Independent Auditor's Report to the Members of Spectris plc

We have audited the group and parent company financial statements (the 'financial statements') of Spectris plc for the year ended 31 December 2009, which comprise the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated and parent company statements of financial position, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 40, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion 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; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 40, in relation to going concern; and
- the part of the Corporate Governance Statement on page 37 relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

IK Bone (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
8 Salisbury Square, London
23 February 2010

Consolidated Statement of Income

For the year ended 31 December 2009

	Note	2009 £m	2008 £m
Continuing operations			
Revenue	5	**787.3**	787.1
Cost of sales		**(342.0)**	(334.5)
Gross profit		**445.3**	452.6
Indirect production and engineering expenses		**(84.0)**	(71.1)
Sales and marketing expenses		**(184.7)**	(191.7)
Administrative expenses		**(108.1)**	(76.1)
Operating profit			
Operating profit before amortisation of acquisition-related intangibles	3	**79.2**	118.3
Amortisation of acquisition-related intangibles	3	**(10.7)**	(4.6)
	6	**68.5**	113.7
Profit on disposal of businesses	26	**0.1**	0.3
Financial income	9	**5.9**	7.8
Finance costs	9	**(20.3)**	(15.7)
Profit before tax		**54.2**	106.1
Taxation – UK	10	**(2.6)**	1.5
Taxation – Overseas	10	**(9.0)**	(26.5)
Profit after tax for the year from continuing operations attributable to owners of the company		**42.6**	81.1
Basic earnings per share (pence)	12	**36.9**	70.3
Diluted earnings per share (pence)	12	**36.8**	69.8
Interim dividends paid and final dividends proposed for the year (per share)	11	**24.25p**	23.4p
Dividends paid during the year (per share)	11	**23.4p**	21.7p

Spectris uses adjusted figures as key performance measures in addition to those reported under adopted IFRS. Reconciliations showing how the adjusted performance measures are derived from those reported under adopted IFRS are set out in Note 3.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2009

	2009 £m	2008 £m
Profit for the period attributable to owners of the company	**42.6**	81.1
Other comprehensive income:		
Net gain/(loss) on effective portion of changes in fair value of forward exchange contracts	**8.1**	(8.2)
Foreign exchange movements on translation of overseas operations	**(36.8)**	136.5
Net gain/(loss) on changes in fair value of effective portion of hedges of net investment in overseas operations	**14.8**	(41.4)
Actuarial (loss)/gain arising on pension schemes net of exchange	**(19.0)**	1.8
Tax on items recognised directly in comprehensive income	**5.0**	3.0
Total comprehensive income for the period attributable to owners of the company	**14.7**	172.8

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Capital redemption reserve £m	Total equity £m
Balance at 1 January 2009	**6.2**	**231.4**	**117.3**	**93.0**	**(8.1)**	**3.1**	**0.3**	**443.2**
Total comprehensive income for the period:								
Profit for the period	–	–	**42.6**	–	–	–	–	**42.6**
Other comprehensive income:								
Net gain/(loss) on effective portion of changes in fair value of forward exchange contracts, net of tax	–	–	–	–	**7.6**	–	–	**7.6**
Foreign exchange movements on translation of overseas operations	–	–	–	**(36.8)**	–	–	–	**(36.8)**
Net gain/(loss) on changes in fair value of effective portion of hedges of net investment in overseas operations, net of tax	–	–	–	**14.7**	–	–	–	**14.7**
Actuarial (loss)/gain arising on pension schemes, net of exchange, net of tax	–	–	**(13.4)**	–	–	–	–	**(13.4)**
Distributions to and transactions with owners:								
Equity dividends paid	–	–	**(27.0)**	–	–	–	–	**(27.0)**
Share-based payments	–	–	**(0.4)**	–	–	–	–	**(0.4)**
Share options exercised from own shares (treasury) purchased	–	–	**0.4**	–	–	–	–	**0.4**
Balance at 31 December 2009	**6.2**	**231.4**	**119.5**	**70.9**	**(0.5)**	**3.1**	**0.3**	**430.9**

For the year ended 31 December 2008

	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Capital redemption reserve £m	Total equity £m
Balance at 1 January 2008	6.2	231.4	63.8	(2.1)	0.1	3.1	0.3	302.8
Total comprehensive income attributable to owners of the company	–	–	85.9	95.1	(8.2)	–	–	172.8
Distributions to and transactions with owners:								
Equity dividends paid	–	–	(25.0)	–	–	–	–	(25.0)
Share-based payments	–	–	1.8	–	–	–	–	1.8
Own shares (treasury) purchased	–	–	(9.3)	–	–	–	–	(9.3)
Own shares (Employee Benefit Trust) purchased	–	–	(0.2)	–	–	–	–	(0.2)
Share options exercised from own shares (treasury) purchased	–	–	0.2	–	–	–	–	0.2
Share options exercised from shares held by Employee Benefit Trust	–	–	0.1	–	–	–	–	0.1
Balance at 31 December 2008	6.2	231.4	117.3	93.0	(8.1)	3.1	0.3	443.2

Consolidated Statement of Financial Position
As at 31 December 2009

	Note	**2009 £m**	2008 £m
Assets			
Non-current assets			
Intangible assets:			
Goodwill	13	**324.8**	342.6
Other intangible assets	14	**70.3**	43.9
		395.1	386.5
Property, plant and equipment	15	**107.6**	118.2
Equity-accounted investment		**0.6**	0.6
Deferred tax asset	23	**26.2**	30.7
		529.5	536.0
Current assets			
Inventories	16	**99.8**	148.0
Taxation recoverable		**8.1**	1.4
Trade and other receivables	17	**167.8**	207.8
Derivative financial instruments	20	**0.9**	–
Cash and cash equivalents	18	**36.8**	64.4
		313.4	421.6
Total assets		**842.9**	957.6
Liabilities			
Current liabilities			
Short-term borrowings	19	**(49.8)**	(35.0)
Derivative financial instruments	20	**–**	(9.2)
Trade and other payables	21	**(150.7)**	(197.9)
Current tax liabilities		**(36.1)**	(38.4)
Provisions	22	**(25.3)**	(23.1)
		(261.9)	(303.6)
Net current assets		**51.5**	118.0
Non-current liabilities			
Medium- and long-term borrowings	19	**(92.4)**	(173.6)
Derivative financial instruments	20	**(21.1)**	(16.9)
Other payables	21	**(9.3)**	(10.1)
Retirement benefit obligations	8	**(23.5)**	(8.5)
Deferred tax liability	23	**(3.8)**	(1.7)
		(150.1)	(210.8)
Total liabilities		**(412.0)**	(514.4)
Net assets		**430.9**	443.2
Equity			
Issued share capital	24	**6.2**	6.2
Share premium		**231.4**	231.4
Retained earnings		**119.5**	117.3
Translation reserve		**70.9**	93.0
Hedging reserve		**(0.5)**	(8.1)
Merger reserve		**3.1**	3.1
Capital redemption reserve		**0.3**	0.3
Total equity attributable to equity holders of the company		**430.9**	443.2
Total equity and liabilities		**842.9**	957.6

The financial statements on pages 51 to 92 were approved by the Board of Directors on 23 February 2010 and were signed on its behalf by:

Clive Watson
Director

Consolidated Statement of Cash Flows
For the year ended 31 December 2009

	Note	2009 £m	2008 £m
Cash flows from operating activities			
Profit after tax		**42.6**	81.1
Adjustments for:			
Tax	10	**11.6**	25.0
Profit on disposal of businesses	26	**(0.1)**	(0.3)
Finance costs	9	**20.3**	15.7
Financial income	9	**(5.9)**	(7.8)
Depreciation	15	**14.3**	10.4
Amortisation of intangible assets	14	**13.1**	7.7
(Gain)/loss on sale of property, plant and equipment	6	**(0.3)**	0.1
Equity-settled share-based payment (credit)/charge	25	**(0.4)**	1.8
Operating profit before changes in working capital and provisions		**95.2**	133.7
Decrease in trade and other receivables		**31.0**	7.8
Decrease/(increase) in inventories		**38.1**	(10.1)
Decrease in trade and other payables		**(42.9)**	(1.4)
Decrease in provisions and retirement benefit obligations		**(3.2)**	(6.9)
Corporation tax paid		**(16.7)**	(24.0)
Net cash from operating activities		**101.5**	99.1
Cash flows from investing activities			
Purchase of property, plant and equipment		**(14.2)**	(21.9)
Proceeds from sale of property, plant and equipment		**1.5**	0.9
Acquisition of businesses, net of cash acquired	29	**(28.7)**	(87.2)
Acquisition of an associate undertaking	29	**–**	(0.6)
Proceeds from disposal of businesses		**0.1**	1.5
Interest received		**0.4**	1.6
Net cash flows used in investing activities		**(40.9)**	(105.7)
Cash flows from financing activities			
Interest paid		**(11.2)**	(10.1)
Dividends paid	11	**(27.0)**	(25.0)
Share options exercised from shares held by Employee Benefit Trust		**–**	0.1
Share options exercised from treasury shares		**0.4**	0.2
Purchase of own shares by Employee Benefit Trust		**–**	(0.2)
Purchase of own shares – treasury shares		**–**	(9.3)
Proceeds from borrowings		**99.0**	50.0
Repayment of borrowings		**(142.0)**	–
Net cash flows (used in)/generated by financing activities		**(80.8)**	5.7
Net decrease in cash and cash equivalents		**(20.2)**	(0.9)
Cash and cash equivalents at beginning of year		**54.8**	47.4
Effect of foreign exchange rate changes		**(0.9)**	8.3
Cash and cash equivalents at end of year	18	**33.7**	54.8

Reconciliation of changes in cash and cash equivalents to movements in net debt

	Note	2009 £m	2008 £m
Net decrease in cash and cash equivalents		**(20.2)**	(0.9)
Proceeds from borrowings		**(99.0)**	(50.0)
Repayment of borrowings		**142.0**	–
Effect of foreign exchange rate changes		**15.4**	(33.9)
Movement in net debt		**38.2**	(84.8)
Net debt at start of year	19	**(162.1)**	(77.3)
Net debt at end of year	19	**(123.9)**	(162.1)

1. Accounting policies

General information

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

These financial statements are presented in millions of pounds sterling rounded to the nearest one decimal place. Foreign operations are included in accordance with the policies set out below.

Statement of compliance and basis of preparation

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (adopted IFRS). The company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice; these are presented on pages 93 to 99.

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at fair value.

The group's business activities, together with factors likely to affect its future development, performance and position are set out in the Business Review on pages 6 to 33. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 22 to 25. In addition, Note 2 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.

Having reviewed the group's plans and available financial facilities, the Board has a reasonable expectation that the group has adequate resources to continue its operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the group's accounts. There are no key sensitivities identified in relation to this conclusion.

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The key judgements made in respect of the appropriateness of the group accounting policies relate to:

- the timing of revenue recognition where the group has some responsibility for installation activity;
- the classification of financial instruments in relation to hedge accounting;
- the classification of retirement benefit arrangements between defined benefit and defined contribution schemes;
- the point at which development activity meets the cost capitalisation threshold.

The directors do not consider the practical application of any of these judgements to involve significant subjectivity or uncertainty.

The estimates and associated assumptions used are continually evaluated and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Estimates that have the most significant effect on the amounts recognised in the financial statements are recognised in the following areas:

- business combinations in relation to the determination of the fair value of acquired assets and liabilities (Note 29);
- goodwill in relation to the assumptions underpinning impairment testing (Note 13);
- retirement benefit schemes in relation to the assumptions used to value plan assets and liabilities (Note 8);
- provisions and contingent liabilities in relation to determining the quantum and timing of management's best estimate of outflows (Notes 22 and 30).

The accounting policies set out below have been applied consistently by group entities to all periods presented in these financial statements.

New standards and interpretations not yet adopted

There are a number of new standards, amendments to standards and interpretations that are not yet effective for the year ended 31 December 2009. None of these have been adopted early in preparing these consolidated financial statements. None of these are anticipated to have any impact on the results or statement of financial position reported in these consolidated financial statements. The adoption of IFRS 3(R) with effect from 1 January 2010 will change the group's definition of the cost of business combinations and the treatment of deferred consideration for transactions completed from that date. None of the other new standards, amendments to standards and interpretations not yet effective are anticipated to change the group's published accounting policies.

New standards adopted during the year

As at 1 January 2009, the group changed its accounting policies in the following areas to reflect accounting standards adopted for the year:

IAS 1 *Presentation of Financial Statements (revised 2007)* – a number of terminology changes (including the definition of and titles for the primary statements) have resulted in a number of changes in presentation and disclosures. The revised standard has had no impact on the reported results or financial position of the group.

IAS 23 *Borrowing costs* – borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are recognised as a cost of that asset. Previously, the group immediately recognised borrowing costs as an expense. This change in accounting policy was due to the prospective adoption of IAS 23 *Borrowing Costs (2007)*. In accordance with the transitional provisions of this standard, comparative figures have not been restated. The change in accounting policy had no material impact on assets, profit or earnings per share in the 31 December 2008 consolidated financial statements.

IFRS 2 *Amendment regarding share-based payments – vesting conditions and cancellations* – the adoption of this standard has had no material impact on the reported results or financial position of the group.

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

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

Basis of consolidation

The consolidated financial statements include the results of the company and all of its subsidiary undertakings and associates (equity-accounted investments).

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20% and 50% of the voting power of another entity. Associates are accounted for using the equity method of accounting and are recognised initially at cost.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into sterling at average exchange rates. Foreign exchange differences arising on retranslation are recognised directly in a separate translation reserve within the statement of changes in equity.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date with any exchange differences arising on retranslation being recognised in the statement of income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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 under the heading 'Derivative financial instruments and hedge accounting' below.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of income over the period of the borrowings on an effective interest basis.

Derivative financial instruments and hedge accounting

The group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating and financing activities. In accordance with its treasury policy, it does not hold or use derivative financial instruments for trading or speculative purposes.

Derivative instruments are presented as current or non-current based on their contracted maturity dates.

1. Accounting policies continued

Cash flow hedge accounting

Derivative financial instruments may be transacted to hedge the variability in cash flows of a recognised asset or liability, or of highly probable forecast transactions, caused by changes in exchange rates.

Derivative financial instruments are carried in the balance sheet at fair value. Where a derivative financial instrument is designated in a cash flow hedge relationship with a highly probable forecast transaction, the effective part of any gain or loss arising is recognised in the hedging reserve via the statement of comprehensive income. The ineffective part of any gain or loss is recognised in the statement of income. When the forecast transaction subsequently occurs and results in the recognition of a financial asset or liability that impacts on the statement of income, the associated cumulative gain or loss is removed from the hedging reserve and presented within the statement of income. When the forecast transaction subsequently occurs and results in the recognition of a non-financial asset or liability, the associated cumulative gain or loss is removed from the hedging reserve and included within the initial cost of the non-financial asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is either sold, terminated or exercised without replacement or rollover; or the group revokes the designation; or the hedging instrument no longer qualifies for hedge accounting.

