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annual report 2004



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Spirax Sarco provides knowledge, service and products for the control and efficient use of steam and other industrial fluids worldwide. Spirax Sarco's position as the world leader is founded on its long held strategy of investing for growth.

The Group's prime financial objective is to provide enhanced value to shareholders through consistent growth in earnings and dividends per share.

Spirax-Sarco Engineering plc final results

| | 2004 | 2003 | Change |
|----------------------------|---------|----------|--------|
| Turnover | £325.8m | £314.1m | +4% |
| Operating profit | £51.1m | £45.8m | +12% |
| Operating profit margin | 15.7% | 14.6% | |
| Profit before taxation | £50.8m | £44.6m | +14% |
| Earnings per share | 43.4p | 38.5p | +13% |
| Dividends per share | 21.4p | 20.1p | +6% |
| Return on capital employed | 31.0% | 28.3% | |
| Net cash/(debt) | £2.9m | £(14.4)m | |

- Robust organic sales growth of 8%
- Strong performance in Asia and Americas
- Pre-tax profit growth of 14%, despite adverse exchange movements
- Trading margin improved to 15.7%
- Good cash flow
- Increase of 7% in final dividend to 15.1p

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chairman's statement

I am pleased to report a robust performance in 2004 despite exchange rates again moving against us. Group turnover increased by 4% to £326 million, which included an adverse exchange movement of 4%, so the underlying organic growth was 8%, spread widely across the globe but with the major increases coming from the Americas, Asia and Australasia. This good result arose from our continuing to focus the Group's resources on growing our steam specialty and peristaltic pumping businesses in a mixed but mainly positive trading environment.

The Group operating profit increased by 12% to a record £51.1 million, the increase benefiting from the non-repeat of the factory closure costs in 2003 of £1.5 million. The effect of exchange rate movements was to reduce the 2004 profit by £3.75 million, so we achieved a strong underlying like for like profit increase. The operating profit margin rose again to 15.7% compared with 14.6% in 2003.

Continuing good cash flow eliminated net debt during the year and reduced the net interest charge to £0.3 million in 2004 from £1.2 million in 2003. The Group's pre-tax profit rose to £50.8 million, as against £44.6 million the previous year; an increase of 14%. Amortisation of goodwill was £0.7 million (2003: £0.7 million).

The tax charge at 34% was similar to the charge in 2003 and represents the expected normal rate. Minority interests were 44% ahead of 2003 as a result of strong results in India in particular and Mexico. Earnings per share rose by 13% to 43.4p from 38.5p. The Board is recommending a final dividend of 15.1p, which, with the interim dividend of 6.3p per share,

gives a total for the year of 21.4p, an increase of 6.5%. The cost of the interim and final dividends is £16.1 million, which is covered 2.0 times by earnings. No scrip alternative to the cash dividend is being offered.

Net capital expenditure for the year was £14.1 million (2003: £11.9 million). We are maintaining our policy of investment in equipment and systems for sales, manufacturing and product development to support our aim of long term growth.

The Group has a history of good cash generation and, as already noted, 2004 was no exception with a strong inflow of £17 million, which arose from both the good profit and tight control of capital employed. The year finished with net cash of £2.9 million, having started the year with net debt of £14.4 million.

On 4th October, we announced that we had acquired 80% of Eirdata Environmental Services, based in the Republic of Ireland, for an initial consideration of €1.2 million. Eirdata provides utility services to the pharmaceutical industry and complements our growing steam system service business.

As previously announced, Chris Ball and I will be retiring from the Board on 29th April and 12th May respectively. Chris has been with Spirax Sarco virtually all his working life. He is a natural salesman and motivator and, after starting work in the UK Sales company, has worked in Kenya, Korea, Japan, Australia and Canada before returning to the UK to take up his Board position in 1992. He has given unstintingly of his time and enthusiasm and he has been a significant contributor to the Group's success over these many years, and I thank him on behalf of the Board and shareholders for his achievements which have benefited the company so much.

We will be pleased to welcome Tony Scrivin as an executive director and Gareth Bullock as a non-executive director to the Board on 2nd May. Tony has worked at Spirax since 1963 and has wide experience in most areas of the business, both sales and manufacturing, including running Spirax Sarco, Inc. in the USA. Gareth is a director of Standard Chartered Bank and will bring a wealth of experience not only of financial matters generally but also specifically of Asia and Africa.

During my time with the Group, with the help of my colleagues, we have built on the foundations laid down by our predecessors a flourishing business with clear strategies for the future. At the conclusion of the AGM on the 12th May, I will be handing over the Chairmanship of the Board to Mike Townsend. Mike understands the business well and in his care I am confident the Group will continue to prosper. Bill Whiteley will replace Mike Townsend as Senior Independent Director and will chair the Remuneration and Audit Committees.

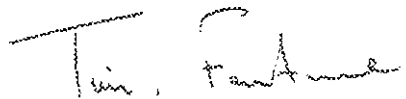
The Group has complied with the Combined Code throughout 2004, with the exception of the balance on the Board between executive and non-executive directors. We continue to believe that this Board structure is right for the Group and has contributed to its long record of good results. This is covered in more detail on pages 22 to 25.

The robust 2004 trading performance was based on our sales and marketing philosophy of providing excellent knowledge, service, products and support to customers wherever they are. This requires well trained and enthusiastic people right through the organisation,

and I would like to record my personal thanks and the thanks of the whole Board for the hard work and dedication of all our people who make the Group the high quality business that it is.

prospects

The 2005 world economic outlook appears positive, although there are few signs of any significant improvements in Continental Europe or the UK. The Asian economies remain strong; the Americas have also started well in 2005 but there must be doubts about sustainability. Given the underlying strengths of the Group's business and its global coverage, and assuming no economic shocks or major adverse exchange movements, we expect further growth in 2005.



T.B. Fortune, Chairman

chief executive's review

I am pleased that in 2004 we increased the sales and profits of our industrial steam and pumping businesses; both businesses are world leaders in their respective niche markets. 88% of our sales were outside the UK and we grew organic global sales by 8% which translates to an increase of 4% in sterling. Operating profits increased by 12% despite adverse exchange rate movements of £3.75 million, although the profit increase included the non-repeat of the factory closure costs (£1.5 million) in 2003. The pre-tax profit rose by 14%, a good overall result.

The two businesses have achieved their market leading positions by developing a network of over 40 sales companies serving all the world's major industrial economies. This network supports over 1,000 sales and service engineers, whose task is to advise and help an increasing number of industrial users to improve the efficiency of their systems or the quality of their end product. Both businesses serve a broad range of industries including food, beverages, pharmaceuticals, electronics, biotechnology, oil, chemicals, pulp and paper, rubber, plastics, water treatment and many others. This very broad spread of users means that no industrial sector accounts for more than 10% of our sales and no single customer accounts for more than 1% of our sales; this diversity provides stability to our business.

Watson-Marlow Bredel has, through selective acquisition, product development and geographical expansion, grown rapidly to lead the world market for peristaltic pumps. This is the fastest growing segment of the world pumping market. The peristaltic principle

enables sensitive, abrasive, corrosive or valuable media to be pumped safely, quietly and without contamination. These attributes are required in an increasing number of industrial and commercial applications and the steady expansion of its product range, in terms of flow rates and pressure bands, allows Watson-Marlow Bredel to address a widening market.

The Spirax Sarco business has, through focused attention on its chosen market, built its strong position in the steam-using industries in both the long established and the newly developing and thus more dynamic economies of the world. There are also significant parts of the product range which are relatively recent additions and which offer further growth potential.

Steam is a highly effective medium for the transfer of large amounts of heat energy in a wide variety of industrial processes. The essence of the Spirax Sarco business is to know and understand the customers' steam "loop", from the application of raw heat to water

in the boiler, through distributing the steam to the point where it gives up its heat to the process, to recycling of the hot condensate to the boiler. The steam system can therefore be made to operate at maximum efficiency, thereby giving the customer increased throughput through their process, or lower costs, or better product quality, or a combination of all three. The use of steam is evolving, for example with increasing hygiene regulations, global warming controls and deregulation of the power generation industry; all enhance steam's attraction compared with other heat transfer media.

The sales and marketing philosophies of our peristaltic pumping and steam businesses are shared and are founded on our detailed and specialist technical knowledge, both of the product itself and of its application in detail in the end user's plant. It follows that education and training of both our own engineers and our customers' staff is central to our success. We run extensive training programmes and have 35 training centres worldwide dedicated to this objective. The websites of Watson-Marlow Bredel (www.watson-marlow.com) and Spirax Sarco (www.spiraxsarco.com) provide ample evidence of our ability to provide significant benefits to our customers and hence long term growth for the Group.

trading

The second half of 2004 continued the good growth experienced in the first half. The market background against which we have been operating has, for the most part, been positive. The North American economies were buoyant despite pre-election caution in the USA, and the South American markets followed suit. The Continental European markets were, by contrast, generally weak, being negatively affected by the major economies of France, Germany and Italy, although there were some bright spots elsewhere. The UK continued to be a dull market with the manufacturing base weakening and little sign of any change for the better, other than from continued government spending, particularly on the National Health Service. The Asian economies mostly continued their strong growth, with China still growing fast despite the government's measures to take the heat out of the economy.

Exchange rates have again moved against sterling based businesses such as Spirax with over 80% of turnover

and operating profits earned outside the UK. Our manufacturing base is well spread across the world but, despite this, the transaction impact and the translation impact together reduced operating profit by £3.75 million; the adverse translation effect on sales was £13 million (4%). This came from the roughly 10% devaluation in 2004 of the US dollar and related weakness in the South American and some Asian currencies. Also, sterling was slightly stronger against the euro.

Turnover increased to £326 million from £314 million in 2003, an increase of 4% (organic growth of 8% at constant exchange rates). This was a robust underlying performance in which we gained market share. The organic growth in sales was achieved in all geographic regions but the main gains were in Asia and the Americas, which is a continuation of the trends from 2003. We continued the gradual increase in the number of sales and service engineers. The programme of product developments also enhanced the offering to customers as well as challenging our competitors.

The Group's operating profit increased by 12% in 2004 from £45.8 million in 2003 to £51.1 million, a record figure. The 2003 operating profit included a charge of £1.5 million for the closure of a small factory in Spain; on the other hand, the 2004 operating profit is reached after taking the £3.75 million adverse exchange movement effect which is mentioned above. So, the underlying operating profit increase was 16%. This came partly from the sales increases (in the Americas, Asia and, to a lesser extent, in Continental Europe and the UK) and partly from active cost control, including raw material resourcing which counteracted the steel price increases that came through in 2004. We also improved productivity in the Group as a whole.

chief executive's review *(continued)*

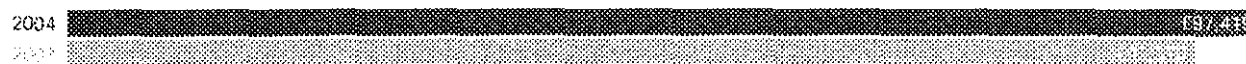
The operating profit margin increased from 14.6% in 2003 to 15.7% in 2004, a stronger increase than in the previous two years. In October 2004, we completed the acquisition of Eirdata Environmental Services for an initial consideration of €1.2 million. This is a small company based in the Republic of Ireland providing system and utility auditing and servicing for the pharmaceutical industry and which will boost our steam system service presence in both the Republic of Ireland and the UK.

united kingdom

Operating profit



Turnover



Turnover includes intra group sales, see page 45.

Turnover in the UK domestic market grew by 2% in 2004 to £39.9 million. The UK industrial and commercial steam using and pumping markets remained weak, with some customers closing or consolidating plants. Our sales teams focused on areas of opportunity such as OEMs, turnkey projects, steam system management, prefabricated units and silicone tubing. Demand on the UK factories, which are suppliers to our sales companies worldwide as well as to the domestic market, was constrained as a result of our stock reduction activities in the steam business, but was well ahead in Watson-Marlow as a result of the good demand for the new pump range and expanding tubing sales.

Operating profits in the UK were £8.7 million, up 9% on 2003.

continental europe

Operating profit

| | |
|------|---------|
| 2004 | £18.965 |
| 2003 | £16.455 |

Turnover

| | |
|------|----------|
| 2004 | £149.334 |
| 2003 | £139.334 |

Turnover includes intra-group sales, see page 48

Sales to third party customers in Continental Europe increased by 3% from £117.4 million in 2003 to £121.2 million in 2004; at constant exchange rates the increase was 5%, which was achieved in spite of the subdued state of the major continental markets. The major economies are not showing consistent signs of returning to growth and probably will not do so until the restrictive regulatory systems impacting on business are reduced. In these difficult conditions, our sales teams did well to increase demand through focused sales management, concentrating on the Group-wide sales initiatives and local actions such as targeting the OEM, oil and petrochemicals, and pulp and paper markets.

