and guarantees through local banking arrangements amounting to £20.4m (2021: £14.1m).

13. Dividends

	2022 £m	2021 £m
Amounts recognised and paid as distributions to owners of the Company in the year		
Interim dividend for the year ended 31 December 2022 of 24.1p (2021: 23.0p) per share	25.3	25.4
Final dividend for the year ended 31 December 2021 of 48.8p (2021: 46.5p) per share	53.3	53.6
	78.6	79.0
Amounts arising in respect of the year		
Interim dividend for the year ended 31 December 2022 of 24.1p (2021: 23.0p) per share	25.3	25.4
Proposed final dividend for the year ended 31 December 2022 of 51.3p (2021: 48.8p) per share	53.6	53.3
	78.9	78.7

The proposed final dividend is subject to approval by shareholders at the AGM on 26 May 2023 and has not been included as a liability in these Financial Statements.

Notes to the Company Accounts continued

14. Related undertakings

In accordance with Section 409 of the Companies Act 2006, detailed below is a full list of related undertakings as at 31 December 2022.

All entities listed below have their registered office in their country of incorporation.

Subsidiaries

All wholly owned subsidiaries listed below are owned through intermediate holding companies, unless otherwise indicated.

Shareholdings are held in the class of ordinary shares, unless otherwise indicated.

Name	Registered address	Country of incorporation
Aquila Biomedical Limited	2 James Lindsay Place, Dundee, Scotland, DD1 5JJ	Scotland
Hottinger Bruel & Kjaer Poland Sp z.o.o.	Aleje Jerozolimskie 181 A, 02-222 Warsaw	Poland
Blueberryje d.o.o.	12, Gabrsko (dvanajst), Trbovlje, 1420, Slovenia	Slovenia
Bruel & Kjaer UK Limited ¹	Jarman Way, Royston, Hertfordshire, SG8 5BQ	England & Wales
Bruel & Kjaer VTS Limited ³	Jarman Way, Royston, Hertfordshire, SG8 5BQ	England & Wales
Burnfield Limited	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
CAS Clean-Air-Service AG	Reinluftweg 1, Zurich, CH-9630	Switzerland
CMLabs Simulations Inc.	645 Wellington Street, Suite 301, Montreal, Quebec, H3C 1T2	Canada
CLS Analytics Limited	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
Concept Life Sciences (Discovery) Limited	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
Concept Life Sciences (Environmental Consulting) Limited	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
Concept Life Sciences (Holdings) Limited ³	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
Concept Life Sciences (Laboratories) Limited	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
Concept Life Sciences (Midco) Limited	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
Concept Life Sciences Integrated Discovery & Development Services Limited	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
Concept Life Sciences Limited	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
Concurrent High Performance Solutions Europe S.A.	Immeuble Uranus Parc Ariane, Rue Hélène Boucher, 78280 Guyancourt	France
Concurrent Nippon Corporation	Yanagibashi First Bldg, 4F 19-6, 2-chome, Taito-ku, Tokyo 111-0052	Japan
Concurrent Real-Time Asia, Inc.	1209 Orange Street, Wilmington, DE 19081	USA
Concurrent Real-Time, Inc.	1209 Orange Street, Wilmington, DE 19081	USA
CLS Analytics Limited	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
Creoptix AG	Zugerstrasse 76, 8820 Wädenswil	Switzerland
Creoptix Inc.	c/o The Brighton Company, 111 South Bedford Street, STE. 108, Burlington, MA	USA
CXR Biosciences Limited	2 James Lindsay Place, Dundee Technopole, Dundee, DD1 5JJ	Scotland
DISCOM Elektronische Systeme und Komponenten GmbH	Maschmühlenweg 81, Göttingen, 37081	Germany
DYTRAN Instruments, Inc	21592 Marilla Street, Chatsworth, CA 91311	
HBK FiberSensing SA	Rua Vasconcelos Costa 277, Moreira, Maia	Portugal
Hottinger Bruel & Kjaer Solutions LLC2	100 Research Blvd, Starkville, Mississippi	USA
HBM Prensia s.p. z.o.o.	Aleje Jerozolimskie 181 A, 02-222 Warsaw	Poland
Hottinger Bruel & Kjaer Inc.	19 Bartlett Street, Marlborough, Massachusetts 01752	USA
Hottinger Brüel & Kjær AS	Teknikerbyen 28, 2830 Virum	Denmark
Hottinger Bruel & Kjaer Austria GmbH	Lemboeckgasse 63/2, A-1230, Wien, Vienna	Austria
Hottinger Bruel & Kjaer Benelux B.V.	Schutweg 15a, Waalwijk, 5145 NP	Netherlands
Hottinger Bruel & Kjaer Co., Ltd	106 Henshan Road, Suzhou New District, Suzhou, Jiangsu Province, 215009	China
Hottinger Bruel & Kjaer France SAS	2 Rue Benjamin Franklin, 94370 Sucy-en-Brie, France	France

