

Board of Directors

01 John Hughes, Chairman

John Hughes was appointed to the Board in 2007 and became Chairman in May 2008. He is chairman of the Nomination Committee and a member of the Remuneration Committee. John was previously executive vice-president and chief operating officer of defence, aerospace and electronic systems company Thales Group and is currently non-executive chairman of Intec Telecom Systems plc and Teleticity Group plc, non-executive deputy chairman of Parity Group plc, and a non-executive director of Chloride Group plc and Barco NV, a company quoted on the Brussels Stock Exchange.

02 John O'Higgins, Chief Executive

John O'Higgins joined Spectris in 2006. He is a member of the Nomination Committee. Prior to joining Spectris, he was with Honeywell, most recently as President of Automation and Control Solutions, Asia Pacific. He began his career with Daimler Benz in Stuttgart. John has engineering degrees from University College Dublin and Purdue University and an MBA from INSEAD.

03 Clive Watson, Group finance director

Clive Watson joined Spectris in 2006. He was previously at Borealis, a leading provider of plastics solutions, where he was chief financial officer and executive vice president for business support. Prior to this, he was group finance director at Thorn Lighting Group and before that group finance director Europe with Black & Decker. Clive is a member of the Institute of Chartered Accountants in England and Wales and the Chartered Institute of Tax and holds a Bachelors degree in Commerce & Accounting from the University of Birmingham.

04 Jim Webster, Business group director

Jim Webster, a metallurgy graduate, joined Spectris in 1993. He is responsible for the operational supervision of a number of the group's trading companies. He was previously general manager of the European Wire and Cable Division of Raychem Corporation. He is a non-executive director of Raymarine plc.

05 Peter Chambré, Non-executive director

Peter Chambré was appointed to the Board in 2006. He is a member of the Audit Committee and Remuneration Committee. He is chairman of Axellia Pharmaceuticals, ApaTech and 7TM Pharma, all private companies, and a non-executive director of BTG plc. He is also an adviser to private equity company 3i. Peter was formerly chief executive officer of Cambridge Antibody Technology Group plc and prior to that was chief operating officer of Celera Genomics Group and Chief Executive of Bespak plc.

06 Anthony Reading MBE, Non-executive director

Anthony Reading was appointed to the Board in 2004. He is chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee and is the Senior Independent Director. Tony was previously a director of Tomkins plc and chairman of Tomkins Corporation, USA, and a non-executive director of George Wimpey plc. He is a non-executive director of Laird plc, Taylor Wimpey plc and e2v technologies plc.

07 John Warren, Non-executive director

John Warren was appointed to the Board in 2006. He is chairman of the Audit Committee and a member of the Remuneration Committee. From 2000 to 2005 John was group finance director at WH Smith PLC. Prior to that he was with United Biscuits Plc for 19 years, latterly as group finance director. He has been a non-executive director of Rexam Plc and RAC plc and is currently a non-executive director of The Rank Group Plc, Bovis Homes Group PLC, BPP Holdings plc and Uniq plc.

08 Roger Stephens, Head of commercial and company secretary

Roger Stephens is an economics graduate and chartered company secretary. Prior to joining Spectris in 1997, he held commercial roles in the power and construction sectors, specialising in contract negotiation, claims resolution, IP exploitation and property development.

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Overview

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Directors' Report

The directors present their report and accounts for the year ended 31 December 2008.

Principal activities

Spectris designs, develops and markets productivity-enhancing instrumentation and controls. For 2008 reporting purposes, the businesses were grouped into four segments: Materials Analysis, Test and Measurement, In-Line Instrumentation and Industrial Controls. Further details of the trading companies can be found in the Business Review (page 6). Developments in the group's business activities are discussed in the Chairman's Statement (page 2), the Chief Executive's Statement (page 4) and the Business Review.

Acquisitions

During the year a number of acquisitions were made. Malvern Instruments acquired Viscotek Corporation, a US-based provider of chromatography solutions for the characterisation of natural and synthetic polymers and proteins. HBM and Particle Measuring Systems acquired their distributors in, respectively, the Nordic countries and China. HBM acquired nCode International, a supplier of durability, test and analysis software and mobile data acquisition instruments. Microscan acquired Siemens' Machine Vision Business, a leader in Automatic Identification and Data Capture (AIDC), specialising in machine vision and inspection systems used in a broad array of manufacturing, packaging and traceability applications. Finally, the LDS Test & Measurement business was acquired and integrated with Brüel & Kjær Sound & Vibration and HBM. LDS is a leader in integrated vibration test and measurement equipment and software for applications in the aerospace, defence, automotive, machinery, electrical and electronics markets. The total consideration, including acquisition expenses and net debt acquired, as well as deferred and contingent consideration expected to be paid in future years, for the above acquisitions, was £88.8 million. Deferred consideration paid and working capital adjustments made during the year in respect of prior year acquisitions amounted to £1.3 million.

Disposals

There were no disposals during the year.