The sales growth in Continental Europe was relatively widely spread. In Germany, despite the difficult conditions, the Spirax Sarco business gained market share. Norway and Sweden grew strongly, particularly through heat exchanger sales. We also made gains in Denmark, Poland, Portugal and Switzerland.

Hygromatik, M&M and Bredel in Europe all did well although the Spirax Sarco Italian sales were flat and French sales were only slightly up, a creditable position in lacklustre markets. The main reductions were in the Czech Republic, where the sales were good but below an exceptional pre-EU accession year in 2003, and in Spain and Finland where the markets were difficult and sales were down.

The factories in France and the Netherlands saw good demand, particularly from Asia and the Americas, and increased their profits.

Operating profits in Continental Europe were £18.9 million in 2004 which represents an increase of 15% on 2003. The 2003 figure included the £1.5 million charge for closure costs of the small Spanish factory; the profit increase excluding this charge would have been 5%, and, at constant exchange rates, would have been 8%. The operating profit margin improved to 12.6% from 11.2% in 2003.

chief executive's review *(continued)*

asia, australasia and africa

Operating profit



Turnover



Turnover includes intra-group sales, see page 45.

The economies in Asia and Australasia continued their recent growth record and trading conditions through 2004 were positive despite the high oil price and the Chinese government's measures to slow the economy down. Our sales companies achieved good sales and profits growth based on both the market activity and our own sales development actions. Third party sales were £80.2 million, up from £73.3 million in 2003, an increase of 9%. The weakness of the Asian currencies has undermined the sterling results from this part of the world and the sales at constant exchange were ahead by 15%. The growth in sales was broadly spread across the region, with China and India producing the biggest increases, and Japan also growing well, which was the result of strategic actions taken by the management team. Korean sales were ahead as a

result of successes with sales initiatives and some good project wins. Elsewhere, there were good sales increases in Australia, New Zealand, Taiwan and UK exports, particularly to the Middle East.

Operating profit for the region was £12.2 million, which compares with £11.0 million last year, an increase of 11%. The effect of the adverse exchange rate movements (both transaction and translation) significantly reduced the sterling value of the profit, which at constant exchange would have given an increase of 23% over 2003, a strong result. The operating profit margin in 2004 was 16.7%, more or less unchanged from 2003, the benefit of the extra volumes having been largely offset by the adverse effect of exchange rate movements on the gross margin.

americas

Operating profit



Turnover



Turnover includes intra-group sales, see page 45.

Turnover in the Americas increased in 2004 over 2003 by 10% at constant currency, a good increase, which was, however, almost totally eliminated by the weakness of the US dollar and the other Americas currencies, so the sterling result does not reflect the hard work and success of our companies in the year. All the markets in the Americas were busy, although there are some concerns, particularly in Latin America, that the current levels of activity might not be sustained.

Our businesses in the USA both performed well. The Spirax Sarco company built up sales in steam system services, prefabricated units and exports to Latin America, and like for like profits were well ahead. The Watson-Marlow Bredel business produced solid

underlying growth, and some good OEM and project orders partially compensated for the large project orders received in 2003; the profit was adversely affected by the weak dollar.

Canada produced a very good result and our Mexican joint venture improved sales and profits following the management changes.

The operating profit for the Americas was £11.3 million, up 9% from £10.3 million in 2003 despite a significant exchange hit. The operating profit margin improved to 12.8% in 2004 from 11.7%, the increased sales and overhead controls more than compensating for the exchange hit on the gross margin.

balance sheet and cash flow

We finished 2004 with capital employed (net assets excluding net cash/debt and goodwill) of £167 million, which was virtually unchanged from a year earlier despite the 8% underlying increase in business levels. Total working capital continued to be closely controlled, in particular stock values were marginally lower representing a good improvement compared with the increased sales which were reflected in higher debtors. There was only a small increase in net fixed assets. The overall return on capital employed improved again from 28% to 31% during the year, reflecting the increased operating profit and broadly unchanged capital employed, a pleasing outcome for the year.

Cash flow for the year was also good. The cash inflow from operating activities rose to £63.2 million (2003: £53.4 million). Net capital expenditure increased to £14.1 million (2003: £11.9 million) and taxation payments were higher, reflecting the profit increase. There was a small outflow of £0.8 million in respect of acquisitions. During the year, the opening net debt of £14.4 million was eliminated due to the good trading cash flows and we finished 2004 with a small net cash balance of £2.9 million.

International Financial Reporting Standards will apply for 2005, with comparative figures for 2004 restated onto the new basis. We have been working to prepare for these changes and we are well on target to meet the required timetable. The adoption of IFRS will have some impact on the presentation of the primary financial statements but does not change the economics, risk profile or cash flows of the business. The main areas affected will be share-based payments, pensions, goodwill, R&D and consolidation of subsidiaries (which affects the presentation of our minority investments in Mexico and India).

looking ahead

The markets which are served by the Spirax Sarco steam business are very diverse both geographically and industrially and, although we are the leading specialists in the world in this focused market, we still have a relatively small market share. In addition, some of the current trends such as greater regulation of environmental issues, health, safety and hygiene, increasing outsourcing and slimming down by customers are all tending to increase demand for the knowledge, service and support that we provide. There are also markets, both geographical and industrial, where we are not as strong as we could be. All of which means that the long term growth of the past has the potential to continue into the future.

The Watson-Marlow Bredel peristaltic pumping business has a high share of the focused industrial and laboratory markets but the technology of the pumps,

tubes and hoses is advancing and our talented and expert team of sales engineers are successfully converting users of other pump types to the peristaltic principle. So the market is expanding, hence the continuing growth prospects.

We will also continue to improve the way we organise ourselves from a sales structure and management point of view, as well as production and product development. The advances in communications and IT also open up opportunities for us to improve our product development processes and production efficiency, and build on the effectiveness of the global sales organisation which is unique to our Group and which is in touch with the large number of end user customers.

These opportunities, either in the form of sales and marketing openings or improving internal efficiencies, will allow us to achieve long term growth organically and by suitable acquisitions as and when appropriate opportunities arise. In the short term we are aware that there are doubts regarding the strength of some of the world economies as evidenced by the recent downturn in the OECD leading indicators.

chairman's retirement

Finally, in the Chairman's statement, Tim Fortune confirms that he will be retiring from the Board on 12th May after 27 years with the Group. Tim started as Production Director in the Cheltenham operating company. In 1983 he joined the main Board as Group Manufacturing Director, he became Chief Executive in 1992 and then Chairman in 1998. Throughout this time with Spirax, Tim's hallmark has been his energetic and enthusiastic questioning of everything, allied to a constant quest for improvement. He has nurtured the Group's vision and clarity of purpose. Under his stewardship the Group has made great strides and we thank him for the good shape in which he leaves Spirax.



M.J.D. Steel, Chief Executive

investing in people

At Spirax Sarco we pride ourselves on having a highly trained workforce. Our employees are our most important asset and we seek to ensure that we support that statement with our actions.

In the UK we operate an apprenticeship scheme which is an excellent way to recruit and train young people. The company retains two thirds of its apprentices, which is double the national average retention rate.

Spirax Sarco has obtained the UK Investors in People award. This is a national standard awarded to organisations that place the development of people at the heart of their business strategy. It is based on the view that organisations that train and develop their staff are best equipped for success.

Many of our companies offer funded further education for employees to develop their knowledge and skill base. In the USA many employees are taking the opportunity of preparing themselves for future opportunities by pursuing a higher level of education through an Educational Assistance Program. The plan covers technical school training, four-year degrees at university and advanced degrees, such as MBAs.

- in-house training
- apprenticeships
- funded further education
- postgraduate professional development

Local and international training programmes have also been set up to train both technical and sales people. These internal courses provide not only the tools for the employees to do their jobs more effectively but provide a great forum for exchanging experiences and knowledge.

We also invest in the education of our customers by providing training for them at their own premises, at one of our 35 training centres worldwide, or on our website.

Our sales company in Korea has also recently opened a new training centre to provide a wider range of courses to meet with customer requirements.

an employee's view

I joined Spirax Sarco eight years ago on an Engineering Advanced Modern Apprenticeship Scheme. Through a sponsored training programme I am now a qualified engineer, working in the business development department based at the Steam Trap Product Unit in the UK.

I chose the modern apprenticeship route because the combination of training offered me good long-term benefits, in a practical training environment, which could lead straight to a permanent job.

Throughout my apprenticeship I was given a lot of support. This gave me confidence in learning about the many aspects of the business and how these interrelated, something which has since proved invaluable.

'Spirax Sarco has given me the opportunities to develop my key competencies and focus on what I am good at.'

After successfully completing my apprenticeship, the Company supported me through University. I studied Engineering Product Design and Management, and gained a BSc (Hons) degree.

Following my degree I was offered the job as assistant marketing engineer, at the Steam Trap Product Unit. I am now responsible for creating product specifications, new product releases and technical support, reviewing statistics, supporting product quality and providing training.

Spirax Sarco has given me the opportunities to develop my key competencies and focus on what I am good at. What's more I am still learning and hope to continue developing my career with the Company.

investing in manufacturing

With major manufacturing facilities in the UK, France, USA, Italy and Argentina, Spirax Sarco is committed to a programme of continuous improvement in its manufacturing processes. It is essential that products are made to the highest quality standards in an efficient and productive environment ensuring that cost targets are met.

Manufacturing costs have been reduced at the controls and metering product unit, with the recent installation of robot spraying for the pressure reducing valves and safety valves. The robot automatically senses the product identification on the conveyor line, selects the robotic program and the appropriate paint colour is applied. The new paint booths have reduced solvent emissions and improved working conditions. The booths are certified to operate within strict emission regulations, which means over 99% of all over-spray is contained and not emitted to atmosphere. The water-based paint is designed to give excellent levels of adhesion and colour retention, whilst offering good temperature resistance.

In order to meet increased demand for our safety valve business, investment has been made in a new valve test facility. This is used to set large safety valves on air and steam as well as providing a dedicated test facility for the development of new products.

Reduced costs and increased productivity have been achieved in the USA through investment in new machinery.

Global sourcing of raw materials, including China and India, has allowed us to take advantage of the lower costs in those countries.

- reduced manufacturing costs
- increased productivity
- labour saving
- reduced emissions

The ball valve product unit, based in Argentina, recently underwent an expansion project to increase the factory space by 1,220 m². This extra space allowed the factory layout to be modified, reducing the movement of parts and improving efficiency.

New CNC machine tools have been installed and automatic testing machines are to be incorporated in the assembly process.

Part of the new area is now allocated to the production of EasiHeat heat exchanger units and engineered systems, which will allow us to meet increased demand.

engineered systems

In response to sales growth in the packaged system business, Spirax Sarco has invested in a substantial new manufacturing and engineering facility. The well-equipped UK-based factory offers a flexible approach to the design and fabrication of a wide range of engineered systems.

These include heat exchange packages, condensate return systems, reducing valve stations, humidifiers and manifold units, all of which incorporate many individual Spirax Sarco products. The units are designed to comply with international standards.

'This investment has
enabled quicker
responses to
quotation enquiries
and shorter order
lead-times.'

The new 2,000 m² factory has facilities to house a fully integrated team including design, material procurement and manufacturing.

The extra space and material handling equipment will allow larger and more complex packages to be built.

This investment has enabled quicker responses to quotation enquiries and shorter order lead-times. This coupled with in-house control of quality and conformity to international standards from a flexible and competent team, means there is now great potential to gain further business.

A similar production facility has also been developed at our Italian manufacturing plant.

investing in product and service development

To maintain our position in the market it is important for us to invest in the development of new products and services. Through a combination of research, development and acquisition we have added to our existing product ranges, and introduced higher levels of service around the Group.

Watson-Marlow has designed an entirely new generation of peristaltic pumps. This innovative design has enabled production costs to be reduced and pump capabilities to be increased. Improvements in quality and reliability have resulted in reduced warranty costs. The new range has allowed product rationalisation to take place with the benefit of reduced lead times.

Spirax Sarco Brazil has developed a new automatic rotary strainer that incorporates a rotating helical scraper plate for continuous cleaning of the strainer surface. The design provides constantly high standards of filtration, reducing the risk of product contamination. The automatic operation allows increases in productivity to be made and the strainer complies with international health and safety requirements.

The Spirax Sarco Group information centre website has been developed as a source of steam engineering expertise. It contains technical information on our product range and distance learning material. Currently there are over 8,500 pages of information available.

Spirax Sarco has continued to introduce steam system services around the world. Each level of service provides the customer with an appropriate level of support, from straightforward steam system audits to more comprehensive contracts.