Notes to the Company Accounts continued

14. Related undertakings continued

Name	Registered address	Country of incorporation
Hottinger Brüel & Kjær GmbH	Im Tiefen See 45, Darmstadt, D-64293	Germany
Hottinger Brüel & Kjær Ibérica, S.L.U.	Calle Teide número 5, San Sebastián de los Reyes, Madrid	Spain
Hottinger Bruel & Kjaer Italy SRL	Milano (MI), Via Pordenone 8, Milan 20132	Italy
Hottinger Bruel & Kjaer Norway AS	Rosenholmveien 25, Trollasen, 1414	Norway
Hottinger Bruel & Kjaer UK Limited	Technology Centre, Advanced Manufacturing Park, Brunel Way, Catcliffe, Rotherham, South Yorkshire, S60 5WG	England & Wales
IMTEC GmbH	Am Rosengarten 1, 14621 Schönwalde-Glien OT Wansdorf	Germany
International Applied Reliability Symposium LLC ²	5210 E Williams Cir, 2nd Floor, Suite 240, Tucson Arizona 85711	USA
Malvern Instruments Nordic Oy ⁵	Kumitehtaankatu, 5 04260, Kerava, Asianajotoimisto OY	Finland
Malvern Panalytical B.V.	Lelyweg 1, 7602EA, Almelo	Netherlands
Malvern Panalytical GmbH	Nürnbergstr 113, D 34123 Kassel	Germany
Malvern Panalytical Inc	2400 Computer Drive, Suite 201, Westborough Massachusetts 01581-1042	USA
Malvern Panalytical Limited	Enigma Business Park, Grovewood Road, Malvern, Worcestershire, WR14 1XZ	England & Wales
Malvern Panalytical Nordic AB	Vallongatan 1, 752 28 Uppsala	Sweden
Malvern Panalytical S.A.S.	24 Rue Émile Baudot, Bâtiment le Phénix 91120 Palaiseau	France
Malvern Panalytical srl	Via G. Oberdan, 36, Lissone, 20851	Italy
Malvern Panalytical (Pty) Limited	Unit 4, Bush Hill Office Park, Jan Frederick Avenue, Randpark Ridge, 2169	South Africa
Malvern-Aimil Instruments Pvt Limited	Naimex House, A-8, Mohan Co-operative Industrial Estate, Mathura Road, New Delhi – 110044	India
MB Connect Line GmbH Fernwartungssysteme	Geschäftsanschrift, Winnettener Str. 6, Dinkelsbühl, 91550	Germany
Nanosight Limited	Enigma Business Park, Grovewood Road, Malvern, Worcestershire, WR14 1XZ	England & Wales
Novisim Limited	Jarman Way, Royston, Hertfordshire, SG8 5BQ	England & Wales
PANalytical Limited ¹	Enigma Business Park, Grovewood Road, Malvern, Worcestershire, WR14 1XZ	England & Wales
Particle Measuring Systems Germany GmbH	Im Tiefen See 45, Darmstadt, D-64293	Germany
Particle Measuring Systems S.R.L.	Via di Grotte Portella, Frascati, Rome, 34-00044	Italy
Particle Measuring Systems, Inc.	5475 Airport Boulevard, Boulder, Colorado 80301	USA
Peakdale Chemistry Services Limited	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
Peakdale Inc	2400 Computer Drive, Suite 201, Westborough Massachusetts 01581-1042	USA
Peakdale Molecular Limited	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
RealTime Acquisition Co.	1209 Orange Street, Wilmington, DE19081	USA
RealTime Holdco, LLC ²	1209 Orange Street, Wilmington, DE19081	USA
Red Lion Controls B.V.	Softwareweg 9, 3821 BN Amersfoort	Netherlands
Red Lion Controls, Inc.	1750 Fifth Avenue, York, PA 17403	USA
ReliaSoft India Private Limited	5th Floor, Arihant Nitco Park, 90, Dr.Radhakrishnan Salai, Mylapore Chennai – 600 004 India	India
RightHook Inc	45 Jackson Street, San Jose, CA 95112-5102	USA
Servomex B.V.	Lelyweg 1, 7602EA, Almelo	Netherlands
Servomex Company	12300 Dairy Ashford Road #400, Sugar Land, Texas 77478	USA
Servomex GmbH	Im Tiefen See 45, Darmstadt, D-64293	Germany
Servomex Group Limited	Jarvis Brook, Crowborough, East Sussex, TN6 3FB	England & Wales
Servomex Middle East L.L.C.2	Office No. 113, Business Park 01, Abu Dhabi International Airport, PO Box 147939	United Arab Emirates
Servomex S.A.	23 Rue de Roule, Paris, 75001	France
Spectris Analytics US Inc.	3411 Silverside Road, Tatnall Building #104, Wilmington, New Castle County, Delaware 19810	USA

