

TERMS OF REFERENCE FOR AN AUDIT COMMITTEE OF THE BOARD OF SPECTRIS plc

Constitution

1. The Audit Committee shall be formed under the provisions of Article 119 of the Company's Articles of Association and shall conduct itself as prescribed therein.
2. The Committee shall be appointed by the Board and shall comprise the independent Non-Executive Directors of the Company. The Committee shall consist of not fewer than three members. A quorum of the Committee shall be two members.
3. The Chairman of the Committee shall be appointed by the Board and shall have recent and relevant financial experience.

Attendance at Meetings

4. The Chairman, Chief Executive, Group Finance Director and a representative of the external auditors shall normally attend meetings. Other executive Board members and/or the Internal Controls and Risk Manager shall be invited to attend for relevant enquiries or issues of significant concern. All executive directors shall attend the year end final audit review meeting. However, at least once a year the Committee shall offer the external auditors the opportunity for discussions without executive Board members present and the audit partner and the Internal Controls and Risk Manager shall have the right of direct access to the Chairman of the Committee.
5. The Company Secretary shall be the Secretary of the Committee.

Frequency of Meetings

6. Meetings shall be held at least twice a year and additionally as required to carry out the duties of the Committee. The external auditors may request a meeting if they consider it necessary.

Authority

7. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are hereby directed to co-operate with any request made by the Committee.
8. Following discussion with the Board, the Committee, should it reasonably consider it necessary, is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise.

Duties

9. The duties of the Committee shall be:
 - (a) to make recommendations to the Board, for it to put to shareholders at the AGM, in relation to the appointment, re-appointment or removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
 - (b) to agree with the external auditors the nature and scope of the audit and to review the effectiveness of the process;
 - (c) to develop policy in relation to, and to review the nature and extent of, (i) non-audit services provided by the external auditors and (ii) the rotation of key audit partners at appropriate intervals, in the context of the need for objectivity (in which context reference is made to the attached policy adopted by the Committee in February 2003);
 - (d) to monitor the integrity of the half-year and annual financial statements before submission to the Board, reviewing significant financial reporting judgments and focusing particularly on:
 - (i) any changes in accounting policies and practices
 - (ii) major judgemental areas
 - (iii) the effects and disclosure of unusual transactions
 - (iv) significant adjustments resulting from the year end audit
 - (v) the going concern assumption
 - (vi) compliance with accounting standards
 - (vii) compliance with stock exchange and legal requirements
 - (e) to discuss problems and reservations arising from the interim audit review and final audit, and any matters the external auditors may wish to discuss;
 - (f) to review the external auditors' summary year end management letter of matters considered material in the context of management's response;
 - (g) to review at least annually on behalf of the Board the effectiveness of the Company's internal control systems (financial, operational and compliance) and risk management policies, in accordance with the guidance provided within the Turnbull Report on Internal Control, for the purposes of the Board's statement in the annual report;
 - (h) to receive at least twice yearly a report on the programme of activities undertaken by the Internal Controls and Risk Manager, thereby to review

the effectiveness of the Company's internal audit activities, and to approve the appointment or dismissal of the Internal Controls and Risk Manager;

- (i) to approve the arrangements by which employees may, in confidence and without fear of retaliation, raise concerns about possible improprieties in financial reporting, legal compliance or other matters;
- (j) to consider the major findings of internal investigations recommended by the Committee and management's response;
- (k) to consider other topics, as defined by the Board.

Reporting Procedures

- 10. The Chairman of the Committee shall report to the Board on the matters reviewed by the Committee and the conclusions arrived at. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board, and to the audit partner and the Internal Controls and Risk Manager.
- 11. To ensure compliance with The Companies (Audit Investigations and Community Enterprise) Act 2004 concerning disclosure of information by directors and employees to the Company's auditors, reference is made to the required procedures detailed in the attached Appendix.
- 12. A section of the Directors' Report shall disclose the membership of the Committee and describe its work and processes. The Chairman of the Committee shall be available to answer questions on the operation of the Committee at Annual General Meetings of the Company.
- 13. These Terms of Reference shall be made available on request and published on the Company's website.