- increasing capabilities
- innovative design
- exacting performance
- sharing expertise

As part of an ongoing development both to grow our controls product range and to respond better to the needs of our customers, Spirax Sarco has developed the new SteriTrol hygienic valve.

This is a two-port, stainless steel control valve for a wide range of clean service applications in the pharmaceutical, biotechnology, food, beverage and brewing industries. It is suitable for a range of fluids including various grades of clean steam and purified water.

Our close relationships with customers in these industries gives us a unique knowledge of their special requirements. This allows us to develop products with highly marketable features, such as the ability to open, clean and inspect valves quickly and easily.

gas meter success

Spirax Sarco has been working closely with a major supplier of gas in SE Asia on the development of a meter for use on natural gas for small (2,000 kg/h) boilers.

Spirax Sarco entered into discussions regarding the company's requirements at an early stage. The product requirement from the gas company was such that they agreed to work with us and be actively involved with the development of the product.

As the development had to be fast tracked we based the new product on existing technology. We established a winning combination that used one of our existing meter bodies with our latest design of electronics.

'The release of Flowin has given us
a very good cost effective meter
for gas, as well as the basis
for a meter to measure
compressed
air flow.'

Field trials were conducted in conjunction with the gas company during the latter part of 2003 and early 2004, resulting in the release of the Flowin meter.

The Flowin meter provides the accuracy of flow measurement across a wide range of flowrates as originally specified by our customer.

The product is targeted at boiler manufacturers and companies using gas fired industrial boilers.

The release of Flowin has given us a very good cost effective meter for gas, as well as the basis for a meter to measure compressed air flow.

investing in marketing for sales growth

The Group's main focus continues to be the application of our products and services to meet the diverse needs of the manufacturing and service industries that use steam for process and heating.

Our evaluation of the Group's overall worldwide market share within the steam market tells us that sales growth is achievable in both our mature and developing markets. Our customers have become more demanding in all areas of product quality, delivery, price and after-sales services. Our investments in manufacturing, products, services and people are all targeted at satisfying customer expectations, that will open up the opportunity for sales growth.

The Group has also invested in a number of worldwide market research projects all aimed at delivering the necessary input to our overall marketing strategy for continued growth.

- geographical expansion
- increased market share from existing products
- market penetration from new products
- focus on key industrial segments with growth potential

Recent market investigations covering the expanding use of clean steam within the food processing, pharmaceuticals, electronics and some service industries including hospitals, identified the need to improve the quality of the end product or to reduce the possibility of infection. Clean and pure steam systems are becoming more widely used in these industries and we have identified a wide range of new products for development over the next 12 to 24 months to meet the needs of these customers.

The launch of these products will not only demonstrate to customers the expertise of Spirax Sarco in the design and use of clean steam systems but will also open up the opportunity to achieve sales growth in a market segment where public demand for improved levels of health care will drive a wider use of clean manufacturing processes.

condensate management

The Group also investigated the condensate pumping market and identified specific needs of our customers across Europe, Asia and the Americas resulting in the continued development of two existing products to meet these customer requirements.

For our Americas markets, a completely new design of pump has been developed to reduce and simplify maintenance requirements and to meet with customer expectations for an extended service life. This new pump, named Pivotrol, has been launched with a 3-year operational warranty.

'The introduction of these new products will ensure Spirax Sarco retains its global leadership in the use of mechanical pumps for the pumping of hot condensate.'

The MFP14 condensate pump has been redesigned to meet with customer expectations in Europe and Asia for extended service life and increased capacity. Other design improvements have resulted in the product being re-released with a 3-year operational warranty.

The introduction of these new products will ensure Spirax Sarco retains its global leadership in the use of mechanical pumps for the pumping of hot condensate.

Other market investigations covering control valves, steam traps and the oil and petrochemical industries are being developed to provide the marketing strategies necessary for the Group to deliver continued sales growth.

Spirax Sarco directors

1 Tim Fortune CEng MIMechE (66) joined Spirax-Sarco Limited in 1978 as Production Director and was appointed to the Board in 1983. He was appointed Group Managing Director in 1992 and Group Chief Executive in 1994. He became Executive Chairman in April 1998, becoming non-executive Chairman in November 1998. He is Chairman of the Nomination Committee and the Finance Committee. He is a non-executive director of Renold plc.

2 Marcus Steel ACIS FCCA (59) joined Spirax-Sarco in 1972 and became Finance Director of Spirax-Sarco Limited in 1978. He was appointed to the Board in 1992 as Director - Supply, and subsequently also assumed responsibility for the Americas. He was appointed Group Chief Executive in April 1998. He is a member of the Nomination and Finance Committees and Chairman of the Risk Management Committee.

3 Chris Ball (61) joined Spirax Sarco in 1963 and became International Director of Spirax-Sarco Limited in 1988 having successively run the Group's operations in South Korea, Japan, Australia and Canada. He was appointed to the Board in 1992 and is now responsible for the Spirax Sarco International operations in Asia, Australasia and Africa. He is a member of the Risk Management Committee.

4 Alan Black BA (Hons) (47) joined Spirax-Sarco Limited in 1981 and has worked in the UK, Austria and Korea and has run the Group's operations in Belgium, Thailand and China. He was appointed to the Board in April 1998 with responsibility for Europe, excluding the UK and Italy. He is a member of the Risk Management Committee.

5 Neil Daws (42) joined Spirax-Sarco Limited in 1978 and became Product Director in 1996. He was appointed to the Board in June 2003 as Director - Supply and is responsible for product marketing, design and manufacture. He is a member of the Risk Management Committee.

11 Bill Whiteley BSc ACMA (56) joined the Group as an independent non-executive director in July 2002. He is the Chief Executive of Rotork plc. He is a member of the Audit, Remuneration and Nomination Committees. He is also a non-executive director of The Roxboro Group plc.

10 Michael Townsend MA FCA (63) joined the Group as an independent non-executive director in 1997. Until his retirement in 1999 he was the Finance Director of Rolls-Royce plc. He is Chairman of the Audit and Remuneration Committees, a member of the Nomination Committee and Senior Independent Director. He is a non-executive director of Kennel Club Services Limited.

9 Peter Smith ACIS (57) joined Spirax-Sarco Limited in 1974, became Company Secretary in 1978 and a director of Spirax-Sarco Limited in 1988. He was appointed Company Secretary to Spirax-Sarco Engineering plc in 1992 and to the Board in 1995. He is a member of the Risk Management Committee.

8 David Meredith FCMA (45) joined the Group in 1988 as Group Accountant. He was appointed to the Board as Director - Finance in 1992. He is also responsible for Watson-Marlow Bredel. He is a member of the Finance and Risk Management Committees.

7 Graham Marchand CEng MIMechE (59) joined Spirax Sarco in 1987 to run the Group's Continental European sales operations and became a director of Spirax-Sarco Limited in 1990. He was appointed to the Board in 1992 and is now responsible for the Americas, the UK and Italian markets and Group Marketing. He is a member of the Risk Management Committee.

6 Einar Lindh FCA (60) joined the Group as an independent non-executive director in January 2000. Until his retirement in January 2005 he was a director of Smiths Group plc. He is a member of the Audit, Remuneration and Nomination Committees.

directors' report

The directors of Spirax-Sarco Engineering plc have pleasure in presenting their report and the audited accounts for the year ended 31st December 2004.

RESULTS

The results of the Group for the year are explained in the Chairman's Statement and Chief Executive's Review on pages 2 to 9 and are set out in the profit and loss account on page 40.

DIVIDEND

An interim cash dividend of 6.3p per share (2003: 6.0p) was paid in November 2004. The directors now recommend the payment of a final dividend of 15.1p per share (2003: 14.1p). If approved at the annual general meeting the final dividend will be paid on 23rd May 2005 to shareholders on the register at 22nd April 2005. The total distribution for the year will be 21.4p per share (2003: 20.1p).

BUSINESS REVIEW

A review of the operations of the Group in 2004 together with an indication of future prospects of the business is given on pages 2 to 9.

PRINCIPAL ACTIVITIES

The Group's business is the provision of knowledge, service and products, worldwide for the control and efficient use of steam and other industrial fluids and for peristaltic pumping.

BOARD OF DIRECTORS

The directors of the Company as at 31st December 2004 are those listed on pages 18 and 19. Since that date it has been announced that:-

Mr. T. B. Fortune will retire as Chairman of the Company and from the Board with effect from the conclusion of the annual general meeting on 12th May 2005. He will be succeeded by Mr. M. Townsend.

Mr. C. J. Ball will retire from the Board with effect from 29th April 2005, Mr. G. Bullock has been appointed to the Board with effect from 2nd May 2005 as a non-executive director and Mr. A. J. Scrvin has been appointed to the Board as an executive director with effect from 2nd May 2005 with the title Director - Europe.

In accordance with the Company's articles of association:-

- i) Messrs. G. Bullock and A. J. Scrvin will retire from office at the annual general meeting and, being eligible, the Board is recommending that they offer themselves for appointment. Mr. A. J. Scrvin will have a service contract with the Company determinable on 12 months' notice. Mr. G. Bullock, as a non-executive director, will have a letter of appointment with the Company; and
- ii) Messrs. M. J. D. Steel and A. D. H. Black retire and, being eligible, the Board is recommending that they offer themselves for re-appointment. Messrs. M. J. D. Steel and A. D. H. Black have service contracts with the Company determinable on 12 months' notice.

DIRECTORS' INTERESTS AND REMUNERATION

The interests of the directors in the share capital of Spirax-Sarco Engineering plc as at 31st December 2004 are set out below. The number of shares over which directors hold options, together with their remuneration, is detailed in the Directors' Remuneration Report on pages 30 to 37.

| | Ordinary Shares of 25p each Beneficial Interests | | Ordinary Shares of 25p each Non-beneficial Interests | |
|----------------|---|---------------------------------------|---|----------|
| | 31.12.04 | 31.12.03 or date of retirement* | 31.12.04 | 31.12.03 |
| T. B. Fortune | 67,723 | 67,723 | 424,288 | 424,288 |
| M. J. D. Steel | 66,590 | 62,970 | - | 115,938 |
| C. J. Ball | 56,989 | 53,516 | - | - |
| A. D. H. Black | 20,318 | 19,770 | - | - |
| N. H. Daws | 2,588 | 1,968 | - | - |
| G. P. Marchand | 52,525 | 51,905 | - | - |
| D. J. Meredith | 41,920 | 41,300 | 424,288 | 540,226 |
| P. A. Smith | 65,360 | 63,784 | 424,288 | 540,226 |
| P. M. Smith* | - | 41,023 | - | - |
| E. Lindh | - | - | - | - |
| M. Townsend | 2,879 | 2,879 | - | - |
| W. H. Whiteley | 2,734 | 2,734 | - | - |

* Mr. P. M. Smith retired from the Board on 31st May 2003.

At 31st December 2004, the Spirax Sarco pension funds held 424,288 shares in the Company. Messrs. T. B. Fortune, D. J. Meredith and P. A. Smith are trustees of these funds.

There have been no changes in the number of shares held by those directors as shown on page 20 since 31st December 2004.

EMPLOYMENT REPORT AND POLICIES

Details of the Group's Employment Policies are set out on pages 26 and 27.

ANNUAL GENERAL MEETING

The notice of meeting and an explanation of resolutions 9 to 16 to be proposed at the annual general meeting are set out in the enclosed circular.

SHARE CAPITAL

Details of shares issued during the year are set out in Note 24 on page 53.

PURCHASE OF OWN SHARES

There was no purchase of shares by the Company during the year. At 31st December 2004 the number of shares which may be purchased under the shareholders' authority given at the annual general meeting in 2004 was 7,400,000 and the number of shares in issue was 75,201,211.

SHAREHOLDINGS OF 3% OR MORE

The Company received notice of material interests in 3% or more of the issued ordinary share capital of the Company as at 22nd February 2005 as set out below. So far as is known there is no other notifiable interest of 3% or more in the issued capital.

| | Ordinary Shares | % |
|--|----------------------------|----------|
| Arnhold and S Bleichroeder Advisers Inc. | 6,178,397 | 8.21 |
| The Capital Group Companies Inc. | 4,578,191 | 6.09 |
| Legal & General Group plc | 4,401,456 | 5.85 |
| Sprucegrove Investment Management Ltd | 4,332,883 | 5.76 |
| NFU Mutual | 2,783,363 | 3.70 |

STATEMENT OF THE POLICY AND PRACTICE ON THE PAYMENT OF SUPPLIERS

It is the Group's policy to meet the terms of individual supply contracts and in the UK to make payment to suppliers at the end of the month following receipt of goods. In view of this, the Group does not follow any particular prescribed code.

Spirax-Sarco Engineering plc has no trade creditors.

RESEARCH AND DEVELOPMENT

The Group continues to devote significant resources to the updating and expansion of its range of products in order to remain at the forefront of its world markets. Expenditure in 2004 on research and development amounted to £5,047,254 (2003: £4,878,000).