Share capital

The share capital of the company comprises ordinary shares of 5p each; each share carries the right to one vote at general meetings of the company. The authorised and issued share capital of the company, together with movements in the company's issued share capital during the year, are shown in Note 25 on page 77. The Articles of Association of the company, available on the company's website, contain provisions governing the ownership and transfer of shares.

At the 2008 Annual General Meeting shareholders authorised the directors to make market purchases of the company's ordinary shares up to a maximum number of 12,500,000 shares, representing approximately 10% of the issued share capital of the company, and to either cancel the shares or hold them as Treasury shares which may then be cancelled, sold for cash or transferred for the purposes of the company's share plans, depending on the best interests of the company's shareholders at the time. At the close of business on 23 February 2009, the company had 125,005,123 ordinary shares in issue, of which 9,694,495 were held in Treasury. During the year

21,363 shares were transferred out of Treasury to meet the company's obligations under its share plans and no shares were cancelled out of Treasury. An authority to make further market purchases of the company's ordinary shares, if believed appropriate, will be sought at the forthcoming Annual General Meeting although the Board has no present intention of so doing.

Also included in the special business of the 2009 Annual General Meeting are proposals to renew the directors' authority to allot shares up to prescribed limits.

The company is introducing a Dividend Reinvestment Plan, providing shareholders with the option of using their dividend payments to buy additional Spectris plc shares. Further details are given in the Notice of Annual General Meeting.

At 23 February 2009 interests notified to the company in accordance with Chapter 5 of the Disclosure and Transparency Rules comprised:

Standard Life Investments

10,490,369 shares (9.10% material interest)

AXA SA

6,160,607 shares (5.34% material interest)

Ameriprise Financial Inc.

5,747,326 shares (4.98% material interest)

Legal & General Group Plc

4,997,437 shares (3.99% material interest)

Barclays Global Investors

3,483,251 shares (3.02% material interest)

Takeovers directive

Pursuant to s992 of the Companies Act 2006, which implements the EU Takeovers Directive, the company is required to disclose certain additional information. Such disclosures, which are not covered elsewhere in this Annual Report, include the following:

The company's Articles of Association ('Articles') give power to the Board to appoint directors, but require directors to submit themselves for election at the first Annual General Meeting following their appointment and for re-election where they have been a director at each of the preceding two Annual General Meetings and were not appointed or re-appointed by the company at, or since, either such meeting. The Articles may be amended by special resolution of the shareholders and are available to view on the company's website.

The Board of directors is responsible for the management of the business of the company and may exercise all the powers of the company subject to the provisions of the relevant statutes, the company's Memorandum of Association and the Articles. The Articles contain specific provisions and restrictions regarding the company's power to borrow money. Powers relating to the issuing and buying back of shares are also included in the Articles and such authorities are renewed by shareholders each year at the Annual General Meeting.

There are a number of agreements that take effect, alter or terminate upon a change of control of the group following a takeover, such as bank loan agreements and company share plans. None of these are deemed to be significant in terms of their potential impact on the business of the group as a whole. In addition, there is a service contract between the company and one of its directors which provides for compensation for loss of office or employment following a change of control of the group (please refer to the Directors' Remuneration Report on page 40 for further explanation). It is also possible that funding arrangements for the group's defined benefit pension arrangements would need to be enhanced following a change of control if that resulted in a weakening of the relevant employer covenant.

Dividend

Results for the group are set out in the Consolidated Income Statement on page 45 and in the supporting notes. A final dividend of 17p per ordinary share is proposed for the year to 31 December 2008 (2007: 15.25p). With the interim dividend, this makes a total for the year of 23.4p (2007: 21p). The final dividend will be paid on 26 June 2009 to shareholders on the register on 5 June 2009.

The terms of the Spectris plc Employee Benefit Trust provide that dividends payable on shares held within the Trust are waived to 0.01p. No dividends are payable on shares held in Treasury.

Research and development

Expenditure committed to research and development is focused on new product development, applications engineering and process integration. Costs are expensed as incurred, except where the expenditure meets certain strict criteria for capitalisation. In the year to 31 December 2008, amounts expensed totalled £57.0 million (2007: £45.2 million), and no expenditure met the criteria for capitalisation (2007: £nil).

Fixed assets

Whilst the market values of some properties differ from book values, the directors believe that the differences are not material.

Payment of suppliers

The group's policy on payment of suppliers is to ensure that terms of payment accord with contractual and legal obligations. The company had no trade creditors at the year end (2007: £nil).

Directors

The directors of the company are named on pages 30 and 31. Stephen Harris resigned from the Board on 31 January 2008. John Poulter retired from the Board following the 2008 Annual General Meeting.

John O'Higgins and John Warren retire from the Board by rotation in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

The directors' total remuneration for the year and their interests in the shares of the company and its subsidiaries at 31 December 2008 are disclosed in the Directors' Remuneration Report on pages 37 to 43.

