

2021 full year results

24 February 2022 – Spectris plc (SXS: LSE), the expert in providing insight through precision measurement, announces full year results for the year ended 31 December 2021.

- Strong demand for our products and services
 - 2021 orders 19% higher on a like-for-like ('LFL')¹ basis with strong customer demand continuing
 - Record order book and strong start to 2022 provides business momentum
 - Ongoing supply chain challenges, expected to start to ease in the second half of 2022
- A more focused, higher quality, more profitable business with a strong balance sheet
 - Divestments of Millbrook, Brüel & Kjær Vibro, ESG Solutions and NDC Technologies completed
 - Customer offer strengthened by acquisitions at HBK and Malvern Panalytical
 - Improved adjusted operating margin¹ of 16.2% reflects enhanced quality of the Group, due to disposals of lower margin businesses; statutory operating margin 12.0%
 - Spectris Business System delivering productivity improvements, mitigating inflationary pressures
 - Year-end net cash of £167.8 million provides M&A optionality; robust pipeline of opportunities
- Good financial performance
 - 10% LFL¹ sales growth
 - Statutory reported sales down by 3%, due to divestments and foreign exchange movements
 - Supply chain and COVID challenges constrained sales growth in fourth quarter
 - Adjusted operating profit¹ £209.4 million, statutory operating profit £154.9 million
 - Strong adjusted cashflow conversion¹ of 96%
 - Dividend per share increase of 5%, continuing 32-year track record of dividend growth
- Committed to being a leading sustainable business
 - Ambitious Net Zero targets validated by the Science Based Targets initiative and delivery plans underway
 - Spectris Foundation established to promote STEM education; first grant awarded
 - Aligning our strategy with key sustainability themes

	2021	2020	Change	Like-for-like change vs 2020 ¹	Like-for-like change vs 2019 ¹
Adjusted¹					
Sales (£m)	1,292.0	1,336.2	(3%)	10%	(2%)
Operating profit (£m)	209.4	173.6	21%	29%	(1%)
Operating margin (%)	16.2%	13.0%	320bps	240bps	20bps
Profit before tax (£m)	204.3	166.4	23%		
Earnings per share (pence)	140.7p	112.1p	26%		
Adjusted cash flow conversion (%)	96%	141%	(45pps)		
Return on gross capital employed (%) ²	13.2%	9.9%	330bps		
Statutory					
Sales (£m)	1,292.0	1,336.2	(3%)		
Operating profit/(loss) (£m)	154.9	(23.3)	n/a		
Operating margin (%)	12.0%	(1.7%)	1,370bps		
Profit/(loss) before tax (£m)	388.6	(4.1)	n/a		
Cash generated from operations	191.6	254.6	(25%)		
Basic earnings/(loss) per share (pence)	305.1p	(14.6p)	n/a		
Dividend per share (pence)	71.8p	68.4p	5%		

1. **Alternative performance measures ('APMs')** are used consistently throughout this press release and are referred to as 'adjusted' or 'like-for-like' ('LFL'). These are defined in full and reconciled to the reported statutory measures in the appendix.

2. **2020 return on gross capital employed** has been restated for the impact of the Group's change in accounting policy for Software as a Service ('SaaS') arrangements. Please refer to Note 1.

Commenting on the results, Andrew Heath, Chief Executive, said: “We delivered a good financial performance in 2021 and have made significant progress in executing our Strategy for Profitable Growth, thanks to the hard work of the whole Spectris team. Demand for our products and services has been strong, and although supply chain and COVID challenges somewhat constrained our ability to maximise sales in the fourth quarter, we entered 2022 with a record order book, and a strong start to the year. This gives us confidence in our ability to deliver continued good sales growth this year, noting the ongoing supply chain challenges. We are making good progress in returning the Group to its previous adjusted operating margin highs of 18%, and ultimately exceeding them over the longer term.

I am really pleased with the progress made in executing our strategy. We are creating a Spectris that is more focused, higher quality, more profitable and more resilient, and supported by a very strong balance sheet. We have demonstrated our ability to reduce costs responsibly, drive organic growth, expand margins, allocate capital with discipline for attractive returns, and have made several synergistic acquisitions to enhance our customer offering.

Looking forward, we will build on this progress, investing in our businesses to take advantage of new growth opportunities, strongly aligned to our purpose and to our focus on sustainability. We will continue to aim high and be bold in our pursuit of enhancing value for all our stakeholders.”

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Conference call

A webcast and conference call for analysts and investors will be hosted by Andrew Heath, Chief Executive, and Derek Harding, Chief Financial Officer, at 08.00 today to discuss this statement. To access the call, please dial +44 (0) 20 3936 2999/0800 640 6441 – Pin code: 391341. Or for replay, please dial +44 (0) 20 3936 3001 – Pin code: 175209#. Questions will also be taken via the webcast at www.spectris.com.

Copies of this press release are available to the public from the Company's website at www.spectris.com.

About Spectris

Spectris' global group of businesses are focused on delivering value beyond measure for all our stakeholders. We target global, attractive and sustainable markets, where growth and high returns are supported by long-term drivers. Precision is at the heart of what we do. We provide customers with expert insight through our advanced instruments and test equipment, augmented by the power of our software and services. This equips customers with the ability to reduce time to market, improve processes, quality and yield. In this way, Spectris know-how creates value for our wider society, as our customers design, develop, test and manufacture their products to make the world a cleaner, healthier and more productive place. Headquartered in London, United Kingdom, the Company employs approximately 7,600 people located in more than 30 countries. For more information, visit www.spectris.com.

Chief Executive's review

Delivery on the Strategy for Profitable Growth

Firstly, I would like to say thank you to every Spectris colleague reading this, for everything that you gave in 2021 to deliver the performance described in these pages. In 2022, we will continue to have to navigate supply chain and COVID-related challenges but we expect these to start to ease in the second half and I am very optimistic about the future for our business. This optimism is rooted in the commitment and dedication that I have seen from my colleagues right across the Group, both before and during the pandemic. My sincere thanks and admiration go out to you all.

We delivered good progress in our financial and operational performance and worked diligently to establish Spectris as a purpose-led, growth business, delivering value beyond measure for all of our stakeholders. After successfully managing the onset of the COVID-19 pandemic in 2020 through our balanced and socially responsible approach, our businesses and employees have demonstrated how well they have adapted to the changes in their operating environments.

Demand for our products and services recovered strongly in 2021, and we enter 2022 with a record order book across the Group. Supply chain challenges increased through the year and constrained our ability to translate this very strong order intake to revenue in the fourth quarter, such that we were at the lower end of our organic growth guidance. However, the order book strength provides good momentum coming into 2022 and confidence for the growth outlook for our businesses. Indeed, orders and sales growth were both strong in January.

On a LFL basis, sales for the Group recovered to within 2% of 2019 levels and the improved operating margin demonstrates both the enhanced quality of the Group and the highly valued and important products and services we provide our customers. We are making good progress on our strategic evolution, having completed the disposal programme identified in 2019, and executing on our profit improvement programme. We are on track to returning Spectris to its previous margin highs, and through the deployment of our Spectris Business System ('SBS'), we look to enhance margins further beyond this level. With the improvement in our performance and supportive end markets, to underpin future growth and improvements in operating efficiency to deliver this margin enhancement, we will be further increasing our R&D spend and investing in new ERP systems at both Malvern Analytical and HBK.

Purpose led, sustainable growth

One of the strengths of Spectris has always been to foster entrepreneurial spirit and support the growth aspirations of our different businesses. At the same time, we have placed great emphasis on being a purpose-led business, focused on delivering value beyond measure for all our stakeholders. This means harnessing the power of precision measurement to equip our customers to make the world cleaner, healthier and more productive. I believe that by truly living our purpose we can optimise our performance and build the best possible long-term relationship with our customers, and all our stakeholders. Intrinsic to this is our sustainability strategy, which is focused on clear commitments to create a positive and lasting impact. I am pleased with our progress on delivering these priorities in 2021 as we set out in more detail below.

The COVID-19 pandemic has served to underscore the importance of a strong culture, which has helped us to navigate the many business challenges of this period. It has also helped us to come together in a much broader sense, in protecting the health, safety and wellbeing of our colleagues, their families, and the wider communities in which we operate. For the planet, we established clear and ambitious Net Zero targets that have been validated by the Science Based Targets initiative ('SBTi'). It has been pleasing to see how our people across the Group have united behind delivering our ambitious Net Zero plans. For our people, we have focused on building on the lessons learned during the pandemic to further our mental health and wellbeing provision. Talent development, diversity and inclusion are also key areas of focus and I look forward to strengthening these initiatives in 2022. In support of our communities, we have established a science, technology, engineering and maths ('STEM') strategy and I was delighted that the Spectris Foundation has now made its first donation to STEM learning ENTHUSE Partnerships for a two-year STEM Learning project.

Our aspiration is to be a leading sustainable business, setting the benchmark among our peers for the sustainability of our operations and our contribution to addressing global environmental challenges. In turn, this is how we will deliver enhanced returns for our shareholders. In 2022, we will look beyond the Strategy for Profitable Growth to the next phase of our development, and sustainability will be a key

focus. Spectris has significant opportunities for future growth aligned to key sustainability themes, and with the right operational and financial support, united behind a clear purpose and our shared values, the future for the Group is very exciting.

Delivered a good financial performance

We delivered sales growth of 10% in 2021, on a like-for-like ('LFL') basis and adjusted operating profit of £209.4 million (2020: £173.6 million) increased 29% on a LFL basis. This resulted in an adjusted operating margin of 16.2% (2020: 13.0%), reflecting the growth in sales, measured cost control and the higher margin mix of the portfolio following divestments. The return to growth, alongside operational improvements achieved in the last two years and the underlying quality of the retained businesses, has materially improved the quality of the Group. We are broadly back to 2019 levels and have improved our operating margin.

On a statutory basis, reported sales declined 3%, operating profit was £154.9 million (2020 loss: £23.3 million) and operating margin was 12.0% (2020: (1.7%)), with 2020 results reflecting the impairments in businesses disposed of in 2021, predominantly Millbrook.

Our cash conversion remains strong and, in combination with disposal proceeds, resulted in a net cash position at the year-end of £167.8 million. The strength of our balance sheet provides considerable optionality for our M&A ambitions, and we have been further building our pipeline of opportunities.

The Board is proposing to pay a final dividend of 48.8 pence per share, 5% growth year-on-year. When combined with the interim dividend of 23.0 pence per share, this gives a total dividend of 71.8 pence per share for the year. This is in line with our underlying policy of making progressive dividend payments based upon affordability and sustainability.

Delivering LFL sales growth, but constrained by supply chain challenges in the fourth quarter

We delivered good LFL sales growth in 2021. The introduction of new and enhanced products across our businesses helped deliver market share gains, as we outperformed the economic recovery across our end markets. After a strong first half, sales growth in the second half eased, reflecting both the tougher year-on-year comparator and the impact of supply chain challenges, particularly in the fourth quarter. These challenges and the on-set of the Omicron wave in December constrained our ability to convert the order book to revenue, resulting in some order fulfilment being pushed into 2022.

Consequently, full-year LFL sales growth was 10%. Although this was a frustrating end to the year, the continued very strong demand for our products and services, as evidenced by our record order book, has positioned us well coming into 2022.

Sales by geography and business – LFL growth vs 2020

	Q1	Q2	Q3	Q4	FY		Q1	Q2	Q3	Q4	FY
North America	(2%)	20%	11%	6%	8%	Malvern Panalytical	20%	26%	10%	(1%)	11%
Europe	(1%)	21%	9%	(4%)	5%	HBK	(3%)	20%	16%	3%	8%
Asia	24%	25%	15%	5%	16%	Omega	1%	28%	11%	19%	14%
Rest of the World	(15%)	48%	4%	1%	6%	Industrial Solutions	2%	22%	9%	0%	8%
Total sales	5%	23%	12%	2%	10%		5%	23%	12%	2%	10%
Total orders	5%	28%	31%	14%	19%		5%	28%	31%	14%	19%

Our businesses are all growing strongly, both above GDP and the market, supported by our strategic growth initiatives, with the introduction of new products and services. Malvern Panalytical has seen a strong rebound in demand, particularly in pharmaceutical and in Asia. All of HBK's main end markets have now returned to growth, with automotive recovering well in the second half of the year. Omega has delivered growth above that of US industrial production, benefiting from new management and the improved focus. The Industrial Solutions Division ('ISD') has seen strong demand from growth in pharmaceutical and semiconductor market investment. Asia posted the strongest regional growth and by end market, semiconductor, machine manufacturing and pharmaceutical were the strongest performers.

Transformation of Spectris business portfolio

Back in 2019, we set out to simplify and bring more focus to Spectris. At that time, the Group comprised 13 operating companies and lacked clarity in its strategic priorities and route to value creation. During

2021, we completed four further divestments that were contemplated as part of our Strategy for Profitable Growth. In total, the divestments – BTG, Brüel & Kjær Vibro, ESG Solutions, Millbrook and NDC Technologies – generated £685 million of proceeds, with attractive valuations, further strengthening our balance sheet and providing us with ample funds to grow and develop our businesses, both organically and by making targeted and disciplined acquisitions.

Scalable business for organic revenue growth

Spectris today is comprised of three scale, platform businesses in Malvern Panalytical, HBK and Omega, and a more focused Industrial Solutions Division, now centred around high precision in-line sensing and monitoring solutions, with a much-improved financial profile.

Our businesses are leaders in their fields, with strong brands, technology, products and services. They are aligned to end markets with attractive, long-term growth profiles. As a more focused, less complex, asset-light, highly cash generative business, we see significant opportunities to increase scale, both organically and through M&A, and further grow revenue and margins. First and foremost, this means investing in their organic growth strategies to drive market share. A large part of this has been our emphasis, across the Group, on innovation for growth – refreshing our product portfolios and focusing our R&D investments on more impactful product launches in areas where we see compelling growth opportunities.

Ensuring we continue to advance and evolve our product and service offering is central to our strategy to drive sustainable organic growth, and we have significantly strengthened our approach to R&D. We also look to complement our capabilities through M&A and continually seek out opportunities, from large scale acquisitions, through bolt-ons, to early-life technologies, as well as collaborations with third parties.

We have made a number of acquisitions which enhance our customer offering:

- HBK acquired Concurrent Real-Time ('Concurrent-RT'), a leading developer and supplier of real-time operating systems for high performance simulation applications. Combined with VI-grade's leading position in virtual testing, Concurrent-RT strengthens HBK's simulation offering and is a further step in building a position of scale in this high growth and exciting market, and also build a strong offering in the nascent, but rapidly developing, hardware-in-the-loop market;
- HBK also notably advanced its software strategy with a licence and asset purchase agreement with VIMANA. The transaction brings a best-in-class IoT and data management platform which HBK will use to create a new open architecture connectivity solution for its test and measurement customers;
- Malvern Panalytical acquired Creoptix AG in January 2022. Creoptix develops and manufactures analytic tools for kinetics measurements used in drug research and development. The acquisition strengthens Malvern Panalytical's pharmaceutical strategy in the affinity (drug binding) area where Creoptix's superior technology, in terms of speed and sensitivity, can be scaled up through Malvern Panalytical's extensive customer base.