MARKET VALUE OF LAND AND BUILDINGS

In the opinion of the directors, the market value of the land and buildings of the Group exceeds the book value of those assets at 31st December 2004 by approximately £9,000,000 (2003: £8,000,000).

GROUP CHARITABLE AND POLITICAL DONATIONS

Charitable donations amounted to £47,982 (2003: £49,910). There were no political donations (2003: nil).

AUDITORS

A resolution to re-appoint the auditors, KPMG Audit Plc, will be proposed at the annual general meeting.

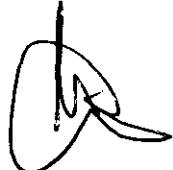
CAPITAL GAINS TAX

For capital gains tax purposes the market value of the Company's ordinary shares at 31st March 1982 was 140.375p.

COMPANY INFORMATION

Further information on the Company is available on the Group web site: www.SpiraxSarcoEngineering.com

By order of the Board
P. A. Smith Secretary



Charlton House, Cirencester Road,
Cheltenham.

14th March 2005

corporate governance

COMPLIANCE

Corporate governance has been and remains the responsibility of the whole Board. This statement describes how the Company applies the principles and complies with the provisions of The Combined Code and Code of Best Practice published in July 2003, which applied to the Company in respect of the financial year ended December 2004. The Board considers that it was throughout the year ended December 2004 in compliance with the provisions set out in section 1 of The Combined Code other than the ratio of executive and non-executive directors as explained below.

The Board assesses on an ongoing basis its practices to ensure continued compliance with the Combined Code and has allocated responsibility for compliance to appropriate directors or officers. Contact has been made with major shareholders to allow discussion of the Company's governance policy and strategy with the Chairman and the Senior Independent Director.

BOARD COMPOSITION AND PROCEDURES

The Board currently comprises the non-executive Chairman, three independent non-executive directors including a Senior Independent Director and seven executive directors, details of whom are set out on pages 18 and 19. The positions of Chairman, Chief Executive and Senior Independent Director are held by separate individuals and there is a clear division of responsibility between the Chairman and the Chief Executive. This ratio of executive and non-executive directors has applied for a number of years and the Board believes that this membership is the appropriate structure for the Company. The Board is responsible for the Group's business operations and the full executive team of seven directors is present on the Board in order to provide first hand information and contributions to the running of the business. The executive directors control the Group's devolved management structure which requires local management initiative across the Group's global spread of operating companies and the broad product range and wide customer base. Board membership of the seven executives is key to the overall management of the Group which employs a flat management structure. This also provides the non-executive directors with regular direct access to the full executive management team. This is a successful mix and appointing a further four non-executive directors would make the Board very cumbersome and would not add to the quality of the Board's performance. This structure has been maintained in relation to the recently announced Board retirements and appointments which are explained in the Chairman's Statement.

The Board applies an appropriate policy in the recruitment of independent non-executive directors to meet the particular requirements of the Board. The non-executive directors have all had senior executive experience and offer independent judgement on Board matters. The non-executive directors of the Company, including the Chairman, do not participate in any bonus, share option or share ownership schemes and their appointments are non-pensionable.

The Board meets formally six times per year to consider strategic developments and to review trading results and operational and business issues. In particular it deals with those matters reserved to it for decision. The matters reserved to the Board are posted on the Group web site: www.SpiraxSarcoEngineering.com and are as follows:-

(i) Management

- Approval of Group strategy and annual plans.
- Commitments relating to the acquisition or disposal of any company or business by the Group.
- Material or unusual contracts.
- Capital expenditure items in excess of £500,000 or such other limit agreed by the Board. Items over £250,000 but less than £500,000 are reported to each quarterly meeting of the Board.

(ii) Board Membership and Board Committees

- The formal appointment and dismissal of directors.
- Terms of reference and membership of Board committees.

(iii) Corporate Governance/Accounting

- Approval of actions requiring public documents including circulars to shareholders, related documents and press releases.
- Approval of accounting policies or practices, including the Treasury policy.
- Individual borrowings, financial instruments, guarantees or provision of equity capital, beyond the authority of the Finance Committee.
- Approval of the content of the Annual Report and Accounts and the Interim Statement.
- Appointment and dismissal of Company Secretary.
- Through the Audit Committee, remuneration of auditors and recommendation for appointment and removal of auditors.
- Dividend policy, interim dividends and proposed final dividends.
- Any matter to be dealt with at an AGM or EGM.

(iv) Other

- Significant alterations to existing Group Risk Management policies relating to insurance, environmental and health and safety matters.
- Changes in principal professional advisers.
- Major changes to pensions and employee share schemes operated in the Group.
- Prosecution, defence or settlement of any material litigation.

All directors receive detailed progress reports one week prior to each Board meeting.

The non-executive directors met together both with and without the Chairman during the year. Utilising a format created with the advice of Towers Perrin, the Board again carried out a rigorous board performance evaluation process in accordance with the Combined Code requirements which confirmed the effective operation of the Board. The Board will be repeating this exercise annually.

There are procedures for individual Board members to receive induction and training as appropriate and provision to solicit independent professional advice at the Company'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.

The Company continues to provide directors' and officers' insurance for Board members and the directors of Group subsidiary companies.

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

SENIOR INDEPENDENT DIRECTOR

During the year Mr. M. Townsend was the Senior Independent Director.

COMMITTEES

The Board delegates specific responsibility to Board committees, notably the Audit, Nomination and Remuneration Committees in line with best practice. The terms of reference for these committees are posted on the Group web site: www.SpiraxSarcoEngineering.com. Additionally the executive directors comprise the Risk Management Committee.

(i) Audit Committee

The Audit Committee comprised Messrs. E. Lindh, M. Townsend (Chairman) and W. H. Whiteley. All members are independent in accordance with the independence criteria set out in the Combined Code. There were three meetings of the Audit Committee during the year and all members attended all meetings, with the exception of Mr. E. Lindh who was unavailable for one meeting.

A summary of the Audit Committee's duties and responsibilities is set out on page 25.

(ii) Nomination Committee

The Nomination Committee comprised Messrs. T. B. Fortune (Chairman), E. Lindh, M. J. D. Steel, M. Townsend and W. H. Whiteley. There were three meetings of the Nomination Committee and all members attended all meetings.

The Nomination Committee proposes to the Board new appointments for both executive and non-executive directors and determines on an individual basis the most appropriate method of identifying suitable applicants. The Nomination Committee arranges for the executive Board members' views to be assessed before an appointment decision is made.

(iii) Remuneration Committee

The Remuneration Committee comprised Messrs. E. Lindh, M. Townsend (Chairman) and W. H. Whiteley. There were four meetings of the Remuneration Committee and all members attended all meetings, with the exception of Mr. E. Lindh who was unavailable for one meeting.

The Directors' Remuneration Report presented by the Board of Directors is set out on pages 30 to 37.

corporate governance *(continued)*

COMMITTEE MEMBERSHIPS AND SENIOR INDEPENDENT DIRECTOR

Following the annual general meeting on 12th May 2005, at the conclusion of which Mr. T. B. Fortune will retire as Chairman and from the Board, Committee appointments as set out below will apply:-

Mr. M. Townsend will succeed Mr. T. B. Fortune as Chairman of the Nomination Committee and Mr. W. H. Whiteley becomes the Senior Independent Director and will succeed Mr. M. Townsend as Chairman of the Audit and Remuneration Committees.

Mr. G. Bullock will be a member of the Audit, Nomination and Remuneration Committees having been appointed with effect from 2nd May 2005.

Mr. E. Lindh remains a member of the Audit, Nomination and Remuneration Committees.

The Company Secretary continues to act as Secretary to the Audit, Nomination and Remuneration Committees.

SHAREHOLDER RELATIONS

The Group conducts regular dialogue with institutional shareholders and provides such information as is permitted within the guidelines of the Listing Rules. In particular major shareholders have been approached with a view to discussing the Company's governance and strategy with the Chairman and Mr. M. Townsend, the Senior Independent Director. As required by major shareholders, the Senior Independent Director is available to listen to their views on any areas of concern they may have. To date, the non-executive directors have not been requested to attend any meetings with them. Reports are made to the Board of all meetings with major shareholders and analysts, including, in particular, briefings after interim and final results.

The preliminary results announcement may be accessed by individual investors on the Group web site, www.SpiraxSarcoEngineering.com. The Report and Accounts will also be on the web site in due course.

All shareholders are invited to participate in the annual general meeting, where the chairmen of the Audit, Nomination and Remuneration Committees will be available to answer questions. The results of proxy votes are declared at annual general meetings after each resolution has been dealt with on a show of hands and this practice will continue at future general meetings.

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal control and for reviewing its effectiveness, whilst the role of management is to implement Board policies on risk and control. The Board reviews the effectiveness of internal controls at least annually. The reviews cover all material controls, including financial, operational and compliance controls and risk management systems. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the business objectives.

In pursuing these objectives, internal controls can provide only reasonable and not absolute assurance against material mis-statement or loss.

As required by the UK Listing Authority, the Company has complied throughout the year and up to the date of this report, with the Combined Code provisions on internal controls having established the procedures necessary to implement the guidance issued by the Turnbull Committee and by reporting in accordance with that guidance.

(i) Risk Management

The Group has operated procedures for considering risks in the normal operations of the Group and with regard to significant transactions. Strategic and annual planning also encompasses considerations of business risks. The Risk Management Committee specifically reviews any risks facing the business which could give rise to a significant loss.

In November 2003, the Risk Management Committee reviewed the risk register and risk management process first established in 1999 in the context of the current business structure and operations with the aim of validating the risk register and the general risk management process and identifying any additional new risks. This exercise conducted with Marsh Ltd revised the risk register and reviewed risk magnitude and risk likelihood against the current controls and areas for improvement. The Board, on Marsh's advice, is satisfied that the system of management for significant risks is appropriate for the Company and is properly executed.

As part of the on-going process, the Group companies have reported on a six monthly basis their position with regard to implementing the identified countermeasures to address the Group's significant business risks. The six monthly returns are assessed by the Risk Management Committee. Reports are made to the Board as a whole, by the Chief Executive, for review of the risks and measures taken. Annually the executive directors carry out a reappraisal of the business risks. The Audit Committee reviews the system of reporting and monitoring and its effectiveness as a whole.

(ii) Financial

The Finance Committee of the Board considers financing and investment decisions concerning the Group, including the giving of guarantees and indemnities, and monitors policy and control mechanisms for managing treasury risk within the limits laid down by the Board.

Financial reporting systems include comprehensive annual plans approved by the Board and monthly reporting of actual results with appropriate comparisons against plan and previous year's results. Forecast operating results for the year are regularly updated. Capital investment is subject to approval under a clear policy. This includes annual plans, appropriate authorisation, detailed investment appraisal and post-investment review and due diligence requirements where businesses are being acquired.

(iii) Operational

All subsidiaries of the Group are required to complete self-certification questionnaires regarding compliance with the policies, procedures and minimum requirements for an effective system of internal control. Self certification is given by both the general manager and the finance manager of the operation.

(iv) Audit Committee

The Audit Committee has met to consider the appropriateness and effectiveness of the Group's internal controls, policies and procedures and the outcome of the external audit for the year. Its meetings are normally attended by the Director - Finance and the external auditors. There is provision for the Committee to confer with the auditors without the attendance of executive directors. *The Audit Committee reviews the independence of the external auditors on an annual basis. The Committee considers in detail reports prepared by the auditors in relation to the interim and final accounts and accounting practices and developments. It also considers reports and explanations provided by the Director - Finance.*

The Board has approved terms of reference for the Audit Committee meeting the requirements of the Combined Code. The Audit Committee's responsibilities include:

- monitoring the integrity of the financial statements and in particular reviewing the Company's internal controls and risk management framework;
- reviewing the scope and results of the auditors' work, their independence and objectivity and audit fee, including the requirement for an internal audit function;
- reviewing the accounting policies and practices of the Company and at the end of the annual audit cycle, to assess the effectiveness of the audit process.

(v) Non-Audit Services

A policy on non-audit services provided by the auditors in line with professional practice has been established and approved by the Audit Committee. The external auditor has undertaken non-audit work (essentially in regard to taxation and acquisition due diligence) and the fees paid by the Company for it are set out in Note 7 to the accounts on page 47. The scope and extent of non-audit work undertaken by the Company's auditors is carefully controlled in line with the written terms provided by the Company to the auditors with the objective of avoiding impact on their independence and objectivity. Particularly the auditors are prohibited from providing services in relation to valuations, recruitment, dispute resolution and accounting assistance. *The Audit Committee monitors the scope of the auditors' work.*

(vi) Whistle Blowing

If any employee in the Group has reasonable grounds for believing that the Business Code/Management Code is being breached by any person or group of people and does not feel able to voice the matter with his or her manager, he or she is able to contact directly the Company Secretary in Cheltenham and provide full details. The Company Secretary will ensure that (a) the circumstances are properly investigated and (b) the employment of the person contacting the Company Secretary will be protected appropriately.