If a derivative financial instrument is not formally designated in a cash flow hedge relationship, any change in fair value is recognised in the statement of income.

Net investment hedge accounting

The group uses US dollar- and euro-denominated borrowings and derivative financial instruments as a hedge against the translation exposure on the group's net investment in overseas companies. Where the hedge is fully effective at hedging the variability in the net assets of such companies caused by changes in exchange rates, the changes in value of the borrowings are recognised in the statement of comprehensive income. The ineffective part of any change in value caused by changes in exchange rates is recognised in the statement of income.

The group takes advantage of cross-currency swaps for some of its US dollar-denominated private placement borrowings. The swaps have the effect of converting fixed rate US dollar borrowings into 'synthetic' fixed rate euro-denominated borrowings. The value of the element of the swap that locks interest payments at a fixed euro interest rate changes as US dollar variable interest rates, euro variable interest rates and foreign currency exchange rates change. Under IAS 39's rules, such changes in value are considered to be ineffective as a net investment hedge and accordingly they are recognised in the statement of income.

Business combinations and goodwill

All business combinations are accounted for by applying the purchase method. 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. In respect of acquisitions prior to 1 January 2004, goodwill is included on the basis of its deemed cost which represents the amount recorded previously under UK GAAP. Prior to 1 January 1998, goodwill was written off to reserves in the year of acquisition.

Goodwill arising on acquisitions is stated at cost less any accumulated impairment losses. From 1 January 2004, goodwill is allocated on acquisition to cash-generating units that are anticipated to benefit from the combination, and is no longer amortised but is tested annually for impairment. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. This estimate of recoverable amount is determined at each balance sheet date. The group's identified cash-generating units are smaller than reportable segments.

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 cash generating unit, including both its operating profit and operating cash flow performance. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit 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 cash-generating unit retained.

Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through 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. Management must be committed to the sale and an active programme to locate a buyer and complete the sale must have been initiated. Ordinarily, the sale should be expected to qualify for recognition as a completed sale within one year from the date of the classification as held for sale.

Segmental reporting

An operating segment is a distinguishable component of the group that is engaged in business activities from which it may earn revenues and incur expenses, and whose operating results are reviewed regularly by the Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Reportable segments are operating segments that either meet the thresholds and conditions set out in IFRS 8 or are considered by the Board to be appropriately designated as reportable segments.

Segment result represents operating profits (excluding intangible asset amortisation and goodwill impairment charges) and includes an allocation of head office expenses. Segment result excludes tax and financing items.

Segment assets comprise goodwill, other intangible assets, property, plant and equipment, inventories, trade and other receivables. Segment liabilities comprise trade and other payables, provisions and other payables. Unallocated items represent corporate and deferred taxation balances, defined benefit scheme liabilities and all components of net debt.

Intangible assets
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. Self-funded research and development costs are charged to the statement of income 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 and intent of completing a new intangible asset that will be available for sale 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 their useful economic lives.

Other intangible assets that are separately acquired by the group are stated at cost less accumulated amortisation and impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits, otherwise it is expensed as incurred. Intangible assets arising from a business combination are recognised at fair value.

Amortisation of intangible assets is charged to administrative expenses in the statement of income on a straight-line basis over the estimated useful lives of intangible assets determined on an asset by asset basis. The estimated useful lives are as follows:

Software – 3 to 5 years
Patents, trademarks and technology – up to 5 years
Customer-related – 3 to 10 years

Property, plant and equipment
Property, plant and equipment is stated at cost (which from 1 January 2009 includes capitalised borrowing costs where appropriate) less accumulated depreciation and impairment losses. The group recognises in the carrying amount of property, plant and equipment the additions that are appropriate to capitalise and the subsequent costs of replacing the parts of such items when there are future economic benefits that will flow to the group and its cost can be measured reliably. Cost includes expenditure that is directly attributable to the acquisition of the asset cost. All other costs are recognised in the statement of income as an expense as they are incurred.

Depreciation is recognised in the statement of income 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 life. The depreciation charge is revised where useful lives are different from 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
Plant, machinery and other equipment – 5 to 20 years
Motor vehicles – 4 years
Tooling, computer hardware – 3 to 5 years

Impairment of tangible and intangible assets excluding goodwill
The carrying amount of the group's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. The group currently has no such assets.

Recoverable amount is the higher of fair value less costs to sell 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 assessments 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 is reduced to its recoverable amount with the impairment loss recognised as an operating expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Impairment losses on goodwill are not reversed.

1. Accounting policies continued

Trade and other receivables
Trade and other receivables are initially recognised at their fair value and are subsequently reduced by appropriate allowances for estimated irrecoverable amounts. Discounting is applied where it is expected to have a material impact.

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. 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. Provision is made to write down slow moving and obsolete items to net realisable value based on an assessment of technological and market developments and on an analysis of historic and projected usage with regard to quantities on hand.

Cash and cash equivalents
Cash and cash equivalents comprises cash balances and call deposits. 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 statement of cash flows.

Trade and other payables
Trade and other payables are initially recognised at fair value.

Provisions
A provision is recognised in the balance sheet 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 economic benefits 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. 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.

Post-retirement benefits
The group operates pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the group. The group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to market yields at the balance sheet date on high quality corporate bonds that have maturity dates approximating to the terms of the group's obligations.

The calculation is performed by a qualified actuary using the projected unit method. Actuarial gains and losses are recognised in full in the period in which they arise in the statement of comprehensive income.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the statement of income on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the statement of income. Similarly, any cost or income relating to the curtailment or settlement of a pension scheme is recognised as a cost or income immediately in the statement of income.

For defined contribution schemes, the assets are held separately from those of the group in independently administered funds. Payments to defined contribution schemes are charged to the statement of income as they fall due.

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 schemes.

Other long-term employee benefits
The group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to market yields at the balance sheet date on high quality corporate bonds that have maturity dates approximating to the terms of the group's obligations.

Share-based payments
The fair value of equity-settled employee share option grants is calculated at grant date. The resulting cost is charged to the statement of income over the vesting period of the plans. The value of the charge is adjusted to reflect expected and actual levels of options that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

Revenues
Revenues comprise sales to outside customers after discounts and excluding value added tax.

Revenue from the sale of goods is recognised in the statement of income when the significant risk and rewards of ownership of the goods have been transferred to the customer, which is typically on delivery. For contracts that involve a significant element of installation or testing of equipment, revenue is recognised at the point of customer acceptance. Revenue from services rendered is recognised in the statement of income in proportion to the measurement of the stage of completion of services rendered as at the balance sheet date. This is assessed by reference to the amount of time incurred in proportion to the total expected time to be taken to deliver the service.

Interest payable and receivable
Interest payable comprises the interest payable on borrowings calculated using the effective interest method.

Interest receivable and payable is recognised in the statement of income as it accrues using the effective interest method.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to the statement of income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Taxation
Tax on the profit or loss for the year comprises both current and deferred tax. Tax is recognised in the statement of income except to the extent that it relates to items recognised directly in the statement of comprehensive income, in which case it is recognised in equity via that statement.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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.

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.

2. 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.

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 20.

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, the euro, Danish krone, Swiss franc, and Japanese yen. Where appropriate, the group manages its foreign currency exposures using derivative financial instruments.

The group manages its transactional exposures to foreign currency risks through the use of forward exchange contracts. Forward exchange contracts are typically used to hedge highly probable transactions which can be forecast to occur from anything between one and 18 months into the future.

The group's translational exposures to foreign currency risks can relate both to the statement of income and net assets of overseas subsidiaries. The group's policy is not to hedge the translational exposure that arises on consolidation of the statement of income 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 20.

2. Financial risk management continued

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.

Currently, the majority of the group's borrowings attract fixed rates of interest payments and therefore the group's principal interest rate risk is a price risk. Quantitative analysis of interest rate risk is included in Note 20.

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 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 2009 are set out in Note 19.

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, trade and other receivables.

The group's credit risk is primarily attributable to its trade receivables. The amounts recognised in the balance sheet are net of appropriate allowances for doubtful receivables, estimated by the group's management based on prior experience and their assessment of the current economic environment. Trade receivables are subject to credit limits, and control and approval procedures in the operating companies. Due to its large geographic base and number of customers, the group is not exposed to material concentrations of credit risk on its trade receivables. Quantitative analysis of credit risk to receivables is included in Note 17.

Credit risk associated with cash balances and derivative financial instruments is managed centrally by transacting with an existing relationship bank with strong investment grade rating. 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, in the group balance sheet (see Note 20).

Capital management
The Board considers equity shareholders' funds together with committed debt facilities as capital for the purposes of funding the group's operations. Total managed capital at 31 December 2009 was:

	2009 £m	2008 £m
Equity shareholders' funds (page 54)	**430.9**	443.2
Committed debt facilities	**281.4**	256.9
	712.3	700.1

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 future development of the business. The Board of Directors monitors both the demographic 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 a Save As You Earn option scheme in the UK, as well as Performance Share Plans. Full details of these schemes are given in the Share-based payments Note (Note 25) of these accounts.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings, the advantages and security afforded by a sound capital position, and the benefits of a good credit rating.

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.

There were no changes to the group's approach to capital management during the year.

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

3. Adjusted performance measures

Spectris uses adjusted figures as key performance measures in addition to those reported under adopted IFRS. Adjusted figures exclude certain non-operational items which, consistent with prior years, for 2009 management has defined as amortisation and impairment of acquisition-related intangible assets, profits or losses on the termination or disposal of businesses, unrealised changes in the fair value of financial instruments, gains or losses on retranslation of short-term inter-company loan balances, related tax effects and other tax items which do not form part of the underlying tax rate. In view of the changes to IFRS 3, applicable for 2010 onwards, the definition of non-operational items will be changed for 2010 to include costs of acquisition and deferred and contingent fair value adjustments which, management has concluded, are non-operational in nature. This change, when applied, will have no impact on 2009 or prior year reported adjusted earnings.

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

Adjusted operating profit	Note	**2009 £m**	2008 £m
Operating profit as reported under adopted IFRS		**68.5**	113.7
Amortisation of acquisition-related intangible assets	14	**10.7**	4.6
Adjusted operating profit		**79.2**	118.3
Restructuring and post-acquisition integration charges		**14.0**	1.2
Adjusted operating profit before restructuring and post-acquisition integration charges		**93.2**	119.5

Adjusted operating profit by reportable segment – 2009	Note	**Materials Analysis £m**	**Test and Measurement £m**	**In-line Instrumentation £m**	**Industrial Controls £m**	**2009 Total £m**
Operating profit as reported under adopted IFRS		**29.6**	**(5.3)**	**40.7**	**3.5**	**68.5**
Amortisation of acquisition-related intangible assets		**2.3**	**6.7**	**0.8**	**0.9**	**10.7**
Adjusted operating profit: segment result under adopted IFRS	4	**31.9**	**1.4**	**41.5**	**4.4**	**79.2**
Restructuring and post-acquisition integration charges		**2.3**	**9.7**	**0.9**	**1.1**	**14.0**
Adjusted operating profit before restructuring and post-acquisition integration charges		**34.2**	**11.1**	**42.4**	**5.5**	**93.2**

Adjusted operating profit by reportable segment – 2008	Note	Materials Analysis £m	Test and Measurement £m	In-line Instrumentation £m	Industrial Controls £m	2008 Total £m
Operating profit as reported under adopted IFRS		34.9	28.6	42.0	8.2	113.7
Amortisation of acquisition-related intangible assets		2.6	1.1	0.7	0.2	4.6
Adjusted operating profit: segment result under adopted IFRS	4	37.5	29.7	42.7	8.4	118.3
Restructuring and post-acquisition integration charges		0.3	0.9	(0.1)	0.1	1.2
Adjusted operating profit before restructuring and post-acquisition integration charges		37.8	30.6	42.6	8.5	119.5

Return on sales by reportable segment – 2009	**Materials Analysis**	**Test and Measurement**	**In-line Instrumentation**	**Industrial Controls**	**2009 Total**
As reported under IFRS	**11.9%**	**(2.0%)**	**17.9%**	**7.8%**	**8.7%**
Adjusted before restructuring	**13.8%**	**4.2%**	**18.6%**	**12.3%**	**11.8%**
Adjusted after restructuring	**12.9%**	**0.5%**	**18.2%**	**9.9%**	**10.1%**

Return on sales by reportable segment – 2008	Materials Analysis	Test and Measurement	In-line Instrumentation	Industrial Controls	2008 Total
As reported under IFRS	13.8%	11.2%	18.0%	17.9%	14.4%
Adjusted before restructuring	14.9%	12.0%	18.3%	18.6%	15.2%
Adjusted after restructuring	14.8%	11.7%	18.3%	18.4%	15.0%

3. Adjusted performance measures continued

Reconciliation of adjusted operating profit	Note	2009 £m	2008 £m
Profit before tax as reported under adopted IFRS		**54.2**	106.1
Amortisation of acquisition-related intangible assets	14	**10.7**	4.6
Net (gains)/losses on retranslation of short-term inter-company loan balances	9	**(0.1)**	0.6
Profit on disposal of businesses	26	**(0.1)**	(0.3)
Decrease/(increase) in fair value of cross-currency interest rate swaps	20	**3.5**	(0.9)
Adjusted profit before tax		**68.2**	110.1
Adjusted net interest (see below)		**11.0**	8.2
Adjusted operating profit		**79.2**	118.3

Adjusted net interest	2009 £m	2008 £m
Net interest costs as reported under adopted IFRS	**(14.4)**	(7.9)
Decrease/(increase) in fair value of cross-currency interest rate swaps	**3.5**	(0.9)
Net (gains)/losses on retranslation of short-term inter-company loan balances	**(0.1)**	0.6
Adjusted net interest costs	**(11.0)**	(8.2)

Operating cash flow	2009 £m	2008 £m
Net cash from operating activities under adopted IFRS	**101.5**	99.1
Corporation tax paid	**16.7**	24.0
Purchase of property, plant and equipment	**(14.2)**	(21.9)
Proceeds from sale of property, plant and equipment	**1.5**	0.9
Operating cash flow for management purposes	**105.5**	102.1

Adjusted earnings per share	Note	2009 £m	2008 £m
Profit after tax as reported under adopted IFRS		**42.6**	81.1
Adjusted for:			
Amortisation of acquisition-related intangible assets	14	**10.7**	4.6
Profit on disposal of businesses	26	**(0.1)**	(0.3)
Decrease/(increase) in fair value of cross-currency interest rate swaps	20	**3.5**	(0.9)
Net (gains)/losses on retranslation of short-term inter-company loan balances	9	**(0.1)**	0.6
Tax effect of the above	10	**(4.2)**	(1.1)
Adjusted profit after tax (£m)		**52.4**	84.0
Weighted average number of shares outstanding (millions)	12	**115.4**	115.4
Adjusted earnings per share (pence)		**45.4**	72.8

Adjusted diluted earnings per share	Note	2009	2008
Adjusted profit after tax (£m)		**52.4**	84.0
Diluted weighted average number of shares outstanding (millions)	12	**115.8**	116.2
Adjusted diluted earnings per share (pence)		**45.2**	72.2

Basic and diluted earnings per share in accordance with IAS 33 are disclosed in Note 12.