Higher quality business portfolio supports margin expansion

The Group delivered an adjusted operating margin of 16.2% for 2021, reflecting the operational improvements that we have made in recent years, as well as the higher quality of the portfolio today. We are well on our way to returning Spectris to its previous margin highs, supported by our strategic growth initiatives and programme of continuous improvement through the deployment of our SBS.

We remain confident in our ability to enhance margins further, consistent with the highly specialised, premium products and services that we provide across the Group. As we invest to support future growth, the actions that we have taken, and will take, to reduce the cost base will strongly underpin operating leverage.

We continue to be able to demonstrate pricing power, with new product launches also contributing to a net improvement in gross margin last year. Our ethos of continuous improvement and efficiency enhancement supported by implementation of the SBS tools, helps mitigate these cost pressures and supports us in continuing to drive margin expansion.

Focus on cashflow generation and enhanced returns

The final cornerstone of our Strategy for Profitable Growth has been to deliver enhanced returns and cashflow generation. Having returned the Group to an asset light model, we delivered strong adjusted cashflow conversion at 96% in 2021 and our return on gross capital employed improved to 13.2%. The full year dividend growth of 5% continues our long track record of consecutive dividend growth which now extends to 32 years. Since 2018 alone, we have returned £427 million to shareholders through dividends and the share buyback and we remain committed to our sustainable dividend growth policy.

The combination of disposal proceeds and the cash generated from our continuing businesses, has further strengthened the Group's balance sheet, providing us with significant scope to invest in M&A, and we have been further building our pipeline of opportunities on this front. In 2021, we invested £146 million on acquisitions and also completed a £200 million share buyback programme. As we look forward, we will maintain a disciplined approach to capital allocation and generating enhanced returns.

Leadership and Executive Committee changes

Since we launched the Strategy for Profitable Growth, we have assembled a terrific leadership team. I was very happy to welcome Mary Beth Siddons in February as President of ISD. Mary Beth has had a busy start and I am very pleased to see the work being done to move ISD towards a more cohesive, exciting future based on high precision in-line sensing and monitoring. It is testament to the quality of our team that in November, Joe Vorih, President of HBK, was asked to join Genuit plc as its Chief Executive Officer. Joe has been a great colleague and we wish him every success. I am delighted that we have replaced him internally and welcome Ben Bryson, who was previously Chief Operating Officer, HBK, as Joe's replacement.

Supporting and developing our people

Our people are at the heart of our business and this year we have focused on building on many of the lessons learned during the pandemic to further our mental health and wellbeing offering. A particular highlight of the year for me was our celebration of World Mental Health Day with 14 globally accessible mental health events over a week, with content tailored to the different challenges facing our employees as homeworkers, parents, carers and leaders; all part of our commitment to building a highly supportive Group-wide culture.

We also continue to leverage technology to bring our people together. The Executive Committee met virtually with the global leadership community on a monthly basis through last year to discuss shared challenges and build solutions. Spending time together on key topics such as lean, diversity and inclusion and talent development has supported open and progressive dialogue and strengthened the bonds across the leadership team. While maintaining our decentralised business model, sharing common challenges and solutions is driving more rapid progress across the Group. In 2021, we undertook our first Group-wide global employee engagement survey, using the Gallup Q12 methodology, to help us drive employee engagement in a consolidated and consistent way using a common measure and toolkit across the Group. Our first-time results highlighted many positives, but also areas where we need to improve and develop our talent more effectively. A key focus will continue to be to build management skills at all levels. We have made significant progress this year on talent development with the launch of the HBK Leadership 101 programme and the finalisation of the Spectris-wide Ascend leadership programme which launches in 2022.

STEM strategy underway

The attraction, retention and development of talented technical individuals and partners is a core growth enabler for the Group. Our STEM strategy is focused on ensuring that the Group is both an employer and partner of choice. The launch of the Spectris Foundation in 2021 provides an exciting opportunity to make a genuine difference to the STEM provision in the communities where the Group operates. The Foundation has been established to champion equal opportunity for those with a passion for technology and a desire to engineer a better world. We are working with external institutes, organisations and charities to inform our funding strategy with a global community of employee volunteers formed to assess funding proposals. The Foundation has now made its first grant – a £100,000 donation to STEM Learning ENTHUSE Partnerships for a two-year STEM Learning project, funding five partnerships in disadvantaged communities across the UK. The project will provide comprehensive support to teacher development, improving resources, creating STEM ambassadors, a mentoring programme and opportunities for teachers and students to attend STEM placements. Beyond the Foundation, we have formed a successful partnership with the Young Professionals

Network with Spectris employees sharing their knowledge and experience to date with over 4,000 students and parents looking at careers in STEM.

Sustainability focus embedded into our strategy and business model

Following the approval by the Board, in October 2020, of our Group-wide sustainability strategy, over the past year we have pressed forward with its roll-out and implementation, tying together all the various strands of sustainability work from across our businesses and embedding the strategy into our corporate DNA. Our aspiration is to be a leader in this field, setting the benchmark among our peers for the sustainability of our operations and our contribution to addressing global environmental challenges.

Our opportunity is wholly consistent with our purpose: to harness the power of precision measurement to equip our customers to make the world cleaner, healthier and more productive. Our sustainability strategy will continue to differentiate Spectris for customers as we help them address complex challenges in ways that deliver better outcomes for them and for the planet. We are playing an important role in many sectors that are transforming rapidly – such as pharmaceutical, energy, transportation – and where customers want to work with partners that have the capabilities and the capacity for innovation to help them address these new challenges.

During 2021, we conducted an in-depth review of our operations and assessed our activities and growth prospects across a range of key sustainability themes: the transformation of mobility, the energy transition, responsibility in sourcing and production, the transition to the circular economy, environmental protection, the evolution of food production and precision agriculture, and advancements in health. Spectris has advantaged positions in these areas today and we see exciting opportunities to accelerate our growth along these avenues over the coming years, both in our organic development and in targeted M&A activity, closely aligned to our purpose. This will be a key focus for the business and something we will be talking more about this year as we articulate the next chapter for the business that will take us beyond the Strategy for Profitable Growth.

Ambitious Net Zero targets validated by SBTi

In November, COP26 was a key moment in the effort to align the world's nations behind plans to address the climate crisis and recognising the importance of improving the sustainability of our own operations. In July, we announced our own Net Zero ambition with our targets and roadmap subsequently validated by the SBTi against a 1.5°C warming scenario. Through this ambition, we have clearly demonstrated our commitment to taking a leading role in minimising the emissions footprint of our own activity, and the activity across our value chain.

Net Zero at Spectris encompasses our entire value chain, including all Scope 1, 2 and 3 emissions, covering the electricity used in our manufacturing processes to goods and services purchased, as well as the efficiency of our products. We have committed to reducing absolute Scope 1 and 2 emissions by 85% by 2030 from 2020 levels and achieving Net Zero by 2030; and to reduce absolute Scope 3 emissions by 42% by 2030 from 2020 levels and achieving Net Zero by 2040. We have a clear roadmap to achieve these targets and I have been really encouraged by the employee engagement that has accompanied the setting of our Net Zero ambition, and we are harnessing this engagement to make early progress against our roadmap.

Beyond this ambition, we recognise that the greatest difference Spectris can make to a Net Zero world is through our products and solutions. Accelerating our focus on product efficiency and product circularity is core to our strategy and something that we will be showcasing more in the months and years to come. Another key focus this year has been the development of a clear understanding of the potential risks and opportunities present for the Group in climate change in light of the detailed climate scenarios analysis undertaken in support of the Task Force on Climate-related Financial Disclosures ('TCFD'). It is clear that we have a significant opportunity to further develop our product and service offering to support the many challenges our customers will face due to climate change and this opportunity is central to our strategy. Beyond this opportunity, the risks presented through climate change, particularly around the transition to a low carbon economy will require active management and this will be the subject of ongoing focus for the Group. Recognising the importance of both the risk and the opportunity present, climate change has been elevated to become a Group Principal Risk.

Looking forward to 2022 with confidence, opportunity and momentum

We delivered a good financial performance in 2021 and have made significant progress in executing our Strategy for Profitable Growth, thanks to the hard work of the whole Spectris team. Demand for our products and services has been strong, and although supply chain and COVID challenges somewhat constrained our ability to maximise sales in the fourth quarter, we entered 2022 with a record order book, and a strong start to the year. This gives us confidence in our ability to deliver continued good sales growth this year, noting the ongoing supply chain challenges. We are making good progress in returning the Group to its previous adjusted operating margin highs of 18%, and ultimately exceeding them over the longer term.

I am really pleased with the progress made in executing our strategy. We are creating a Spectris that is more focused, higher quality, more profitable and more resilient, and supported by a very strong balance sheet. We have demonstrated our ability to reduce costs responsibly, drive organic growth, expand margins, allocate capital with discipline for attractive returns, and have made several synergistic acquisitions to enhance our customer offering.

Looking forward, we will build on this progress, investing in our businesses to take advantage of new growth opportunities, strongly aligned to our purpose and to our focus on sustainability. We will continue to aim high and be bold in our pursuit of enhancing value for all our stakeholders.

Andrew Heath
Chief Executive

Financial review

Financial performance

Statutory reported sales decreased by 3% or £44.2 million to £1,292.0 million (2020: £1,336.2 million). LFL sales increased by £117.9 million (10%), with the impact of disposals, net of acquisitions, reducing sales by £107.5 million ((8%)) and foreign exchange movements reducing sales by £54.6 million ((5%)).

The statutory operating profit was £154.9 million, an increase of £178.2 million compared to the 2020 statutory operating loss of £23.3 million. Statutory operating margins of 12% were 1,370bps higher than 2020 ((1.7%)). The improved profit results from a £2.4 million volume and price driven gross profit increase and a £175.8 million decrease in SG&A expenses. 2020 included £125.9 million of Millbrook related impairments, there are no impairments in 2021.

Restructuring costs in the year were £10.2 million, consisting of £8.8 million of employee-related costs, including redundancy and related costs, and £1.4 million of other costs.

Net transaction-related costs and fair value adjustments were £19.5 million including the £15.0 million donation to the Spectris Foundation.

In April 2021, a new IFRIC interpretation was issued relating to the capitalisation of costs of configuring or customising application software under 'Software as a Service' ('SaaS') arrangements. As a result, the Group has amended its accounting policy and identified SaaS arrangements where it does not have control of the software and has derecognised the intangible assets previously capitalised and recognised the expense within the Consolidated Income Statement. To ensure a consistent understanding of trading performance, the Group has determined that material SaaS projects which would have previously been capitalised will now be excluded from adjusted operating profit as a new alternative performance measure line 'Configuration and customisation costs carried out by third parties on material SaaS projects. These projects incurred a net P&L impact of £5.2 million in the year.

The Group incurred £19.4 million of ongoing amortisation of acquisition-related intangible assets in the year.

	2021 £m	2020 £m
Statutory operating profit/(loss)	154.9	(23.3)
Restructuring costs	10.2	19.5
Net transaction-related costs and fair value adjustments	19.5	19.4
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2	0.7
Configuration and customisation costs carried out by third parties on material SaaS projects	5.2	-
Impairment of goodwill	-	58.4
Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment	19.4	98.9
Adjusted operating profit	209.4	173.6

Adjusted operating profit increased by 21% or £35.8 million to £209.4 million on a reported basis (2020: £173.6 million). LFL adjusted operating profit increased by £48.3 million (29%), with the impact of disposals, net of acquisitions, reducing adjusted operating profit by £1.6 million ((1%)), and foreign exchange movements reducing adjusted operating profit by £10.9m ((6%)).

Adjusted operating margins increased by 320bps, with LFL adjusted operating margins up 240bps compared to 2020. The improvement in the LFL operating margin was due to a 50bps increase in LFL gross margins at 57.1% (2020: 56.6%), reflecting the incremental volume and favourable pricing offsetting inflationary cost pressures. There was an expected 4.8% increase in LFL overheads, with the reversal of certain temporary savings, such as a net £9 million prior year COVID-19 overseas government subsidies, investments for growth, and salary inflation, impacting the cost base.

Investment in our R&D programmes amounted to £87.0 million or 6.7% of sales (2020: £92.0 million or 6.9% of sales). R&D investment has increased by £2.1 million (2.4%) on a like-for-like basis.

Statutory profit before tax of £388.6 million (2020: £4.1 million loss before tax) is calculated after a £226.5 million profit on disposal of businesses, which predominantly arose on the disposal of Brüel & Kjær Vibro in the first half of the year and NDC Technologies in early November, and a net finance credit of £7.2 million (2020: £8.4 million charge), which includes £7.2 million foreign exchange gains (2020: £0.8 million charge) and a £5.1 million interest credit on release of a provision on settlement of an EU dividends tax claim.

In June 2021, the Group agreed a formal settlement with HMRC to resolve its dispute in relation to the taxation of dividends received from EU-based subsidiaries prior to 2009. The outstanding liability agreed with HMRC of £0.3 million of tax and £0.2 million of interest was paid in June 2021. As a result, £8 million of provision for current tax liabilities, a £5.1 million accrued interest liability and a deferred tax asset of £1 million related to accrued interest liabilities were released to the Consolidated Income Statement in 2021.

The effective tax rate on adjusted profit before tax for 2021 was 21.7% (2020: 21.8%).

Disposals

On 5 January 2021, the Group disposed of Concept Life Sciences' legacy food testing business, based in Cambridge, which formed part of the Malvern Analytical reportable segment. The consideration received was £6.2 million, settled in cash received.

On 2 February 2021, the Group disposed of its Millbrook business. The consideration received was £119.2 million, consisting of £71.2 million of cash received, €27.5 million (£25.0 million) of investment units in EZ Ring FPCI (the fund holding the combined UTAC-Millbrook group) and a £23.0 million Vendor Loan Note Receivable.

On 1 March 2021, the Group disposed of its Brüel & Kjær Vibro business. The consideration received was £154.7 million, settled in cash received.

On 3 May 2021, the Group disposed of its ESG business. The consideration received was £3.4 million, settled by £3.4 million cash received.

On 1 November 2021, the Group disposed of its NDC Technologies business. The consideration received was £133.0 million, settled by £135.4 million cash received less £2.4 million estimated accounts true-up.

Millbrook, Brüel & Kjær Vibro, ESG and NDC Technologies formed part of the Industrial Solutions reportable segment.

Further details of the £226.5 million profit on disposal and the £333.7 million net proceeds from disposals recognised in the Consolidated Statement of Cash Flows is provided in Note 8 of the Consolidated Financial Statements.

Cash flow

Adjusted cash flow decreased by £43.8 million to £200.7 million during the year, resulting in an adjusted cash flow conversion rate of 96% (2020: 141%).

	2021	2020
	£m	£m
Adjusted cash flow		
Adjusted operating profit	209.4	173.6
Adjusted depreciation and software amortisation ¹	37.3	60.7
Working capital and other non-cash movements	(10.7)	53.1
Capital expenditure, net of grants related to capital expenditure	(35.3)	(42.9)
Adjusted cash flow	200.7	244.5
Adjusted cash flow conversion	96%	141%

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

The decrease principally resulted from a negative working capital movement mainly attributable to an increase in trade receivables due to higher levels of sales recorded in the final month of the year, an increase in inventories due to the high order backlog and lower capital expenditure from timing of planned projects.

Capital expenditure (net of grants related to capital expenditure) on property, plant and equipment and intangible assets during the year of £35.3 million (2020: £42.9 million) equated to 2.7% of revenue (2020: 3.2%) and was 95% of adjusted depreciation and software amortisation (2020: 71%).