INTERNAL AUDIT

The Board assessed the requirement for an internal audit function and concluded that the current arrangements, which do not require such a function, remain satisfactory.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

DIRECTORS' RESPONSIBILITIES

The Statement of Directors' Responsibilities is set out on page 38.

corporate social responsibility

For some years the Board has been reporting on Corporate Social Responsibility ("CSR") which embraces a wide range of issues and in particular focuses on social, ethical and environmental ("SEE") matters. The Board has continued to embrace and apply the general CSR principles in conducting its business in a socially acceptable way with due regard to the relationship of the Company to its employees, customers, investors, suppliers and society generally.

This report follows the practice in recent years of illustrating the Board's commitment to meeting the requirements laid down by the ABI and the reporting procedures and actions taken within the Group in this connection. This year the Group has developed further its awareness of CSR issues and has made improvements, particularly in the areas of health and safety.

The Board achieves compliance with the principles of CSR by the management of the risks concerned. The Board seeks to achieve such management within the normal operations of the Group such that the necessary policies, systems and procedures are embedded in Group practice. The importance of involvement of employees and suppliers in meeting the standards required by the Board is inherent in our business operations in the provision of products and services to our customers. Meeting the standards required in the operation of our business as it affects communities and customers is also a specific objective reflected in our annual plans and strategic planning.

The Group's operations are carried out under the Group's long standing Business Code. A copy of this is posted on the Group web site: www.SpiraxSarcoEngineering.com. This Code formalised policies followed over many years by the Group. The main areas are as follows:-

- compliance with all applicable laws and regulations
- operation of the internal controls established by the Group
- having proper regard for all stakeholders in the business
- outlawing of bribes
- commitment to fair treatment of all employees
- recognition of all health, safety and environmental matters.

The standards required in the practical management of the Group are set out in a separate Management Code, which is an internal practical document issued by the Chief Executive with which general managers and the finance managers in each subsidiary confirm compliance for each year.

The Group also recognises that the achievement of good quality products and services, the maintenance of health and safety, and the achievement of good environmental practices, are an integral part of running the business and require consideration as part of the day to day operations of the Group and are reflected in the Group's performance.

The responsibility held by Board members for the entirety of the Group's operations, including the implementation of its policies, enables the Group's Business Code and Group policies to be applied on a consistent basis. The Group's decentralised structure provides for detailed local associate management of SEE matters by the general manager in each subsidiary, who reports to and is monitored by an appropriate executive director. These reporting procedures within the Group enable the executive directors, who have direct responsibility for implementing policy, to monitor, report and take any appropriate action. SEE training is part of the training provided for newly appointed directors appropriate to their experience, knowledge and previous training.

In the risk management process explained in paragraph (i) of Internal Controls, see page 24, the risks involved in not achieving appropriate SEE standards continue to be assessed and any significant risk is monitored by the Board following half yearly reports from all Group companies.

The Group considers and applies appropriate policies through the Group's Business Code to the following areas:-

(i) Employee Rights

The Group supports and applies the principles of Human Rights in its operations including equal opportunities for employees regardless of sex, race, religion, age or disability. Board members satisfy themselves that the terms of employment in subsidiaries worldwide are appropriate. The Group has a policy of non-discrimination and does not tolerate harassment in any form. The recruitment procedures throughout the Group avoid employment of underage staff. Care has been taken to provide for a culture of openness and honesty. Channels of communication appropriate to the local operation have been established to allow employees to voice their views and concerns. The Group encourages development of employee skills through a policy of reward and recognition. Recognition is given to individual employees' needs and requirements throughout the Group and, where possible, flexible working arrangements are considered where the circumstances are justified.

The Group operates personnel policies and communication structures designed to meet the needs of its subsidiaries and employees around the world. The Group's management philosophy recognises employees as its most important asset. Employees are encouraged to apply their skills, knowledge and energy. Employees have the opportunity to comment on matters of concern to them through established communication channels. A summary of the Group's annual accounts is made available to its employees. The Group's newsletter, with a Foreword from the Chief Executive, is distributed to all associate companies each month and is made available to employees. Individual subsidiaries have either a local newsletter or a regular communication informing employees on the progress of their company. The Group encourages the growth of employee share ownership.

(ii) Community Involvement

The Group has a Charitable Trust which donates to registered charities and additional donations are made to appropriate requests for support from bodies which are not registered charities both in the UK and in the overseas operating subsidiaries. In the latter case the decision to donate is made by the local general manager. In total the Group donates approximately £50,000 per annum to registered charities and other good causes.

The operating companies in the Group are encouraged to provide support to local communities through company donations, employee organised charitable activities, donation of equipment no longer required and through provision of information. By way of example, Spirax Sarco Ind. e com. Ltda in Brazil contributed to the costs of refurbishment of a local police station and continues to give support on an ongoing basis.

Another example applies in India where with our partners the local company continues to support a hospital it established many years ago making provision for both company employees and the local community. Both benefit from an established welfare programme based in company provided premises supporting community initiatives, particularly for women.

(iii) Supplier Relations

The Company policy is to use suppliers of goods and services which maintain appropriate standards in their operations. For example our Brazilian subsidiary is in the process of implementing SA8000 Standards on Social Accountability.

(iv) Product Stewardship

Information and support is given through appropriate technical advice to provide a solution to customers' needs with installation and after sales service being integral to the Group's business. The proper application of products and environmental and safety considerations are dealt with in detail in the technical literature made freely available by the Group.

(v) Corruption

The Company's policy outlaws corruption or anti-competitive practices. In addition to provisions within service contracts general managers, who head Group subsidiaries, are required to certify personally that all laws and regulations have been met in their territory.

(vi) Health and Safety

- The Company has a clear attitude to health and safety, which is that each operation will maintain a healthy and safe environment. In the first instance the general manager of each company has the responsibility for ensuring that this is effectively managed at the local level. Each major manufacturing site has its own Health and Safety Committee which is advised by a safety officer.
- The general managers report in a standard form the health and safety record of each subsidiary to the responsible executive director in an exercise co-ordinated and monitored by the Director - Supply. The Director - Supply is responsible for overseeing all health and safety matters in each of the Group's subsidiaries. A separate Safety Audit Committee composed of UK based directors and senior managers meets every six months to verify the performance of the UK operating companies on health and safety and environmental issues.
- The Group ensures that the necessary resources are available for health and safety training and companies within the Group seek as necessary professional advice regarding the implementation of safety programmes. For example, at Spirax Sarco UK an established training programme applies to new shop floor employees and is provided as a refresher to all shop floor employees every three years.
- Regular reviews are conducted to ensure that employee knowledge of health and safety matters relevant to them is up to date.
- The health and safety record of all subsidiaries, including actions taken and the implementation of Health and Safety programmes, is reported by the relevant responsible executive directors to the Director - Supply.

corporate social responsibility *(continued)*

- During the course of 2003/2004 Spirax Sarco UK have carried out various reviews and in particular have extended the measures for the welfare of employees by:
 - a) the introduction of Automatic External Defibrillators for use in heart attack situations. All first aiders have been trained in their use.
 - b) introducing a policy and commencing the training of all managers in the recognition and prevention of work related stress.
 - c) the introduction of a policy with regard to the abuse of alcohol and drugs and trained managers and first aiders in the recognition of the symptoms of abuse.
- Spirax Sarco, Inc in the USA has recently introduced a programme of increased safety awareness amongst its employees and it has recorded a period of 639 consecutive days without days lost to work-related accidents (over 30 days had been lost during 2002). The initiatives have also improved the company's performance in the area of OSHA recordable accidents with an incident rate of 2.74% January to September 2004 (the national average being 6.4%).

(vii) Environmental

The Group regularly reviews its written policy statement and performance with regard to environmental matters to ensure compliance with good practice and statutory regulations in all its operations and to meet corporate objectives. The Group operates its businesses with a proper concern for their impact on the environment generally and, particularly, with concern for the local communities where the Group's operations are located.

The Group, through its Board of Directors, ensures that its managers and staff are aware of the actions required to consider environmental factors and meet regulations in each of the Group's plants and the risks of failing to do so. Managers are required to take environmental considerations into account in running the business, for example in its energy efficiency, its use of appropriate materials and the design and manufacture of its products generally and in the investment in new equipment, new processes and new buildings and services.

There is a detailed procedure which lays down responsibility for ensuring that the Group's policy is carried out. Employees are also expected in their daily job to be aware of environmental considerations and draw to the attention of management any matters of possible concern.

• Implementation

The Director - Supply has specific environmental responsibility in relation to the Group's operations and their impact on the environment. The Group's objective is to comply with environmental laws and good practice and where non-compliance is identified to have management systems in place to ensure that this is rectified within an appropriate timeframe. The environmental policy set out above is circulated to management and to all employees.

General managers of operating companies within the Group are responsible for local compliance with the Group's policy and with local legislation. A manager within each operating company is nominated to ensure compliance. Agreed actions are implemented by the operating company overseen by the relevant executive director for that division.

• Review

The Group also operates a regular system of review, under which every operating company reports on environmental issues and compliance with local legislation. Following a prescribed approach regular reviews of the Group's facilities worldwide are conducted. Following a review the implementation of recommendations, if any, is monitored at Group level. The general manager will report through the executive director on any issues identified as is appropriate in the circumstances.

If recommendations are made then in the first instance the general manager of each company has the responsibility for ensuring that they are effectively considered and implemented where appropriate at the local level.

Where environmental upgrades are made to plant and machinery in any jurisdiction, consideration is given to implementation of such upgrades across the Group's facilities worldwide.

• Audit Process

In the past the Group has utilised external environmental consultants to audit a number of manufacturing facilities and has, as a result, established an internal environmental audit process under which a senior manager assesses the environmental position in each of the major manufacturing units and reports to the local management. This process is overseen by the relevant executive director who informs the Director - Supply appropriately and is distinct from the process identified above.

- **Results**

As a result of these processes there have been improvements in the use of solvents, chemicals and fluxes all of which have contributed to a cleaner operating environment which together with noise attenuation have benefited both employees and local residents. In particular, Spirax Sarco S.A.S. in France has introduced a new internal audit system one result of which is the implementation of a new automated finishing process which has led to greater efficiency including an increase in productivity by 50%, a major reduction in water consumption and an overall improvement in working conditions.

- **Environmental Benefits from the use of Group Products**

The use by customers of Group products has a significant environmental benefit which outweighs the environmental issues associated with the production of the products. Certainly the environmental impact arising from the manufacture of the Group's range of steam system products is significantly less than the energy saving benefits enjoyed by customers in the application of those products. The name Spirax Sarco is synonymous with steam and its efficient use worldwide. The majority of sales are the result of helping customers to improve the efficiency of their plant and processes, reduce energy consumption and emissions and meet local safety regulations. The Group's technical advice on the application of its products and in relation to steam systems, which is freely given to customers, is the key to maximising the benefit of the products we supply. There are numerous individual examples of benefits enjoyed by customers which include improved overall boiler efficiency, improved energy efficiency of process plant and reduced consumption of water, water treatment chemicals and lower production of effluent.

Many applications for Watson-Marlow Bredel peristaltic pumps are those where environmental improvement is the main aim. They are particularly suited to applications like waste water treatment where difficult fluids have to be handled safely and reliably.

the directors' remuneration report

The Board presents the following report on directors' remuneration and the work and responsibilities of the Remuneration Committee.

THE REMUNERATION COMMITTEE

This Committee has been established for many years and operates under terms of reference agreed by the Board and which can be found on the Group web site: www.SpiraxSarcoEngineering.com.

The Committee members are Messrs. E. Lindh, M. Townsend (Chairman) and W. H. Whiteley, each of whom is an independent non-executive director.

The Committee is responsible for determining, on behalf of the Board, the Company's remuneration policy and for determining the employment conditions and remuneration packages of individual executive directors. The Committee also administers and determines the grant of options under the Group's share option schemes for executive directors and other senior employees and, subject to its adoption at the 2005 annual general meeting, will administer and determine grants of awards under the proposed Performance Share Plan referred to below.

The Committee obtains independent professional advice from Towers Perrin to ensure that the Company's remuneration policy is appropriate and competitive. Towers Perrin was appointed by the Committee and has not provided other services to the Company during the year. Mr. T. B. Fortune, the Company Chairman, and Mr. M. J. D. Steel, the Chief Executive, attend meetings at the invitation of the Committee to provide information requested by it. However, they do not participate in any discussions involving their own remuneration. The Company Secretary acts as Secretary to the Committee.