Analysis of net debt for management purposes	Note	2009 £m	2008 £m
Bank overdrafts		**3.1**	9.6
Bank loans – secured		**2.4**	3.1
Bank loans – unsecured		**6.2**	50.0
Unsecured loan notes		**130.5**	145.9
Cross-currency interest rate swaps – currency portion	20	**18.5**	17.9
Total borrowings		**160.7**	226.5
Cash balances	18	**(36.8)**	(64.4)
Net debt		**123.9**	162.1

4. Operating segments

The group has four reportable segments, as described below, which are the group's strategic business units. These units offer different applications, assist companies at various stages of the production cycle and are focused towards specific industries. These segments reflect the internal reporting provided to the Chief Operating Decision Maker (considered to be the Board) on a regular basis and are the level at which performance is monitored and resources allocated. The following summary describes the operations in each of the group's reportable segments:

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

Further details of the nature of these segments and the products and services they provide are contained in the Business Review on pages 6 to 33.

	Segment revenue		Inter-segment revenue		External customer revenue		Reportable segment profit before income tax	
Information about reportable segments	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Materials Analysis	**248.6**	253.5	**(0.5)**	(0.3)	**248.1**	253.2	**31.9**	37.5
Test and Measurement	**267.8**	255.8	**(0.7)**	(0.9)	**267.1**	254.9	**1.4**	29.7
In-line Instrumentation	**227.6**	233.9	**(0.1)**	(0.6)	**227.5**	233.3	**41.5**	42.7
Industrial Controls	**45.0**	45.9	**(0.4)**	(0.2)	**44.6**	45.7	**4.4**	8.4
Eliminate inter-segment sales	**(1.7)**	(2.0)	**1.7**	2.0	**–**	–	**–**	–
Total continuing operations	**787.3**	787.1	**–**	–	**787.3**	787.1	**79.2**	118.3
Amortisation of acquisition-related intangibles							**(10.7)**	(4.6)
Operating profit							**68.5**	113.7
Profit on disposal of businesses*							**0.1**	0.3
Financial income*							**5.9**	7.8
Finance costs*							**(20.3)**	(15.7)
Profit before tax							**54.2**	106.1
Tax*							**(11.6)**	(25.0)
Profit after tax							**42.6**	81.1

Reportable segment profit is consistent with that presented to the Chief Operating Decision Maker. Inter-segment pricing is on an arm's length basis. Segments are presented on the basis of actual inter-segment charges made. As noted in Note 26, profit on disposal of businesses of £0.1m (2008: £0.3m) relates to the In-line Instrumentation segment.

* Not allocated to reportable segments in reporting to the Chief Operating Decision Maker.

	Carrying amount of segment assets		Carrying amount of segment liabilities**	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Materials Analysis	**221.9**	253.1	**(67.5)**	(89.7)
Test and Measurement	**337.5**	354.0	**(78.0)**	(87.9)
In-line Instrumentation	**193.9**	232.2	**(35.0)**	(46.7)
Industrial Controls	**17.6**	21.8	**(4.8)**	(6.8)
Total segment assets and liabilities	**770.9**	861.1	**(185.3)**	(231.1)
Cash and borrowings*	**36.8**	64.4	**(142.2)**	(208.6)
Derivative financial instruments*	**0.9**	–	**(21.1)**	(26.1)
Net pension liability*	**–**	–	**(23.5)**	(8.5)
Taxation*	**34.3**	32.1	**(39.9)**	(40.1)
Consolidated total assets and liabilities	**842.9**	957.6	**(412.0)**	(514.4)

* Not allocated to reportable segments in reporting to the Chief Operating Decision Maker.
** Segment liabilities are presented here on a voluntary basis.

4. Operating segments continued

	Additions to non-current assets		Depreciation and amortisation		Impairment charges	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Materials Analysis	**5.5**	14.3	**5.9**	5.7	**–**	–
Test and Measurement	**41.6**	76.1	**15.2**	7.6	**–**	–
In-line Instrumentation	**4.3**	9.3	**5.0**	4.3	**–**	–
Industrial Controls	**0.7**	5.1	**1.3**	0.5	**–**	–
	52.1	104.8	**27.4**	18.1	**–**	–

Geographical analysis

The group's reportable 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 turnover, other than those noted below.

The following is an analysis of revenue by geographical destination.

	Materials Analysis £m	**Test and Measurement £m**	**In-line Instrumentation £m**	**Industrial Controls £m**	**2009 £m**
UK	**9.3**	**11.9**	**7.5**	**1.5**	**30.2**
Germany	**19.8**	**54.0**	**21.3**	**3.3**	**98.4**
France	**12.1**	**18.7**	**7.5**	**1.1**	**39.4**
Rest of Europe	**50.2**	**56.3**	**44.0**	**3.0**	**153.5**
USA	**43.1**	**38.9**	**53.2**	**27.8**	**163.0**
Rest of North America	**6.6**	**3.8**	**5.8**	**2.1**	**18.3**
Japan	**11.8**	**16.9**	**21.6**	**0.5**	**50.8**
China	**32.6**	**23.3**	**30.4**	**1.5**	**87.8**
Rest of Asia Pacific	**36.0**	**28.0**	**22.1**	**3.1**	**89.2**
Rest of the world	**26.6**	**15.3**	**14.1**	**0.7**	**56.7**
	248.1	**267.1**	**227.5**	**44.6**	**787.3**

	Materials Analysis £m	Test and Measurement £m	In-line Instrumentation £m	Industrial Controls £m	2008 £m
UK	11.4	9.7	7.6	1.6	30.3
Germany	19.6	61.5	23.0	3.9	108.0
France	12.7	9.6	1.3	1.2	24.8
Rest of Europe	46.5	67.6	52.1	2.9	169.1
USA	48.4	28.3	55.3	26.1	158.1
Rest of North America	8.5	3.1	6.4	1.9	19.9
Japan	16.4	21.1	22.2	0.4	60.1
China	23.1	15.9	26.5	3.3	68.8
Rest of Asia Pacific	42.2	23.0	21.5	3.6	90.3
Rest of the world	24.4	15.1	17.4	0.8	57.7
	253.2	254.9	233.3	45.7	787.1

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

	Non-current assets	
	2009 £m	2008 £m
UK	**72.6**	72.2
Germany	**29.3**	32.7
France	**0.3**	0.5
Rest of Europe	**266.9**	290.1
USA	**79.4**	84.4
Rest of North America	**11.7**	11.4
Japan	**0.6**	0.5
China	**4.5**	5.8
Rest of Asia Pacific	**32.8**	2.9
Rest of the world	**5.2**	4.8
	503.3	505.3

5. Revenue

An analysis of the group's revenue is as follows:

	2009 £m	2008 £m
Sale of goods	**685.8**	700.6
Services rendered	**101.5**	86.5
Revenue	**787.3**	787.1

No individual customer accounted for more than 2% of external revenue in either 2009 or 2008.

Spectris does not have the necessary information readily available to disclose the revenue from external customers for each product and service, or each group of similar products and services, and the cost to develop this would be excessive.

6. Operating profit

Operating profit has been arrived at after charging:

	2009 £m	2008 £m
Net foreign exchange losses/(gain)	**0.5**	(0.6)
Research and development expenditure	**58.2**	57.0
Depreciation of property, plant and equipment	**14.3**	10.4
Amortisation of intangible assets	**13.1**	7.7
(Gain)/loss on sale of property, plant and equipment	**(0.3)**	0.1

Auditor's remuneration	**2009 £m**	2008 £m
Fees payable to the company's auditor for audit of the group's annual accounts	**0.4**	0.4
Fees payable to the company's auditor and its associates for other services:		
– the audit of the company's subsidiaries, pursuant to legislation	**1.0**	1.0
– tax services	**0.4**	0.2
	1.8	1.6

7. Employee costs

Employee costs, including directors' remuneration, comprise:

	Note	2009 £m	2008 £m
Wages and salaries		**239.2**	211.3
Social security costs		**41.3**	35.3
Defined benefit pension plans: current service cost	8	**1.8**	1.7
Defined benefit pension plans: curtailment gain	8	**(1.8)**	–
Defined benefit pension plans: settlements	8	**0.1**	(0.1)
Defined contribution pension plans	8	**9.4**	7.6
Share-based payment (credit)/charge		**(0.4)**	1.8
		289.6	257.6

Directors' remuneration	2009 £m	2008 £m
Short-term benefits	**1.2**	2.1
Post-employment benefits	**0.2**	0.2
Share-based payment expense	**0.1**	0.5
	1.5	2.8

Further details of directors' remuneration and share options are given in the Directors' Remuneration Report on pages 42 to 49.

Average number of employees	2009 Number	2008 Number
Production and engineering	**2,862**	3,007
Sales and marketing	**2,307**	2,219
Administrative	**595**	491
	5,764	5,717

8. Retirement benefit schemes

Spectris plc operates funded defined benefit 'final salary' and defined contribution pension plans for the group's qualifying employees in the UK. In addition, nine overseas subsidiaries provide defined benefit plans. Other UK and overseas subsidiaries have their own defined contribution plans invested in independent funds.

Defined contribution plans

The total cost of the defined contribution plans for the year ended 31 December 2009 was £9.4m (2008: £7.6m). There were no outstanding or prepaid contributions to these plans as at 31 December 2009 (or at 31 December 2008).

Defined benefit plans

The last full actuarial valuations were carried out as at the following dates:

Plan name	Date of last full actuarial valuation
German:	
Brüel & Kjær GmbH	31 December 2009
Brüel & Kjær Vibro GmbH	31 December 2009
BTG Mütek GmbH	31 December 2009
Spectris GmbH Sensoren und Systeme	31 December 2009
Hottinger Baldwin Messtechnik GmbH	31 December 2009
LDS Test and Measurement GmbH	31 December 2009
PANalytical GmbH	1 April 2006
Dutch:	
LDS Test and Measurement	31 December 2009
Swiss:	
BTG Eclépens SA	31 December 2009
UK:	
Spectris Pension Plan	31 December 2008

The valuations were updated to 31 December 2009 for IAS 19 purposes by qualified independent actuaries.

The total company contributions made to the defined benefit plans during the year ended 31 December 2009 were £4.4m (2008: £5.4m). Contributions for 2010 are expected to be as follows:

Plan name	Expected 2010 contributions (£m)
German:	
Brüel & Kjær GmbH	–
Brüel & Kjær Vibro GmbH	–
BTG Mütek GmbH	–
Spectris GmbH Sensoren und Systeme	–
Hottinger Baldwin Messtechnik GmbH	0.4
LDS Test and Measurement GmbH	–
PANalytical GmbH	–
Dutch:	
LDS Test and Measurement	0.1
Swiss:	
BTG Eclépens SA	0.7
UK:	
Spectris Pension Plan	2.6

The above contribution rates are subject to review at future valuations and periodic certifications of the Schedule of Contributions.

The Spectris Pension Plan was closed to future accrual of benefits with effect from 31 December 2009.

During the year the company bought out the liabilities of the Servomex Inc. Pension Plan in the USA.

The major assumptions used by the actuary to value the liabilities of the defined benefit plans were:

UK plans	**2009 % p.a.**	2008 % p.a.
Discount rate	**5.60**	6.40
Salary increases	**5.10**	4.30
Pension increases in payment:		
RPI max 5% (LPI)*	**3.40**	2.70
RPI max 3%	**2.80**	2.50
RPI max 2.5%	**2.40**	2.30
RPI min 3%, max 5%	**3.80**	3.10
Pension increases in deferment	**3.60**	2.80
Inflation assumption	**3.60**	2.80

* LPI is Limited Price Indexation (Retail Price Indexation of a maximum of 5%).

Mortality rate assumptions:
Pensioner life expectancy assumed in the 31 December 2009 valuation is based on the following table:

Current and future pensioners	PxA0092 tables with medium cohort projections and a +1 year age rating and a 1% p.a. underpin to future improvements

Samples of the age which pensioners are assumed to live to are as follows:

	Males	Females
Pensioner aged 65 in 2009	86.5	88.9
Pensioner aged 65 in 2020	87.6	89.9

German plans	**2009 % p.a.**	2008 % p.a.
Discount rate	**5.20**	6.50
Salary increases	**3.00**	3.00
Pension increases in payment	**2.00**	2.00
Pension increases in deferment	**–**	–
Inflation assumption	**2.00**	2.00

8. Retirement benefit schemes continued

Mortality rate assumptions:
Pensioner life expectancy assumed in the 31 December 2009 valuation is based on the following tables:

Current pensioners and future pensioners	Dr K Heubeck pension tables 2005 G

Samples of the ages which pensioners are assumed to live to are as follows:

	Males	Females
Pensioner aged 60 in 2009	82.7	87.3
Pensioner aged 60 in 2020	84.3	88.8

Dutch plans	**2009 % p.a.**	2008 % p.a.
Discount rate	**5.20**	6.50
Salary increases	**3.00**	3.00
Inflation assumption	**2.00**	2.00

Mortality rate assumptions:
Pensioner life expectancy assumed in the 31 December 2009 valuation is based on the following tables:

Current pensioners and future pensioners	Prognostetafel 2005-2050 tables

Sample ages to which pensioners are expected to live are not available (but this table covers improving life expectancies and is a general standard in the Netherlands).

Swiss plans	**2009 % p.a.**	2008 % p.a.
Discount rate	**2.75**	3.25
Salary increases	**1.00**	–
Inflation assumption	**1.00**	1.50

Mortality rate assumptions:
Pensioner life expectancy assumed in the 31 December 2009 valuation is based on the following tables:

Current pensioners and future pensioners	EVK 2000 tables

Sample ages to which pensioners are expected to live are not available (but this table covers improving life expectancies and is a general standard in Switzerland).