	2021	2020
	£m	£m
Other cash flows and foreign exchange		
Tax paid	(32.2)	(28.6)
Net interest paid on cash and borrowings	(2.9)	(4.5)
Dividends paid	(79.0)	(75.7)
Share buyback	(201.3)	-
Acquisition of businesses, net of cash acquired	(135.5)	(10.9)
Transaction-related costs paid	(26.5)	(13.6)
Proceeds from disposal/(Purchase of) of equity investments	38.3	(15.2)
Proceeds from disposal of businesses, net of tax paid of £nil (2020: £2.3 million)	333.7	20.6
Loan repaid by joint venture	-	3.0
SaaS-related cash expenditure	(5.9)	-
Lease payments and associated interest	(14.8)	(21.6)
Restructuring costs paid	(11.9)	(15.1)
Net proceeds from exercise of share options	0.3	0.3
Total other cash flows	(137.7)	(161.3)
Adjusted cash flow	200.7	244.5
Foreign exchange	(1.3)	(10.6)
Increase in net cash	61.7	72.6

During the year, 5,596,739 ordinary shares were repurchased and cancelled by the Group as part of the £200 million share buyback programme announced on 25 February 2021, resulting in a cash outflow of £201.3 million (2020: nil), including transaction fees of £1.3 million (2020: nil).

The Group received £38.3 million from the sale of a stake in a US-listed company following its acquisition by a third-party in April 2021 (2020: nil). The investment balance was valued at £38.3 million at the start of 2021 and therefore there was no 2021 income statement impact from this transaction. Transaction-related costs paid includes the £15 million donation to the Spectris Foundation.

Financing and treasury

The Group finances its operations from retained earnings and, where appropriate, from third-party borrowings. The 31 December 2021 total borrowings were nil (2020: £119.8 million).

During the year, the Group repaid, in full, a seven-year €116.2 million (£99.8 million) term loan which was due to mature in September 2022. The Group reduced its \$800 million committed facility in size to \$500 million and reduced the number of relationship banks from ten to eight during the third quarter. As at 31 December 2021, the Group had £370.3 million of committed facilities, consisting entirely of a \$500 million multi-currency revolving credit facility ('RCF') maturing in July 2025. The RCF was undrawn at 31 December 2021 (2020: \$800 million undrawn).

The RCF has a leverage (covenant defined net debt/EBITDA) covenant of up to 3.5x. The Group regularly monitors its financial position to ensure that it remains within the terms of its banking covenants. At 31 December 2021, interest cover (covenant defined earnings before interest, tax and amortisation divided by net finance charges) was 67 times (31 December 2020: 42 times), against a minimum requirement of 3.75 times. Leverage (covenant defined earnings before interest, tax, depreciation, and amortisation divided by net cash) was less than zero (31 December 2020: less than zero), due to the Group's net cash position, against a maximum permitted leverage of 3.5 times.

In addition to the above, at 31 December 2021, the Group had a cash and cash equivalents balance of £167.8 million. The Group also had various uncommitted facilities and bank overdraft facilities available,

all of which were undrawn, resulting in a net cash position of £167.8 million, an increase of £61.7 million from £106.1 million at 31 December 2020.

The Group has prepared and reviewed cash flow forecasts for the period to 31 December 2023, which reflect forecasted changes in revenue across its business and performed a reverse stress test of the forecasts to determine the extent of downturn which would result in a breach of covenants. Revenue would have to reduce by 35% over the period under review for the Group to breach the leverage covenant under the terms of its debt facility. The reverse stress test does not take into account further mitigating actions which the Group would implement in the event of a severe and extended revenue decline, such as cancelling the dividend or reducing capital expenditure. This assessment indicates that the Group can operate within the level of its current facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

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

Currency

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

After matching the currency of revenue with the currency of costs, wherever practical, forward exchange contracts are used to hedge a proportion of the remaining forecast net transaction cash flows where there is reasonable certainty of an exposure. At 31 December 2021, approximately 66% of the estimated transactional exposures for 2022 of £145.3 million were hedged using forward exchange contracts, mainly against Sterling, the Euro, US Dollar and Danish Krone.

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

	2021 (average)	2020 (average)	Change	2021 (closing)	2020 (closing)	Change
US Dollar (USD)	1.38	1.28	8%	1.35	1.37	(1%)
Euro (EUR)	1.16	1.12	4%	1.19	1.11	7%
Chinese Yuan Renminbi (CNY)	8.87	8.85	-	8.57	8.92	(4%)

During the year, currency translation effects resulted in adjusted operating profit being £11.0 million lower (2020: £0.8 million higher) than it would have been if calculated using prior year exchange rates.

Transactional foreign exchange losses of £0.3 million (2020: £1.1 million losses) were included in administrative expenses, whilst sales include a gain of £2.1 million (2020: £0.2 million gain) arising on forward exchange contracts taken out to hedge transactional exposures in respect of sales.

Operating segments – financial summary

	Malvern Panalytical		HBK		Omega		Industrial Solutions		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Sales (£m)	401.2	372.5	425.5	392.6	129.0	119.2	336.3	451.9	1,292.0	1,336.2
LFL sales growth (%)	11%		8%		14%		8%		10%	
Statutory operating profit/(loss) (£m)	57.5	44.6	41.1	14.2	8.3	1.2	48.0	(83.3) ¹	154.9	(23.3)
Statutory operating margin (%)	14.3%	12.0%	9.7%	3.6%	6.4%	1.0%	14.3%	(18.4%)	12.0%	(1.7%)
Adjusted operating profit (£m)	72.2	54.9	65.0	49.1	15.0	8.7	57.2	60.9	209.4	173.6
LFL adjusted operating profit change (%)	36%		32%		82%		10%		29%	
Adjusted operating margin (%)	18.0%	14.7%	15.3%	12.5%	11.6%	7.3%	17.0%	13.5%	16.2%	13.0%
LFL adjusted operating margin change (bps)	320bps		280bps		430bps		30bps		240bps	
Sales % of Group sales	31%	28%	33%	29%	10%	9%	26%	34%	100%	100%

1. The statutory operating loss of £83.3 million in 2020 was largely impacted by the £125.9 million impairment of goodwill, other acquisition-related intangible assets and other property, plant and equipment at Millbrook.

Throughout this Operating Review, all commentary refers to the adjusted LFL measures unless otherwise stated. A reconciliation of adjusted measures to statutory measures for all segments can be found in the appendix.

Malvern Panalytical

	2021	2020	2019	Change vs 2020	LFL change vs 2020	LFL change vs 2019
Statutory reported sales (£m)	401.2	372.5	448.2	8%	11%	(3%)
Adjusted operating profit ¹ (£m)	72.2	54.9	76.2	32%	36%	(2%)
Adjusted operating margin ¹ (%)	18.0%	14.7%	17.0%	330bps	320bps	30bps
Statutory operating profit/(loss) (£m)	57.5	44.6	(17.7)	29%		
Statutory operating margin (%)	14.3%	12.0%	(3.9%)	230bps		

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

Financial performance

On a statutory basis, reported sales increased 8% to £401.2 million, with operating profit improving to £57.5 million from £44.6 million, primarily reflecting the impact of the end market recovery on operational performance. The statutory operating margin was 14.3%.

A strong market recovery, with market share gains supported by the positive impact from recently launched products, helped Malvern Panalytical achieve a record order intake with 25% growth in LFL orders and an 11% increase in LFL sales.

All regions saw strong LFL sales growth, with Asia leading the way. A strong demand recovery continued in pharmaceutical, with equally strong demand from the advanced materials sector driven by semiconductor and energy technology-focused end markets. Primary materials sector growth was underpinned by a solid recovery in the metals, mining and building materials end markets. Increased supply chain constraints and the outbreak of Omicron limited the ability to translate the order book to revenue in the fourth quarter, with some sales being pushed out into 2022.

Adjusted operating profit of £72.2 million increased by 36% on a LFL basis and LFL adjusted operating margins rose 320bps, predominantly reflecting the volume increase and a favourable pricing and mix impact.

Compared with 2019, sales are 3% lower on a LFL basis and LFL adjusted operating profit was 2% lower.

Delivering the strategy

Continued execution of the strategy in 2021 further strengthened Malvern Panalytical as a leader in the advanced measurement and characterisation of materials. Investment was increased to both enhance the performance of existing products and develop new solutions, with software, services and analytics being key areas of focus. The recent launch of its new website highlights how Malvern Panalytical delivers absolute precision in the measurement of the fundamental chemical, physical or structural make-up of materials, enabling customers to create a better world, through improving "everything from the energies that power us and the materials we build with, to the medicines that cure us and the foods we enjoy".

Enhanced versions of products launched in 2021 include an expanded version of the Aeris compact X-ray diffractometer, with capabilities previously only seen in much larger floor-standing systems, enabling a wider range of customers to carry out in-depth materials analysis and optimise their processes. The Epsilon X-ray fluorescence ('XRF') analyser platform was expanded to enable the analysis of low sulphur content in fuels to meet fuel specification standards for the petro-chemical industry. Hydro Insight, a dynamic imaging accessory for the Mastersizer 3000 particle sizing instrument was also launched, providing more comprehensive insights, combining particle shape with particle sizing, accelerating method development and increasing confidence in material production processes.

To support customers in digitally transforming their laboratory workflows and quality control processes, Malvern Panalytical launched its real-time, remote, monitoring service. Smart Manager is a cloud based 'control room' that connects and monitors its Zetium and Axios-mAX XRF systems providing customers a clear picture of both the real-time utilisation and health of the instruments, wherever they are located in the world. The additional information and deeper insights have been well received by customers.

Recent product introductions, launched in the last two years, have outperformed expectations. These include OmniTrust, a suite of data integrity solutions and software which provides controlled and trailed access, audit and validation services for Zetasizer dynamic light scattering systems, and Emphyrean and

Aeris X-ray diffraction analysers used in the regulated pharmaceutical development and manufacturing environment. Also of note, are enhanced capabilities for Zetasizer Advance, which has seen rapid growth, particularly in applications linked to nano delivery systems for both drugs and gene therapies, as well as viral vaccine development.

The strategic focus placed on the pharmaceutical industry has increased sales by £35 million (34%) over the past three years and this sector now represents 27% of Malvern Panalytical's revenue. Malvern Panalytical is a leading provider of precision instruments in measuring the structure (arrangement), stability (long term quality) and affinity (drug binding) drug substances and drug product formulations as part of research, discovery, manufacturing, and quality control for drug development. In January 2022, Creoptix AG was acquired to further strengthen and expand our offering in the affinity area. Creoptix develops and manufactures analytical tools, software and consumables for kinetics measurements. The combination provides an exciting opportunity to quickly scale Creoptix's superior technology, in terms of speed and sensitivity, by leveraging Malvern Panalytical's extensive customer base.

As we look to drive further efficiencies in our operating model in Malvern Panalytical, a programme to simplify, standardise and automate ways of working across the organisation has been launched, which includes an enterprise-wide ERP solution.

Looking further forward, we expect a number of sustainability themes to drive further demand for Malvern Panalytical. The transformation of mobility and energy transition is driving significant investment in new battery materials and new, greener technologies and fuels are also being explored for many forms of transport, as well as for changing the energy mix. Major mining companies, in particular, are committing to reduce their environmental impact and are increasingly analysing waste and water contamination. With material use set to double by 2060, we also see an opportunity to improve the circularity of our own products in addition to developing recycling solutions in support of transforming waste materials to new product. These are all in addition to building on our position in pharmaceuticals and food.

Market trends and outlook

Pharmaceutical and food

Demand remained robust in the pharmaceutical sector throughout 2021, building on the recovery seen in the second half of the prior year, and resulting in record order intake. LFL sales to the pharmaceutical sector saw strong growth in all regions, with some products, such as the Zetasizer and Mastersizer, in particular, seeing very good order growth. After a strong first half recovery, growth eased in the second half resulting from supply-chain issues and given the tougher comparator.

The development of COVID treatments and vaccines continues to support high demand for vaccine and viral vector development, and manufacturing solutions in new areas such as immunotherapies and gene therapies are also seeing high levels of investment. This is supporting strong growth for analytical instrumentation and further investment in analytical capabilities or partnership development (such as our partnership with Leukocare), underpinning the robust opportunity pipeline for Malvern Panalytical's life sciences solutions.

Demand has been further supported by an increase in onshoring, prompting investment in pharmaceutical facilities as customers look to increase the robustness of supply chains and also engage service partners to reduce risk.

Good sales performance in the food sector was supported by the continued focus on sustainable sourcing and manufacture, food quality and safety. A thorough understanding of food properties at every stage of the food production chain is essential for the efficient production of safe and sustainable food and presents opportunities relevant to our solution portfolio, from assessing soil fertility and analysing crop nutrients to food formulation and measuring post production quality attributes such as calories, protein and moisture.

Primary materials

LFL sales were notably higher year-on-year, with Asia posting the strongest regional performance, and growth evenly split between systems and aftersales revenues. We booked the first revenues from our new digital, connected instrument solution offering, as a prelude to driving additional service revenues through our extensive installed base.

The mining market outlook has become more optimistic with improved metal prices helping increase exploration budgets. The economic recovery has supported strong order and sales growth, led by China, south-east Asia and Latin America.

In oil and chemicals, performance has been more variable. Asia and China remain growth areas. However, while the oil price outlook is stronger and activity levels improved, growth for new capex projects has slowed with companies continuing to concentrate on product maximisation, productivity and cost constraint.

Our strength in process automation and digital solutions, to help improve quality and yield, while reducing risk and improving safety, is helping drive demand in these markets. Additionally, the increasing focus by customers on sustainable practices and environmental matters is further underpinning growth prospects.

Advanced materials

LFL sales in advanced materials improved notably across all regions, as research institutes re-opened and new technology developments and applications continue in areas such as semiconductor, additive manufacturing and new energy technologies. Order growth resulted in increased demand for both our X-ray systems and laser diffraction instruments, with the Mastersizer 3000 particle size analyser selling particularly well.

Within additive manufacturing, we expect investment to expand with various customers and industry participants announcing expanded capabilities along with new manufacturing facilities. Demand for emerging battery technologies, electric vehicles and other new applications is supporting additional capital investment. Alongside batteries, we expect fuel cell and green hydrogen technology to be an element of smart energy infrastructure, within energy and transportation, providing localised energy generation for both stationary and mobile applications. Also, the expansion and onshoring of semiconductor manufacturing facilities will continue as digitalisation trends will drive the increased supply of semiconductors.

HBK

	2021	2020	2019	Change vs 2020	LFL change vs 2020	LFL change vs 2019
Statutory reported sales (£m)	425.5	392.6	429.0	8%	8%	(2%)
Adjusted operating profit ¹ (£m)	65.0	49.1	60.4	32%	32%	4%
Adjusted operating margin ¹ (%)	15.3%	12.5%	14.1%	280bps	280bps	80bps
Statutory operating profit (£m)	41.1	14.2	18.1	189%		
Statutory operating margin (%)	9.7%	3.6%	4.2%	610bps		

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

Financial performance

Statutory reported sales at HBK increased 8% to £425.5 million and statutory operating profit improved to £41.1 million from £14.2 million, primarily reflecting the impact of the end market recovery on operational performance, as well as a lower level of restructuring and transaction-related costs. The statutory operating margin was 9.7%.