The Company has throughout the year complied with the provisions of The Combined Code and Code of Best Practice published in July 2003 with regard to directors' remuneration. The Committee has given full consideration to the Combined Code in establishing the remuneration policy and packages for directors.

POLICY ON EXECUTIVE DIRECTORS' REMUNERATION

The Company's policy is to reward directors competitively and on the broad principle that their remuneration should be comparable with remuneration in other similar public companies. The total remuneration package is appropriate and necessary to attract, retain and motivate directors of the calibre required to take the Company forward.

In order to align the interests of directors and shareholders, the Committee has structured the total remuneration package to provide a material performance-related element.

The structure of the directors' remuneration package has been established subject to appropriate modifications for many years and has regard to pay and conditions elsewhere in the Group.

The remuneration package comprises:-

Basic Salary

The Committee obtains independent professional advice from Towers Perrin using published information for comparable public companies. Salaries are reviewed annually on 1st January taking into account the experience, responsibility and performance of the individual.

Annual Bonus

The Company operates an annual bonus scheme for executive directors. The bonus is paid as a percentage of salary. This percentage is the sum of:-

- (i) one third of the percentage increase in pre-tax profit for the year over the average pre-tax profit for the previous three years;
- (ii) two thirds of the percentage increase in earnings per share for the year over the average earnings per share for the previous three years;
- (iii) cash generation (expressed as a percentage of profit for the financial year) will carry a maximum of 20% bonus. Where cash inflow, as determined from the Accounts, is less than 100% of profit, no bonus will be earned under this element; where cash generated equals or exceeds 160% of profit, the full 20% will accrue with proportionate bonus being earned between 100% and 160% of profit; and

(iv) an amount derived from the change in gross margin percentage compared with that for the previous year. Where the gross margin has deteriorated by 0.5 percentage points or more, no bonus will be earned under this element; where there has been an improvement of 1.5 percentage points or more, the full allocation of 20% will accrue with proportionate bonus being earned between these limits, provided always that the gross margin percentage is above a required minimum.

There is a contractual maximum bonus payment equal to basic salary. The bonus forms an integral and regular part of the executive directors' remuneration and elements (i) and (ii) are pensionable. Elements (iii) and (iv) are not pensionable.

In 2004, the Committee made a preliminary review, with assistance from its professional advisers, of the pension arrangements for executive directors. Following the deferment of the implementation of the new tax regime to April 2006, the Committee continues to review, with professional advice, the pension position of the executive directors including the pensionability of elements (i) and (ii) of the bonus.

The Company's policy on directors' remuneration and the structure of their remuneration package are kept under review to ensure the directors' overall package remains properly competitive and shareholders will be informed of any resulting change.

Options

Spirax-Sarco Engineering 1992 UK & Global Share Option Schemes

and Spirax-Sarco Engineering Approved & Global Share Option Schemes

The Company operates share option schemes for executive directors, senior executives and management which are administered by the Committee which determines the grant of options under the schemes usually once per year. These are designed to align the longer term interests of executive directors, senior executives and management with those of shareholders by giving an incentive linked to added shareholder value. The policy is to phase options over the ten year life of the share option schemes. Options granted to each director from 1995 are subject to a performance condition which is described below.

In accordance with market practice, options granted are normally specified to be exercisable between three and ten years from the date of grant and, for grants from 1995, only if a specified performance condition is satisfied. In line with the then established market practice, the performance condition for options granted from 1995 up to 2001 requires an increase in earnings per share of more than 6% greater than the increase in the UK retail prices index over a period of three consecutive years between grant and exercise. For options granted from and including 2002 the performance condition requires an increase in earnings per share of more than 9% greater than the increase in the UK retail prices index over a period of three consecutive years between grant and exercise. The same performance condition applies to each director. The performance condition chosen was considered appropriate because it ensured increases in the earnings per share were achieved having taken account of UK inflation. In assessing whether the chosen performance condition is met the Committee arranges for the auditors to confirm the calculations made. This method of assessment is considered appropriate to confirm compliance with the condition. The performance condition requires a comparison with a factor external to the Company, namely the growth in the UK retail prices index over the performance period.

The exercise of options granted before 1995 is not subject to any performance condition being met. This is in line with market practice at the time of grant of those options.

Details of total share options issued are set out on page 54. The above performance condition applies to other relevant options granted to all participants in the share option schemes.

Performance Condition for Share Option Schemes

For grants from 2005, the performance condition will, ordinarily, need to be met over the three year period from the 1st January prior to the date of grant in order for the option to become exercisable. If the condition is not met at the end of the three year period, the option will lapse.

Performance Share Plan

As anticipated in the 2003 Annual Report, the Committee has undertaken a review, with assistance from its professional advisers, of the long term incentive arrangements for executive directors, senior executives and management, and details of the proposed performance share plan are provided in the circular to shareholders and the notice of the annual general meeting.

the directors'

remuneration report *(continued)*

Spirax-Sarco Engineering plc Employee Share Ownership Plan

The executive directors participate in the Employee Share Ownership Plan, as described on pages 35 and 36. Participation in the Employee Share Ownership Plan is open to all eligible UK employees. No employee's entitlement under the Employee Share Ownership Plan is subject to performance conditions. This is because the aim is to encourage increased shareholding in the Company by all eligible UK employees.

There are no other long term incentives provided to directors but a resolution to establish a Performance Share Plan will be proposed to shareholders at the annual general meeting on 12th May 2005.

Pensions

The executive directors are members of an Inland Revenue approved non-contributory defined benefit pension scheme based on 1/60th of pensionable salary, for each year of pensionable service. The maximum pension is two-thirds of pensionable salary. The executive directors accrue pro-rata additional service at a rate which gives a further two and a half years of service at their normal retirement age of 62½. Additionally Mr. G. P. Marchand accrues pro-rata additional service at a rate which gives a further nine years of service at age 60.

The scheme provides lump sum death in service benefit of four times pensionable salary. Spouses' pensions are payable where death occurs in service or in retirement. No executive director is affected by the Inland Revenue earnings cap and there are no unapproved pension arrangements in respect of directors.

As noted above, in view of the change to the tax regime expected from April 2006, the Committee continues to review the Company's pension arrangements for executive directors on the broad principle that there will be no material increase in cost to the Company.

Non-Executive Directors

The remuneration of non-executive directors is approved by the full Board within the limits set out in the Company's articles of association. Their remuneration reflects the amount of time spent on the Company's business. The non-executive directors do not participate in the bonus, share option or share ownership schemes and will not participate in the proposed new Performance Share Plan. Non-executive directors' appointments are non-pensionable.

Service Contracts

The executive directors, with the exception of Mr. C. J. Ball, who will retire on 29th April 2005, have service contracts which are subject to 12 months' notice. The service contracts provide for a normal retirement age of 62½ for each executive director.

The executive directors at 14th March 2005 have service contracts as follows:-

| | Date of Contract | Notice Period |
|---------------|-------------------------|----------------------|
| M.J.D. Steel | 30.12.92 | 12 months |
| A.D.H. Black | 18.11.98 | 12 months |
| N.H. Daws | 28.05.03 | 12 months |
| G.P. Marchand | 30.12.92 | 12 months |
| D.J. Meredith | 30.12.92 | 12 months |
| P.A. Smith | 24.12.92 | 12 months |

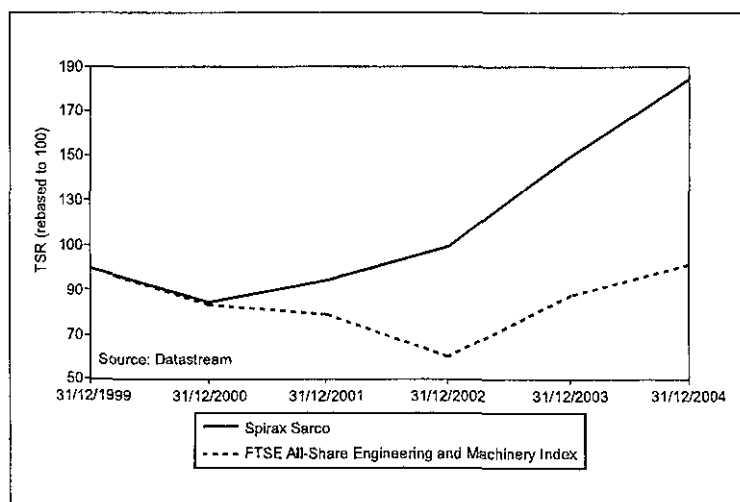
The non-executive directors, including the Chairman, Mr. T. B. Fortune, who will retire at the conclusion of the annual general meeting on 12th May 2005, do not have service contracts. They have appointment letters, normally for three year periods, and re-appointment is not automatic.

POLICY ON SENIOR EXECUTIVE REMUNERATION

The Committee determines the philosophy, principles and policy of remuneration which shall apply to the Group's senior executives. The responsibility for determining the precise package to meet local practice and performance lies with the Chief Executive and the responsible executive director.

TOTAL SHAREHOLDER RETURN

The performance graph illustrated shows the Company's total cumulative shareholder return for the five year period ended 31st December 2004 compared with the total cumulative shareholder return for the FTSE All-Share Engineering and Machinery Index. This comparison is selected as being the most appropriate sector for the Company's operations as the comparison automatically takes account of the impact on the Company's shares of the market's view of the engineering industry generally.



INFORMATION SUBJECT TO AUDIT

The auditors are required to report on the information contained in the remaining sections of the Report.

DETAILS OF INDIVIDUAL EMOLUMENTS

| | Basic Salary/ Fees | Benefits (1) | Annual performance related bonus | Total emoluments excluding pension | |
|--------------------|--------------------------|--------------|---|---------------------------------------|--------------------|
| | £ | £ | £ | 2004 Total £ | 2003 Total £ |
| T. B. Fortune (2) | 77,000 | 407 | - | 77,407 | 73,849 |
| M. J. D. Steel | 305,000 | 15,123 | 104,646 | 424,769 | 386,466 |
| C. J. Ball (3) | 176,000 | 17,381 | 60,386 | 253,767 | 229,830 |
| A. D. H. Black | 168,000 | 15,836 | 57,641 | 241,477 | 220,949 |
| N. H. Daws | 139,000 | 13,074 | 47,691 | 199,765 | 105,731 |
| G. P. Marchand | 180,000 | 11,998 | 61,758 | 253,756 | 230,167 |
| D. J. Meredith | 195,000 | 12,130 | 66,905 | 274,035 | 247,960 |
| P. A. Smith | 139,000 | 7,254 | 47,691 | 193,945 | 176,851 |
| E. Lindh (2) | 24,000 | - | - | 24,000 | 22,000 |
| M. Townsend (2) | 33,000 | - | - | 33,000 | 29,750 |
| W. H. Whiteley (2) | 24,000 | - | - | 24,000 | 22,000 |
| | 1,460,000 | 93,203 | 446,718 | 1,999,921 | 1,745,553* |

* Additionally Mr. P. M. Smith's 2003 total emoluments excluding pension for 2003 amounted to £92,329. He retired from the Board on 31st May 2003 and therefore was not a director in 2004.

(1) Benefits arising from employment by the Company, which relate in the main to the provision of a company car.

(2) Non-executive director.