In accordance with Section 309C of the Companies Act 1985 the directors disclose a qualifying third-party indemnity provision entered into between the company and its directors and officers which was in force at the date of approval of this report. This indemnity gives contractual force to the Indemnity of Officers provision contained in the company's Articles which were approved by shareholders in May 2005.

Auditors

Separate resolutions to re-appoint KPMG Audit Plc as auditors and to authorise the directors to agree their remuneration will be proposed at the Annual General Meeting.

Annual General Meeting

The Notice of Annual General Meeting to be held at the company's offices on Tuesday 19 May 2009 at 11.30 a.m. is contained in a separate letter from the Chairman accompanying this report.

Corporate governance

Combined Code statement of compliance

Spectris plc is subject to the Combined Code on Corporate Governance ('the Combined Code') that is appended to the Listing Rules of the UK Listing Authority. The Combined Code sets out principles and provisions relating to the good governance of companies.

Corporate governance has been and remains the responsibility of the whole Board. This statement describes how the company applied the principles and complied with the provisions of the Combined Code during 2008. The Board considers that it was throughout the year and continues to be in full compliance with the provisions set out in Section 1 of the Combined Code, save that:

- A majority of the members of the nomination committee are not independent non-executive directors, as required by provision A.4.1. The committee consists of the Chairman, the senior independent director and the Chief Executive and the Board considers this to be the most appropriate composition for the sensitive issues addressed by the committee.

Board composition and procedures

The Board meets formally at regular intervals throughout the year to consider developments in relation to the company's strategy and long-term objectives and to review trading results and operational and business issues. In particular it deals with those matters reserved to it for decision, including the acquisition and disposal of businesses, major capital expenditure, the appointment and, where necessary, removal of directors and Board and senior management succession planning. Additional meetings are convened as required to consider specific topics requiring immediate decision. Usually, two meetings each year are held at operating locations and encompass a detailed review of the relevant business. Operational decisions are delegated by the Board to senior management at trading company level over which the executive directors exercise supervision. All directors receive detailed progress reports one week prior to each Board meeting.

Directors' Report continued

The Board currently comprises the Chairman, three executive directors and three non-executive directors. The Board considers its non-executive directors (Peter Chambré, Anthony Reading and John Warren) to be independent, in that none of them are or have ever been holders of an executive office with the company. The positions of Chairman, Chief Executive and senior independent director are held by separate individuals and, in accordance with the Combined Code, the Board has adopted written profiles for the first two of these. The non-executive directors have all had senior experience in other organisations and offer independent judgement on Board matters. The Chairman's other significant interests are as non-executive chairman of Intec Telecom Systems plc and Telecity Group plc, non-executive deputy chairman of Parity Group plc and non-executive director of Chloride Group plc and Barco N.V. The Board believes that the Chairman's obligations to the company are unaffected by these directorships.

There are procedures for individual Board members to receive induction and training as appropriate and to solicit independent professional advice at the group's expense where specific expertise is required in the course of exercising their duties. All directors have access to the company secretary, who is responsible for ensuring compliance with appropriate statutes and regulations.

All directors are subject to re-election by shareholders at the first Annual General Meeting after their appointment and thereafter at intervals of no more than three years.

The Board delegates specific responsibilities to Board committees, notably the nomination, remuneration and audit committees. The terms of reference of these committees are published on the company's website and the following additional documents are available to shareholders on application to the company secretary:

- schedule of matters reserved for decision by the Board;
- responsibilities of the Chairman, the Chief Executive and the non-executive directors;
- relations with shareholders;
- performance evaluation; and
- procedure for taking independent professional advice.

Board and committee meeting attendance 2008

	Board	Remuneration committee	Audit committee	Nomination committee
Total meetings during year	13	4	3	1
J L M Hughes (Chairman)	13	4	2	n/a
A J Reading (senior independent director)	13	4	3	1
P A Chambré	11	4	3	n/a
J A Warren	12	4	3	n/a
J E O'Higgins (Chief Executive)	13	n/a	n/a	1
C G Watson	13	n/a	n/a	n/a
J C Webster	13	n/a	n/a	n/a
S C Harris	2	n/a	n/a	n/a
J W Poulter	4	n/a	n/a	–

S C Harris and J W Poulter held office for part of the year only. S C Harris attended both of the two Board meetings which he was eligible to attend. J W Poulter attended four of the five Board meetings he was eligible to attend and did not attend the nomination committee meeting he was eligible to attend as its subject matter concerned his succession as Chairman.

Board appointments and performance evaluation

The nomination committee consists of the Chairman, the senior independent director and the Chief Executive and is chaired by the Chairman, save in the event of discussions relating to his succession when the senior independent director takes the chair.

Following a decision of the Board that the appointment of a new director is appropriate, the duty of the committee is to present for Board consideration suitably qualified candidate(s). In making such recommendations, the committee evaluates the balance of skills, knowledge and experience on the Board and develops a description of the role and required capabilities. Candidates are then identified for interview, external search consultants being engaged as part of this process. The committee also makes recommendations to the Board regarding the re-election and/or re-appointment of any director. Similar selection processes apply for the appointment of a chairman.