End market recovery, along with share gains and the impact of new solutions, delivered a record order book, with a 16% increase in LFL orders. LFL sales grew 8% with increases seen across all regions, especially in Asia. Robust demand continued in machine manufacturing, supported by strong demand for our weighing technologies, and with a steadily improving automotive market. Order growth was notably ahead of the growth in sales, reflecting supply chain issues, longer lead times and a planned higher weighting of OEM orders where order phasing is longer.

Adjusted operating profit of £65.0 million increased by 32% on a LFL basis, while LFL adjusted operating margins rose 280bps. This was mainly driven by the higher top line drop through and efficiency improvements, partly offset by higher overheads to support order growth.

Compared with 2019, HBK sales are 2% lower on a LFL basis while LFL adjusted operating profit is 4% higher, reflecting the operational improvements and merger benefits that continue to be delivered.

Delivering the strategy

HBK's strategic objectives further support its role in providing differentiated sensing, testing, modelling and simulation solutions to help customers accelerate product development, improve production and optimise assets. Its strategic initiatives encompass investments in organic growth projects aligned to the strongest market opportunities, such as electrification, simulation, smart manufacturing and digitisation, where customers value its domain expertise and completeness of offering. HBK differentiates itself from competitors with the breadth and quality of its solutions, providing a complete simulation, test and measurement offering, including simulation systems, design optimisation software solutions, data acquisition hardware and software, production test systems, high precision and smart sensor solutions, as well as services and support.

The strategic growth drivers are focused on expanding our offerings in: virtual testing and simulation; software; physical testing (including electric power testing development); and smart and OEM sensors. New product and solution launches in 2021, alongside acquisitions made during the year, have further reinforced HBK's market position.

Concurrent Real-Time ('Concurrent-RT') was acquired in July to further strengthen our virtual test offering. It is being integrated into HBK's Virtual Test Division alongside VI-grade's simulation and software business, IMTEC Engineering's mechatronics and automation activities, plus legacy sound and vibration simulation software and hardware. Concurrent-RT broadens our exposure in aerospace and defence, and in particular in North America. It also creates the opportunity to build a strong and differentiated offering in the nascent and fast growing, hardware-in-the-loop ('HiL') simulation market, integrating our driver-in-the-loop and HiL capabilities into a single simulator offering.

New simulation products were also launched, including NVH Simulator 2021.0 software, incorporating significant new features and capabilities to give customers a highly accurate experience of sound and vibration data, and usability enhancements were released for the real-time vehicle simulation environments and driving simulator platform to enhance the user experience. These advancements help companies accelerate innovation and reduce time-to-market, at lower cost and risk.

HBK notably enhanced its software strategy with a licence and asset purchase agreement with

VIMANA, a provider of software and services for smart manufacturing. The transaction brings data platform technology and software to HBK and will form the basis for a new engineering centre of excellence focused on data management and connectivity. Its reliable IIoT data integration and analytics provide an open architecture approach to easily integrate test automation and acquired data acquisition into customer networks, significantly simplifying the data integration challenge for customers. The first product will be launched alongside HBK's new data acquisition system during 2022.

Two significant software upgrades were released in 2021 – the latest version of the Tescia Repetitive Testing data acquisition software system, to enable faster testing, improved product quality and time to market, and nCode 2021, with key improvements in functionality and performance for this highly regarded fatigue and durability engineering software solution.

In physical testing, HBK added new technology to its QuantumX data acquisition systems. The latest version of the MXFS optical interrogator module was also released, combining mechanical, electrical and fibre-optic measurements in one system, simplifying complex measurement solutions in battery electric drive-trains, hydrogen fuel applications and structural health monitoring. Additionally, HBK launched a new robust force sensor, to provide long-term stability and exceptionally precise measurement results, even in harsh applications and difficult environments.

Alongside product developments, initiatives to further strengthen and develop the organisation are being implemented, with simpler and faster processes providing even greater customer focus. In 2021, HBK moved to a new site near Copenhagen, with updated manufacturing processes to better serve customer demands and a much improved working experience adapted to post-pandemic requirements. A new go-to-market model and CRM system are being rolled out during 2022, starting in central Europe, enhancing the sales and marketing effort to further drive growth and strengthen customer relationships, along with a new, unified website which will go live in early 2022. HBK has embarked on a business process improvement journey that will result in a simplified business model running standard processes across the entire enterprise. This transition will result in the deployment of one common ERP platform.

Looking further forward, we expect a number of sustainability themes to drive demand for HBK's products and solutions. We expect the pace of electrification of transportation to increase, driving increased R&D and capital investment in new vehicles, battery technologies and EV infrastructure, and also rise in non-automotive areas. In turn, this will drive greater focus on reduced cost and time to market, accelerating the adoption of simulation and virtual testing as well as demand for HBK's extensive physical testing offering. Equally, increased automation and connectivity will drive the need for smart, precision sensors across a broad range of machine manufacturing sustainability-led areas such as precision agriculture equipment and med-tech.

Market trends and outlook

Automotive

Through the course of 2021, the automotive industry saw a continual recovery. This was reflected in our orders, which increased steadily through the year, with LFL sales up slightly year-on-year. In the first half, COVID-19 access restrictions limited customer access to VI-grade's SIM-centres, delaying large simulator sales, although software, services and small simulators performed well. In the physical test space, growth has come from our OEM sensors being used in off-road/precision agricultural applications, as well as torque transducers for vehicle test stands, including electric vehicles ('EVs'), railway testing and powertrain production testing systems, including electric drivetrains.

With all major automotive OEMs committing to increased development and production of EVs, and newcomers continuing to enter this market, R&D budgets in this area remain resilient. Competition in the automotive industry and the speed of development in pure EV and hybrid drive technologies are prompting manufacturers to increase investment in the research and development of batteries, where HBK's battery testing solutions for mechanical vibration, and electrical testing are particularly relevant for automotive customers.

Machine manufacturing

Demand from machine manufacturers remained strong in 2021, reflecting the very positive outlook and the strong fit of our sensor applications for food production, medical equipment and semiconductor manufacturing. As a result, LFL sales to this sector rose notably, continuing the buoyant performance seen in 2020. Sales were particularly strong into China, North America, and Germany with sales of OEM sensors, accelerometers and weighing electronics showing marked increases. HBK's

focus on selected high value asset markets has driven demand for its weighing technologies overall, and specifically for OEM-type solutions in medical and healthcare applications.

Aerospace and defence

LFL sales have continued to improve through the year, with strong growth in Asia and Europe. This has been driven by large transducer and data acquisition orders, especially for helicopter monitoring and aircraft subsystem testing, and shaker systems, especially for space testing.

Although commercial aerospace has been heavily impacted by the pandemic, HBK's exposure here is limited and aerospace firms have continued to invest in both airframe and gas turbine engine development using our equipment.

In defence and satellite/space markets spending has been more resilient. Key orders included a very large vibration test system for spacecraft in North America and sensors for a helicopter monitoring programme in Europe.

Consumer electronics and telecoms

Demand for high quality, smart consumer electronics products continues to rise supporting strong LFL sales growth in all regions. Greater consumer desire for high-performing voice recognition technologies is supporting demand for HBK's market-leading mouth and ear simulators, and precision microphones.

Omega

	2021	2020	2019	Change vs 2020	LFL change vs 2020	LFL change vs 2019
Statutory reported sales (£m)	129.0	119.2	138.3	8%	14%	(1%)
Adjusted operating profit ¹ (£m)	15.0	8.7	16.9	72%	82%	(6%)
Adjusted operating margin ¹ (%)	11.6%	7.3%	12.2%	430bps	430bps	(70bps)
Statutory operating profit (£m)	8.3	1.2	12.0	592%		
Statutory operating margin (%)	6.4%	1.0%	8.7%	540bps		

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

Financial performance

Statutory reported sales increased 8% to £129.0 million and statutory operating profit improved to £8.3 million from £1.2 million, resulting in a statutory operating margin of 6.4%, primarily reflecting the impact of the end market recovery and implementation of the strategic initiatives on operational performance.

Omega posted above market growth, with strong demand from its strategic accounts, new business wins and other share gains, with orders up 23% on a LFL basis, and above the 2019 order intake. The largest growth came from semiconductor customers, as well as through key channel partners. LFL sales increased 14%, with strong growth in both its main market, North America, as well as Asia.

Adjusted operating profit of £15.0 million increased by 82% on a LFL basis and LFL operating margins rose 430bps. This resulted from leverage on the higher sales volume, price gains, and controls on overheads, despite being higher year-on-year.

Compared with 2019, Omega sales are 1% lower on a LFL basis and LFL adjusted operating profit is 6% lower.

Delivering the strategy

Achieving greater scale through organic sales growth has been the key requirement for the performance recovery at Omega. The revised strategic initiatives to drive above market growth and in turn, improve margin comprise expanding the sales/distribution channels; international expansion; focused sales and marketing; and enhancing the customer experience, including improving operational performance, and product innovation. Omega has made good progress across each of these areas during 2021 which has delivered above market growth during the year, and better positioned the business for future growth.

Omega's sales channel expansion strategy has had notable success through its partnership with Newark in North America, where sales have increased more than 50% year-over-year. Omega is in the process of extending this relationship to a global account, expanding its reach in Europe and Asia. It is adding other distributors that have a similar strategic fit and can help drive growth in these regions. In particular, Omega is looking to increase its Asia exposure, with a focus on opportunities in China.

A more pro-active sales and marketing approach is also being implemented to attract new customers, as well as cross-sell to existing customers. Alongside this, sales to strategic key accounts have been increasing, especially into semiconductor customers.

Refinements to the digital platform to simplify and enhance the customer experience and improve the search functionality have had a positive impact, driving good improvements in key metrics. Omega achieved its highest ever digital experience score, and web orders and the conversion rate have both returned to 2018 levels. In addition, record average order values have been sustained through the course of 2021. Continued improvements to processing activities, for example through automation and Lean transformation, will further help to enhance the customer experience.

Investment in new products remains a key strategic aim, targeting both customer requirements, as well as emerging technologies. In addition to increasing its engagement with customers to understand their challenges, Omega is also expanding its network of university and research lab contacts, to further enhance the new product development pipeline and is also enhancing its own R&D capability. The product innovation strategy will deliver fewer, but more impactful launches in key growth areas.

A key milestone in this regard was the launch of Omega's new, innovative high accuracy non-invasive

temperature sensor ('HANI™') in the first half of the year, which has received highly positive reviews from the market. This clamp-on sensor achieves the same accuracy and fast response times as state-of-the-art invasive in-pipe temperature sensors in sanitary metal pipes, without the cost and risk, and at a significantly lower price point to current equivalent offerings. Food and beverage has been a key initial target end market and an early customer, US brewer Saucy Brew Works, has benefited from improving its monitoring capability across the brewing process. Reflecting this functionality, HANI was a winner of the 2021 Innovation Showcase competition at the Process Expo 2021 trade fair, a competition which recognises the top technological innovations in processing for all industry segments in food and beverage. Other applications for the technology are being planned for additional end markets, such as life sciences and semiconductor manufacturing for the measurement of temperature in plastic pipes.

Similarly, Omega's Layer N products for IIoT solutions are well positioned to access further opportunities in the growing wireless sensing market. These products sense, store and process data via a fully customised wireless solution, helping customers turn their real-time data into actionable insights. The product suite is being expanded with new upcoming product launches in 2022 in areas such as environmental and process monitoring.

Market trends and outlook

In general, Omega's products help customers improve their process efficiency and productivity. We see future demand being progressively driven by customers increasing their focus on their own sustainability journeys; using resources more efficiently and minimising waste, to improve yield and reduce their environmental impact.

The strength of the order book provides strong tailwinds into the first quarter of 2022, with visibility significantly ahead of the historic average.

In North America, LFL sales were up strongly reflecting the recovery in US industrial production, the distribution relationship with Newark and success in winning large project orders. Omega has also seen strength with key customers in semiconductor, aerospace, defence and R&D.

In Asia, LFL sales were up significantly, led by China, South Korea and Singapore, with a notably strong first half performance. Here too, Omega's distribution expansion strategy helped drive growth as well as the strong demand from semiconductor customers.

After a flat first half, the recovery in Europe gathered momentum, especially in the fourth quarter, resulting in full-year LFL sales growth, led by the UK.

Industrial Solutions

	2021	2020	2019	Change vs 2020	LFL change vs 2020	LFL change vs 2019
Statutory reported sales (£m)	336.3	451.9	616.5	(26%)	8%	(1%)
Adjusted operating profit ¹ (£m)	57.2	60.9	104.6	(6%)	10%	(4%)
Adjusted operating margin ¹ (%)	17.0%	13.5%	17.0%	350bps	30bps	(40bps)
Statutory operating profit/(loss) (£m)	48.0	(83.3)	71.9	(158%)		
Statutory operating margin (%)	14.3%	(18.4%)	11.7%	3270bps		

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

Financial performance

Statutory reported sales decreased 26% to £336.3 million, primarily reflecting a 28% decrease from the divestments of B&K Vibro, ESG Solutions, Millbrook and NDC Technologies. Statutory operating profit increased to £48.0 million from a £83.3 million loss, with the statutory operating margin improving to 14.3%. 2020 included a £125.9 million impairment of goodwill, other acquisition-related intangible assets and other property, plant and equipment at Millbrook.

Strong demand from semiconductor and pharmaceutical customers, in particular, helped deliver a record order book, with LFL orders up 15%. LFL sales increased 8%. PMS had the strongest performance given its exposure to the semiconductor and pharmaceutical markets. LFL sales increased in all regions, with a very strong performance in Asia. LFL sales into energy and utilities were lower, although the second half saw growth and orders into this sector demonstrate the market is recovering. Order growth overall was particularly strong, although with supply chain issues limited sales growth to some degree, but this provides good momentum into 2022.

Adjusted operating profit of £57.2 million increased by 10% on a LFL basis and LFL adjusted operating margins increased 30bps. This primarily resulted from the sales increase and a higher gross margin, reflecting the higher volume, pricing and some mix effects, partially offset by higher overheads, in to support the order book expansion and growth initiatives. It also reflected the impact of the disposals which enhanced the Division's margin.

Compared with 2019, ISD sales are 1% lower and adjusted operating profit is 4% lower on a LFL basis.

Delivering the strategy

The divestments of B&K Vibro, ESG Solutions, Millbrook and NDC Technologies were completed in 2021, generating sales proceeds of £410.3 million. ISD is now made up of three, high quality, specialist businesses and the strategic direction is centred around being a leading provider of high precision, in-line sensing and monitoring solutions, based around PMS, Servomex and Red Lion Controls. They are aligned with the Spectris purpose, are focused on attractive end markets with good growth drivers and differentiate themselves through their product quality, deep application knowledge and service. Our strategy remains to invest organically to grow these businesses, and also pursue M&A to compound growth and build scale.

ISD will be run as a more integrated division, retaining the business units and brands, while looking for opportunities to leverage the existing infrastructure and drive efficiencies. This will involve some restructuring; including leveraging common channels to market where they exist and make sense across PMS and Servomex; leveraging our service infrastructure; building service as a key competitive advantage across the businesses; and strengthening the deployment of SBS in back office and manufacturing processes.

Each of the businesses will continue their customer-oriented strategic initiatives and product development strategies to drive organic growth.