(3) Mr. C. J. Ball's annual bonus of £60,386 includes an amount of £24,552 which Mr. C. J. Ball has waived. The Company is contributing £24,552 to a defined contribution executive pension plan for Mr. C. J. Ball set up on independent financial advice.

the directors' remuneration report *(continued)*

Long Term Incentives

(i) Spirax-Sarco Engineering 1992 UK & Global Share Option Schemes and Spirax-Sarco Engineering Global Share Option Scheme

The interests of directors are set out below:-

| | | 31.12.03 | Granted during year to 31.12.04 | Exercised in year | 31.12.04 | Average exercise price per share | Date from which exercisable | Expiry date |
|---------------|-----|----------|---------------------------------|-------------------|----------|----------------------------------|-----------------------------|-------------|
| | (1) | No. | (2) No. | (3) No. | No. | (4) pence | (5) | (5) |
| M.J.D. Steel | A | 220,000 | 35,000 | 15,000 | 240,000 | 445.2 | 18.09.98 | 08.04.08 |
| | B | 30,000 | - | - | 30,000 | 704.0 | 24.09.99 | 16.09.07 |
| | | 250,000 | 35,000 | 15,000 | 270,000 | | | |
| C.J. Ball | A | 112,500 | - | 15,000 | 97,500 | 448.3 | 18.09.98 | 29.09.05 |
| | B | 30,000 | - | - | 30,000 | 704.0 | 24.09.99 | 29.09.05 |
| | | 142,500 | - | 15,000 | 127,500 | | | |
| A.D.H. Black | A | 107,500 | 20,000 | - | 127,500 | 434.3 | 16.09.01 | 25.03.14 |
| | D | 10,000 | - | - | 10,000 | 704.0 | 24.09.99 | 16.09.07 |
| | | 117,500 | 20,000 | - | 137,500 | | | |
| N.H. Daws | A | - | 20,000 | - | 20,000 | 541.9 | 25.03.07 | 25.03.14 |
| | C | 49,000 | - | 2,500 | 46,500 | 420.9 | 18.09.98 | 14.03.13 |
| | D | 20,000 | - | - | 20,000 | 704.0 | 24.09.99 | 16.09.07 |
| | | 69,000 | 20,000 | 2,500 | 86,500 | | | |
| G.P. Marchand | A | 117,500 | 20,000 | - | 137,500 | 454.1 | 18.09.98 | 24.12.07 |
| | B | 30,000 | - | - | 30,000 | 704.0 | 24.09.99 | 16.09.07 |
| | | 147,500 | 20,000 | - | 167,500 | | | |
| D.J. Meredith | A | 142,500 | 20,000 | 15,000 | 147,500 | 464.7 | 18.09.98 | 25.03.14 |
| | B | 30,000 | - | - | 30,000 | 704.0 | 24.09.99 | 16.09.07 |
| | | 172,500 | 20,000 | 15,000 | 177,500 | | | |
| P.A. Smith | A | 112,500 | 20,000 | - | 132,500 | 455.4 | 18.09.98 | 18.08.10 |
| | B | 20,000 | - | - | 20,000 | 704.0 | 24.09.99 | 16.09.07 |
| | C | 12,500 | - | 12,500 | - | | | |
| | | 145,000 | 20,000 | 12,500 | 152,500 | | | |

Notes

(1) Options shown on lines A and B relate to options granted to members of the Board, whereas options shown on lines C and D relate to options granted to individuals prior to their appointment to the Board.

Options shown on lines A and C are those where the exercise prices are lower than the middle market price of the Company's ordinary shares on 31st December 2004. Options shown on lines B and D are those where the exercise prices are higher than the middle market price on that date.

(2) Options were granted to directors during the year over 135,000 ordinary shares at 541.9p per share under the Spirax-Sarco Engineering Global Share Option Scheme, which is not approved by the Inland Revenue. Mr. M. J. D. Steel was granted an option over 35,000 shares and each of the remaining executive directors, with the exception of Mr. C. J. Ball, were granted options over 20,000 shares.

(3)

| | 2004 Options exercised | Option exercise price | Market price on the date options exercised | 2004 Gain arising on exercise | 2003 Gain arising on exercise |
|---|---------------------------------------|--------------------------------------|---|--|--|
| | No. | pence | pence | £ | £ |
| C. J. Ball | 15,000 | 427.0 | 587.0 | 24,000.00 | |
| A.D.H. Black | - | - | - | - | 8,329.02 |
| N. H. Daws | - | - | - | - | 3,235.62 |
| | 2,500 | 427.0 | 588.0 | 4,025.00 | - |
| G. P. Marchand | - | - | - | - | 48,162.90 |
| D. J. Meredith | 15,000 | 427.0 | 629.5 | 30,375.00 | |
| P.A. Smith | - | - | - | - | 22,604.50 |
| | 12,500 | 427.0 | 635.5 | 26,062.50 | |
| M.J.D. Steel | 15,000 | 427.0 | 580.0 | 22,950.00 | |
| Aggregate of gains arising on exercise | | | | 107,412.50 | 82,332.04* |

* Additionally Mr. P. M. Smith exercised options in 2003 realising a gain of £9,990.76. He retired from the Board on 31st May 2003 and therefore was not a director in 2004.

(4) These are the weighted averages of the exercise prices for ordinary shares under option at 31st December 2004.

(5) These are the ranges of dates between which all options which have been aggregated may be exercised.

The market price of the ordinary shares on 31st December 2004 was 647.5p. During the period from 1st January 2004 to 31st December 2004 the ordinary share price ranged between 525p and 647.5p.

The Register of Directors' Interests (which is open to inspection) contains full details of directors' shareholdings and options to subscribe.

There have been no changes in the number of share options granted as shown on page 34 since 31st December 2004.

(ii) Spirax-Sarco Engineering plc Employee Share Ownership Plan

The Company operated an Employee Share Ownership Plan in which all the executive directors are eligible to participate on the same basis as all other eligible UK employees. For the Plan period the individual director's contributions are limited to a maximum of £1,500 per annum under Inland Revenue rules. The Company provides a matching share for each share purchased under the Plan by the director which is the same basis for other participating employees.

the directors' remuneration report *(continued)*

| | Interest as at 31.12.03 | Vested | Interest as at 31.12.04 | Period of qualifying conditions |
|---------------|----------------------------|--------|----------------------------|------------------------------------|
| M.J.D. Steel | 1,832 | 620 | 2,452 | 3 years |
| C.J. Ball | 1,832 | 620 | 2,452 | 3 years |
| A.D.H. Black | 1,804 | 548 | 2,352 | 3 years |
| N.H. Daws | 1,832 | 620 | 2,452 | 3 years |
| G.P. Marchand | 1,832 | 620 | 2,452 | 3 years |
| D.J. Meredith | 1,832 | 620 | 2,452 | 3 years |
| P.A. Smith | 1,832 | 620 | 2,452 | 3 years |

DIRECTORS' PENSIONS

The directors are members of defined benefit pension arrangements. The information below is consistent with the presentation used last year and sets out the disclosures under the Stock Exchange Listing Rules and the 2002 Directors' Remuneration Report Regulations.

| | Age attained at 31.12.04 | Accrued pension at 31.12.03 | Accrued pension at 31.12.04 | Change in accrued pension during the year £pa | Change in accrued pension during the year* £pa | Transfer value of change in accrued pension* £ | Transfer value of accrued pension at 31.12.03 £ | Transfer value of accrued pension at 31.12.04 £ | Change in total transfer value £ |
|------------------------------|-----------------------------------|--------------------------------------|--------------------------------------|--|---|--|--|--|--|
| M.J.D. Steel | 59 | 170,864 | 192,727 | 21,863 | 16,566 | 256,000 | 2,268,000 | 2,883,000 | 615,000 |
| C.J. Ball | 61 | 118,420 | 129,872 | 11,452 | 7,781 | 130,000 | 1,866,000 | 2,274,000 | 408,000 |
| A.D.H. Black ⁽¹⁾ | 47 | 67,281 | 51,230 | (16,051) | (18,137) | (131,000) | 455,000 | 367,000 | (88,000) |
| N.H. Daws | 42 | 41,238 | 55,356 | 14,118 | 12,839 | 74,000 | 225,000 | 319,000 | 94,000 |
| G.P. Marchand ⁽²⁾ | 59 | 101,231 | 115,971 | 14,740 | 11,602 | 189,000 | 1,479,000 | 1,885,000 | 406,000 |
| D.J. Meredith | 45 | 62,232 | 71,751 | 9,519 | 7,590 | 50,000 | 397,000 | 484,000 | 87,000 |
| P.A. Smith | 56 | 72,726 | 82,168 | 9,442 | 7,187 | 95,000 | 841,000 | 1,060,000 | 219,000 |

* net of deferred pension revaluation at a rate of 3.1%

(1) Allowing for pension sharing order of £181,407, effective May 2004.

(2) Mr. G. P. Marchand's transfer value as at 31st December 2004 has been re-assessed to age 62½.

No disclosures are given in the current year for Mr. P. M. Smith as he retired in the prior year and has not been a director at any point during 2004.

The following is additional information relating to directors' pensions:

(i) Dependant's pensions

On the death of a director in service, a spouse's pension equal to one-half of the director's pension based on pensionable service to the date of death is payable. On the death of a director after payment of the pension commences, a spouse's pension of one-half of the director's pension entitlement at the date of death, ignoring commutation and any early retirement actuarial reduction, is payable; in addition directors' pensions are guaranteed to be paid for five years from retirement.

(ii) Early retirement rights

After leaving the service of the Company, a director has the right to draw his accrued pension at any time after his 60th birthday with no reduction.

(iii) Pension increases

Pensions are subject to annual increases in line with the annual rise in the RPI subject to a maximum of 5% per annum. The Trustees and the Company have the discretion to apply a greater increase.

(iv) Other discretionary benefits

There are no discretionary practices which are taken into account in calculating transfer values on leaving service.

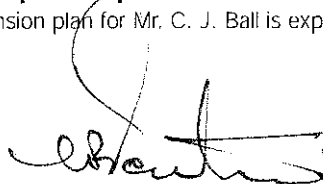
(v) Defined contribution executive pension plan

The defined contribution executive pension plan for Mr. C. J. Ball is explained on page 33.

Signed by

T. B. Fortune *Chairman*

on behalf of the Board

A handwritten signature in black ink, appearing to read 'T. B. Fortune', written over a faint circular stamp.

statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period. In preparing those accounts, the directors are required to:

- (i) Select suitable accounting policies and then apply them consistently.
- (ii) Make judgements and estimates that are reasonable and prudent.
- (iii) State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.
- (iv) Prepare the accounts on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the requirements of 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.

auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPIRAX-SARCO ENGINEERING PLC

We have audited the accounts on pages 40 to 61. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report and the Directors' Remuneration Report. As described on page 38, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the corporate governance statement on page 22 reflects the Company's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement and the unaudited part of the Directors' Remuneration Report, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Directors' Remuneration Report to be audited.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2004 and of the profit of the Group for the year then ended; and the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc

Chartered Accountants, Registered Auditor

London 14th March 2005

group profit and loss account

for the year ended 31st december 2004

| | notes | 2004 £000 | 2003 £000 |
|---|-------|------------------|--------------|
| Turnover | 2 | 325,833 | 314,087 |
| Operating costs | 3 | (274,733) | (268,337) |
| Operating profit | 5 | 51,100 | 45,750 |
| Net interest payable | 6 | (264) | (1,186) |
| Profit on ordinary activities before taxation | 7 | 50,836 | 44,564 |
| Taxation on profit on ordinary activities | 9 | (17,154) | (15,138) |
| Profit on ordinary activities after taxation | | 33,682 | 29,426 |
| Minority interests - equity | | (1,135) | (788) |
| Profit for the financial year attributable to shareholders | 10 | 32,547 | 28,638 |
| Dividends | 11 | (16,102) | (15,028) |
| Retained profit for the financial year | 25 | 16,445 | 13,610 |
| Earnings per share (basic) | 12 | 43.4p | 38.5p |
| Earnings per share (diluted) | 12 | 43.0p | 38.2p |
| Dividends per share | 11 | 21.4p | 20.1p |

All amounts relate to continuing operations.

The notes on pages 44 to 61 form an integral part of the accounts.

The historical cost profit is not materially different from the reported profit for 2003 or 2004.

balance sheets

at 31st december 2004

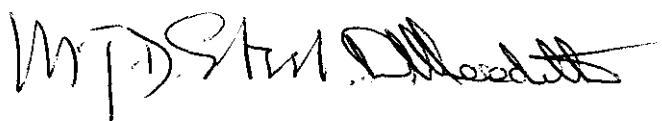
| | notes | THE GROUP | | PARENT COMPANY | |
|---|-------|--------------|--------------|----------------|--------------|
| | | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 |
| Fixed assets | | | | | |
| Intangible assets | 13 | 11,713 | 11,123 | - | - |
| Tangible assets | 14 | 89,094 | 88,089 | - | - |
| Investments | 15 | - | - | 58,083 | 55,698 |
| | | 100,807 | 99,212 | 58,083 | 55,698 |
| Current assets | | | | | |
| Stocks | 16 | 59,756 | 60,695 | - | - |
| Debtors | 17 | 100,576 | 90,515 | 23,832 | 19,988 |
| Cash deposits and short-term investments | 18 | 45,500 | 38,197 | 28,042 | 20,000 |
| Cash at bank and in hand | | 4,886 | 4,977 | - | 1,060 |
| | | 210,718 | 194,384 | 51,874 | 41,048 |
| Creditors | | | | | |
| Amounts falling due within one year | 19 | (75,948) | (86,727) | (15,095) | (11,274) |
| Net current assets | | 134,770 | 107,657 | 36,779 | 29,774 |
| Total assets less current liabilities | | 235,577 | 206,869 | 94,862 | 85,472 |
| Creditors | | | | | |
| Amounts falling due after more than one year | 20 | (34,657) | (25,376) | (298) | (941) |
| Provisions for liabilities and charges | 22 | (18,907) | (17,677) | - | - |
| Net assets | 23 | 182,013 | 163,816 | 94,564 | 84,531 |
| Capital and reserves | | | | | |
| Called up share capital | 24 | 18,800 | 18,690 | 18,800 | 18,690 |
| Share premium account | 25 | 38,024 | 35,996 | 38,024 | 35,996 |
| Revaluation reserve | 25 | 4,307 | 4,350 | - | - |
| Capital redemption reserve | 25 | 1,832 | 1,832 | 1,832 | 1,832 |
| Profit and loss account | 25 | 115,078 | 99,782 | 35,908 | 28,013 |
| Shareholders' funds - equity | | 178,041 | 160,650 | 94,564 | 84,531 |
| Minority interests - equity | | 3,972 | 3,166 | - | - |
| | | 182,013 | 163,816 | 94,564 | 84,531 |