The nomination committee meets as the need arises. Its terms of reference can be found on the company's website.

The operation of the Board and its committees is reviewed by the Board as a whole annually. The executive directors' and company secretary's performances are appraised annually against objectives established for the prior year. The contributions of the Chairman and non-executive directors are reviewed in advance of the conclusion of their initial three-year term, by the senior independent director and the Chairman respectively, prior to their being proposed to shareholders for re-election. Additionally, the Chairman holds periodic meetings with the non-executive directors only and, led by the senior independent director, the non-executives have the opportunity to meet at least annually without the Chairman present.

An evaluation of the operation and performance of the Board was conducted in 2008. The process included submissions from all Board members in response to a structured questionnaire covering a range of issues, which were considered by the Chairman and the senior independent director and then reviewed by the Board as a whole.

Shareholder relations

Spectris conducts regular dialogue with institutional shareholders and divulges such information as is permitted within the guidelines of the Listing Rules. The content of presentations made after results announcements may be accessed by individual investors on the group website, www.spectris.com.

All shareholders are invited to participate in the Annual General Meeting, where the Chairman, the Chief Executive and the chairmen of the audit, remuneration and nomination committees are available to answer questions. The results of proxy votes are

declared at the Annual General Meeting after each resolution has been dealt with on a show of hands. These are then published on the group website.

The Board is kept informed of the views of major shareholders through periodic reports from the Chief Executive, the company's joint brokers Merrill Lynch and RBS Hoare Govett and the company's shareholder relations adviser, Makinson Cowell. The Chairman and non-executive directors have the opportunity to attend the bi-annual analyst presentations.

Shareholders representing in excess of 3% of the company's issued share capital receive a standing invitation to meet the Chairman, the senior independent director or new non-executive directors. Such meetings would supplement if necessary, but not replace, the regular meetings with the Chief Executive and group finance director.

Audit committee

The audit committee comprises the non-executive directors and is chaired by John Warren who has recent and relevant financial experience as the former group finance director of WH Smith PLC. The committee meets at least twice each year to consider the effectiveness of the group's internal controls, policies and procedures, the process of internal audit and the outcome of the external audit. Its meetings are normally attended by the Chairman, the Chief Executive, the group finance director, the company secretary and the external auditor. All executive directors attend the year end final audit review meeting and processes requiring the disclosure of relevant information by individual directors to the auditor have been adopted. The committee regularly confers with the auditor without the attendance of executive directors. Its terms of reference can be found on the company's website.

The committee is responsible for making recommendations to the Board in relation to the appointment of the external auditor and then for approving the external auditor's remuneration, terms of engagement and scope of work.

The committee has also adopted procedures governing and restricting the appointment of the external auditor for non-audit services. The following services are precluded:

- book-keeping or other services related to the accounting records or financial statements of Spectris plc;
- financial information systems design and implementation;
- appraisal or valuation services, fairness opinions or contribution in kind reports;
- actuarial services;
- internal audit outsourcing services;
- management functions or human resources;
- broker or dealer, investment adviser or investment banking services; and
- legal services and expert services unrelated to the audit.

A cumulative annual cap of £200,000 is established for all other non-audit services (save for acquisition due diligence and taxation services) above which all engagements are subject to prior approval by the audit committee.

The Head of Internal Audit is employed by the group to perform internal control reviews across the group according to a work programme agreed by the committee. The Head of Internal Audit is assisted in this by two further internal auditors and by other group finance personnel. The nature and scope of the group's internal control review resources is reviewed by the audit committee annually. The audit committee receives reports twice a year on the results of internal control reviews. The Head of Internal Audit has direct access to the chairman of the audit committee and may meet with him in the absence of executive management.

Internal controls

The group's system of internal controls is described on page 23 of the Business Review.

Going concern

Having reviewed the group's plans and available financial facilities, the Board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the group's accounts.

Business Review

The information that fulfils the requirements of the Business Review, as required by Section 417 of the Companies Act 2006, and which should be treated as forming part of this report by reference, is included in the following sections of the annual report:

- Chairman's Statement on pages 2 and 3.
- Chief Executive's Statement on pages 4 and 5.
- Group Overview on pages 6 and 7.
- Operating Review on pages 10 to 19, which includes a review of the external environment.
- Key strategic aims and performance measures are described on pages 8 and 9.
- Principal risks and uncertainties are described on pages 23 and 24.
- Details of the principal operating subsidiaries are set out on pages 12 to 19.
- Financial Review on pages 20 to 22.
- Corporate citizenship on pages 25 to 29 which includes the company's policy on treatment of its employees.

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the group and parent company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Directors' Report continued

The group financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Responsibility statement of the directors in respect of the Annual Report

We, the directors of the company, confirm that to the best of our knowledge:

- a) the financial statements of the group have been prepared in accordance with IFRS as adopted by the EU, and for the company under UK GAAP, in accordance with applicable United Kingdom law and give a true and fair view of the assets, liabilities, financial position and profit or loss of the group; and
- b) the information that is cross-referenced from the Business Review section of the Directors' Report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that face the group.