In 2021, PMS launched the new Lasair Pro Airborne Particle Counter, leveraging the capabilities of its existing flagship Lasair III particle counter, and the new IsoAir Pro-Plus, another option in its customisable cleanroom monitoring solutions. Servomex has been capitalising on the new range of gas purity analysers it launched in 2020, the Ultra Oxygen and Moisture range, which has driven order growth above that of the market in semiconductor.

At Red Lion, the product refresh programme has made good progress, with its new products, especially the FlexEdge Intelligent Edge Automation Platform, which enables simple connectivity and networking capability, seeing robust demand. Its next-generation indication platform, PM-50 Graphical Panel Meter, was launched in January 2022. Its smart-device connectivity enables customers to

remotely gather the workflow and process insights they need to increase productivity.

Looking further forward, each of the ISD business has exposure to a number of sustainability trends. At Servomex, increasingly strict regulations around environmental protection offers near-term opportunities while new energy technologies such as clean hydrogen and carbon capture provide longer term support for their solutions. A focus on the circular economy also provides opportunities for gas analyser use in safety and quality control. At PMS, sustainability related opportunities include improving waste management and water stewardship in semiconductor manufacturing and the advancement in life sciences supports demand for its microbial detection solutions. At Red Lion, the process optimisation and efficiency improvements its products bring, supports improved resource use and waste reductions, similar to Omega.

Market trends and outlook

Semiconductor and electronics

Sales into semiconductor customers increased notably, with strong demand for PMS' liquids instruments, and Servomex's new purity range. PMS' performance particularly reflects an increase in the demand in Asia, especially Taiwan, Korea and China, market share gains and the strong backlog it had entering 2021. Its sales pipeline funnel has continued to expand, underpinning the outlook into 2022, driven by investment programmes from its global key accounts with major semiconductor manufacturers, especially for its Chem-20 and Ultra-DI 20 products.

In electronics, the development of new consumer 'smart' electronic products, cloud computing and 5G infrastructure roll-out drove demand such that LFL sales were also up, after a robust 2020 performance, with orders faring even better and the pipeline continuing to strengthen.

Pharmaceutical and life sciences

Demand also remained robust in the pharmaceutical and life sciences sectors, continuing the strong performance in 2020 and resulting in good LFL sales growth, up notably at PMS.

Investment in COVID vaccine and treatment production is supporting further demand for our products, although after a strong 2020 and first half, orders for Servomex oxygen sensors have started to decline given the reducing demand for ventilators.

At PMS, its OEM-focused strategy has also driven the growth in sales, with notable orders coming directly from filling-machine and isolator manufacturers. This helps them provide a fully integrated solution to manufacturers of life sciences products, reducing risk, by ensuring product quality and safety, as well as regulatory compliance.

Energy and utilities

There has been a slower recovery in the hydrocarbon sector, although there has been a general upward trend through the year as markets improve. As a result, LFL sales to energy customers at Servomex were flat year-on-year, also reflecting the lower order book coming into 2021. There was growth in the second half as a result and orders have fared better, supported by strong growth in Asia, especially China. For Red Lion, there has been recent high demand for automation products driving additional opportunities for its HMI products. With regulatory compliance, environmental concerns and the energy transition becoming higher on customers' agendas, Servomex is well placed to deliver effective solutions for process control, safety and quality in a wide range of midstream and downstream applications.

Derek Harding

Chief Financial Officer

Consolidated Income Statement

For the year ended 31 December 2021

		2021	2020
	Note	£m	£m
Continuing operations			
Revenue	2	1,292.0	1,336.2
Cost of sales		(553.2)	(599.8)
Gross profit		738.8	736.4
Indirect production and engineering expenses		(95.9)	(96.7)
Sales and marketing expenses		(242.1)	(268.3)
Administrative expenses		(245.9)	(394.7)
Operating profit/(loss)	2	154.9	(23.3)
Fair value through profit and loss movements on equity investments		-	23.2
Profit on disposal of businesses	8	226.5	4.4
Financial income	3	12.8	1.8
Finance costs	3	(5.6)	(10.2)
Profit/(loss) before tax		388.6	(4.1)
Taxation charge	4	(41.7)	(12.9)
Profit/(loss) for the year from continuing operations attributable to owners of the Company		346.9	(17.0)
Basic earnings/(loss) per share	6	305.1p	(14.6p)
Diluted earnings/(loss) per share	6	304.0p	(14.6p)
2021 interim dividend paid and final dividend proposed for the year (2020: interim, additional interim and final dividend paid for the year) per share	5	71.8p	111.6p
Dividends paid during the year (per share)	5	69.5p	65.1p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 £m	2020 £m
Profit/(loss) for the year attributable to owners of the Company		346.9	(17.0)
Other comprehensive income:			
Items that will not be reclassified to the Consolidated Income Statement:			
Re-measurement of net defined benefit obligation		(1.8)	8.5
Fair value (loss)/gain and foreign exchange movements on translation of investment in equity instruments designated as at fair value through other comprehensive income		(1.8)	0.1
Tax credit/(charge) on items above		0.7	(1.3)
		(2.9)	7.3
Items that are or may be reclassified subsequently to the Consolidated Income Statement:			
Net loss on effective portion of changes in fair value of forward exchange contracts on cash flow hedges		(1.9)	(0.6)
Foreign exchange movements on translation of overseas operations		(25.1)	(0.6)
Currency translation differences transferred to profit on disposal of businesses	8	(4.8)	-
Tax credit on items above		0.3	0.1
		(31.5)	(1.1)
Total other comprehensive (loss)/income		(34.4)	6.2
Total comprehensive income/(loss) for the year attributable to owners of the Company		312.5	(10.8)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital £m	Share premium £m	Retained earnings £m	Translatio n reserve £m	Hedging reserve £m	Merger reserve £m	Capital redemption reserve £m	Total equity £m
At 1 January 2021 (restated) (see note 1)	6.0	231.4	882.6	98.0	(1.9)	3.1	0.5	1,219.7
Profit for the year	-	-	346.9	-	-	-	-	346.9
Other comprehensive loss	-	-	(1.0)	(31.8)	(1.6)	-	-	(34.4)
Total comprehensive income/(loss) for the year	-	-	345.9	(31.8)	(1.6)	-	-	312.5
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company (see note 5)	-	-	(79.0)	-	-	-	-	(79.0)
Own shares acquired for share buyback programme (see note 10)	(0.2)	-	(201.3)	-	-	-	0.2	(201.3)
Share-based payments, net of tax	-	-	9.1	-	-	-	-	9.1
Proceeds from exercise of equity-settled share options	-	-	0.3	-	-	-	-	0.3
At 31 December 2021	5.8	231.4	957.6	66.2	(3.5)	3.1	0.7	1,261.3

	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Capital redemption reserve £m	Total equity £m
At 1 January 2020	6.0	231.4	983.3	98.6	(1.4)	3.1	0.5	1,321.5
Prior period restatement (see note 1)	-	-	(18.9)	-	-	-	-	(18.9)
At 1 January 2020 (restated)	6.0	231.4	964.4	98.6	(1.4)	3.1	0.5	1,302.6
Loss for the year	-	-	(17.0)	-	-	-	-	(17.0)
Other comprehensive income/(loss)	-	-	7.3	(0.6)	(0.5)	-	-	6.2
Total comprehensive loss for the year	-	-	(9.7)	(0.6)	(0.5)	-	-	(10.8)
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company (see note 5)	-	-	(75.7)	-	-	-	-	(75.7)
Share-based payments, net of tax	-	-	3.3	-	-	-	-	3.3
Proceeds from exercise of equity-settled share options	-	-	0.3	-	-	-	-	0.3
At 31 December 2020 (restated)	6.0	231.4	882.6	98.0	(1.9)	3.1	0.5	1,219.7

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 £m	(restated) ¹ 2020 £m	(restated) ¹ 2019 £m
ASSETS				
Non-current assets				
Intangible assets:				
Goodwill		631.5	577.0	646.8
Other intangible assets		169.1	107.8	152.8
		800.6	684.8	799.6
Property, plant and equipment		150.5	156.0	318.1
Right-of-use assets		60.5	31.1	50.9
Investment in equity instruments	8	24.3	39.4	–
Investment in debt instruments	8	23.0	–	–
Deferred tax assets		21.2	16.2	9.0
		1,080.1	927.5	1,177.6
Current assets				
Inventories		187.9	168.5	197.2
Current tax assets		5.7	4.1	4.1
Trade and other receivables		315.9	293.3	337.2
Derivative financial instruments		0.3	1.9	1.5
Cash and cash equivalents		167.8	222.2	213.1
Assets held for sale		10.4	178.7	18.9
		688.0	868.7	772.0
Total assets		1,768.1	1,796.2	1,949.6
LIABILITIES				
Current liabilities				
Borrowings		–	(13.1)	(80.7)
Derivative financial instruments		(1.2)	(0.1)	(0.1)
Trade and other payables		(330.2)	(288.3)	(296.8)
Lease liabilities		(16.6)	(12.9)	(15.1)
Current tax liabilities	4	(28.1)	(15.6)	(19.7)
Provisions		(17.6)	(24.7)	(27.3)
Liabilities held for sale		–	(37.3)	–
		(393.7)	(392.0)	(439.7)
Net current assets		294.3	476.7	332.3
Non-current liabilities				
Borrowings		–	(104.5)	(98.9)
Other payables		(13.8)	(24.7)	(21.3)
Lease liabilities		(49.3)	(26.0)	(45.4)
Provisions		(4.7)	(3.8)	(5.6)
Retirement benefit obligations		(22.3)	(20.4)	(27.5)
Deferred tax liabilities		(23.0)	(5.1)	(8.6)
		(113.1)	(184.5)	(207.3)
Total liabilities		(506.8)	(576.5)	(647.0)
Net assets		1,261.3	1,219.7	1,302.6
EQUITY				
Share capital		5.8	6.0	6.0
Share premium		231.4	231.4	231.4
Retained earnings		957.6	882.6	964.4
Translation reserve		66.2	98.0	98.6
Hedging reserve		(3.5)	(1.9)	(1.4)
Merger reserve		3.1	3.1	3.1
Capital redemption reserve		0.7	0.5	0.5
Total equity attributable to owners of the Company		1,261.3	1,219.7	1,302.6

1. See note 1 for details of the prior period restatement

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 £m	2020 £m
Cash generated from operations	9	191.6	254.6
Net income taxes paid		(32.2)	(28.6)
Net cash inflow from operating activities		159.4	226.0
Cash flows used from/(used in) investing activities			
Purchase of property, plant and equipment and intangible assets		(35.3)	(43.1)
Proceeds from disposal of property, plant and equipment and software		-	4.1
Finance sublease receivable collected, net of initial direct costs		0.1	-
Acquisition of businesses, net of cash acquired	7	(135.5)	(10.9)
Purchase of equity investments		-	(15.2)
Proceeds from disposal of equity investments	8	38.3	-
Proceeds from disposal of businesses, net of tax paid of £nil (2020: £2.3m)	8	333.7	20.6
Proceeds from government grants related to purchase of property, plant and equipment and intangible assets		-	0.2
Interest received		0.5	2.4
Net cash flows from/(used in) investing activities		201.8	(41.9)
Cash flows used in financing activities			
Interest paid on borrowings		(3.4)	(6.9)
Interest paid on lease liabilities		(1.8)	(2.3)
Dividends paid	5	(79.0)	(75.7)
Share buyback purchase of shares	10	(201.3)	-
Net proceeds from exercise of share options		0.3	0.3
Payments on principal portion of lease liabilities		(13.0)	(19.3)
Loan repaid by joint venture		-	3.0
Proceeds from borrowings		70.0	0.3
Repayment of borrowings		(169.8)	(86.4)
Net cash flows used in financing activities		(398.0)	(187.0)
Net decrease in cash and cash equivalents		(36.8)	(2.9)
Cash and cash equivalents at beginning of year		210.9	213.1
Effect of foreign exchange rate changes		(6.3)	0.7
Cash and cash equivalents at end of year¹		167.8	210.9

1. Cash and cash equivalents in the Consolidated Statement of Cash Flows at 31 December 2021 consisted solely of cash and cash equivalents included in current assets. Cash and cash equivalents in the Consolidated Statement of Cash Flows at 31 December 2020 consisted of £222.2 million of cash and cash equivalents included in current assets, £3.7 million of cash and cash equivalents included in assets held for sale less £12.8 million of notional cash-pool related bank overdrafts included in current borrowings and £2.2 million of notional cash-pool related bank overdrafts included in liabilities held for sale.

Notes to the accounts

1. Basis of preparation and accounting policies

a) Basis of accounting

The Consolidated Financial Statements of the Company for the 12 months ended 31 December 2021 comprise the Company and its subsidiaries, together referred to as the 'Group'. These Consolidated Financial Statements are presented in millions of Sterling rounded to the nearest one decimal place, which is the Group's presentational currency. The Consolidated Financial Statements of the Group for the year ended 31 December 2020 are available upon request from the Company's registered office at Melbourne House, 5th Floor, 44-46 Aldwych, London WC2B 4LL and on the Company's website at www.spectris.com.

The Consolidated Financial Statements have been prepared using consistent accounting policies with those of the previous financial year except for the adoption of new accounting standards and interpretations noted below.

The financial information included in the full year results announcement does not constitute statutory accounts of the Company for the years ended 31 December 2021 and 2020. Statutory accounts for the year ended 31 December 2020 have been reported on by the Company's auditor and delivered to the Registrar of Companies. Statutory accounts for the year ended 31 December 2021 have been audited and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The report of the auditors for both years was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The Consolidated Financial Statements have been prepared on a historical cost basis except for items that are required by IFRS to be measured at fair value, principally certain financial instruments. The Consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK adopted IFRS. The Consolidated Financial Statements have been prepared on a going concern basis. The full year results announcement is presented in millions of pounds Sterling rounded to the nearest one decimal place, which is the Group's presentational currency.

These results were approved by the Board of Directors on 23 February 2022.

New standards and interpretations applied for the first time

On 1 January 2021, the Group adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) as issued by the IASB. The adoption has not had a material impact on the interim Consolidated Financial Statements. Apart from this change, the accounting policies set out in the 2020 Annual Report and Accounts have been applied consistently to both periods presented in these Consolidated Financial Statements.

New standards and interpretations not yet applied

There were no new or revised IFRSs, amendments or interpretations in issue but not yet effective that are potentially material for the Group and which have not yet been applied.

Change in accounting policy – Software as a Service ('SaaS') arrangement

The Group has changed its accounting policy relating to the capitalisation of certain software costs; this change follows the IFRIC Interpretation Committee's agenda decision published in April 2021 and relates to the capitalisation of costs of configuring or customising application software under 'Software as a Service' ('SaaS') arrangements.

The Group's accounting policy has historically been to capitalise costs directly attributable to the configuration and customisation of SaaS arrangements as intangible assets in the Consolidated Statement of Financial Position. Following the adoption of the above IFRIC agenda guidance the accounting policy was changed so that the Group only capitalises costs relating to the configuration and customisation of SaaS arrangements as intangible assets where control of the software exists.

1. Basis of preparation and accounting policies (continued)

As a result of this change in accounting policy, all current SaaS arrangements were identified and assessed to determine if the Group has control of the software. For those arrangements where the Group does not have control of the developed software, the Group derecognised the intangible asset previously capitalised. To the extent that such amounts were paid to the SaaS supplier in advance of the service period, including for configuration or customisation, these were instead treated as a prepayment over the life of the service period. All other amounts were recognised within administrative expenses in the Consolidated Income Statement as incurred.