	UK plans		Overseas plans		Total	
Amounts recognised in the statement of income	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Current service cost	**1.0**	1.0	**0.8**	0.7	**1.8**	1.7
Interest cost	**4.7**	4.7	**1.0**	0.6	**5.7**	5.3
Expected return on scheme assets	**(4.9)**	(5.1)	**(0.5)**	(0.2)	**(5.4)**	(5.3)
Curtailment gain	**(1.8)**	–	**–**	–	**(1.8)**	–
Settlement credit – B&K Instruments, Inc, Retirement Plan	**–**	–	**–**	(0.1)	**–**	(0.1)
Settlement charge – Servomex Inc. Retirement Plan	**–**	–	**0.1**	–	**0.1**	–
	(1.0)	0.6	**1.4**	1.0	**0.4**	1.6

On materiality grounds, the current service cost is recognised solely in administrative expenses in the statement of income. The interest cost and expected return on scheme assets are recognised in finance costs and financial income, respectively, in the statement of income. Actuarial losses or gains are recognised in the statement of comprehensive income.

During the year, insurance premiums for death-in-service benefits were paid amounting to £0.2m (2008: £0.2m).

The actual return on scheme assets in the period (and reimbursed rights) was a gain of £8.7m (2008: £2.7m loss).

Amounts recognised in the statement of comprehensive income	UK plans		Overseas plans		Total	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Actuarial (losses)/gains recognised in the current period	**(17.1)**	2.1	**(2.6)**	0.2	**(19.7)**	2.3
Exchange difference gains in the current period	**–**	–	**0.7**	–	**0.7**	–
(Loss) on inclusion of Swiss plan	**–**	–	**–**	(0.5)	**–**	(0.5)
Total (losses)/gains recognised in the current period	**(17.1)**	2.1	**(1.9)**	(0.3)	**(19.0)**	1.8
Cumulative actuarial (losses) since 1 January 2004	**(37.3)**	(20.2)	**(3.0)**	(1.1)	**(40.3)**	(21.3)

Amounts recognised in the balance sheet	UK plans		Overseas plans		Total	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Present value of defined benefit obligations	**(96.4)**	(75.4)	**(20.9)**	(23.1)	**(117.3)**	(98.5)
Fair value of scheme assets	**82.1**	74.7	**11.7**	15.3	**93.8**	90.0
Net deficit in scheme	**(14.3)**	(0.7)	**(9.2)**	(7.8)	**(23.5)**	(8.5)

Reconciliation of movement in net deficit	UK plans		Overseas plans		Total	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
At 1 January	**(0.7)**	(4.8)	**(7.8)**	(6.3)	**(8.5)**	(11.1)
Expected return on plan assets	**4.9**	5.1	**0.5**	0.2	**5.4**	5.3
Contributions from sponsoring company	**2.5**	2.6	**1.9**	2.8	**4.4**	5.4
Current service cost	**(1.0)**	(1.0)	**(0.8)**	(0.7)	**(1.8)**	(1.7)
Interest cost	**(4.7)**	(4.7)	**(1.0)**	(0.6)	**(5.7)**	(5.3)
Actuarial (losses)/gains	**(17.1)**	2.1	**(2.6)**	0.2	**(19.7)**	2.3
Curtailment gain	**1.8**	–	**–**	–	**1.8**	–
Exchange difference	**–**	–	**0.7**	(1.4)	**0.7**	(1.4)
Settlement of B&K Instruments, Inc, Retirement Plan	**–**	–	**–**	0.1	**–**	0.1
Settlement of Servomex Inc. Pension Plan	**–**	–	**(0.1)**	–	**(0.1)**	–
Acquisition (LDS Test and Measurement)	**–**	–	**–**	(1.6)	**–**	(1.6)
Inclusion of Swiss plan	**–**	–	**–**	(0.5)	**–**	(0.5)
At 31 December	**(14.3)**	(0.7)	**(9.2)**	(7.8)	**(23.5)**	(8.5)

Analysis of movement in the present value of the defined benefit obligation	UK plans		Overseas plans		Total	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
At 1 January	**75.4**	83.2	**23.1**	10.5	**98.5**	93.7
Current service cost	**1.0**	1.0	**0.8**	0.7	**1.8**	1.7
Interest cost	**4.7**	4.7	**1.0**	0.6	**5.7**	5.3
Actuarial losses/(gains)	**21.3**	(9.8)	**1.7**	(0.5)	**23.0**	(10.3)
Curtailment gain (UK)	**(1.8)**	–	**–**	–	**(1.8)**	–
Exchange difference	**–**	–	**(1.7)**	2.3	**(1.7)**	2.3
Contributions from scheme members	**0.3**	0.3	**0.6**	–	**0.9**	0.3
Benefits paid	**(4.5)**	(4.0)	**(2.5)**	(0.9)	**(7.0)**	(4.9)
Settlement of B&K Instruments, Inc, Retirement Plan	**–**	–	**–**	(3.5)	**–**	(3.5)
Settlement of Servomex Inc. Pension Plan	**–**	–	**(1.6)**	–	**(1.6)**	–
Settlement of Swiss plan	**–**	–	**(0.5)**	–	**(0.5)**	–
Acquisition (LDS Test and Measurement)	**–**	–	**–**	2.4	**–**	2.4
Inclusion of Swiss plan	**–**	–	**–**	11.5	**–**	11.5
At 31 December	**96.4**	75.4	**20.9**	23.1	**117.3**	98.5

Analysis of defined benefit obligation	UK plans		Overseas plans		Total	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Present value of unfunded defined benefit obligation	**–**	–	**6.7**	6.5	**6.7**	6.5
Present value of funded defined benefit obligation	**96.4**	75.4	**14.2**	16.6	**110.6**	92.0

8. Retirement benefit schemes continued

Reconciliation of movement in fair value of plan assets	UK plans 2009 £m	UK plans 2008 £m	Overseas plans 2009 £m	Overseas plans 2008 £m	Total 2009 £m	Total 2008 £m
At 1 January	**74.7**	78.4	**15.3**	4.2	**90.0**	82.6
Expected return on plan assets	**4.9**	5.1	**0.5**	0.2	**5.4**	5.3
Actuarial gains/(losses)	**4.2**	(7.7)	**(0.9)**	(0.3)	**3.3**	(8.0)
Exchange difference	**–**	–	**(1.0)**	0.9	**(1.0)**	0.9
Contributions from sponsoring company	**2.5**	2.6	**1.9**	2.8	**4.4**	5.4
Contributions from scheme members	**0.3**	0.3	**0.6**	–	**0.9**	0.3
Benefits paid	**(4.5)**	(4.0)	**(2.5)**	(0.9)	**(7.0)**	(4.9)
Settlement of B&K Instruments, Inc, Retirement Plan	**–**	–	**–**	(3.4)	**–**	(3.4)
Settlement of Servomex Inc. Pension Plan	**–**	–	**(1.7)**	–	**(1.7)**	–
Settlement of Swiss plan	**–**	–	**(0.5)**	–	**(0.5)**	–
Acquisition (LDS Test and Measurement)	**–**	–	**–**	0.8	**–**	0.8
Inclusion of Swiss plan	**–**	–	**–**	11.0	**–**	11.0
At 31 December	**82.1**	74.7	**11.7**	15.3	**93.8**	90.0

Analysis of the scheme assets and expected rate of return

UK plans	Expected return 2009 %	Expected return 2008 %	Fair value of assets 2009 £m	Fair value of assets 2008 £m
Equity instruments	**7.5**	8.3	**21.1**	27.1
Debt instruments	**6.1**	6.2	**64.0**	34.9
Other assets	**4.8**	4.3	**(3.0)**	12.7
	6.5	6.6	**82.1**	74.7

German plans	Expected return 2009 %	Expected return 2008 %	Fair value of assets 2009 £m	Fair value of assets 2008 £m
Insurance policies	**5.2**	6.5	**1.5**	1.6

Dutch plans	Expected return 2009 %	Expected return 2008 %	Fair value of assets 2009 £m	Fair value of assets 2008 £m
Insurance policies	**5.2**	6.5	**0.9**	0.8

Swiss plans	Expected return 2009 %	Expected return 2008 %	Fair value of assets 2009 £m	Fair value of assets 2008 £m
Insurance policies	**2.0**	2.8	**9.3**	11.0

The overall expected return on assets is calculated as the weighted average of the expected return on each individual asset class. The expected return on equities is the sum of inflation, dividend yield and economic growth, less investment expenses. The return on gilts and bonds is the current market yield on long-term gilts and bonds. The expected return on other assets reflects market conditions for interest rate swaps.

History of experience adjustments	2009 £m	2008 £m	2007** £m	2006 £m	2005* £m
Present value of defined benefit obligations	**(117.3)**	(98.5)	(93.7)	(96.7)	(91.8)
Fair value of scheme assets	**93.8**	90.0	82.6	77.9	69.2
Deficit in the scheme	**(23.5)**	(8.5)	(11.1)	(18.8)	(22.6)
Experience adjustment on scheme liabilities: Amount (£m)	**(23.0)**	10.0	4.8	1.3	(10.2)
Percentage of scheme liabilities (%)	**(19.6)**	10.2	5.1	1.3	(11.1)
Experience adjustment on scheme assets: Amount (£m)	**3.3**	(8.0)	1.1	2.4	6.1
Percentage of scheme assets (%)	**3.5**	(9.0)	1.3	3.1	8.8

* The history of experience for 2005 and earlier excludes the US plans that were not previously disclosed due to materiality.

** The history of experience for 2007 and earlier excludes the German and Dutch LDS Test and Measurement plans as they were new acquisitions in 2008. It also excludes the Swiss plan that had not previously been treated as a defined benefit arrangement.

9. Finance costs and financial income

Financial income	Note	2009 £m	2008 £m
Bank interest receivable		**0.4**	1.6
Increase in fair value of cross-currency interest rate swaps	20	**–**	0.9
Net gains on retranslation of short-term inter-company loan balances		**0.1**	–
Expected return on pension scheme assets		**5.4**	5.3
		5.9	7.8

Finance costs	Note	2009 £m	2008 £m
Interest payable on bank loans and overdrafts		**10.9**	9.7
Interest payable on other loans		**0.2**	0.1
Total interest payable		**11.1**	9.8
Decrease in fair value of cross-currency interest rate swaps	20	**3.5**	–
Net losses on retranslation of short-term inter-company loan balances		**–**	0.6
Interest cost on pension scheme liabilities		**5.7**	5.3
		20.3	15.7

Net interest costs of £10.7m (2008: £8.2m) for the purposes of the calculation of interest cover comprise of bank interest receivable of £0.4m (2008: £1.6m), and interest payable on bank and other loans and overdrafts of £11.1m (2008: £9.8m).

10. Taxation

	UK £m	Overseas £m	2009 Total £m	UK £m	Overseas £m	2008 Total £m
Current tax charge	**3.1**	**9.1**	**12.2**	1.0	24.2	25.2
Adjustments in respect of current tax of prior years	**0.5**	**(0.8)**	**(0.3)**	(0.1)	(0.9)	(1.0)
Deferred tax – origination and reversal of temporary differences	**(1.0)**	**0.7**	**(0.3)**	(2.4)	3.2	0.8
	2.6	**9.0**	**11.6**	(1.5)	26.5	25.0

The standard rate of corporation tax for the year, based on the weighted average of tax rates applied to the group's profits, is 25.1% (2008: 29.7%). The tax charge for the year is lower than the standard rate of corporation tax for the reasons set out in the following reconciliation:

	2009 £m	2008 £m
Profit before taxation	**54.2**	106.1
Corporation tax at standard rate of 25.1% (2008: 29.7%)	**13.6**	31.5
Non-taxable income and gains	**(3.4)**	(3.1)
Non-deductible expenditure	**0.9**	1.1
Movements on unrecognised deferred tax assets	**0.3**	(0.1)
Other current year tax items	**(0.2)**	0.3
Change in tax rates	**0.1**	(0.1)
Revision of recognition of opening deferred tax assets	**–**	(3.0)
Other adjustments to prior year current and deferred tax charges	**0.3**	(1.6)
Total taxation	**11.6**	25.0

	2009 £m	2008 £m
Aggregate current and deferred tax charge relating to items that are charged directly to the statement of comprehensive income	**5.0**	3.0

10. Taxation continued

The following tax charges 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	2009 £m	2008 £m
Tax (credit)/charge on unrealised change in fair value of cross-currency interest rate swaps	**(1.0)**	0.3
Tax credit on amortisation of intangible assets and goodwill impairment charge	**(3.2)**	(1.4)
Tax charge on disposal of businesses	**–**	0.1
Tax credit on retranslation of short-term inter-company loan balances	**–**	(0.1)
Total tax credit	**(4.2)**	(1.1)

The effective adjusted tax rate for the period was 23.2% (2008: 23.7%) as set out in the reconciliation below.

Reconciliation of total tax charge on adopted IFRS basis to adjusted tax charge	2009 £m	2008 £m
Total tax charge on adopted IFRS basis	**11.6**	25.0
Tax charge on items of income and expense that are excluded from the group's adjusted profit before tax	**4.2**	1.1
Adjusted tax charge	**15.8**	26.1
Adjusted profit before tax	**68.2**	110.1

11. Dividends

Amounts recognised and paid as distributions to owners of the company in the year	2009 £m	2008 £m
Final dividend for the year ended 31 December 2008 of 17.0p (2007: 15.25p) per share	**19.6**	17.6
Interim dividend for the year ended 31 December 2009 of 6.4p (2008: 6.4p) per share	**7.4**	7.4
	27.0	25.0

Amounts arising in respect of the year	2009 £m	2008 £m
Interim dividend for the year ended 31 December 2009 of 6.4p (2008: 6.4p) per share	**7.4**	7.4
Proposed final dividend for the year ended 31 December 2009 of 17.85p (2008: 17.0p) per share	**20.6**	19.6
	28.0	27.0

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

12. 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.

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 share option contracts are described in Note 25.

Basic earnings per share	2009	2008
Profit after tax (£m)	**42.6**	81.1
Weighted average number of shares outstanding (millions)	**115.4**	115.4
Basic earnings per share (pence)	**36.9**	70.3

Diluted earnings per share	2009	2008
Profit after tax (£m)	**42.6**	81.1
Basic weighted average number of shares outstanding (millions)	**115.4**	115.4
Weighted average number of dilutive 5p ordinary shares under option (millions)	**0.6**	1.2
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)**	(0.4)
Diluted weighted average number of shares outstanding (millions)	**115.8**	116.2
Diluted earnings per share (pence)	**36.8**	69.8

13. Goodwill

Cost	Note	£m
At 1 January 2008		255.9
Recognised on acquisitions		54.1
Exchange differences		74.1
At 31 December 2008		384.1
Recognised on acquisitions	29	16.3
Adjustments to provisional fair values:		
Recognition of acquired intangible assets	14, 29	(24.4)
Other fair value adjustments	29	6.7
Exchange differences		(19.2)
At 31 December 2009		**363.5**

Accumulated amortisation and impairment losses	£m
At 1 January 2008	32.8
Exchange differences	8.7
At 31 December 2008	41.5
Exchange differences	(2.8)
At 31 December 2009	**38.7**

Carrying amount	£m
At 31 December 2009	**324.8**
At 31 December 2008	342.6
At 1 January 2008	223.1

In accordance with the requirements of IAS 36 *Impairment of Assets*, goodwill is allocated to the group's cash-generating units which are represented by the group's trading businesses. The most significant elements of the group's total consolidated goodwill of £324.8m at 31 December 2009 are allocated to PANalytical: £99.3m (2008: £105.9m), BTG: £54.9m (2008: £63.8m), HBM: £74.7m (2008: £71.9m) and Brüel & Kjær Sound & Vibration: £59.4m (2008: £62.2m). Acquired entities are quickly integrated into existing group companies with the result that it is not appropriate to consider their individual performance when determining cash-generating units and performing goodwill impairment testing. Each cash-generating unit is assessed for impairment annually and whenever there is a specific indication of impairment. There have been no indications of impairment in 2009 as despite reduced trading performances in 2009 there are no indicators of permanent diminutions in business performance at the operating company level.