Notes to the Company Accounts continued

14. Related undertakings continued

Name	Registered address	Country of incorporation
Spectris Australia Pty Ltd	C/- Intertrust Australia PTY Ltd, Suite 2, Level 25, 100 Miller Street, North Sydney, NSW 2060	Australia
Spectris Canada Inc.	4915 Place Olivia, St-Laurent, Quebec, H4R 2V6	Canada
Spectris China Limited	14/F., One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong	Hong Kong
Spectris Co., Ltd.	Kawasaki Nisshincho Building, 7-1 Nisshincho, Kawasaki-ku, Kawasaki-shi, Kanagawa 210-0024, Japan	Japan
Spectris Denmark ApS	Teknikerbyen 28, 2830 Virum	Denmark
Spectris Do Brasil Instrumentos Eletronicos Ltda.	Rua Laguna 276, Santo Amaro, CEP 04728-000, Sao Paulo SP	Brazil
Spectris Funding B.V.	Lelyweg 1, 7602EA, Almelo	Netherlands
Spectris Germany GmbH	Im Tiefen See 45, Darmstadt, D-64293	Germany
Spectris Group Holdings Limited ^{1, 4}	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
Spectris Holdings Inc.	2400 Computer Drive, Suite 201, Westborough Massachusetts 01581	USA
Spectris Inc.	2400 Computer Drive, Suite 201, Westborough Massachusetts 01581	USA
Spectris Instrumentation and Systems Shanghai Ltd.	Bldg 9, No. 88, Lane 2888, HuaNing Road, MingHang District, Shanghai, 201108	China
Spectris Korea Ltd.	7F N-Tower Garden bldg. 26, 200heong-gil, Hwangsae wool-ro, Bundang-gu, Seongnam-si, Gyeonggi-do, Korea 13595	Korea, Republic of
Spectris Mexico, S. De R.L. De C.V.	Av. Pedro Ramirez Vazquez No. 200-13, Nivel 1, Col. Valle Oriente, San Pedro Garza Garcia, C.P. 66269	Mexico
Spectris Netherlands B.V.	Lelyweg 1, 7602 EA Almelo	Netherlands
Spectris Netherlands Cooperatief W.A. ^{1, 2}	Lelyweg 1, 7602 EA Almelo	Netherlands
Spectris Pension Trustees Limited ¹	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
Spectris Pte Ltd	31 Kaki Bukit Road 3, Techlink #04-05/07, 417818	Singapore
Spectris Taiwan Limited	4F., No. 417, Ruiguang Rd., Neihu Dist., Taipei City 114690, Taiwan	Taiwan
Spectris Technologies Private Limited	202 Anarkali Complex, Jhandelwala Extension, Opp Videcon Tower, New Delhi 110 055	India
Spectris UK Holdings Limited ³	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
Spectris US Holdings Limited	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
Starlight USA Inc	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	United States
System Level Simulation Inc.	75 East Santa Clara St., Suite 900, San Jose, CA 95113	United States
VI-grade AG	Neustrasse 2, 8590 Romanshorn	Switzerland
VI-grade GmbH	Im Tiefen See 45, Darmstadt, D-64293	Germany
VI-grade Japan Ltd.	9-1, Shinjuku-ku 3 Chome, Shinjuku, Tokyo	Japan
VI-grade Limited	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
VI-grade s.r.l.	Via Galileo Galilei 42, 33010 Tavagnacco (Udine)	Italy
Vintage Star Inc	2400 Computer Drive Westborough MA 01581	United States
Viscotek Europe Limited	Melbourne House, 5th Floor, 44-46 Aldwych, London, WC2B 4LL, England	England & Wales
Zhuhai Omec Instruments Co., Ltd	Floor 1-3, No 9 R&D Main Building, Keji No 1 Road, Scientific & Technical Innovation Sea Shore, New High Tech Zone, Zuhai, Guangdong Province	China

1. Wholly owned by Spectris plc.

2. All LLC, Cooperatief and other non-equity owned entities listed are wholly owned and controlled by Spectris plc directly or indirectly through intermediate holding companies.