The change in accounting policy led to adjustments amounting to a £25.7 million reduction in intangible assets, a £18.9 million reduction in retained earnings, a £2.6 million reduction in deferred tax liabilities, a £1.6 million increase in deferred tax assets, a £1.1 million reduction in current tax liabilities and a £1.5 million increase in trade and other receivables recognised in the 31 December 2020 Consolidated Statement of Financial Position. The 2020 Consolidated Income Statement and Statement of Other Comprehensive Income have not been restated, as the impact on them is immaterial.

This change in accounting policy also led to adjustments amounting to a £25.7 million reduction in intangible assets, a £18.9 million reduction in retained earnings, a £4.2 million reduction in deferred tax liabilities, a £1.1 million reduction in current tax liabilities and a £1.5 million increase in trade and other receivables recognised in the 31 December 2019 Consolidated Statement of Financial Position.

Accordingly, the prior period Consolidated Statement of Financial Positions at 31 December 2020 and 31 December 2019 have been restated in accordance with IAS 8, and, in accordance with IAS 1 (revised), a Consolidated Statement of Financial Position at 31 December 2019 is also presented, together with related notes. The tables below show the impact of the change in accounting policy on the previously reported financial position.

	As previously reported 2020 £m	Impact of restatement 2020 £m	Restated 2020 £m
Cost			
Other intangible assets	133.5	(25.7)	107.8
Deferred tax assets	14.6	1.6	16.2
Trade and other receivables	291.8	1.5	293.3
Current tax liability	(16.7)	1.1	(15.6)
Deferred tax liabilities	(7.7)	2.6	(5.1)
Other assets/(liabilities)	823.1	-	823.1
Net assets	1,238.6	(18.9)	1,219.7
Retained earnings	901.5	(18.9)	882.6
Other equity balances	337.1	-	337.1
Total equity attributable to owners of the Company	1,238.6	(18.9)	1,219.7

1. Basis of preparation and accounting policies (continued)

	As previously reported 2019 £m	Impact of restatement 2019 £m	Restated 2019 £m
Cost			
Other intangible assets	178.5	(25.7)	152.8
Trade and other receivables	335.7	1.5	337.2
Current tax liability	(20.8)	1.1	(19.7)
Deferred tax liabilities	(12.8)	4.2	(8.6)
Other assets/(liabilities)	840.9	-	840.9
Net assets	1,321.5	(18.9)	1,302.6
Retained earnings	983.3	(18.9)	964.4
Other equity balances	338.2	-	338.2
Total equity attributable to owners of the Company	1,321.5	(18.9)	1,302.6

b) Going concern

In determining the basis of preparation for the Consolidated Financial Statements, the Directors have considered the Group's available resources, current business activities and factors likely to impact on its future development and performance, including the impact of COVID-19 and Climate Change on the Group, which are described in the Chief Executive's Review, Financial Review and Operating Review.

During the year, the Group repaid in full a seven-year €116.2 million (£99.8 million) term loan which was due to mature in September 2022. The Group reduced its \$800 million committed facility in size to \$500 million and reduced the number of relationship banks from 10 to 8 during the third quarter. As at 31 December 2021, the Group had £370.3 million of committed facilities, consisting entirely of a \$500 million multi-currency revolving credit facility ('RCF') maturing in July 2025. The RCF was undrawn at 31 December 2021 (2020: \$800 million undrawn).

The RCF has a leverage (covenant defined net debt/EBITDA) covenant of up to 3.5x. The Group regularly monitors its financial position to ensure that it remains within the terms of its banking covenants. At 31 December 2021, interest cover (covenant defined earnings before interest, tax and amortisation divided by net finance charges) was 67 times (31 December 2020: 42 times), against a minimum requirement of 3.75 times. Leverage (covenant defined earnings before interest, tax, depreciation, and amortisation divided by net cash) was less than zero (31 December 2020: less than zero) due to the Group's net cash position, against a maximum permitted leverage of 3.5 times.

In addition to the above, at 31 December 2021, the Group had a cash and cash equivalents balance of £167.8 million. The Group also had various uncommitted facilities and bank overdraft facilities available, all of which were undrawn, resulting in a net cash position of £167.8 million, an increase of £61.7 million from £106.1 million at 31 December 2020. The Group also had various uncommitted facilities and bank overdraft facilities available, all of which were undrawn.

The Group has prepared and reviewed cash flow forecasts for the period to 31 December 2023, which reflect forecasted changes in revenue across its business and performed a reverse stress test of the forecasts to determine the extent of downturn which would result in a breach of covenants. Revenue would have to reduce by 35% over the period under review for the Group to breach the leverage covenant under the terms of its debt facility. The reverse stress test does not take into account further mitigating actions which the Group would implement in the event of a severe and extended revenue decline, such as cancelling the dividend or reducing capital expenditure. This assessment indicates that the Group can operate within the level of its current facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

Following this assessment, the Board of Directors are satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in relation to this conclusion and preparing the Consolidated Financial Statements. There are no key sensitivities identified in relation to this conclusion.

2. Operating segments

The Group has four reportable segments, as described below. The segmental platform structure reflects the internal reporting provided to the Chief Operating Decision Maker (considered to be the Board) on a regular basis to assist in making decisions on capital allocated to each segment and to assess performance. The operating segment results include an allocation of head office expenses. The following summarises the operations in each of the Group's reportable segments:

- The Malvern Panalytical platform provides advanced measurement and materials characterisation, accelerating innovation and efficiency in R&D and manufacturing;
- The HBK platform provides differentiated sensing, testing, modelling and simulation solutions to help customers accelerate product development;
- The Omega platform provides specialist sensors, helping customers improve processes., delivered by a high service omni-channel distribution platform;
- The Industrial Solutions Division ('ISD') is a portfolio of high-value precision in-line sensing and monitoring businesses. The operating companies in this segment are Particle Measuring Systems, Red Lion Controls, Servomex, Brüel & Kjær Vibro (disposed 1 March 2021), ESG Solutions (disposed 3 May 2021), Millbrook (disposed 2 February 2021) and NDC Technologies (disposed 1 November 2021).

	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2021 Total £m
Information about reportable segments					
Segment revenues	401.3	425.7	129.0	336.5	1,292.5
Inter-segment revenue	(0.1)	(0.2)	-	(0.2)	(0.5)
External revenue	401.2	425.5	129.0	336.3	1,292.0
Operating profit	57.5	41.1	8.3	48.0	154.9
Profit on disposal of businesses ¹					226.5
Financial income ¹					12.8
Finance costs ¹					(5.6)
Profit before tax ¹					388.6
Taxation charge ¹					(41.7)
Profit after tax ¹					346.9

1. Not allocated to reportable segments

	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2020 Total £m
Information about reportable segments					
Segment revenues	372.6	393.3	119.3	452.2	1,337.4
Inter-segment revenue	(0.1)	(0.7)	(0.1)	(0.3)	(1.2)
External revenue	372.5	392.6	119.2	451.9	1,336.2
Operating profit/(loss)	44.6	14.2	1.2	(83.3)	(23.3)
Fair value through profit and loss movements on equity investments ¹					23.2
Profit on disposal of businesses ¹					4.4
Financial income ¹					1.8
Finance costs ¹					(10.2)
Loss before tax ¹					(4.1)
Taxation charge ¹					(12.9)
Loss after tax ¹					(17.0)

1. Not allocated to reportable segments

2. Operating segments (continued)

Geographical segments

The Group's operating segments are each located in several geographical locations and sell to external customers in all parts of the world. No individual country amounts to more than 3% of revenue by location of customer, other than those noted below. The following is an analysis of revenue by geographical destination.

	2021	2020
	£m	£m
UK	55.7	101.4
Germany	114.7	114.7
France	42.2	41.9
Rest of Europe	171.0	182.2
USA	369.5	386.3
Rest of North America	36.1	37.9
Japan	68.5	73.0
China	212.1	190.4
South Korea	50.9	41.6
Rest of Asia	115.4	106.3
Rest of the world	55.9	60.5
	1,292.0	1,336.2

3. Financial income and finance costs

	2021	2020
	£m	£m
Financial income		
Interest receivable	(0.5)	(1.8)
Interest credit on release of provision on settlement of EU dividends tax claim (see note 4)	(5.1)	-
Net gain on retranslation of short-term inter-company loan balances	(7.2)	-
	(12.8)	(1.8)

	2021	2020
	£m	£m
Finance costs		
Interest payable on loans and overdrafts	3.6	6.0
Net loss on retranslation of short-term inter-company loan balances	-	0.8
Unwinding of discount factor on lease liabilities	1.8	2.3
Unwinding of discount factor on deferred and contingent consideration	-	0.4
Net interest cost on pension plan obligations	0.2	0.4
Other finance costs	-	0.3
	5.6	10.2
Net finance (credit)/costs	(7.2)	8.4

4. Taxation

	2021			2020		
	UK	Overseas	Total	UK	Overseas	Total
	£m	£m	£m	£m	£m	£m
Current tax (credit)/charge	(2.3)	49.2	46.9	3.9	23.5	27.4
Adjustments in respect of current tax of prior years	(0.7)	(1.2)	(1.9)	(0.3)	(1.1)	(1.4)
Deferred tax – origination and reversal of temporary differences	(3.1)	(0.2)	(3.3)	(8.0)	(5.1)	(13.1)
Taxation charge	(6.1)	47.8	41.7	(4.4)	17.3	12.9

4. Taxation (continued)

The standard rate of corporation tax for the year, based on the weighted average of tax rates applied to the Group's profits, is 25.3% (2020: (85.4%)). The standard rate of corporation tax for the prior year is a charge on a loss before tax because the statutory tax rates applying to the impairment of goodwill and other acquisition-related intangible assets are lower than the statutory tax rates applying to the Group's profits before impairment losses. In the absence of any impairment losses, the standard rate of corporation tax for the prior year, based on the weighted average of tax rates applied to the Group's profits, would have been a charge of 22.9%. The tax charge for the year is lower (2020: higher) than the tax charge using the standard rate of corporation tax for the reasons set out in the following reconciliation.

	2021	2020
	£m	£m
Profit/(loss) before taxation	388.6	(4.1)
Corporation tax charge at standard rate of 25.3% (2020: (85.4%))	98.3	3.5
Profit on disposal of business taxed at (lower)/higher rate	(46.5)	0.3
Non-deductible impairments	-	11.1
Other non-deductible expenditure	4.7	5.6
Release of provision on settlement of EU dividend claim	(8.0)	-
Movements on unrecognised deferred tax assets	-	(2.6)
Tax credits and incentives	(6.0)	(4.5)
Change in tax rates	-	1.1
Adjustments to prior year current and deferred tax charges	(0.8)	(1.6)
Taxation charge	41.7	12.9

The Group's standard rate of corporation tax of 25.3% is higher than the prior year rate ((85.4%)), principally due to the impact in the prior year of impairments being made in countries with lower statutory tax rates.

'Profit on disposal of business taxed at a lower rate' above, in the current year principally refers to the benefit of tax exemptions for the sale of shares in certain countries.

'Tax credits and incentives' above refers principally to research and development tax credits and other reliefs for innovation, such as the UK Patent Box regime and Dutch Innovation Box regime, as well as tax reliefs available for Foreign Derived Intangible Income in the US.

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

	2021	2020
	£m	£m
Tax credit on amortisation and impairment of acquisition-related intangible assets and other property, plant and equipment	(4.3)	(18.8)
Tax credit on depreciation of acquisition-related fair value adjustments to property, plant and equipment	-	(0.1)
Tax credit on impairment of goodwill	-	(0.9)
Tax credit on net transaction-related costs and fair value adjustments	(3.0)	(1.6)
Tax charge/(credit) on retranslation of short-term inter-company loan balances	0.3	(0.4)
Tax charge on profit on disposal of businesses	14.2	1.1
Tax credit on configuration and customisation costs carried out by third parties on material SaaS projects	(1.0)	-
Tax credit on release of provision and deferred tax asset on settlement of EU dividends tax claim	(7.0)	-
Tax charge on fair value through profit and loss movements on equity investments	0.9	1.8
Tax credit on restructuring costs	(2.7)	(4.5)
Total tax credit	(2.6)	(23.4)

4. Taxation (continued)

The effective adjusted tax rate for the year was 21.7% (2020: 21.8%) as set out in the reconciliation below:

	2021	2020
	£m	£m
Reconciliation of the statutory taxation charge to the adjusted taxation charge		
Statutory taxation charge	41.7	12.9
Tax credit on items of income and expense that are excluded from the Group's adjusted profit before tax	2.6	23.4
Adjusted taxation charge	44.3	36.3

In June 2021, the Group agreed a formal settlement with HMRC to resolve its dispute in relation to the taxation of dividends received from EU based subsidiaries prior to 2009. The outstanding liability agreed with HMRC of £0.3 million of tax and £0.2 million of interest was paid in June 2021. As a result, £8.0 million of provision for current tax liabilities and a deferred tax asset of £1.0 million related to accrued interest liabilities were released to the Consolidated Income Statement in the year ending 31 December 2021. In addition, as a result of the dispute resolution, £5.1 million of accrued interest liabilities were released to the Consolidated Income Statement, as disclosed in note 3.

In October 2017, the EU Commission opened a formal State Aid investigation into an exemption within the UK's Controlled Foreign Company regime for certain finance income. A final decision was published by the Commission during 2019, concluding that certain aspects of the exemption (as it was implemented in UK law for the years 2013-2018) constituted State Aid and requiring the UK to recover such aid from affected parties. This decision was relevant to Spectris since we had claimed the benefit of the group finance exemption during the period in question. The Group, along with the UK government and a number of other affected taxpayers, has sought annulment of the EU Commission's decision through the EU Courts.

In February 2021, HMRC wrote to Spectris confirming its view that the Group was not a beneficiary of State Aid during the period in question, as such no tax and interest should be due. A contingent liability disclosure had been made in respect of this issue and no provision had been recorded. The Group's maximum exposure was previously estimated to be £19.5 million in respect of tax and £1.3 million in respect of interest.

5. Dividends

	2021	2020
	£m	£m
Amounts recognised and paid as distributions to owners of the Company in the year		
Final dividend for the year ended 31 December 2020 of 46.5p per share	53.6	-
Interim dividend for the year ended 31 December 2021 of 23.0p (2020: 21.9p) per share	25.4	25.5
Additional interim dividend for the year ended 31 December 2020 of 43.2p per share	-	50.2
	79.0	75.7

	2021	2020
	£m	£m
Amounts arising in respect of the year		
Interim dividend for the year ended 31 December 2021 of 23.0p (2020: 21.9p) per share	25.4	25.5
Additional interim dividend for the year ended 31 December 2020 of 43.2p per share	-	50.2
Proposed final dividend for the year ended 31 December 2021 of 48.8p (2020: 46.5p) per share	54.1	54.1
	79.5	129.8

The proposed final 2021 dividend is subject to approval by shareholders at the AGM on 27 May 2022 and have not been included as a liability in these Consolidated Financial Statements.

6. Earnings/(loss) per share

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

Diluted profit/(loss) per share amounts are calculated by dividing the net profit/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year but adjusted for the effects of dilutive options. This additional adjustment is not made when there is a net loss attributable to ordinary shareholders.