As part of the annual impairment test review, the carrying value of goodwill has been assessed with reference to value in use to perpetuity reflecting the projected cash flows of each cash-generating unit based on actual operating results, the most recent budget for the next financial year, and strategic review projections for 2011 and 2012.

The key assumptions on which the value in use calculations are based relate to business performance over the next three years, long-term growth rates beyond 2012 and the discount rates applied. There are no individually significant business level cash flow assumptions in respect of any business that materially impact the impairment testing although the speed of global market recoveries is an assumption that is embedded, at different rates reflecting individual business circumstances, within the assumed business performance of each business over the next three years. Growth rates for the period beyond 2012 are assumed to be 2.5% which is considered to be at or below long-term market trends for each business. The cash flow projections have been discounted using entity-specific pre-tax discount rates between 14% and 18% (2008: 13%). These rates have been determined taking size of business and specific geographic and industry risk factors into account. No impairment charge has been required to be recognised in either 2009 or 2008.

13. Goodwill continued

The directors do not consider that there are any reasonable possible sensitivities that could arise in the next 12 months that could result in a significant impairment charge arising. For illustration, the directors have considered the following specific individual sensitivities:

- a 2% increase in the pre-tax discount rate applied to each business would result in an impairment of £nil (2008: £6.0m impairment);
- if the long-term growth rate assumption was reduced to 1% no impairment would arise (2008: £nil); and
- if the cash flow projections of all businesses were reduced by 25% for the next two years no impairment would arise (2008: £nil).

The cash flow projections for each business anticipate a market recovery, at differing rates, as global economic conditions improve. Management considers that none of the group's trading businesses have suffered permanent diminutions in value as a result of recent and current difficult economic conditions and that, as a result, this assumption is appropriate. No impairment would arise for any individual business if this recovery period extended until 2015.

The directors have not re-presented the prior year statement of financial position for the finalisation of fair value adjustments as the reclassifications are not considered material to the statement of financial position. For details of these fair value adjustments, refer to Note 29.

14. Other intangible assets

Cost	Patents, trademarks and technology £m	Customer-related intangibles £m	Software £m	Total £m
At 1 January 2008	13.8	7.7	–	21.5
Additions	–	–	1.2	1.2
Recognised on acquisitions	17.4	5.0	2.8	25.2
Transfer from property, plant and equipment	–	–	19.0	19.0
Exchange differences	3.2	2.6	4.3	10.1
At 31 December 2008	34.4	15.3	27.3	77.0
Additions	–	–	2.4	2.4
Reclassification of intangibles	2.6	–	(2.6)	–
Recognised on acquisitions	5.3	8.6	–	13.9
Disposals	–	–	(0.1)	(0.1)
Transfer from goodwill	13.8	10.6	–	24.4
Transfer from property, plant and equipment	–	–	3.1	3.1
Exchange differences	(2.4)	0.6	(2.0)	(3.8)
At 31 December 2009	**53.7**	**35.1**	**28.1**	**116.9**
Accumulated amortisation and impairment losses				
At 1 January 2008	6.8	2.5	–	9.3
Transfer from property, plant and equipment	–	–	11.4	11.4
Charge for the year	2.0	2.6	3.1	7.7
Exchange differences	1.0	0.7	3.0	4.7
At 31 December 2008	9.8	5.8	17.5	33.1
Transfer from property, plant and equipment	–	–	2.7	2.7
Charge for the year	6.7	4.0	2.4	13.1
Exchange differences	(0.3)	(0.5)	(1.5)	(2.3)
At 31 December 2009	**16.2**	**9.3**	**21.1**	**46.6**
Carrying amount				
At 31 December 2009	**37.5**	**25.8**	**7.0**	**70.3**
At 31 December 2008	24.6	9.5	9.8	43.9
At 1 January 2008	7.0	5.2	–	12.2

Of the total amortisation charge of £13.1m (2008: £7.7m), the amount attributable to the amortisation of acquisition-related intangible assets was £10.7m (2008: £4.6m).

The transfers from property, plant and equipment to software relate to identifiable software assets.

The transfer from goodwill to intangibles and the reclassification within intangibles relates to the finalisation of the allocation of goodwill and intangibles for the 2008 acquisitions (Note 29).

15. Property, plant and equipment

Cost	Freehold property £m	Leasehold property £m	Plant and equipment £m	Total £m
At 1 January 2008	75.0	7.8	125.5	208.3
Additions	5.9	0.3	14.6	20.8
Recognised on acquisitions	–	1.6	1.9	3.5
Disposals	(2.7)	(0.8)	(10.1)	(13.6)
Transfers to intangible assets	–	–	(19.0)	(19.0)
Exchange differences	23.8	2.2	36.0	62.0
At 31 December 2008	102.0	11.1	148.9	262.0
Additions	1.6	0.9	9.3	11.8
Recognised on acquisitions	–	–	1.0	1.0
Disposals	(0.3)	(1.3)	(8.6)	(10.2)
Disposal of subsidiary undertakings	–	–	(0.1)	(0.1)
Transfers to intangible fixed assets	–	–	(3.1)	(3.1)
Exchange differences	(7.4)	(0.6)	(11.3)	(19.3)
At 31 December 2009	**95.9**	**10.1**	**136.1**	**242.1**
Accumulated depreciation and impairment				
At 1 January 2008	22.6	6.0	92.0	120.6
Charge for the year	2.0	0.6	7.8	10.4
Disposals	(2.5)	(0.6)	(9.5)	(12.6)
Transfers to intangible assets	–	–	(11.4)	(11.4)
Exchange differences	9.2	1.7	25.9	36.8
At 31 December 2008	31.3	7.7	104.8	143.8
Charge for the year	2.6	0.8	10.9	14.3
Disposals	(0.2)	(1.2)	(7.8)	(9.2)
Disposal of subsidiary undertakings	–	–	(0.1)	(0.1)
Transfers to intangible fixed assets	–	–	(2.7)	(2.7)
Exchange differences	(3.1)	(0.6)	(7.9)	(11.6)
At 31 December 2009	**30.6**	**6.7**	**97.2**	**134.5**
Carrying amount				
At 31 December 2009	**65.3**	**3.4**	**38.9**	**107.6**
At 31 December 2008	70.7	3.4	44.1	118.2
At 1 January 2008	52.4	1.8	33.5	87.7

The amount recognised in the carrying amount of items of plant and equipment in the course of its construction was £1.0m (2008: £1.6m).

The group has pledged land and buildings having a carrying amount of approximately £2.4m (2008: £3.1m) to secure bank loans granted to the group.

16. Inventories

	2009 £m	2008 £m
Raw materials	**37.7**	56.0
Work in progress	**19.1**	29.7
Finished goods	**43.0**	62.3
	99.8	148.0

In the ordinary course of business, the group makes provision for slow-moving, excess and obsolete inventory as appropriate.

Inventory is stated after charging impairments of £4.1m (2008: £4.6m), and crediting reversals of previous impairments of £2.8m (2008: £1.9m). Impairments and reversals of impairments are included within operating profit.

Inventory carried at fair value less cost to sell is £nil (2008: £6.5m).

The amount of inventory recognised as an expense during both the current and prior year is equal to the amount recognised within the cost of sales.

17. Trade and other receivables

	2009 £m	2008 £m
Trade receivables	**144.6**	180.2
Prepayments and accrued income	**9.3**	11.2
Other receivables	**13.9**	16.4
	167.8	207.8

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. Included within the above are amounts receivable in more than one year of £nil (2008: £0.1m). Trade receivables and other receivables are stated after recognising impairments during the year of £2.2m (2008: £1.0m) and reversals of impairments of £1.0m (2008: £0.8m). Impairments and reversals of impairments are included within operating profit.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2009 £m	2008 £m
UK	**8.3**	7.9
Germany	**13.5**	17.9
France	**9.2**	16.4
Rest of Europe	**36.0**	42.0
USA	**28.3**	30.7
Rest of North America	**2.8**	4.5
Japan	**12.6**	23.3
China	**8.0**	7.9
Rest of Asia Pacific	**17.8**	19.9
Rest of the world	**8.1**	9.7
	144.6	180.2

Impairment losses

The ageing of trade receivables at the reporting date was:

	2009		2008	
	Gross £m	Impairment £m	Gross £m	Impairment £m
Not past due	**110.0**	**0.3**	135.9	–
One month past due	**23.7**	**0.2**	29.0	0.2
Two months past due	**5.6**	**0.2**	6.8	0.1
Three months past due	**2.8**	**0.3**	5.1	0.7
Over three months past due	**8.3**	**4.8**	8.3	3.9
Total	**150.4**	**5.8**	185.1	4.9

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2009 £m	2008 £m
Balance at 1 January	**4.9**	3.7
Impairment loss recognised	**3.2**	1.0
Impairment loss utilised	**(1.0)**	–
Impairment loss released	**(1.0)**	(0.8)
Exchange differences	**(0.3)**	1.0
Balance at 31 December	**5.8**	4.9

An impairment has been recorded against the trade receivables that the group believes may not be recoverable. In the case of trade receivables that are past due, management makes an assessment of the risk of non-collection, taking into account factors such as any disputes or other factors delaying payment and the risk of bankruptcy or other failure of the customer to meet their obligations. For trade receivables that are not past due, taking into account good historic collection experience, management records an impairment charge only where there is a specific risk of non-collection.

The fair value of trade and other receivables approximates to book value due to the short-term maturities associated with these items. There is no impairment risk identified with regards to prepayments and accrued income or other receivables where no amounts are past due.

18. Cash and cash equivalents

Analysis of balances of cash and cash equivalents	Note	2009 £m	2008 £m
Cash balances		**36.8**	64.4
Bank overdrafts	19	**(3.1)**	(9.6)
Cash and cash equivalents in the statement of cash flows		**33.7**	54.8

The group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in Note 20.

19. Borrowings

Current	Effective interest rate	Earlier of repricing date or maturity date	2009 £m	2008 £m
Bank loans – secured	see below	see below	**0.3**	0.4
Bank overdrafts	2.82%	on demand	**3.1**	9.6
Bank loans – unsecured			**–**	25.0
Unsecured loan notes – 2000 $75m	8.23%	13 September 2010	**46.4**	–
			49.8	35.0

19. Borrowings continued

Non-current	Effective interest rate	Earlier of repricing date or maturity date	2009 £m	2008 £m
Bank loans – secured	see below	see below	**2.1**	2.7
Bank loans – unsecured	0.98%	9 October 2011	**6.2**	25.0
Unsecured loan notes – 2000 $75m	8.23%	13 September 2010	**–**	52.2
Unsecured loan notes – 2003 $100m	6.08%	15 October 2013	**61.9**	69.5
Unsecured loan notes – 2003 €25m	5.56%	15 October 2013	**22.2**	24.2
Total unsecured borrowings			**90.3**	170.9
Total non-current borrowings			**92.4**	173.6

At 31 December 2009, the group had available £123.8m (2008: £40.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Secured bank loans
Bank loans are secured by fixed charges over property at three of the group's subsidiaries. Of these £1.6m is denominated in Chinese renminbi and is repayable by instalments until December 2012 with a fixed interest rate of 7.5%, £0.6m is denominated in US dollars and is repayable by instalments until December 2014 with a variable interest rate of LIBOR plus a small margin, and £0.2m is denominated in euros and is repayable by instalments until December 2012 with a variable interest rate of LIBOR plus a small margin.

Unsecured loan notes
The interest rates on the unsecured loan notes are those contracted on the underlying borrowings before taking into account any cross-currency interest rate swaps, and remain fixed until redemption. On issue of the US$100m loan notes in October 2003 the group entered into a cross-currency interest rate swap which has the effect of converting this US dollar borrowing into fixed interest euro-denominated debt. The combined effect of the borrowing and swap arrangement results in euro debt of €90.5m with a fixed interest rate of 5.64%. This interest rate remains fixed until redemption.

Under adopted IFRS, where cross-currency interest rate swaps are used, the value of the underlying US dollar borrowing is presented in this borrowings Note and the value of the related cross-currency interest rate swaps is presented separately within derivative financial instruments in Note 20. For management purposes, the value attributed to the portion of the swap arrangements that converts US dollar borrowings into euro borrowings is viewed as part of the group's net debt, as analysed below.

Analysis of net debt	Note	2009 £m	2008 £m
Bank overdrafts		**3.1**	9.6
Bank loans – secured		**2.4**	3.1
Bank loans – unsecured		**6.2**	50.0
Unsecured loan notes		**130.5**	145.9
Cross-currency interest rate swaps – currency portion	20	**18.5**	17.9
Total borrowings		**160.7**	226.5
Cash balances	18	**(36.8)**	(64.4)
Net debt		**123.9**	162.1

20. Financial instruments

Fair value and carrying amount of financial instruments	2009 Carrying amount £m	2009 Fair value £m	2008 Carrying amount £m	2008 Fair value £m
Trade and other receivables	**167.8**	**167.8**	207.8	207.8
Trade and other payables	**(160.0)**	**(160.0)**	(208.0)	(208.0)
Cash and cash equivalents	**36.8**	**36.8**	64.4	64.4
Floating rate borrowings	**(10.1)**	**(10.1)**	(60.7)	(60.7)
Fixed rate borrowings	**(132.1)**	**(147.9)**	(147.9)	(171.8)
Forward exchange contracts	**0.9**	**0.9**	(9.2)	(9.2)
Cross-currency interest rate swaps	**(21.1)**	**(21.1)**	(16.9)	(16.9)
	(117.8)	**(133.6)**	(170.5)	(194.4)

The fair value of floating rate borrowings approximates to the carrying value 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 and derivative financial instruments 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 outstanding as at 31 December 2009 is an asset of £0.9m (2008: liability of £9.2m) of which £1.0m has been credited to the hedging reserve (2008: debit of £8.1m), £nil debited to the translation reserve (2008: £0.8m debit) and £0.1m debited to the statement of income (2008: £0.1m debit). These contracts mature over periods not exceeding 12 months. A summary of the movements in the hedging reserve during the year is presented below. There was no ineffectiveness arising with regards to cash flow hedges or impact from hedged forecast transactions that did not occur in either 2009 or 2008.