By order of the Board.



R J Stephens

Secretary

24 February 2009

Directors' Remuneration Report

The directors present their remuneration report for the year ended 31 December 2008.

Remuneration committee

The remuneration committee is responsible for recommending to the Board the broad policy for the remuneration of the Chairman, the Chief Executive, the executive directors and the company secretary. The remuneration of non-executive directors is a matter reserved to the Chairman and executive directors.

Within the terms of the agreed policy, the committee determines:

- the total individual remuneration package including, where appropriate, bonuses and share-based incentives;
- the targets for any performance-related incentives;
- the scope of any pension arrangements;
- contractual terms of engagement and any payments to be made on termination; and
- the policy for authorising claims for expenses from the Chairman or Chief Executive.

The committee also monitors the level and structure of remuneration for business unit presidents or managing directors and the head of corporate development.

The remuneration committee consists of the Chairman and the non-executive directors (all of whom are independent), these being at the date of this report Anthony Reading (chairman), Peter Chambré, John Hughes and John Warren. The Chief Executive may be in attendance by invitation and the committee takes into consideration his recommendations regarding the remuneration of his executive colleagues. The Chief Executive is not involved in discussions concerning his own remuneration.

The committee has appointed Hewitt New Bridge Street (a trading name of Hewitt Associates Limited which acquired New Bridge Street Consultants LLP) to advise on various aspects of the Chairman's and executive directors' remuneration. Hewitt New Bridge Street did not provide any other services to the company during the year. However, Hewitt Associates Limited provided benchmark data on selected management roles during the year. Hewitt New Bridge Street operates separately from the rest of Hewitt.

The terms of reference of the remuneration committee can be found on the company's website and are available on request.

Remuneration policy

The Board, in considering the recommendations of the remuneration committee, complied throughout the year with the provisions of the Combined Code (including the principles for performance-related remuneration set out in Schedule A). The policy objective is to ensure that the high calibre individuals required at board level are fairly and competitively remunerated and incentivised in a manner consistent with the group's strategic objectives.

The remuneration committee also regularly reviews the balance between fixed and variable pay.

Salaries and fees

Base salaries and fees are established by reference to surveys of the terms offered by comparable UK quoted companies. The starting point for comparative surveys is the scope of the position and associated performance of the Chairman, each executive director and the company secretary. Excluding his own position and performance, the Chief Executive is responsible for the definition of the scope of positions and assessment of the performance of each executive director, for approval by the remuneration committee. Salaries are reviewed at the beginning of each year and are set at competitive levels, typically based around the market median, although the remuneration committee reserves the flexibility to respond to individual circumstances which may cause salaries to be set at a level higher or lower than market median. Market ranges are reviewed on a regular basis.

Salary levels for all Board members were not subject to any increase at the review date of 1 January 2009.

Bonuses

To align remuneration with shareholders' interests, a significant proportion of executive directors' potential total remuneration is related to annual corporate performance.

Under the 2008 arrangements, bonuses of up to 100% of base salary were achievable upon the attainment of demanding profitability (75% potential) and personal (25% potential) targets set in relation to carefully considered business plans. Bonus payments commence only at a level which shows an acceptable financial result in the context of economic circumstances and market expectations, with an 'on-plan' performance yielding a payment of approximately half the maximum potential. Targets for maximum outturn are set at highly stretching, albeit attainable, levels. There is no change to the bonus potential or performance measures for 2009. Bonuses achieved in respect of 2008 performance based on targets set at the start of the financial year were as follows (as a percentage of salary at 31 December 2008):

J E O'Higgins	81.10%
C G Watson	75.65%
J C Webster	77.90%

Share-based incentives

The remuneration committee keeps under review the company's share-based incentive arrangements and takes advice on market practice. The committee is of the view that offering senior management the opportunity to be awarded and then retain shares in the company is an important part of motivating and rewarding key employees so that they may participate in the future growth in value of the company. The Spectris Performance Share Plan ('the Plan'), approved by shareholders at the 2006 AGM, is intended to support this objective and to facilitate the retention of senior management over the longer term.

Under the Plan, annual awards of shares may be made which vest at the end of a three-year period, subject to continued employment and the satisfaction of challenging performance conditions. The maximum award of performance shares that can be made to any participant in any financial year is limited to shares with a market value equal to 125% of the participant's salary, although the

Directors' Remuneration Report continued

committee's general policy is to determine awards by reference to a base award over shares worth 100% of salary, which may then be flexed up or down from year to year depending on corporate and personal performance.

Awards are currently structured so that 50% of the award is subject to an earnings per share ('EPS') target and 50% subject to a total shareholder return ('TSR') target. Each condition operates over a fixed three-year period with no opportunity for retesting.

The performance criteria for grants made in 2008 are summarised in the tables below.