3. Share capital consists of ordinary shares and deferred shares.

4. Share capital consists of ordinary shares and redeemable shares.

5. In liquidation.

Notes to the Company Accounts continued

14. Related undertakings continued

UK registered subsidiaries exempt from audit

UK incorporated subsidiaries which have taken exemption from audit per Section 479A of the Companies Act 2006 for the year ended 31 December 2022 are listed below.

Spectris plc will guarantee the debts and liabilities of the companies claiming the statutory audit exemption at the balance sheet date of £49.7m in accordance with Section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantee as remote.

Name	Registered number
Aquila Biomedical Limited	SC393914
Bruel & Kjaer VTS Limited	1539186
Bruel & Kjaer UK Limited	04066051
Burnfield Limited	1522736
CLS Analytics Limited	12699842
Concept Life Sciences Integrated Discovery & Development Services Limited	02345676
Concept Life Sciences (Discovery) Limited	9046575
Concept Life Sciences (Environmental Consulting) Limited	9046580
Concept Life Sciences (Holdings) Limited	9046553
Concept Life Sciences (Laboratories) Limited	9046586
Concept Life Sciences (Midco) Limited	9046568
CXR Biosciences Limited	SC211745
Hottinger Bruel & Kjaer UK Limited	1589921
Novisim Limited	5269664
Spectris UK Holdings Limited	4451903
Spectris US Holdings Limited	4451883
VI-grade Limited	8245242

Additional Information

Shareholder Information

Financial calendar

Q1 trading update	27 April 2023
Ex-dividend date for 2022 final dividend	18 May 2023
Record date for 2022 final dividend	19 May 2023
Annual General Meeting	26 May 2023
Record date for participation in the Dividend Reinvestment Plan for the 2022 final dividend	9 June 2023
2022 final dividend payable	30 June 2023
2023 half-year results	31 July 2023

Company Secretary

Mark Serfözö resigned on 28 October 2022
Rebecca Dunn appointed on 28 October 2022
Email: cosec@spectris.com

Registered office

Spectris plc
Melbourne House
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Tel: +44 20 4566 9400
Email: info@spectris.com
Company registered in England, No. 2025003

Auditor

Deloitte LLP

Banker

National Westminster Bank plc

Solicitor

Slaughter and May

Brokers

Barclays Bank plc
BofA Securities

Financial PR adviser

Tulchan Communications

Registrar

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

The registrars provide a range of shareholder services online at www.shareview.co.uk

Share price information

The Company's ordinary shares are listed on the London Stock Exchange. The latest share price is available via the Company's website at www.spectris.com

Additional Information continued

Major shareholders as at 31 December 2022

	Shareholding in Spectris shares	Percentage of issued share capital
Fidelity Management & Research	8,567,102	8.19%
BlackRock	7,869,873	7.53%
UBS Asset Management	7,819,357	7.48%
Liontrust Asset Management	5,168,632	4.94%
Sprucegrove Investment Management	4,972,450	4.76%
Vanguard Group	4,966,842	4.75%
Wellington Management	3,782,547	3.62%
Royal London Asset Management	3,540,706	3.39%
Artemis Investment Management	3,360,582	3.21%
Evenlode Investment	2,543,648	2.43%

Email news service

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

Cautionary statement

This Annual Report may contain forward-looking statements. These statements can be identified by the fact that they do not relate only to historical or current facts. Without limitation, forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. These statements may (without limitation) relate to the Company's financial position, business strategy, plans for future operations or market trends. No assurance can be given that any particular expectation will be met or proved accurate and shareholders are cautioned not to place undue reliance on such statements because, by their very nature, they may be affected by a number of known and unknown risks, uncertainties and other important factors which could cause actual results to differ materially from those currently anticipated. Any forward-looking statement is made on the basis of information available to Spectris plc as of the date of the preparation of this Annual Report. All forward-looking statements contained in this Annual Report are qualified by the cautionary statements contained in this section. Other than in accordance with its legal and regulatory obligations, Spectris plc disclaims any obligation to update or revise any forward-looking statement contained in this Annual Report to reflect any change in circumstances or its expectations.



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