	2021	2020
Basic earnings/(loss) per share		
Profit/(loss) after tax (£m)	346.9	(17.0)
Weighted average number of shares outstanding (millions)	113.7	116.1
Basic earnings/(loss) per share (pence)	305.1	(14.6)
	2021	2020
Diluted earnings/(loss) per share		
Profit/(loss) after tax (£m)	346.9	(17.0)
Basic weighted average number of shares outstanding (millions)	113.7	116.1
Weighted average number of dilutive 5p ordinary shares under option (millions)	0.5	n/a
Weighted average number of 5p ordinary shares that would have been issued at average market value from proceeds of dilutive share options (millions)	(0.1)	n/a
Diluted weighted average number of shares outstanding (millions)	114.1	116.1
Diluted earnings/(loss) per share (pence)	304.0	(14.6)

7. Acquisitions

Concurrent Real-Time

On 9 July 2021, the Group acquired 100% of Concurrent Real-Time ('Concurrent-RT') for net consideration of £123.6 million, made up of £135.9 million gross consideration in cash less £12.3 million cash acquired. There was no contingent consideration recognised on this acquisition. The transaction is in line with Spectris' strategy to make synergistic acquisitions to enhance and grow its platform and potential platform businesses. Concurrent-RT will be integrated into the HBK reportable segment and cash generating unit. The excess of the fair value of consideration paid over the fair value of the net tangible assets acquired is represented by the following intangible assets: customer-related relationships, contractual rights, technology and goodwill. Goodwill arising is attributable to the acquired workforce, expected future customer relationships and synergies from cross-selling goods and services.

In the Consolidated Income Statement for the year ended 31 December 2021, sales of £15.4 million and statutory operating profit of £3.7 million have been included for the acquisition of Concurrent-RT. Group revenue and statutory operating profit for the year ended 31 December 2021 would have been £1,308.1 million and £158.0 million, respectively, had this acquisition taken place on the first day of the financial year.

Where appropriate, a detailed exercise has been undertaken to assess the fair value of assets acquired and liabilities assumed, supported by the use of third-party experts. The valuation of the above intangible and tangible assets requires the use of assumptions and estimates. Intangible asset assumptions consist of future growth rates, expected inflation and attrition rates, discount rates used and useful economic lives.

Acquisition-related costs (included in administrative expenses) amount to £2.7 million.

7. Acquisitions (continued)

Due to their contractual due dates, the fair value of receivables approximates to the gross contractual amounts receivable. The amount of gross contractual receivables note expected to be recovered is immaterial. There are no material contingent liabilities recognised in accordance with IFRS 3 (Revised).

Software licence and asset purchase agreement with VIMANA

On 24 August 2021, the Group completed a software licence and asset purchase agreement with VIMANA for gross consideration of £10.2 million in cash. There was no contingent consideration recognised on this acquisition. The transaction advances HBK's software strategy by bringing technology to HBK and will form the basis for a new engineering centre of excellence focused on data management and connectivity. The fair value of net assets acquired was £7.2 million, consisting of £7.2 million of intangible assets (technology). As a result, £3.0 million of goodwill was generated, which is attributable to synergies and workforce. There are no material contingent liabilities recognised in accordance with IFRS 3 (Revised). The acquisition is included in the HBK operating segment and cash generating unit.

In the Consolidated Income Statement for the year ended 31 December 2021, statutory operating profit includes £0.3 million of costs relating to the VIMANA business. Group revenue and statutory operating profit for the year ended 31 December 2021 would have been £1,292.0 million and £154.9 million, respectively, had this acquisition taken place on the first day of the financial year. Acquisition-related costs (included in administrative expenses) amount to £0.6 million.

The fair values included in the table below relate to the acquisition of Concurrent-RT and VIMANA during the year:

	Concurrent-RT	VIMANA	Total fair value
2021	£m	£m	£m
Intangible assets	74.8	7.2	82.0
Property, plant and equipment	2.7	-	2.7
Right of use assets	5.4	-	5.4
Inventories	1.5	-	1.5
Current tax asset	0.3	-	0.3
Trade and other receivables	5.0	-	5.0
Cash and cash equivalents	12.3	-	12.3
Trade and other payables	(6.7)	-	(6.7)
Retirement benefit obligations	(0.5)	-	(0.5)
Lease liabilities	(5.4)	-	(5.4)
Provisions	(0.3)	-	(0.3)
Deferred tax liabilities	(17.0)	-	(17.0)
Net assets acquired	72.1	7.2	79.3
Goodwill	63.8	3.0	66.8
Gross consideration	135.9	10.2	146.1
Adjustment for cash acquired	(12.3)	-	(12.3)
Net consideration	123.6	10.2	133.8

	2021	2020
Analysis of cash outflow in Consolidated Statement of Cash Flows	£m	£m
Gross consideration in respect of acquisitions during the year	146.1	3.7
Adjustment for net cash acquired	(12.3)	(0.5)
Net consideration in respect of acquisitions during the year	133.8	3.2
Deferred and contingent consideration on acquisitions included in net consideration during the year to be paid in future years	-	(0.6)
Cash paid during the year in respect of acquisitions during the year	133.8	2.6
Cash paid in respect of prior years' acquisitions	1.7	8.3
Net cash outflow relating to acquisitions	135.5	10.9

8. Disposal of businesses and equity investments

On 5 January 2021, the Group disposed of Concept Life Sciences' legacy food testing business based in Cambridge, which formed part of the Malvern Panalytical reportable segment. The consideration received was £6.2 million, settled in cash received. This generated a profit on disposal of £1.9 million.

On 2 February 2021, the Group disposed of 100% of its Millbrook business, which formed part of the Industrial Solutions reportable segment. The consideration received was £119.2 million, consisting of £71.2 million of cash received, €27.5 million (£25.0 million) of investment units in EZ Ring FPCI (the fund holding the combined UTAC-Millbrook group) and a £23.0 million Vendor Loan Note Receivable.

On 1 March 2021, the Group disposed of 100% of its Brüel & Kjær Vibro business, which formed part of the Industrial Solutions reportable segment. The consideration received was £154.7 million, settled in cash received.

On 3 May 2021, the Group disposed of 100% of its ESG business, which formed part of the Industrial Solutions reportable segment. The consideration received was £3.4 million, settled by cash received. This generated a loss on disposal of £4.8 million.

On 1 November 2021, the Group disposed of 100% of its NDC Technologies business ('NDC'), which formed part of the Industrial Solutions reportable segment. The consideration received was £133.0 million, settled by £135.4 million cash received less £2.4 million estimated completion accounts true-up.

Also included in profit on disposal of businesses is a £1.2 million credit relating to prior year disposals.

The total profit on disposal of businesses was £226.5 million, calculated as follows:

	Brüel & Kjær Vibro	Millbrook	NDC	Other disposals	Total
2021	£m	£m	£m	£m	£m
Goodwill	14.9	-	3.0	1.1	19.0
Other intangible assets	1.0	0.5	4.4	-	5.9
Property, plant and equipment – owned and right of use assets	2.8	108.7	4.1	6.2	121.8
Current and deferred tax assets	-	1.8	-	1.6	3.4
Inventories	3.4	2.9	9.0	0.5	15.8
Trade and other receivables	8.2	23.9	13.9	2.9	48.9
Cash and cash equivalents	6.2	7.1	5.6	1.7	20.6
Trade and other payables	(6.9)	(14.0)	(15.1)	(1.5)	(37.5)
Lease liabilities	(1.1)	(9.8)	(3.2)	(1.1)	(15.2)
Current and deferred tax liabilities	(0.9)	-	(0.7)	-	(1.6)
Provisions	(0.5)	(0.3)	(0.6)	(0.1)	(1.5)
Retirement benefit obligations	(0.6)	-	-	-	(0.6)
Net assets of disposed businesses	26.5	120.8	20.4	11.3	179.0
Consideration received					
Settled in cash	154.7	71.2	135.4	9.6	370.9
Investment in equity instruments	-	25.0	-	-	25.0
Vendor Loan Note Receivable	-	23.0	-	-	23.0
Estimated completion accounts payable	-	-	(2.4)	-	(2.4)
Total consideration received	154.7	119.2	133.0	9.6	416.5
Transaction expenses booked to profit/(loss) on disposal of business	(7.1)	(3.5)	(5.0)	(0.2)	(15.8)
Net consideration from disposal of businesses	147.6	115.7	128.0	9.4	400.7
Net assets disposed (including cash and cash equivalents held by disposal group)	(26.5)	(120.8)	(20.4)	(11.3)	(179.0)
Currency translation differences transferred from translation reserve	3.3	0.4	0.9	0.2	4.8
Profit/(loss) on disposal of businesses	124.4	(4.7)	108.5	(1.7)	226.5

8. Disposal of businesses and equity investments (continued)

2021	Brüel & Kjær Vibro £m	Millbrook £m	NDC £m	Other disposals £m	Total £m
Consideration received settled in cash	154.7	71.2	135.4	9.6	370.9
Cash and cash equivalents held by disposed businesses	(6.2)	(7.1)	(5.6)	(1.7)	(20.6)
Transaction fees paid	(7.1)	(3.7)	(4.6)	(1.2)	(16.6)
Net proceeds recognised in the Consolidated Statement of Cash Flows	141.4	60.4	125.2	6.7	333.7

The disposals in the year did not meet the definition of discontinued operations given in IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations' and, therefore, no disclosures in relation to discontinued operations were made.

Disposal of equity investments

The Group received £38.3 million in relation to the stake in the US-listed company where the acquisition by a third-party completed in April 2021 (2020: nil). The investment balance was valued at £38.3 million at the start of 2021 and therefore there was no 2021 income statement impact from this transaction.

Assets held for sale

Assets held for sale at 31 December 2021 consist of a freehold property with net book value of £10.4 million, which forms part of the HBK reportable segment. As a result of the classification as held for sale, the impairment of this asset that was recognised in 2020 has resulted in a £6 million impairment reversal in 2021. This disposal does not meet the definition of discontinued operations given in IFRS 5.

9. Cash generated from operations

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Profit/(loss) after tax		346.9	(17.0)
Adjustments for:			
Taxation charge	4	41.7	12.9
Profit on disposal of businesses	8	(226.5)	(4.4)
Finance costs	3	5.6	10.2
Financial income	3	(12.8)	(1.8)
Depreciation and impairment of property, plant and equipment		26.4	108.9
Amortisation, impairment and other non-cash adjustments made to intangible assets		23.9	57.9
Impairment of goodwill		-	58.4
Transaction-related fair value adjustments		0.2	(2.2)
Fair value through profit and loss movements on equity investments		-	(23.2)
Profit on disposal and re-measurements of property, plant and equipment and associated lease liabilities		0.1	(0.1)
Equity-settled share-based payment expense		7.8	2.9
Operating cash flow before changes in working capital and provisions		213.3	202.5
(Increase)/decrease in trade and other receivables		(40.2)	8.0
(Increase)/decrease in inventories		(30.3)	24.4
Increase in trade and other payables		50.3	24.5
Decrease in provisions and retirement benefits		(1.5)	(4.8)
Cash generated from operations		191.6	254.6

10. Share buyback, treasury shares and employee benefit trust shares

During the year ended 31 December 2021, 5,596,739 ordinary shares were repurchased and cancelled by the Group as part of the £200 million share buyback programme announced on 25 February 2021 (2020: nil), resulting in a cash outflow of £201.3 million (2020: nil), including transaction fees of £1.3 million (2020: nil).

At 31 December 2021, the Group held 4,767,106 treasury shares (2020: 4,934,567). During the year, 167,461 (2020: 247,799) of these shares were issued to satisfy options exercised by, and SIP Matching Shares awarded to, employees, which were granted under the Group's share schemes.

11. Post balance sheet events

On 7 January 2022, the Group acquired 100% of the share capital of Creoptix AG for initial purchase consideration of up to CHF44 million (£36 million) settled in cash, plus contingent deferred consideration of up to CHF22 million (£18 million), dependent on performance against future milestones. The purchase consideration is subject to potential adjustment through a completion accounts process. Creoptix AG is a bioanalytical sensor company, which provides solutions to accelerate discovery and development of new pharmaceutical drugs, substances and products. The transaction is in line with Spectris' strategy to make synergistic acquisitions to enhance and grow its platform and potential platform businesses. Creoptix AG will be integrated into Malvern Panalytical.

The initial accounting for the business combination is incomplete due to the short time to convert the accounts from local GAAP, and the time for preparation of the Consolidated Financial Statements being authorised for issue. Therefore, the Group is not yet able to provide the disclosure requirements of IFRS paragraph B64, which includes information on the major classes of assets acquired, liabilities assumed and details of transaction-related costs.

For the year ending 31 December 2021, Creoptix AG's revenues are expected to be £3.7 million, with an expected operating loss of £1.3 million, prepared under Swiss GAAP.

Appendix - Alternative performance measures

Policy

Spectris uses adjusted figures as key performance measures in addition to those reported under IFRS, as management believe these measures enable management and stakeholders to better assess the underlying trading performance of the businesses as they exclude certain items that are considered to be significant in nature and/or quantum, foreign exchange movements and the impact of acquisitions and disposals.

The alternative performance measures ('APMs') are consistent with how the businesses' performance is planned and reported within the internal management reporting to the Board and Operating Committees. Some of these measures are used for the purpose of setting remuneration targets. The key APMs that the Group uses include like-for-like ('LFL') organic performance measures and adjusted measures for the income statement together with adjusted financial position and cash flow measures. Explanations of how they are calculated and how they are reconciled to an IFRS statutory measure are set out below.

Adjusted measures

The Group's policy is to exclude items that are considered to be significant in nature and/or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to assess the period-on-period trading performance of the Group. The Group excludes such items which management have defined for 2021 and 2020 as:

- restructuring costs from significant programmes;
- amortisation and impairment of acquisition-related goodwill and other intangible assets
- impairment of property, plant and equipment;
- depreciation of acquisition-related fair value adjustments to property, plant and equipment;
- transaction-related costs, deferred and contingent consideration fair value adjustments;
- configuration and customisation costs carried out by third parties on material SaaS projects;
- profits or losses on termination or disposal of businesses;
- unwinding of the discount factor on deferred and contingent consideration;
- unrealised changes in the fair value of financial instruments;
- Interest credit on release of provision on settlement of EU dividends tax claim;
- fair value through profit and loss movements on equity investments
- gains or losses on retranslation of short-term inter-company loan balances; and
- related tax effects on the above and other tax items which do not form part of the underlying tax rate (see Note 4).

In November 2018, the Group announced the implementation of a Group-wide profit improvement programme. The total costs of implementation of this programme are considered to be significant in both nature and amount. On this basis the costs of the implementation of this programme are excluded from adjusted operating profit. Adjusted operating profit (including on a LFL basis) is therefore presented before the impact of the Group profit improvement programme costs. The ongoing benefits arising from this programme are considered to be part of underlying trading.

LFL measures

The Board reviews and compares current and prior year segmental sales and adjusted operating profit at constant exchange rates and excludes the impact of acquisitions and disposals during the period.

The constant exchange rate comparison uses the current period segmental information, stated in each entity's functional currency, and translates the results into its presentation currency using the prior period's monthly exchange rates, irrespective of the underlying transactional currency.

The incremental impact of business acquisitions is excluded for the first twelve months of ownership from the month of purchase. For business disposals, comparative figures for segmental sales and adjusted operating profit are adjusted to reflect the comparable periods of ownership.