Company EPS performance	% of award that vests (expressed as a percentage of one-half of the total number of shares subject to an award)
Consumer Prices Index ('CPI') + 12% compound per annum ('c.p.a.')	100%
Between CPI +5% and 12% c.p.a.	Pro rata straight line between 25% and 100%
CPI +5% c.p.a.	25%
Less than CPI + 5% c.p.a.	0%

Company TSR performance relative to the FTSE 250 (excluding investment trusts)	% of award that vests (expressed as a percentage of one-half of the total number of shares subject to an award)
Upper quintile or above	100%
Between upper quintile and median	Pro rata straight line between 25% and 100%
Median	25%
Below median	0%

The above criteria will continue to apply to Performance Share Plan awards to be made in 2009.

For grants made in 2006 and 2007, the upper end of each vesting scale was set at a) CPI + 10% c.p.a. and b) upper quartile. The reference level for a base award of shares in 2006 and 2007 was 67% of salary.

If awards in excess of 100% of salary were to be granted, the committee has also undertaken that the percentage of an award that will vest for threshold performance will be limited to 25% of a participant's base salary rather than 25% of the number of shares subject to an award, with pro rata straight line vesting from this lower point up to 100% of the award. There is no intention to make awards in excess of 100% of salary during 2009.

The committee considers the above performance conditions to be an appropriate means of aligning the interests of participants with those of longer-term shareholders. The TSR performance condition will be measured independently by Hewitt New Bridge Street and the EPS condition will be verified by the company's auditors.

It is the intention of the committee that all future share-based incentives granted to senior managers or executive directors are made under the Plan. No share option grants were made during 2008 or the year to date, nor are any grants envisaged. Executive directors may, however, continue to participate in grants made

under the Spectris Savings Related Share Option Scheme which is applicable to all UK employees.

Exercise of share options granted under the 1996 executive share plan (which was not renewed on expiry) or the 1999 executive share option scheme, were subject to prior achievement of performance conditions, requiring compound annual growth in earnings per share before exceptional items and amortisation of goodwill ('EPS') over three financial years to be between 3% and 5% per annum ahead of the increase in the retail prices index ('RPI'). This condition has now been met for all outstanding option grants. EPS growth was selected as the appropriate pre-condition to exercise in order to ensure that share option gains would only be received if the company's performance for shareholders had been enhanced.

Share retention

It is intended that each executive director should, subject to personal circumstances, build a retained shareholding in Spectris plc greater than two times base salary in value within a five-year period from appointment. Executive directors are required to apply the post-tax benefit of any vested Plan awards or bonus payments exceeding 60% of base salary to the acquisition of shares until this level of shareholding is achieved.

Benefits

Company car and health insurance benefits are subject to income tax. The executive directors have defined contribution pension arrangements to which the company contributes at a rate of 25% of base salary.

Contractual terms

All executive directors have rolling contracts subject to 12 months' notice.

The committee has determined that contracts of employment should, going forward, contain a contractual best endeavours obligation to seek alternative employment in the event of serving of notice of termination by the company, and that full mitigation reflective of any earnings from a new position should apply so as to reduce the payments otherwise due from the company during the notice period. Additionally, in these circumstances, it is the current intention that bonus entitlements should be calculated to the date of notice of termination only and that a phased payment provision, subject to reduction as explained above and equivalent to 1.65 times monthly salary, should apply in lieu of all remuneration and benefits otherwise payable during the notice period and in full and final settlement of all employment-related claims. Mr O'Higgins' and Mr Watson's contracts of employment reflect these terms.

Mr Webster's contract, concluded in 1998, provides for a predetermined compensation payment in lieu of notice (equivalent to total notice period remuneration – salary, bonus and benefits) in the event of termination by the employer within 12 months of a change in control of the group. Termination payments in other circumstances would be a matter for negotiation and remain, at the discretion of the committee, subject to mitigation and/or reduction for accelerated payment.

No compensation payments on termination of employment were made during the year.

External appointments

Executive directors may retain any payments received in respect of external non-executive appointments. Such appointments are limited to one per director at any time and are subject to the approval of the Board. Mr Webster is a non-executive director of Raymarine plc and was paid a fee of £35,000 per annum. No other external directorships are held by the executive directors.