Analysis of movements in hedging reserve	2009 £m	2008 £m
At 1 January	**(8.1)**	0.1
Amounts removed from equity and included in statement of income during the year	**6.6**	(0.1)
Amounts recognised in the statement of changes in equity during the year	**1.0**	(8.1)
At 31 December	**(0.5)**	(8.1)

The fair value of forward exchange contracts is determined using discounted cash flow techniques based on readily available market data and represents a Level 2 measurement in the fair value hierarchy under IFRS 7.

The amount included in the statement of income is split between revenue and administrative expenses.

The following table shows the contractual forward exchange contracts hedging designated transactional exposures. These contracts mature in the next 12 months, therefore the cash flows and resulting effect on profit and loss are expected to occur within the next 12 months.

Forward exchange contracts at 31 December	2009	2008
Foreign currency sale amount (£m)	**59.8**	60.5
Percentage of total:		
US dollar	**32%**	44%
Euro	**43%**	6%
Japanese yen	**25%**	50%

Cross-currency interest rate swaps

The value of the group's cross-currency interest rate swaps can effectively be split into two components: a portion that is attributable to converting a 100m US dollar-denominated borrowing liability into a euro-denominated borrowing liability (the currency portion) – the value of this portion changes as currency exchange rates change and a portion that is attributable to converting fixed rate US dollar interest payments into fixed rate euro interest payments (the interest portion) – the value of this portion of the swap changes as US dollar variable interest rates, euro variable interest rates and foreign currency exchange rates change.

Under adopted IFRS, the underlying US dollar borrowings are required to be presented separately in the balance sheet from the cross-currency interest rate swaps. In addition, the fair value of the cross-currency interest rate swaps is required to be recognised in full on the balance sheet.

The table below shows the movements in the total value of the cross-currency interest rate swaps during the year and also how it is attributed to its currency and interest portions.

Fair value of cross-currency interest rate swaps	Currency portion £m	Interest portion £m	Total value £m
As at 1 January 2008	(16.1)	–	(16.1)
Change in fair value recognised in statement of changes in equity	(1.7)	–	(1.7)
Change in fair value recognised in statement of income	–	0.9	0.9
As at 31 December 2008	(17.8)	0.9	(16.9)
Change in fair value recognised in statement of changes in equity	(0.7)	–	(0.7)
Change in fair value recognised in statement of income	–	(3.5)	(3.5)
As at 31 December 2009	**(18.5)**	**(2.6)**	**(21.1)**

20. Financial instruments continued

Together with the group's €25m borrowing, this combination of the underlying US dollar borrowings and cross-currency interest rate swap has been designated as a net investment hedge of the group's net investment in its European businesses. However, the interest portion of the swap is ineffective in this hedging relationship. Accordingly, the change in value of the currency portion of the swap is recognised together with the change in value of the underlying US dollar borrowings in the statement of changes in equity, and the change in value of the interest portion of the swap is recognised in the statement of income within financing costs. The group's US$75m borrowings have been designated as a net investment hedge of the group's net investment in its US businesses.

The fair value of cross-currency interest rate swaps is determined using discounted cash flow techniques based on readily available market data and represents a Level 2 measurement in the fair value hierarchy under IFRS 7. The principal borrowing amounts match exactly with the related unsecured loan note borrowings as described in Note 19.

Maturity of financial liabilities based on gross cash flows	2009 Bank loans and overdrafts £m	2009 Secured bank loans £m	2009 Unsecured loans £m	2009 Cross-currency swap £m	2009 Total £m	2008 Bank loans and overdrafts £m	2008 Secured bank loans £m	2008 Unsecured loans £m	2008 Cross-currency swap £m	2008 Total £m
Due within one year	**3.1**	**0.3**	**55.3**	**0.8**	**59.5**	9.6	0.5	34.9	0.8	45.8
Due between one and two years	**–**	**0.5**	**11.2**	**0.8**	**12.5**	–	0.4	62.0	0.8	63.2
Due between two and five years	**–**	**1.7**	**94.1**	**20.1**	**115.9**	–	2.2	135.4	20.2	157.8
Due in more than five years	**–**	**–**	**–**	**–**	**–**	–	0.1	–	–	0.1
	3.1	**2.5**	**160.6**	**21.7**	**187.9**	9.6	3.2	232.3	21.8	266.9

Trade and other payables are substantially due within one year.

Interest rate exposure of financial assets and liabilities by currency	Financial assets Fixed rate £m	Financial assets Floating rate £m	Financial assets Non-interest bearing £m	Financial assets Total £m	Financial liabilities Fixed rate £m	Financial liabilities Floating rate £m	Financial liabilities Total £m	2009 Net financial assets/ (liabilities) £m
Sterling	–	12.6	0.2	12.8	–	–	–	**12.8**
Euro	1.6	7.0	0.8	9.4	(102.6)	(0.7)	(103.3)	**(93.9)**
US dollar	–	4.0	0.8	4.8	(46.4)	(7.8)	(54.2)	**(49.4)**
Japanese yen	–	0.8	–	0.8	–	(0.5)	(0.5)	**0.3**
Other	1.3	5.7	2.0	9.0	(1.6)	(1.1)	(2.7)	**6.3**
	2.9	30.1	3.8	36.8	(150.6)	(10.1)	(160.7)	**(123.9)**

Interest rate exposure of financial assets and liabilities by currency	Financial assets Fixed rate £m	Financial assets Floating rate £m	Financial assets Non-interest bearing £m	Financial assets Total £m	Financial liabilities Fixed rate £m	Financial liabilities Floating rate £m	Financial liabilities Total £m	2008 Net financial assets/ (liabilities) £m
Sterling	20.7	2.0	0.2	22.9	–	(51.4)	(51.4)	(28.5)
Euro	0.6	12.0	1.9	14.5	(111.6)	(0.4)	(112.0)	(97.5)
US dollar	0.2	9.3	1.4	10.9	(52.2)	(0.8)	(53.0)	(42.1)
Japanese yen	0.2	0.6	2.1	2.9	–	(3.0)	(3.0)	(0.1)
Other	4.3	5.1	3.8	13.2	(2.0)	(5.1)	(7.1)	6.1
	26.0	29.0	9.4	64.4	(165.8)	(60.7)	(226.5)	(162.1)

Sensitivity analysis

At 31 December 2009 it is estimated that a general increase of one percentage point in interest rates would increase the group's profit before tax by approximately £0.2m (2008: decrease of £0.3m).

Based on foreign exchange translational exposures for the year ended 31 December 2009 it is estimated that a ten percentage point weakening in the value of the US dollar against £ sterling would have decreased the group's profit before tax by approximately £0.6m (2008: £4.3m), a ten percentage point weakening in the value of the euro/Danish krone against £ sterling would have decreased the group's profit before tax by approximately £1.1m (2008: £4.1m), a ten percentage point weakening in the value of the

Japanese yen against £ sterling would have decreased the group's profit before tax by approximately £nil (2008: £1.8m) and a ten percentage point weakening in the value of the Swiss franc against £ sterling would have decreased the group's profit before tax by approximately £1.6m (2008: increase of £1.6m).

These sensitivities have been determined by applying them to the base data supporting the group's consolidated financial statements. No significant assumptions are required in this analysis, which is considered to represent a reasonable approximation of the outcome if such a sensitivity had arisen. The comparative figures were based on estimates of the transactional and translational impacts. The change in approach reflects the availability of more relevant information following internal system changes.

21. Trade and other payables

Current	**2009 £m**	2008 £m
Trade payables	**50.6**	82.8
Non-trade payables, accruals and deferred income	**100.1**	115.1
	150.7	197.9
Non-current		
Non-trade payables, accruals and deferred income	**9.3**	10.1

The fair value of trade and other payables approximates to book value due to the short-term maturities associated with these items.

The effect of discounting on non-current amounts is not material.

22. Provisions

	Reorganisation £m	Product warranty £m	Legal, contractual and other £m	**Total £m**
At 1 January 2009	2.0	8.7	12.4	**23.1**
Additional provisions in the year	7.3	2.6	6.2	**16.1**
Acquired on acquisition	–	–	0.6	**0.6**
Utilised during the year	(2.9)	(2.1)	(1.6)	**(6.6)**
Released during the year	(0.7)	(1.5)	(4.6)	**(6.8)**
Exchange adjustments	(0.3)	(0.5)	(0.3)	**(1.1)**
At 31 December 2009	**5.4**	**7.2**	**12.7**	**25.3**

Provisions are all presented as current liabilities.

Provisions are discounted to reflect the time value of money where the effect is significant, generally only where it is anticipated that a liability will crystallise in more than one year.

Reorganisation
Reorganisation provisions relate to committed restructuring plans in place within the business and represent the directors' best estimate of the cost to complete the restructuring. Costs are expected to be incurred within one year.

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, with the occasional extension up to 36 months. These extended warranties are not significant and the provision represents the directors' best estimate of the group's liability based on past experience.

Legal, contractual and other
Legal, contractual and other comprises mainly amounts reserved against open legal and contractual disputes. The company 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 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 future obligations. Unless specific evidence exists to the contrary, these reserves are shown as current.

22. Provisions continued

However, 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 more likely than not 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 resisted successfully and therefore the possibility of any outflow in settlement in excess of amounts provided is assessed as remote.

23. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the current corporate tax rate in the relevant local jurisdiction.

The movement on the deferred tax account is shown below.

	2009 £m	2008 £m
At 1 January	**(29.0)**	(24.7)
Exchange adjustments	**3.0**	(7.8)
Disposal of businesses	**–**	–
Acquisition of subsidiary undertakings	**7.7**	4.4
Transfer from current taxation	**–**	0.1
Deferred tax on changes in fair value of forward exchange contracts recognised in statement of comprehensive income	**1.8**	(1.7)
Deferred tax on actuarial gains and losses on pension schemes recognised in statement of comprehensive income	**(5.3)**	1.6
Tax on foreign exchange in statement of comprehensive income	**(0.3)**	(1.7)
Charged to statement of income in the year (see Note 10)	**(0.3)**	0.8
At 31 December	**(22.4)**	(29.0)
Comprising:		
Deferred tax liabilities	**3.8**	1.7
Deferred tax assets	**(26.2)**	(30.7)
	(22.4)	(29.0)

The movements in deferred tax assets and liabilities during the period 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	Accelerated tax depreciation £m	Accruals and provisions £m	Tax losses £m	Unrealised profit on inter-company transactions £m	Pension schemes £m	Goodwill and intangible assets £m	Other £m	**2009 Total £m**
At 1 January 2009	(1.2)	(13.1)	(3.1)	(4.2)	(1.1)	(2.1)	(4.2)	**(29.0)**
Exchange adjustments	0.1	1.2	0.4	0.4	0.5	0.3	0.1	**3.0**
Acquisition of subsidiary undertakings	–	–	(1.3)	–	–	9.0	–	**7.7**
Transfer from current taxation	–	–	–	–	–	–	–	**–**
Deferred tax on changes in fair value of forward exchange contracts recognised in equity	–	–	–	–	–	–	1.8	**1.8**
Deferred tax on actuarial gain on pension schemes recognised in statement of comprehensive income	–	–	–	–	(5.3)	–	–	**(5.3)**
Tax on foreign exchange in statement of comprehensive income	–	–	–	–	–	–	(0.3)	**(0.3)**
Charged/(credited) to statement of income	(0.1)	1.3	0.2	0.2	0.7	(1.8)	(0.8)	**(0.3)**
At 31 December 2009	**(1.2)**	**(10.6)**	**(3.8)**	**(3.6)**	**(5.2)**	**5.4**	**(3.4)**	**(22.4)**

Net deferred tax assets	Accelerated tax depreciation £m	Accruals and provisions £m	Tax losses £m	Unrealised profit on inter-company transactions £m	Pension schemes £m	Goodwill and intangible assets £m	Other £m	2008 Total £m
At 1 January 2008	(1.6)	(9.6)	(0.2)	(3.5)	(2.0)	(7.4)	(0.4)	(24.7)
Exchange adjustments	(0.2)	(4.0)	(0.3)	(0.9)	(0.1)	(1.3)	(1.0)	(7.8)
Acquisition of subsidiary undertakings	–	–	–	–	–	4.4	–	4.4
Transfer from current taxation	–	0.1	–	–	–	–	–	0.1
Deferred tax on changes in fair value of forward exchange contracts recognised in equity	–	–	–	–	–	–	(1.7)	(1.7)
Deferred tax on actuarial gain on pension schemes recognised in statement of comprehensive income	–	–	–	–	1.6	–	–	1.6
Tax on foreign exchange in statement of comprehensive income	–	–	–	–	–	–	(1.7)	(1.7)
Charged/(credited) to statement of income	0.6	0.4	(2.6)	0.2	(0.6)	2.2	0.6	0.8
At 31 December 2008	(1.2)	(13.1)	(3.1)	(4.2)	(1.1)	(2.1)	(4.2)	(29.0)

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. There is no associated expiry date in respect of tax losses.

	2009 £m	2008 £m
Tax losses	**23.6**	31.2
Other temporary differences	**6.4**	6.9
	30.0	38.1

No deferred tax liabilities have been provided in respect of the unremitted earnings of the non-UK subsidiaries. The amount of such unremitted earnings is estimated to be a retained profit of £503m (2008: £610m).

24. Share capital and reserves

	2009		2008	
	Number of shares million	**£m**	Number of shares million	£m
Authorised:				
Ordinary shares of 5p each	**210.0**	**10.5**	210.0	10.5
Issued and fully paid:				
At 1 January	**125.0**	**6.2**	125.0	6.2
At 31 December	**125.0**	**6.2**	125.0	6.2

The group has one class of ordinary voting shares which carry no right to fixed income.

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 (see Note 28). The nature and purpose of other reserves forming part of equity is 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.

24. Share capital and reserves continued

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 historical repurchase of the group's own shares.

25. Share-based payments

The Executive Share Option Scheme and Save As You Earn share option schemes were set up in order to provide executives and selected employees with options to purchase ordinary shares in the company. Under the Executive Share Option Scheme, exercise prices are determined according to the mid-market closing share price prevailing on the day before the date of grant. Share options granted under the Executive Share Option Scheme are also subject to performance criteria, being the fulfilment of earnings growth targets. Options vest after a period of three years, and have a maximum term of ten years.