November 2006

Disclosure of Information to Auditors

Introduction

The Companies (Audit Investigations and Community Enterprise) Act 2004 introduced a new section 234ZA into the Companies Acts requiring that directors' reports for financial years beginning on or after 1st April 2005 shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Section 234ZA elaborates further:

- 'relevant audit information' means 'information needed by the company's auditors in connection with preparing their report.'
- a director has taken all the steps that he ought to have taken as a director in order to do the things mentioned in (b) above if he has made such enquiries of his fellow directors and of the company's auditors for that purpose, and taken such other steps (if any) for that purpose, as were required by his duty as a director of the company to exercise due care, skill and diligence.
- in determining the extent of the duty of a particular director, account will be taken of the knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as are carried out by the director in relation to the company, and the knowledge, skill and experience that the director in fact has, where this exceeds what might reasonably be expected.

The procedure below sets out the steps necessary to enable directors to discharge their obligations under S.234ZA.

1. A list of required audit information, conformed to the business, operations and risk profile of the Spectris group, will be provided each year by the auditor to each business and in respect of Spectris plc and its intermediate holding companies. Each business and Spectris plc (including its intermediate holding companies) will then provide such information to the auditor, supplemented by any additional information likely to be material to an appreciation of their accounts. Written confirmation will be provided by the business President/Managing Director and Finance Director that the full extent of disclosure required by the list of required audit information has been provided to the auditor and that any additional material issues have been notified to and discussed with the auditor. The same confirmation will be provided by the Group Finance Director in respect of Spectris plc and its intermediate holding companies.

2. The audit close meeting for each business will be attended (in person or by conference telephone) by the Group Finance Director and/or the relevant Group Business Director and all material audit issues relevant to that business shall be discussed. An audit close meeting will also be held in respect of Spectris plc and its intermediate holding companies, attended by the Group Finance Director and Group Controller, at which all material audit issues relevant to these companies shall be discussed.
3. The Audit Issues Memorandum presented by the auditor to the Audit Committee shall include everything the auditor is aware of that is significant to the understanding and approval of the group consolidated accounts. The Audit Committee shall also receive at the same meeting reports from the Internal Auditor covering internal audit activity and conclusions during the financial year and from the Company Secretary upon significant legal issues and upon the group's pension liabilities. All Spectris plc directors will attend this meeting, providing them with the opportunity to consider the Audit Issues Memorandum and the reports, address particular issues therein, raise additional/exceptional issues for consideration and put any questions to the auditor.
4. Individual directors will need to consider whether they are aware of "relevant audit information" not otherwise known to or fully appreciated by the auditor and, if so, ensure that this is made known and discussed at the Audit Committee meeting. In giving such consideration, directors should be aware that such information may include, but is not necessarily limited to:
 - matters of judgement or sources of potential inaccuracy within all accounting records;
 - all matters relevant to the company's ability to continue as a going concern;
 - all matters referred to within board and committee papers and minutes of meetings, or any known omissions therefrom;
 - the contents of internal audit and risk review reports, including the status of unresolved issues;
 - company transactions with plc or subsidiary directors (or those entities in which they have an interest) and other related parties, including employment agreements, shareholdings, share-based payments and commercial transactions;
 - share dealings, issues, or buy-backs;
 - changes in ownership or control;
 - acquisitions or disposals during the year of businesses, assets, intellectual property, real property or otherwise;
 - fraud identified or alleged during the year, by or against the company or its officers or employees;
 - dealings with all regulatory authorities;
 - dealings with all tax authorities;
 - identified or alleged non-compliance with law or regulations;

- communications with analysts and brokers;
- significant new customer or supplier transactions/agreements;
- side letters/agreements which change the terms of contracts;
- contracts with embedded derivatives;
- significant communications and documents concerning legal issues, for example existing or anticipated claims against the company, including correspondence with the company's solicitors throughout the year;
- insurance contracts and significant communications with insurers;
- commitments and contingent liabilities;
- events subsequent to the balance sheet date;
- any restructuring planned or carried out during the year including new business arrangements/legal entities/joint ventures/related parties;
- information requested by and provided to the company by experts, including property valuations and actuarial reports;
- changes/updates to the company's pensions arrangements;
- all banking and all other financing terms including arrangements/commitments, guarantees given and all contracts and transactions that either are or may contain derivatives including those which might affect off balance sheet commitments;
- changes in accounting treatment/policies; and
- any material information affecting the company or its prospects that is not documented or otherwise has not been disclosed elsewhere.