Remuneration below board level

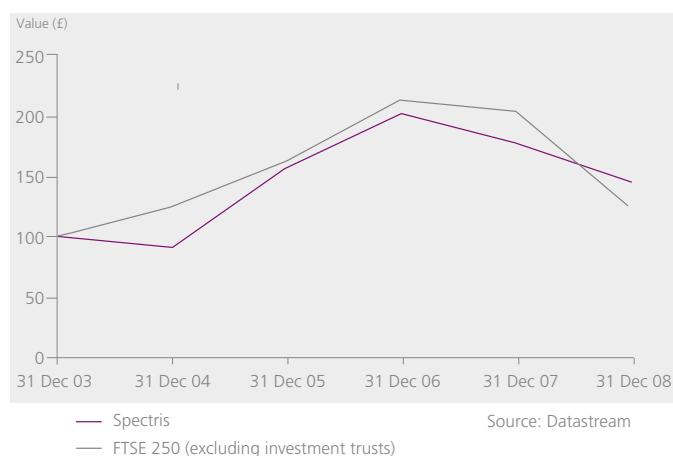
Remuneration for presidents of the group's trading companies is set at competitive levels to reflect the size, complexity and geographic locations of these businesses. Base salaries for presidents of the group's European operations fall within a range between €130,000 and €340,000. Base salaries for presidents of the group's US operations fall within a range between \$220,000 and \$300,000. Additionally, the group's presidents participate in share awards under the Spectris Performance Share Plan (typically over 60% of base salary) and in profit-related bonus arrangements linked to base salary and payable against their business annual operating profit after exchange, plus or minus a financing charge/credit arising from changes in working capital over the year. On plan performance delivers a c.30% of base salary bonus with the upper limit of the payment range delivering 50% of base salary.

Non-executive directors

Non-executive directors' fees are agreed by the Chairman and executive directors by reference to market practice. The base fee is supplemented by allowances for chairmanship of the audit and remuneration committees and the pension scheme trustee board. There is no participation in bonus, share option, or pension arrangements and no participation in the Spectris Performance Share Plan. All non-executive directors' conditions of appointment provide for a six-month period of notice within an initial term of three years from election by shareholders at the director's first AGM. The appointment may be renewed by mutual agreement for a further three-year period.

Total shareholder return

The following graph indicates the value by the end of 2008 of £100 invested in Spectris plc 5p ordinary shares on 31 December 2003 compared with the value of £100 invested in the FTSE 250 index (excluding investment trusts) over the same period. The graph was selected as the most appropriate comparison measure because the company is a constituent member of the FTSE 250 index and the members of the FTSE 250 (excluding investment trusts) form the comparator group for the purposes of the TSR performance test under the Spectris Performance Share Plan.



This graph shows the value, by 31 December 2008, of £100 invested in Spectris on 31 December 2003 compared with the value of £100 invested in the FTSE 250 index (excluding investment trusts). The other points plotted are the values at intervening financial year-ends.

Directors' Remuneration Report continued

Service contracts

The following table sets out a summary of the directors' service contracts or terms of appointment. Directors' service contracts provide for termination on the director reaching the age of 65.

	Date of contract	Expiry date	Notice period	Length of service at 23 February 2009
Executive directors				
J E O'Higgins	1.1.06	3.2.29	12 months	3 years 1 month
C G Watson	1.10.06	4.2.23	12 months	2 years 4 months
J C Webster	27.3.98	21.6.15	12 months	15 years 4 months
Non-executive directors				
P A Chambré	1.8.06	16.5.10	6 months	2 years 6 months
J L M Hughes	1.6.07	16.5.11	6 months	1 year 8 months
A J Reading	10.3.04	16.5.10	6 months	4 years 11 months
J A Warren	7.3.06	16.5.09	6 months	2 years 11 months

Mr Webster's contract provides for a predetermined compensation payment in lieu of notice (equivalent to total notice period remuneration – salary, bonus and benefits) in the event of termination by the employer within 12 months of a change in control of the group.

Mr O'Higgins' and Mr Watson's contracts provide, subject to a duty of mitigation, for phased monthly payments equivalent to 1.65 times monthly salary in lieu of all remuneration and benefits otherwise payable during the notice period in full and final settlement of all employment-related claims.

Directors' remuneration and interests

The auditors are required to report on the information contained in the following sections a) to e).

a) Emoluments of directors excluding pension contributions (£000)

	Salary and/or fees	Bonus	Benefits in kind	Taxable expenses	2008 Total	2007 Total
Executive directors						
J E O'Higgins	420	341	15	4	780	663
C G Watson	275	208	11	4	498	447
J C Webster	250	195	21	–	466	421
S C Harris	46	–	2	–	48	403
Non-executive directors						
P A Chambré	39	–	–	–	39	35
J L M Hughes	102	–	–	–	102	23
A J Reading	45	–	–	–	45	40
J A Warren	56	–	–	–	56	40
A F Given	–	–	–	–	–	15
J W Poulter	53	–	–	–	53	126
	1,286	744	49	8	2,087	2,213

1. Benefits in kind include company cars, private fuel and medical expenses insurance. Taxable expenses relate to allowances paid in lieu of company cars and private fuel.
2. The Chairman's fees are £140,000 p.a. Fees paid to Mr Hughes in 2008 reflect his appointment as Chairman in May 2008.
3. For Mr Reading and Mr Warren, their base fee of £38,500 p.a. is increased by an additional fee of £6,500 p.a. for their chairmanship of, respectively, the remuneration and audit committees. Additionally, Mr Warren receives a fee of £15,000 p.a. for his chairmanship of Spectris Pension Trustees Limited, following his appointment to that position in April 2008.
4. During the year Mr Webster received £35,000 in respect of his appointment as a non-executive director of Raymarine plc.