Under the Performance Share Plan, the exercise price is the nominal cost of the company's shares. Awards to Spectris plc executives and senior managers are subject to performance criteria; 50% of the award being based on fulfilment of an earnings growth target (EPS) and 50% subject to a total shareholder return target (TSR). For executives and senior managers of the group's operating companies, the performance criteria is subject to EPS in respect of 50% of the award and operating company targets in respect of 50% of the award. For operating company managers the award is entirely subject to operating company profitability targets. Awards vest after a period of three years and must be exercised during the twelve-month period following vesting.

Under the Save As You Earn scheme, equity shares are issued following a vesting period of three years. Options may be exercised during a six-month period following the vesting date, and exercise prices are determined according to the mid-market closing share price prevailing on the day before the date of grant. There are no performance criteria associated with options granted under the Save As You Earn scheme.

Share options outstanding at the end of the period

SAYE – Year of grant	Exercise price £	Exercise period	**2009 Number thousands**	2008 Number thousands
2005	5.89	2009	**–**	24
2006	6.18	2010	**14**	48
2007	8.37	2011	**31**	40
2008	7.66	2012	**37**	46
2009	7.23	2013	**51**	–
			133	158

Executive Share Option Scheme – Year of grant	Exercise price £	Exercise period	**2009 Number thousands**	2008 Number thousands
1999	3.22–3.96	2002–2009	**–**	16
2000	5.13–5.25	2003–2010	**119**	130
2001	3.58–4.99	2004–2011	**107**	115
2004	4.06–4.62	2007–2014	**7**	12
2005	5.89	2008–2015	**163**	172
			396	445

Performance Share Plan – Year of grant	Exercise price £	Exercise period	2009 Number thousands	2008 Number thousands
2006	0.05	2009–2010	**14**	160
2007	0.05	2010–2011	**434**	463
2008	0.05	2011–2012	**755**	789
2009	0.05	2012–2013	**1,491**	–
			2,694	1,412

Movements in the year

	2009			2008		
SAYE	**Number thousands**	**Weighted average exercise price £**	**Value of shares £m**	Number thousands	Weighted average exercise price £	Value of shares £m
At 1 January	**158**	**7.12**	**1.2**	150	7.33	1.1
Granted	**51**	**7.23**	**0.3**	49	7.66	0.4
Exercised	**(29)**	**6.18**	**(0.2)**	(12)	4.24	(0.1)
Lapsed	**(47)**	**6.72**	**(0.3)**	(29)	7.28	(0.2)
At 31 December	**133**	**7.52**	**1.0**	158	7.12	1.2
Exercisable at 31 December	**16**	**6.18**	**0.10**	24	5.89	0.14

	2009			2008		
Executive Share Option Scheme	**Number thousands**	**Weighted average exercise price £**	**Value of shares £m**	Number thousands	Weighted average exercise price £	Value of shares £m
At 1 January	**445**	**5.11**	**2.3**	578	5.19	3.0
Granted	**–**	**–**	**–**	–	–	–
Exercised	**(42)**	**4.44**	**(0.2)**	(39)	(3.85)	(0.2)
Lapsed	**(7)**	**5.43**	**–**	(94)	(5.82)	(0.5)
At 31 December	**396**	**5.17**	**2.1**	445	5.11	2.3
Exercisable at 31 December	**396**	**5.17**	**2.1**	445	5.11	2.3

	2009			2008		
Performance Share Plan	**Number thousands**	**Weighted average exercise price £**	**Value of shares £m**	Number thousands	Weighted average exercise price £	Value of shares £m
At 1 January	**1,412**	**0.05**	**0.07**	673	0.05	0.03
Granted	**1,520**	**0.05**	**0.08**	829	0.05	0.04
Exercised	**(134)**	**0.05**	**(0.01)**	–	–	–
Lapsed	**(104)**	**0.05**	**–**	(90)	0.05	–
At 31 December	**2,694**	**0.05**	**0.14**	1,412	0.05	0.07
Exercisable at 31 December	**14**	**0.05**	**–**	–	–	–

25. Share-based payments continued

Share-based payment expense
Share options are valued using a stochastic option pricing model, with support from an independent remuneration consultant. The TSR performance condition was included in the calculation of fair value under the Performance Share Plan. For options granted in 2009 and 2008, the fair value per option granted and the assumptions used in the calculation are as follows:

	SAYE		Performance Share Plan	
	2009	2008	**2009**	2008
Weighted average share price (pence)	**685**	549	**435–551.5**	654–789
Weighted average exercise price (pence)	**723**	766	**5**	5
Expected volatility	**39.9%**	26.7%	**36.4%**	23.0%–28.2%
Expected life	**3.25 yrs**	3.25 yrs	**3.0 yrs**	3.0 yrs
Risk-free rate	**2.1%**	3.8%	**1.8%**	1.09%–5.21%
Expected dividends (expressed as a yield)	**3.4%**	3.9%	**0%–4.2%**	–
Fair value per option	**17.9%**	7.0%	**–**	–
Fair value per award – TSR condition			**56.2%–59.6%**	65.0%–74.0%
Fair value per award – Profit condition			**88.5%–98.9%**	99.1%–99.4%
Fair value per award – EPS condition			**88.5%–98.9%**	99.1%–99.4%

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 group recognised a credit of £0.4m related to equity-settled share-based payment transactions in 2009 (2008: £1.8m expense).

26. Disposal of business

On 30 September 2009, the group sold its operation in Hungary for a profit on disposal of £0.1m. The total consideration was £0.1m net of transaction costs.

In 2008, the group did not divest any subsidiaries, but sold an operation with a net book value of £1.2m for a consideration of £1.5m, giving rise to a profit on sale of £0.3m.

27. Own shares held by Employee Benefit Trust

The own shares reserve forms part of retained earnings and represents the cost of shares in Spectris plc purchased in the market and held by the Spectris plc Employee Benefit Trust (EBT) to satisfy options under the group's share option schemes (see Note 25). On 24 February 2009, the scheme was wound up and the proceeds were utilised to settle discretionary benefits.

	2009 £m	2008 £m
Balance at 1 January	**0.1**	0.2
Disposals	**(0.1)**	(0.1)
Other movement	**–**	–
At 31 December	–	0.1

The EBT held ordinary 5p shares in Spectris plc for the purpose of satisfying obligations under the 1996 Executive Share Option Plan for the benefit of the group's employees. The EBT held 10,765 shares at 31 December 2008 at a cost of £0.1m with a market value of £0.1m.

28. Treasury shares

During the year the group repurchased no shares (2008: 1.4 million) for a consideration of £nil (2008: £9.3m). 200,920 of the treasury shares were issued to satisfy options exercised by employees which were granted under the group's share scheme (2008: 21,363) and no shares were cancelled during the year (2008: nil).

29. Acquisitions

On 6 February 2009, the group acquired 100% of the share capital of Lochard Limited, a company based in Australia and servicing the airport industry, as well as environmental noise and air quality monitoring and management, for a consideration of £23.9m. Effective from 1 September 2009, the group acquired the assets of MicroSafe, a supplier of microbial detection and monitoring products based in Italy for a consideration of £2.7m. The assets and liabilities acquired, together with the aggregate purchase consideration, are summarised below. The operating profit contribution from the acquisitions in the year to the group's results for the year was £1.0m. Group revenue and operating profit would have been £792.0m and £69.1m, respectively, had the acquisitions taken place on the first day of the year.

The group also paid £6.8m in respect of prior period acquisitions of which £2.9m had been accrued as deferred consideration at 31 December 2008.

The following table includes the effect of acquisitions in the year on the individual assets and liabilities of the group and the final fair value adjustments relating to the provisional amounts on 2008 acquisitions. These provisional figures were adjusted following an independent valuation of the intangibles acquired on the LDS Test and Measurement acquisition in 2008. Included in the fair value figure of intangibles of £38.3m, £25.0m relates to 2008 acquisitions.

Net assets acquired	2009 Book value £m	2009 Fair value adjustments £m	Prior periods Fair value adjustments £m	2009 Fair value £m
Intangible fixed assets	**1.9**	**11.4**	**25.0**	**38.3**
Tangible fixed assets	**1.0**	–	–	**1.0**
Deferred tax asset	**1.3**	–	–	**1.3**
Inventories	**1.8**	**0.1**	**(0.7)**	**1.2**
Trade and other receivables	**5.1**	–	–	**5.1**
Trade and other payables	**(6.0)**	–	–	**(6.0)**
Provisions	–	–	**(0.6)**	**(0.6)**
Deferred tax liabilities	**(0.6)**	**(3.0)**	**(5.4)**	**(9.0)**
Cash	**0.6**	–	–	**0.6**
Net assets acquired	**5.1**	**8.5**	**18.3**	**31.9**
Goodwill:				
Goodwill arising from acquisitions in 2009				**13.0**
Goodwill adjustment from the finalisation of 2008 provisional figures				**(14.4)**
				(1.4)
Total consideration in relation to 2009 acquisitions				**26.6**
Adjustment for cash acquired on acquisitions				**(0.6)**
Deferred and contingent consideration to be paid in future years				**(4.1)**
Net consideration paid for 2009 acquisitions				**21.9**

Prior year acquisitions	
Purchase price adjustment re prior year acquisitions not previously recognised	**3.9**
Deferred consideration in relation to prior year acquisitions previously recognised	**2.9**
	6.8
Net cash outflow relating to acquisitions	**28.7**

No goodwill arose on the MicroSafe acquisition with the excess of the fair value of the consideration paid over the fair value of the net assets acquired considered to be represented by customer relationships. The goodwill arising on the Lochard acquisition is represented by the buyer-specific synergies expected to be generated and the intrinsic value of the acquired workforce.

29. Acquisitions continued

Subject to performance, the group has agreed to pay the seller of MicroSafe a deferred consideration of £0.5m and the seller of Lochard a deferred consideration of £3.6m.

The following table presents the information related to 2008 acquisitions including the effect of the finalisation of acquisition fair values during 2009.

	Amount previously recognised at 31 December 2008				
Net assets acquired	Book value £m	Fair value adjustments £m	Fair value £m	Adjustments to previously recognised fair values £m	Final fair value £m
Intangible fixed assets	2.8	22.4	25.2	25.0	50.2
Tangible fixed assets	4.0	(0.5)	3.5	–	3.5
Deferred tax asset	–	–	–	–	–
Inventories	12.0	0.9	12.9	(0.7)	12.2
Trade and other receivables	17.0	(2.1)	14.9	–	14.9
Trade and other payables	(14.1)	(3.3)	(17.4)	–	(17.4)
Provisions	–	–	–	(0.6)	(0.6)
Deferred tax liabilities	–	(4.4)	(4.4)	(5.4)	(9.8)
Cash	4.1	–	4.1	–	4.1
Net assets acquired	25.8	13.0	38.8	18.3	57.1
Goodwill		54.1	54.1	(14.4)	39.7
Total consideration in relation to 2008 acquisitions			92.9	3.9	96.8
Adjustment for cash acquired			(4.1)	–	(4.1)
Net consideration			88.8	3.9	92.7
Analysis of 2008 cash outflow in consolidated cash flow statement					
Total consideration in relation to 2008 acquisitions			92.9	3.9	96.8
Adjustment for cash acquired on acquisitions			(4.1)	–	(4.1)
Deferred and contingent consideration to be paid in future years			(2.9)	(3.9)	(6.8)
Cash paid (including directly attributable costs) in 2008			85.9	–	85.9
Prior year acquisitions					
Deferred consideration in relation to prior year acquisitions previously recognised			1.3	–	1.3
			1.3	–	1.3
Net cash outflow relating to acquisitions in 2008			87.2	–	87.2

Net assets acquired for significant 2008 acquisitions

Net assets acquired for LDS Test and Measurement	Amount previously recognised at 31 December 2008				
	Book value £m	Fair value adjustments £m	Fair value £m	Adjustments to previously recognised fair values £m	Final fair value £m
Intangible fixed assets	–	2.7	2.7	24.4	27.1
Tangible fixed assets	3.3	(0.3)	3.0	–	3.0
Inventories	8.8	1.4	10.2	(0.7)	9.5
Trade and other receivables	11.2	(1.5)	9.7	–	9.7
Trade and other payables	(13.1)	2.9	(10.2)	–	(10.2)
Provisions	–	–	–	(0.6)	(0.6)
Deferred tax liabilities	–	–	–	(5.4)	(5.4)
Cash	0.9	–	0.9	–	0.9
Net assets acquired	11.1	5.2	16.3	17.7	34.0
Goodwill			40.0	(17.7)	22.3
Total consideration			56.3	–	56.3
Adjustment for cash acquired			(0.9)	–	(0.9)
Net consideration			55.4	–	55.4

The balance sheet at 31 December 2008 has not been re-presented for the above adjustments to previously recognised fair values as the impact on individual balance sheet captions is not material.

The goodwill arising on the LDS acquisition is represented by the buyer-specific synergies expected to be generated and the intrinsic value of the acquired workforce.

30. Contingent liabilities

Royal Bank of Scotland
Spectris plc and its UK subsidiaries are party to a cross guarantee arrangement to support trade finance facilities provided by the bank. They also are party to a cross guarantee arrangement that allows individual subsidiaries to borrow from the bank on overdraft within the overall borrowing limit agreed with the bank. An amount of £3.3m (2008: £4.1m) was outstanding at 31 December 2009.

JP Morgan Chase NA
Spectris plc has provided a parent company guarantee to JP Morgan Chase NA to support trade finance facilities provided by the bank to its subsidiaries in the USA. An amount of £1.3m (2008: £1.7m) was outstanding at 31 December 2009.

ABN AMRO Bank NV
Spectris plc has provided a parent company guarantee to ABN AMRO Bank NV to support trade finance facilities provided by the bank to its subsidiaries in various countries outside of the UK and USA. Spectris plc has also provided a parent company guarantee to ABN AMRO Bank NV to support overdraft and intra-day facilities provided by the bank to its subsidiaries who participate in the cross-border euro zero balance pooling arrangement. An amount of £8.6m (2008: £13.0m) was outstanding at 31 December 2009.

Other banks
Group companies have, in the normal course of business, provided bonds and guarantees through local banking arrangements amounting to £5.6m (2008: £5.2m).

Legal
Please refer to Note 22 ‘Legal, contractual and other provisions’.

31. Operating lease arrangements

Total commitments under non-cancellable operating leases	2009 Property £m	2009 Other £m	2008 Property £m	2008 Other £m
Not later than one year	**4.7**	**2.7**	4.7	2.8
Later than one year and not later than five years	**11.0**	**5.7**	10.9	6.6
Later than five years	**9.1**	**–**	9.2	–
	24.8	**8.4**	24.8	9.4

Group companies are party to a number of operating leases, mainly for plant and machinery, including motor vehicles and property rentals. The arrangements do not impose any significant restrictions on the group.