Appendix - Alternative performance measures (continued)

To allow a better comparison with 2019 performance, the Group has extended the existing LFL measure for revenue and operating profit to apply to 2019, so that 2021 is retranslated at 2019 foreign exchange rates and adjusted for Group scope changes.

On 31 January 2020, Malvern Panalytical's rheology business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for Malvern Panalytical for 2020 exclude the trading results of the rheology business.

On 2 February 2021, Industrial Solutions' Millbrook business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for Industrial Solutions for 2020 exclude the trading results of the Millbrook business for the eleven-month period from February 2020 to December 2020.

On 1 March 2021, Industrial Solutions' Brüel & Kjær Vibro business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for Industrial Solutions for 2020 exclude the trading results of the Brüel & Kjær Vibro business for the ten-month period from March 2020 to December 2020.

On 3 May 2021, Industrial Solutions' ESG business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for Industrial Solutions for 2020 exclude the trading results of the ESG business for the eight-month period from May 2020 to December 2020.

On 1 November 2021, Industrial Solutions' NDC business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for Industrial Solutions for 2020 exclude the trading results of the NDC business for the two-month period from November 2020 to December 2020.

The LFL measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period statutory results as well as allowing the Board to assess the underlying trading performance of the businesses on a LFL basis for both sales and operating profit.

Based on the above policy, the adjusted performance measures are derived from the statutory figures as follows:

Income statement measures

a) LFL adjusted sales by segment

1. 2021 LFL adjusted sales versus 2020 LFL adjusted sales

	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2021 Total £m
2021 sales by segment					
Sales	401.2	425.5	129.0	336.3	1,292.0
Constant exchange rate adjustment to 2020 half year exchange rates	13.3	18.3	7.1	15.9	54.6
Acquisitions	-	(18.8)	-	-	(18.8)
LFL adjusted sales	414.5	425.0	136.1	352.2	1,327.8
	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2020 Total £m
2020 sales by segment					
Sales	372.5	392.6	119.2	451.9	1,336.2
Disposal of businesses	(0.6)	-	-	(125.7)	(126.3)
LFL adjusted sales	371.9	392.6	119.2	326.2	1,209.9

Appendix - Alternative performance measures (continued)

2. 2021 LFL adjusted sales versus 2019 LFL adjusted sales

	Malvern Panalytical	HBK	Omega	Industrial Solutions	2021 Total
	£m	£m	£m	£m	£m
2021 sales by segment					
Sales	401.2	425.5	129.0	336.3	1,292.0
Constant exchange rate adjustment to 2019 half year exchange rates	14.7	16.3	8.0	15.7	54.7
Acquisitions	-	(20.0)	-	-	(20.0)
LFL adjusted sales	415.9	421.8	137.0	352.0	1,326.7

	Malvern Panalytical	HBK	Omega	Industrial Solutions	2019 Total
	£m	£m	£m	£m	£m
2019 sales by segment					
Sales	448.2	429.0	138.3	616.5	1,632.0
Disposal of businesses	(18.8)	-	-	(259.3)	(278.1)
LFL adjusted sales	429.4	429.0	138.3	357.2	1,353.9

b) Adjusted operating profit and operating margin

1. 2021 LFL adjusted operating profit versus 2020 LFL adjusted operating profit

	Malvern Panalytical	HBK	Omega	Industrial Solutions	2021 Total
	£m	£m	£m	£m	£m
2021 adjusted operating profit					
Statutory operating profit	57.5	41.1	8.3	48.0	154.9
Restructuring costs	2.3	4.6	-	3.3	10.2
Net transaction-related costs and fair value adjustments	6.0	7.2	2.0	4.3	19.5
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2	-	-	-	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	1.1	4.4	(1.4)	1.1	5.2
Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment	5.1	7.7	6.1	0.5	19.4
Adjusted operating profit	72.2	65.0	15.0	57.2	209.4
Constant exchange rate adjustment to 2020 half year exchange rates	2.3	3.9	0.8	3.9	10.9
Acquisitions	-	(3.9)	-	-	(3.9)
LFL adjusted operating profit	74.5	65.0	15.8	61.1	216.4

	Malvern Panalytical	HBK	Omega	Industrial Solutions	2020 Total
	£m	£m	£m	£m	£m
2020 adjusted operating profit					
Statutory operating profit/(loss)	44.6	14.2	1.2	(83.3)	(23.3)
Restructuring costs	3.0	16.1	-	0.4	19.5
Net transaction-related costs and fair value adjustments	0.6	11.3	-	7.5	19.4
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2	-	-	0.5	0.7
Impairment of goodwill	-	-	-	58.4	58.4
Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment	6.5	7.5	7.5	77.4	98.9
Adjusted operating profit	54.9	49.1	8.7	60.9	173.6
Disposal of businesses	-	-	-	(5.5)	(5.5)
LFL adjusted operating profit	54.9	49.1	8.7	55.4	168.1

Appendix - Alternative performance measures (continued)

	Malvern Panalytical	HBK	Omega	Industrial Solutions	2021 Total
2021 operating margin	%	%	%	%	%
Statutory operating margin ¹	14.3	9.7	6.4	14.3	12.0
Adjusted operating margin ²	18.0	15.3	11.6	17.0	16.2
LFL adjusted operating margin ³	18.0	15.3	11.6	17.3	16.3

	Malvern Panalytical	HBK	Omega	Industrial Solutions	2020 Total
2020 operating margin	%	%	%	%	%
Statutory operating margin ¹	12.0	3.6	1.0	(18.4)	(1.7)
Adjusted operating margin ²	14.7	12.5	7.3	13.5	13.0
LFL adjusted operating margin ³	14.8	12.5	7.3	17.0	13.9

1. Statutory operating margin is calculated as statutory operating profit/(loss) divided by sales

2. Adjusted operating margin is calculated as adjusted operating profit divided by sales

3. LFL adjusted operating margin is calculated as LFL adjusted operating profit divided by LFL adjusted sales. Refer to the tables above for a reconciliation of the nearest GAAP measure (sales/operating profit respectively) to LFL adjusted sales/LFL adjusted operating profit.

2. 2021 LFL adjusted operating profit versus 2019 LFL adjusted operating profit

	Malvern Panalytical	HBK	Omega	Industrial Solutions	2021 Total
2021 adjusted operating profit	£m	£m	£m	£m	£m
Statutory operating profit	57.5	41.1	8.3	48.0	154.9
Restructuring costs	2.3	4.6	-	3.3	10.2
Net transaction-related costs and fair value adjustments	6.0	7.2	2.0	4.3	19.5
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2	-	-	-	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	1.1	4.4	(1.4)	1.1	5.2
Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment	5.1	7.7	6.1	0.5	19.4
Adjusted operating profit	72.2	65.0	15.0	57.2	209.4
Constant exchange rate adjustment to 2019 half year exchange rates	1.5	2.3	0.8	3.9	8.5
Acquisitions	-	(4.4)	-	-	(4.4)
LFL adjusted operating profit	73.7	62.9	15.8	61.1	213.5

	Malvern Panalytical	HBK	Omega	Industrial Solutions	2019 Total
2019 adjusted operating profit	£m	£m	£m	£m	£m
Statutory operating (loss)/profit	(17.7)	18.1	12.0	71.9	84.3
Restructuring costs	16.4	17.7	2.2	15.9	52.2
Net transaction-related costs and fair value adjustments	(0.3)	3.1	-	3.3	6.1
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.4	-	-	0.6	1.0
Profit on disposal of property	-	-	(5.2)	-	(5.2)
Impairment of goodwill	35.1	-	-	-	35.1
Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment	42.3	21.5	7.9	12.9	84.6
Adjusted operating profit	76.2	60.4	16.9	104.6	258.1
Disposal of businesses	(1.3)	-	-	(40.9)	(42.2)
LFL adjusted operating profit	74.9	60.4	16.9	63.7	215.9

Appendix - Alternative performance measures (continued)

	Malvern Panalytical	HBK	Omega	Industrial Solutions	2021 Total
2021 operating margin	%	%	%	%	%
Statutory operating margin ¹	14.3	9.7	6.4	14.3	12.0
Adjusted operating margin ²	18.0	15.3	11.6	17.0	16.2
LFL adjusted operating margin ³	17.7	14.9	11.5	17.4	16.1

	Malvern Panalytical	HBK	Omega	Industrial Solutions	2019 Total
2019 operating margin	%	%	%	%	%
Statutory operating margin ¹	(3.9)	4.2	8.7	11.7	5.2
Adjusted operating margin ²	17.0	14.1	12.2	17.0	15.8
LFL adjusted operating margin ³	17.4	14.1	12.2	17.8	15.9

1. Statutory operating margin is calculated as statutory operating profit/(loss) divided by sales

2. Adjusted operating margin is calculated as adjusted operating profit divided by sales

3. LFL adjusted operating margin is calculated as LFL adjusted operating profit divided by LFL adjusted sales. Refer to the tables above for a reconciliation of the nearest GAAP measure (sales/operating profit respectively) to LFL adjusted sales/LFL adjusted operating profit.

c) Adjusted net finance costs

	2021 £m	2020 £m
Statutory net finance credit/(costs)	7.2	(8.4)
Net (gain)/loss on retranslation of short-term inter-company loan balances	(7.2)	0.8
Interest credit on release of provision on settlement of EU dividends tax claim	(5.1)	-
Unwinding of discount factor on deferred and contingent consideration	-	0.4
Adjusted net finance costs	(5.1)	(7.2)

Appendix - Alternative performance measures (continued)**d) Adjusted profit before taxation**

	2021	2020
	£m	£m
Adjusted operating profit	209.4	173.6
Adjusted net finance costs	(5.1)	(7.2)
Adjusted profit before taxation	204.3	166.4

e) Adjusted earnings per share

	2021	2020
	£m	£m
Adjusted earnings		
Statutory profit/(loss) after tax	346.9	(17.0)
Adjusted for:		
Restructuring costs	10.2	19.5
Net transaction-related costs and fair value adjustments	19.5	19.4
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2	0.7
Configuration and customisation costs carried out by third parties on material SaaS projects	5.2	-
Impairment of goodwill	-	58.4
Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment	19.4	98.9
Fair value through profit and loss movements on equity investments	-	(23.2)
Profit on disposal of businesses	(226.5)	(4.4)
Interest credit on release of provision on settlement of EU dividends tax claim	(5.1)	-
Net (gain)/loss on retranslation of short-term inter-company loan balances	(7.2)	0.8
Unwinding of discount factor on deferred and contingent consideration	-	0.4
Tax effect of the above and other non-recurring items	(2.6)	(23.4)
Adjusted earnings	160.0	130.1

Adjusted earnings per share	2021	2020
Weighted average number of shares outstanding (millions)	113.7	116.1
Adjusted earnings per share (pence)	140.7	112.1

Basic earnings/(loss) per share in accordance with IAS 33 'Earnings Per Share' are disclosed in Note 6.

Financial position measures**f) Net cash**

	2021	2020
	£m	£m
Bank overdrafts	-	(13.1)
Bank overdrafts included in liabilities held for sale	-	(2.2)
Bank loans unsecured	-	(104.5)
Total borrowings	-	(119.8)
Cash and cash equivalents included in current assets	167.8	222.2
Cash and cash equivalents included in assets held for sale	-	3.7
Net cash	167.8	106.1

Appendix - Alternative performance measures (continued)

	2021	2020
	£m	£m
Reconciliation of changes in cash and cash equivalents to movements in net cash		
Net decrease in cash and cash equivalents	(36.8)	(2.9)
Proceeds from borrowings	(70.0)	(0.3)
Repayment of borrowings	169.8	86.4
Effect of foreign exchange rate changes	(1.3)	(10.6)
Movement in net cash	61.7	72.6
Net cash at beginning of year	106.1	33.5
Net cash at end of year	167.8	106.1

Net cash excludes lease liabilities arising under IFRS 16 as this aligns with the definition of net cash under the Group's bank covenants.

Cash flow measures**g) Adjusted cash flow**

	2021	2020
	£m	£m
Cash generated from operations	191.6	254.6
Net income taxes paid	(32.2)	(28.6)
Net cash inflow from operating activities	159.4	226.0
Transaction-related costs paid	26.6	13.6
Restructuring cash outflow	11.9	15.1
Net income taxes paid	32.2	28.6
Purchase of property, plant and equipment and intangible assets	(35.3)	(43.1)
SaaS-related cash expenditure	5.9	-
Proceeds from government grants related to purchase of property, plant and equipment and intangible assets	-	0.2
Proceeds from disposal of property, plant and equipment and software	-	4.1
Adjusted cash flow	200.7	244.5
Adjusted cash flow conversion ¹	96%	141%

1. Adjusted cash flow conversion is calculated as adjusted cash flow as a proportion of adjusted operating profit.

Appendix - Alternative performance measures (continued)**Other measures****h) Return on gross capital employed ('ROGCE')**

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

	31 December 2021	(Restated) ¹ 31 December 2020	(Restated) ¹ 31 December 2019
	£m	£m	£m
Net cash (see APM f)	(167.8)	(104.6)	(33.5)
Accumulated impairment losses on goodwill including items transferred to assets held for sale	157.5	178.6	179.4
Accumulated amortisation and impairment of acquisition-related intangible assets including items transferred to assets held for sale	225.0	407.6	366.3
Shareholders' equity	1,261.3	1,219.7	1,302.6
Gross capital employed	1,476.0	1,701.3	1,814.8
Average gross capital employed (current and prior year)²	1,588.7	1,758.0	
Adjusted operating profit for year (see APM b)	209.4	173.6	
Return on gross capital employed	13.2%	9.9%	

1. Shareholders' equity and gross capital employed have been restated for the impact of the Group's change in accounting policy for Software as a Service ('SaaS') arrangements. See note 1 for further details.

2. Average gross capital employed is calculated as current year gross capital employed divided by comparative year gross capital employed.

i) Net transaction-related costs and fair value adjustments

Net transaction-related costs and fair value adjustments comprise transaction costs of £19.3 million (2020: £21.6 million) that have been recognised in the Consolidated Income Statement under IFRS 3 (Revised) 'Business Combinations' and other fair value adjustments relating to deferred and contingent consideration comprising a charge of £0.2 million (2020: credit of £2.2 million). Net transaction-related costs and fair value adjustments are included within administrative expenses. Transaction-related costs have been excluded from the adjusted operating profit and transaction costs paid of £26.6 million (2020: £13.6 million) have been excluded from the adjusted cash flow.

Dividend timetable

Event	Date – 2022
Ex-dividend date	19 May
Record date	20 May
AGM	27 May
Payment date	30 June

Cautionary statement

This press release may contain forward-looking statements. These statements can be identified by the fact that they do not relate only to historical or current facts. Without limitation, forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. These statements may (without limitation) relate to the Company's financial position, business strategy, plans for future operations or market trends. No assurance can be given that any particular expectation will be met or proved accurate and shareholders are cautioned not to place undue reliance on such statements because, by their very nature, they may be affected by a number of known and unknown risks, uncertainties and other important factors which could cause actual results to differ materially from those currently anticipated. Any forward-looking statement is made on the basis of information available to Spectris plc as of the date of the preparation of this press release. All forward-looking statements contained in this press release are qualified by the cautionary statements contained in this section. Other than in accordance with its legal and regulatory obligations, Spectris plc disclaims any obligation to update or revise any forward-looking statement contained in this press release to reflect any change in circumstances or its expectations.