b) Directors' pensions

Company contributions to defined contribution plans:

	2008 £000	2007 £000
J E O'Higgins	105	95
C G Watson	69	63
J C Webster	63	60
S C Harris	10	59

The company contributes at the rate of 25% of salary.

c) Directors' total remuneration

	2008 £000	2007 £000
Aggregate emoluments	2,087	2,213
Company pension contributions to defined contribution schemes	247	277
Gains made on exercise of share options	–	1,561
	2,334	4,051

d) Directors' interests in options to purchase ordinary shares

	Date granted	Options held 1 Jan 08	Granted during the year	Exercise price (p)	Exercised during the year	Share price at date of exercise (p)	Lapsed during the year	Options held 31 Dec 08 (or date of cessation of employment if earlier)	Date exercisable	Expiry date
J E O'Higgins SAYE	Oct 2006	1,529		618				1,529	Dec 2009	Jun 2010
		1,529						1,529		
S C Harris	Sep 2005	85,000		589			85,000	0	n/a	n/a
		85,000					85,000	0		
C G Watson SAYE	Oct 2007	1,146		837				1,146	Dec 2010	Jun 2011
		1,146						1,146		
J C Webster	Sep 2005	85,000		589				85,000	Sep 2008	Sep 2015
		85,000						85,000		
Total		172,675					85,000	87,675		

Shares other than those marked SAYE relate to executive share option grants. Entitlement to exercise grants under the Unapproved 1996 Executive Share Plan is conditional upon a performance criterion requiring compound growth in normalised earnings per share (EPS) over three years up to 5% per annum in excess of the increase in the retail prices index (please refer to the Directors' Remuneration Report on page 38 for further explanation). This condition has been met for all outstanding option grants. No consideration was paid by any recipient in relation to the grant of an option and there were no changes to the conditions on which any option was granted during the year.

No director exercised share options during the year. The remaining options granted to S C Harris lapsed on his leaving employment on 31 January 2008.

Directors' Remuneration Report continued

e) Directors' share awards under the Spectris Performance Share Plan

	Number of shares subject to award at 1 Jan 08	Granted during the year	Exercised during the year	Lapsed during the year	Number of shares subject to award at 31 Dec 08 (or date of cessation of employment if earlier)	Market value of each share at date of award (p)	Date exercisable	Expiry date
J E O'Higgins	56,000				56,000	622.5	May 2009	May 2010
	35,500				35,500	865.0	Mar 2010	Mar 2011
		53,400			53,400	786.5	Mar 2011	Mar 2012
	91,500				144,900			
S C Harris	24,000			24,000	0	622.5	n/a	n/a
	20,500			20,500	0	865.0	n/a	n/a
	44,500			44,500	0			
C G Watson	6,500				6,500	640.0	Oct 2009	Oct 2010
	21,500				21,500	865.0	Mar 2010	Mar 2011
		34,900			34,900	786.5	Mar 2011	Mar 2012
	28,000				62,900			
J C Webster	24,500				24,500	622.5	May 2009	May 2010
	20,500				20,500	865.0	Mar 2010	Mar 2011
		31,700			31,700	786.5	Mar 2011	Mar 2012
	45,000				76,700			
Total	209,000	120,000		44,500	284,500			

The above awards were made as conditional rights to acquire shares (structured as nominal cost options) and the number of shares awarded were based on the mid-market closing price of the company's shares on the business day prior to the date of grant. In respect of the 2008 award, for each of Mr O'Higgins, Mr Watson and Mr Webster, the value of the award was equivalent to 100% of their base salaries at the date of grant. Following satisfaction, in whole or part, of the performance criteria attaching to the awards (as summarised on page 38), the directors may call for the release to them of the vested shares during the above-shown exercise periods.

The awards granted to Mr Harris lapsed on his leaving employment on 31 January 2008.

f) Directors' interests

The following directors or their families had beneficial interests in the ordinary shares of the company:

	Shareholdings	
	2008 31 Dec (or date of resignation)	2008 1 Jan (or date of appointment)
J L M Hughes	8,000	4,000
J E O'Higgins	27,000	15,000
P A Chambré	5,000	5,000
A J Reading	11,000	10,000
J A Warren	3,000	3,000
C G Watson	12,500	8,832
J C Webster	105,942	100,126
S C Harris	19,924	19,924
J W Poulter	85,315	85,315

There were no changes to the above interests between the year end and the date of this report.

No director had during the year or at the end of the year any material interest in any contract of significance to the group's business.

At 31 December 2008 the middle market closing share price on the London Stock Exchange was 535p. The highest share price in the year was 830.5p and the lowest was 400p. At 31 December 2008 each of the executive directors was deemed to have a non-beneficial interest in 10,765 (2007: 20,780) ordinary shares held by the Trustees of the Spectris plc Employee Benefit Trust of which the directors are among the class of discretionary beneficiaries.

By order of the Board



A J Reading

Chairman of the Committee
24 February 2009