During the year £10.2m (2008: £9.1m) was recognised in the statement of income in respect of operating lease rental payments.

32. Capital commitments

At 31 December 2009, the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £0.6m (2008: £1.7m), for which provision has not been made.

33. Related party transactions

Details of directors' remuneration (being the key management personnel) are summarised in Note 7 and shown in detail in the Directors' Remuneration Report on page 46. There were no other related party transactions requiring disclosure.

34. Subsidiary undertakings

The following are the group's principal subsidiary undertakings. They operate mainly in the countries of incorporation. All the subsidiaries are involved in the manufacture and sale of materials analysis systems, test and measurement equipment, in-line instrumentation and industrial controls.

Spectris plc holds 100% of the ordinary share capital of all the subsidiaries either directly or indirectly through intermediate holding companies.

	Country of incorporation
Malvern Instruments Limited	UK
Servomex Group Limited	UK
Spectris China Limited	China
Brüel & Kjær Sound and Vibration Measurement A/S	Denmark
Brüel & Kjær Vibro A/S	Denmark
Hottinger Baldwin Messtechnik GmbH	Germany
Spectris Company Limited	Japan
BTG Eclépens SA	Switzerland
PANalytical BV	The Netherlands
Beta LaserMike Inc	USA
Fusion UV Systems Inc	USA
Microscan Systems Inc	USA
NDC Infrared Engineering Inc	USA
Particle Measuring Systems Inc	USA
Red Lion Controls Inc	USA
LDS Test and Measurement Limited	UK
Lochard Limited	Australia

Company Balance Sheet
As at 31 December 2009

	Note	2009 £m	2008 £m
Fixed assets			
Intangible fixed assets	37	**2.0**	2.4
Tangible fixed assets	38	**0.2**	–
Fixed asset investments	39	**193.8**	198.0
		196.0	200.4
Current assets			
Debtors	40	**393.8**	452.9
Cash at bank		**9.5**	25.0
		403.3	477.9
Creditors: due within one year			
Short-term borrowing	41	**(46.4)**	(26.0)
Other creditors	41	**(129.9)**	(92.4)
		(176.3)	(118.4)
Net current assets		**227.0**	359.5
Debtors: due after more than one year			
Debtors	42	**191.8**	212.7
Total assets less current liabilities		**614.8**	772.6
Creditors: due after more than one year			
Medium- and long-term borrowing	43	**(133.0)**	(392.5)
Derivative financial instruments	44	**(21.4)**	(17.1)
		(154.4)	(409.6)
Provisions for liabilities and charges	45	**(0.3)**	(0.9)
Net assets		**460.1**	362.1
Capital and reserves			
Called up share capital	46	**6.2**	6.2
Share premium account	47	**231.4**	231.4
Merger reserve	47	**3.1**	3.1
Capital redemption reserve	47	**0.3**	0.3
Special reserve	47	**34.1**	34.1
Hedging reserve	47	**–**	(1.3)
Profit and loss account	47	**185.0**	88.3
Equity shareholders' funds		**460.1**	362.1

The financial statements on pages 93 to 99 were approved by the Board of Directors on 23 February 2010 and were signed on its behalf by:

Clive Watson
Director

35. 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 profit and loss account.

The company has taken the exemption available in respect of the requirements of FRS 29 *Financial Instruments: Disclosures*.

Basis of accounting
The accounts are prepared on the historical cost basis, except that derivative financial instruments are stated at fair value as described below.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

The following amendment has been adopted in these financial statements for the first time:

The amendment to FRS 20 (IFRS 2) *Vesting conditions and cancellations*. The amendment clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and amends the accounting for cancellations and settlements by parties other than the entity. The adoption of this amendment had no material impact on the results of the company in the period.

Derivative financial instruments
The company uses derivative financial instruments to hedge the group's exposure to foreign exchange and interest rate risks arising from operating and financing activities. In accordance with its treasury policy, it does not hold or use derivative financial instruments for trading or speculative purposes.

Cross-currency interest rate swaps
The company takes advantage of cross-currency interest rate swaps for some of its US dollar-denominated private placement borrowings. The swaps have the effect of converting fixed rate US dollar borrowings into fixed rate euro-denominated borrowings.

The underlying US dollar borrowings are required to be presented separately in the balance sheet from the cross-currency interest rate swaps. In addition, the fair value of the cross-currency interest rate swap is required to be recognised in full on the balance sheet. All changes in value are recognised in the profit and loss account.

Financial guarantees
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 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.

Foreign currencies
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date with any exchange differences arising on retranslation being recognised in the profit and loss account. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Tangible fixed assets and depreciation
Tangible fixed assets are stated at historic cost.

Depreciation is calculated to write off the difference between the cost or valuation of fixed assets and their residual value over their estimated useful lives on a straight-line basis at the following rates per annum:

Leasehold improvements – 5 years
Office equipment – 3 years

Intangible fixed assets and amortisation
Intangible fixed assets purchased by the company are capitalised at their cost.

Amortisation of intangible assets is charged to administrative expenses in the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

Software costs – 5 years

Fixed asset investments
Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Trade and other receivables
Trade and other receivables are initially recognised at fair value and subsequently measured at their amortised cost, reduced by appropriate allowances for estimated irrecoverable amounts.

Trade and other payables
Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Leasing

Annual payments under operating leases are charged to the profit and loss account on an accruals basis.

Post-retirement benefits

The company participates in group operated defined contribution and defined benefit pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The company is unable to identify its share of the group defined benefit scheme's underlying assets and liabilities and therefore accounts for it as a defined contribution scheme. The amounts charged against profits represent contributions payable to the schemes in respect of the accounting period.

Share-based payments

The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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 its subsidiary's financial statements with the corresponding credit being recognised directly in equity.

Cash flow statement

The company has not presented a separate cash flow statement in accordance with the exemption provided by FRS 1 (Revised), as its cash flows are included within the cash flows of the group, as set out elsewhere in this Annual Report.

36. Employee costs and other information

Employee costs, including directors' remuneration	2009 £m	2008 £m
Wages and salaries	**3.1**	4.5
Social security costs	**0.8**	0.8
Defined benefit pension plans	**1.7**	1.7
Defined contribution pension plans	**0.4**	0.4
Share-based payment expense	**0.1**	0.8
	6.1	8.2

	2009 Number	2008 Number
Average number of employees	**30**	30

Directors' remuneration

Further details of directors' remuneration and share options are given in Note 7 to the group's consolidated financial statements and in the Directors' Remuneration Report on pages 42 to 49.

Auditor's fees

Fees paid to the group auditors in respect of audit services provided to the company amounted to £0.2m (2008: £0.2m).

37. Intangible fixed assets

Cost	Software costs £m
At 1 January 2009	2.5
Additions	0.1
At 31 December 2009	**2.6**
Amortisation	
At 1 January 2009	0.1
Charge for the year	0.5
At 31 December 2009	**0.6**
Net book value	
At 31 December 2009	**2.0**
At 31 December 2008	2.4

38. Tangible fixed assets

Cost	Leasehold improvements £m	Office equipment £m	Total £m
At 1 January 2009	0.3	0.7	1.0
Additions	0.2	–	0.2
Disposals	–	(0.2)	(0.2)
At 31 December 2009	**0.5**	**0.5**	**1.0**
Depreciation			
At 1 January 2009	0.3	0.7	1.0
Disposals	–	(0.2)	(0.2)
At 31 December 2009	**0.3**	**0.5**	**0.8**
Net book value			
At 31 December 2009	**0.2**	**–**	**0.2**
At 31 December 2008	–	–	–

39. Fixed asset investments

Cost	Investments in subsidiary undertakings £m
At 1 January 2009	267.1
Disposals	(0.6)
Transfer to group company	(3.1)
At 31 December 2009	**263.4**
Provision for impairment	
At 1 January 2009	69.1
Charge for the year	0.5
At 31 December 2009	**69.6**
Net book value	
At 31 December 2009	**193.8**
At 1 January 2009	198.0

During the year, the company's interest in Spectris AG was transferred to Spectris Group Holdings Limited generating a £0.5m impairment.

Further details regarding the investments in subsidiaries are given in Note 34 to the group's consolidated financial statements.

40. Debtors

Amounts falling due within one year	2009 £m	2008 £m
Amounts owed by group undertakings	**389.4**	447.4
Other debtors	**0.8**	0.9
Prepayments and accrued income	**0.7**	0.3
Deferred tax asset	**2.9**	4.3
	393.8	452.9

41. Creditors: due within one year

	2009 £m	2008 £m
Short-term borrowing:		
Bank overdraft	**–**	1.0
Unsecured bank loans	**46.4**	25.0
	46.4	26.0
Amounts owed to group undertakings	**124.5**	85.4
Other taxation and social security	**–**	0.2
Corporation tax	**0.6**	0.9
Accruals and deferred income	**4.8**	5.9
	129.9	92.4
Total	**176.3**	118.4

Further details regarding the company's borrowings are set out in Note 19 of the group's consolidated financial statements.

42. Debtors: due after more than one year

	2009 £m	2008 £m
Medium- and long-term debtors:		
Amounts owed by group undertakings	**191.8**	212.7

43. Creditors: due after more than one year

	2009 £m	2008 £m
Medium- and long-term borrowing:		
Amounts owed to group undertakings	**42.7**	221.6
Unsecured bank loans	**6.2**	25.0
Unsecured loan notes	**84.1**	145.9
	133.0	392.5

Further details regarding the company's borrowings are set out in Note 19 of the group's consolidated financial statements.

44. Derivative financial instruments

	2009 £m	2008 £m
Cross-currency interest rate swaps	**21.1**	16.9
Forward exchange contracts	**0.3**	0.2
	21.4	17.1

Further details regarding the company's cross-currency interest rate swaps and forward exchange contracts are set out in Note 20 of the group's consolidated financial statements.

45. Provisions for liabilities and charges

	£m
At 1 January 2009	0.9
Utilised during the year	(0.1)
Released during the year	(0.5)
At 31 December 2009	**0.3**

Provisions represent the directors' best estimate of settling various potential claims against the company arising in the ordinary course of business.

46. Share capital

	2009		2008	
	Number of shares million	**£m**	Number of shares million	£m
Authorised:				
Ordinary shares of 5p each	**210.0**	**10.5**	210.0	10.5
Issued and fully paid:				
At 1 January	**125.0**	**6.2**	125.0	6.2
At 31 December	**125.0**	**6.2**	125.0	6.2

During the year no ordinary shares were issued upon exercise under share option schemes (2008: nil).

Share options have been granted to subscribe for ordinary shares of Spectris plc. Full details of share options currently in issue, including those issued during the year, together with information regarding the basis of calculation of the share-based payment expense, is contained in Note 25 to the group's consolidated financial statements.

The company recognised total expenses of £0.1m related to equity-settled share-based payment transactions in 2009 (2008: £0.8m). In addition, the company recognised a credit of £0.6m (2008: debit of £1.0m) related to equity-settled share-based transactions for certain employees of other group companies.

47. Reserves

	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Special reserve £m	Hedging reserve £m	Profit and loss account £m	Total £m
At 1 January 2009	231.4	3.1	0.3	34.1	(1.3)	88.3	355.9
Profit for the year	–	–	–	–	–	123.7	123.7
Amounts recycled to profit and loss	–	–	–	–	1.3	–	1.3
Equity dividends paid	–	–	–	–	–	(27.0)	(27.0)
Share-based payment expense	–	–	–	–	–	(0.4)	(0.4)
Share options exercised from own shares (treasury) purchased	–	–	–	–	–	0.4	0.4
At 31 December 2009	**231.4**	**3.1**	**0.3**	**34.1**	**–**	**185.0**	**453.9**

Further details of the Employee Benefit Trust are set out in Note 27 of the group's consolidated financial statements.

The purpose of the merger reserve and capital redemption reserve is detailed in Note 24 of the group's consolidated financial statements. 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.

48. Reconciliation of movement in equity shareholders' funds

	2009 £m	2008 £m
Profit for the year	**123.7**	6.9
Amounts recycled to profit and loss	**1.3**	–
Equity dividends paid in the year	**(27.0)**	(25.0)
Share-based payment expense	**(0.4)**	1.8
Own shares (treasury) purchased	**–**	(9.3)
Own shares (EBT) purchased	**–**	(0.2)
Share options exercised from own shares (treasury) purchased	**0.4**	0.2
Share options exercised from shares held by Employee Benefit Trust	**–**	0.1
Net increase in equity shareholders' funds	**98.0**	(25.5)
Opening equity shareholders' funds	**362.1**	387.6
Closing equity shareholders' funds	**460.1**	362.1

49. Pensions

Certain of the company's employees participate in the Spectris Pension Plan, a UK multi-employer defined benefit scheme. Further details of the group's scheme are contained in Note 8 to the group's consolidated financial statements. The company is unable to identify its share of the Plan's underlying assets and liabilities and therefore accounts for the scheme as a defined contribution scheme. In accordance with the Schedule of Contributions in place for the Spectris Pension Plan for the financial year ending 31 December 2009, employer contributions of 13% p.a. of pensionable salaries plus £1,712,000 p.a. were due. However, with effect from 1 January 2010, the level of contributions will be £1,620,000 p.a. for the purposes of deficit recovery. The last formal actuarial certification was obtained in 2008. Contributions paid in the year to the Spectris Pension Plan were £1.7m (2008: £1.7m) and the amounts outstanding at the year end were £0.1m (2008: £0.1m). Contributions paid in the year to defined contribution plans were £0.4m (2008: £0.4m).

50. Related party disclosures

The company has taken advantage of the exemption under FRS 8 *Related Party Disclosures* not to disclose related party transactions between the company and subsidiaries.

There are no material transactions with directors and other related parties of the company except those relating to remuneration and share dealing disclosed in the Directors' Remuneration Report, enclosed within this Annual Report.

51. Commitments

	Land and buildings	
Annual commitments for operating leases expiring	2009 £m	2008 £m
After five years	**0.2**	0.2

At the balance sheet date the company had no capital commitments for which provision has not been made (2008: £nil).

52. Contingent liabilities

There are no contingent liabilities as at the year end. The cross guarantee arrangements to support trade finance facilities are stated in Note 30 of the group's consolidated financial statements.

Shareholder Information

Financial calendar

Annual general meeting and interim management statement	19 May 2010
Record date for 2009 final dividend	4 June 2010
2009 final dividend payable	25 June 2010
2010 Interim results	24 August 2010
Interim management statement	12 November 2010
2010 Preliminary results	February 2011

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

Share price information
The company's ordinary shares are listed on the London Stock Exchange. The latest share price is available via the company's website at www.spectris.com

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

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Page 33: Sarakasi Theatre, Nairobi, courtesy of Marion van Dijck

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