These financial statements were approved by the Board of Directors on 14th March 2005 and signed on its behalf by:

Directors

M.J.D. Steel

D.J. Meredith



group statement of total recognised gains and losses

for the year ended 31st december 2004

| | 2004 | 2003 |
|--|----------------|---------|
| | £000 | £000 |
| Profit for the financial year attributable to shareholders | 32,547 | 28,638 |
| Currency translation differences on foreign currency net investments | (1,192) | (1,022) |
| Total recognised gains and losses relating to the year | 31,355 | 27,616 |

reconciliations of movement in shareholders' funds

for the year ended 31st december 2004

| | THE GROUP | | PARENT COMPANY | |
|--------------------------------------|------------------|----------|-----------------------|----------|
| | 2004 | 2003 | 2004 | 2003 |
| | £000 | £000 | £000 | £000 |
| Shareholders' funds at 1st January | 160,650 | 146,331 | 84,531 | 78,554 |
| Profit for the financial year | 32,547 | 28,638 | 23,997 | 19,274 |
| Dividends | (16,102) | (15,028) | (16,102) | (15,028) |
| Net proceeds of issue of shares | 2,138 | 1,731 | 2,138 | 1,731 |
| Currency translation differences | (1,192) | (1,022) | - | - |
| Shareholders' funds at 31st December | 178,041 | 160,650 | 94,564 | 84,531 |

group cash flow statement

for the year ended 31st december 2004

RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

| | notes | 2004 £000 | 2003 £000 |
|--|-------|---------------|---------------|
| Operating profit | | 51,100 | 45,750 |
| Depreciation and amortisation charges | | 13,302 | 13,824 |
| Decrease in stocks | | 342 | (2,558) |
| Increase in debtors | | (9,094) | (1,677) |
| Increase in creditors and provisions | | 7,562 | (1,913) |
| Cash inflow from operating activities | | 63,212 | 53,426 |

GROUP CASH FLOW STATEMENT

| | | | |
|--|----|--------------|----------------|
| Cash inflow from operating activities | | 63,212 | 53,426 |
| Returns on investments and servicing of finance | 29 | (694) | (1,493) |
| Taxation | | (16,780) | (16,269) |
| Capital expenditure | 29 | (14,134) | (11,912) |
| Acquisitions and disposals | 29 | (803) | (1,909) |
| Equity dividends paid | | (15,289) | (14,517) |
| Cash inflow before use of liquid resources and financing | | 15,512 | 7,326 |
| Management of liquid resources | 29 | (7,745) | (6,012) |
| | | 7,767 | 1,314 |
| Financing - Issue of ordinary share capital | 29 | 2,138 | 1,731 |
| Decrease in debt | 29 | (2,677) | (8,759) |
| | | (539) | (7,028) |
| Increase in cash in the period | 30 | 7,228 | (5,714) |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH (Note 30)

| | | |
|--|--------------|-----------------|
| Increase in cash in the period | 7,228 | (5,714) |
| Cash outflow from decrease in debt | 2,677 | 8,759 |
| Cash outflow from increase in liquid resources | 7,745 | 6,012 |
| Decrease in net debt resulting from cash flows | 17,650 | 9,057 |
| Translation difference | (420) | (748) |
| Decrease in net debt in the period | 17,230 | 8,309 |
| Net debt at 1st January | (14,357) | (22,666) |
| Net cash/(debt) at 31st December | 2,873 | (14,357) |

notes to the accounts

1 ACCOUNTING POLICIES

Basis of preparation

The consolidated accounts are prepared under the historical cost convention, supplemented by the revaluation of certain assets in prior years, and in accordance with applicable accounting standards. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's accounts.

Basis of consolidation

The Group accounts include the accounts of the company and its subsidiary undertakings made up to 31st December 2004. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Goodwill

Purchased goodwill arising on consolidation in respect of acquisitions before 1st January 1998, when FRS 10 - Goodwill and Intangible Assets was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration given and associated costs over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1st January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life, normally 20 years. Should the value of this goodwill become recognised as impaired, an impairment charge would be made against operating profit.

On the subsequent disposal or termination of a business acquired since 1st January 1998, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

In the company's financial statements investment in subsidiary undertakings is stated at cost less any impairment in value.

Turnover

Turnover comprises net sales to external customers.

Turnover is recorded when the risks and rewards of ownership have passed to the purchaser.

Depreciation

Depreciation is calculated on cost or valuation on a straight line basis at rates which write down the value of the assets to their residual values over their estimated useful lives. The principal rates are as follows:

| | | | |
|-------------------------------|----------|----------------------|------------|
| Freehold land | nil | Office equipment | 12.5 - 20% |
| Freehold buildings | 1.5% | Motor vehicles | 20% |
| Plant and machinery | 10-12.5% | Tooling and patterns | 10% |
| Office furniture and fittings | 10% | | |

Leasehold properties are amortised over the life of the lease.

Stocks

Stocks and work in progress are valued at the lower of cost, including overheads where appropriate, and estimated net realisable value.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

Research and development expenditure

Research and development expenditure is charged against profits as incurred.

1 ACCOUNTING POLICIES (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 - Deferred Tax.

Foreign currency translation

Foreign currency assets and liabilities are translated into sterling at rates of exchange ruling at 31st December. Trading results of overseas subsidiary undertakings have been translated into sterling at average rates of exchange ruling during the year.

Differences arising from the changes in rates of exchange are treated as part of the trading profit where they relate to items of a trading nature. Exchange differences arising from the retranslation of the opening net investment in overseas subsidiary undertakings, borrowings to hedge those net investments and between the profits for the year translated at average and closing rates, are disclosed as movements on reserves.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease.

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions and other post-retirement benefits

Pension schemes are operated by the Company and subsidiary undertakings which employ the majority of Group employees. Contributions to the schemes are charged to the consolidated profit and loss account such that the cost is spread over the estimated working lives of employees of the Group. The Group has adopted the transitional requirements of FRS 17 - Retirement Benefits as reported in note 28.

The costs of providing post-retirement benefits other than pensions, principally healthcare, are charged to the profit and loss account on a consistent basis over the average service lives of employees. Such costs are assessed in accordance with the advice of independent qualified actuaries.

2 TURNOVER

The analysis of turnover by reference to the geographical location of customers is as follows:

| | 2004 £000 | 2003 £000 |
|------------------------------|----------------|----------------|
| United Kingdom | 39,922 | 39,215 |
| Continental Europe | 121,164 | 117,390 |
| The Americas | 84,568 | 84,207 |
| Asia, Australasia and Africa | 80,179 | 73,275 |
| | 325,833 | 314,087 |

The analysis of turnover by reference to the geographical location of the Group's operations is as follows:

| | 2004 £000 | 2003 £000 |
|------------------------------|-----------------|-----------------|
| United Kingdom | 97,419 | 92,370 |
| Continental Europe | 149,334 | 146,408 |
| The Americas | 88,578 | 87,962 |
| Asia, Australasia and Africa | 73,161 | 67,145 |
| | 408,492 | 393,885 |
| Intra-group sales | (82,659) | (79,798) |
| Sales to third parties | 325,833 | 314,087 |

There were no discontinued operations in 2004 or 2003.

The Group operates in one business segment which is the control of fluids.

notes to the accounts *(continued)*

3 OPERATING COSTS

| | 2004 £000 | 2003 £000 |
|---|----------------|----------------|
| Change in stocks of finished goods and work in progress | (107) | (1,764) |
| Raw materials and consumables | 88,134 | 84,070 |
| Staff costs (note 4) | 119,267 | 118,968 |
| Depreciation | 12,627 | 13,155 |
| Amortisation of goodwill | 675 | 669 |
| Other operating charges | 54,137 | 53,239 |
| | 274,733 | 268,337 |

4 STAFF COSTS AND NUMBERS

The aggregate payroll costs of persons employed by the Group were as follows:

| | 2004 £000 | 2003 £000 |
|-----------------------|----------------|----------------|
| Wages and salaries | 94,989 | 94,884 |
| Social security costs | 15,605 | 15,715 |
| Other pension costs | 8,673 | 8,369 |
| | 119,267 | 118,968 |

The average number of persons employed by the Group (including directors) during the year was as follows:

| | Number | Number |
|----------------|--------------|--------------|
| United Kingdom | 1,106 | 1,098 |
| Overseas | 2,998 | 2,957 |
| | 4,104 | 4,055 |

5 OPERATING PROFIT

The analysis of operating profit by reference to the geographical location of the Group's operations is as follows:

| | 2004 £000 | 2003 £000 |
|------------------------------|---------------|---------------|
| United Kingdom | 8,732 | 8,021 |
| Continental Europe | 18,866 | 16,439 |
| The Americas | 11,301 | 10,335 |
| Asia, Australasia and Africa | 12,201 | 10,955 |
| | 51,100 | 45,750 |

6 NET INTEREST PAYABLE

| | 2004 £000 | 2003 £000 |
|---------------------------|--------------|--------------|
| Interest payable: | | |
| Bank loans and overdrafts | 1,461 | 1,653 |
| Other loans | 387 | 644 |
| | 1,848 | 2,297 |
| Interest receivable | (1,584) | (1,111) |
| | 264 | 1,186 |

7 PROFIT BEFORE TAXATION

Profit before taxation is shown after charging:

| | 2004 £000 | 2003 £000 |
|---|--------------|--------------|
| Depreciation of tangible fixed assets held under finance leases | 176 | 178 |
| Audit fees (Spirax-Sarco Engineering plc £104,000 (2003: £100,000)) | 721 | 696 |
| Hire of plant and machinery | 286 | 288 |
| Other operating leases | 2,447 | 2,667 |
| Research and development | 5,047 | 4,878 |
| Share Ownership Plan contributions | 445 | 413 |

Fees paid to the auditors of the parent company and their associates for services other than statutory audits supplied to the Company and the rest of the Group worldwide amounted to £501,000 (2003: £313,000), including amounts paid to the auditors of overseas companies of £225,000 (2003: £212,000). Fees were paid in respect of taxation services (£366,000 (2003: £239,000)) and further assurance services (£135,000 (2003: £74,000)).

8 DIRECTORS' EMOLUMENTS

Details of directors' emoluments, share options and pension benefits are shown in the Directors' Remuneration Report on pages 30 to 37.

9 TAXATION

| | 2004 £000 | 2003 £000 |
|---|---------------|---------------|
| Analysis of charge in period | | |
| UK corporation tax | | |
| Current tax on income for the period | 12,164 | 10,152 |
| Adjustments in respect of prior periods | (148) | (137) |
| | 12,016 | 10,015 |
| Double taxation relief | (8,851) | (7,393) |
| | 3,165 | 2,622 |
| Foreign tax | | |
| Current tax on income for the period | 13,680 | 12,810 |
| Adjustments in respect of prior periods | 62 | (360) |
| | 13,742 | 12,450 |
| Total current tax charge | 16,907 | 15,072 |
| Deferred tax | 247 | 66 |
| Tax on profit on ordinary activities | 17,154 | 15,138 |

notes to the accounts *(continued)*

9 TAXATION *(continued)*

Current tax reconciliation

| | 2004 £000 | 2003 £000 |
|--|---------------|---------------|
| Profit on ordinary activities before tax | 50,836 | 44,564 |
| Current tax at 30% (2003: 30%) | 15,251 | 13,369 |
| Higher tax rates on overseas earnings | 1,643 | 1,883 |
| Non-deductible expenses, provisions and accruals | 797 | 826 |
| Pension prepayment | (406) | (356) |
| Accelerated capital allowances | 89 | 183 |
| Adjustment to tax in respect of previous periods | (158) | (409) |
| Other | (309) | (424) |
| Total current tax charge (see above) | 16,907 | 15,072 |

Factors that may affect the future tax charges:

The Group's tax charge in future years is likely to be affected by the proportion of profits arising and the effective tax rates in the various territories in which the Group operates. No UK tax (after double tax relief for underlying tax) is expected to be payable on the future remittance of the retained earnings of overseas subsidiaries. No provision has been made for deferred tax on property revaluations: the total amount unprovided is £451,000 (2003: £448,000) and it is not envisaged that the tax will become payable in the foreseeable future.

10 PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO SHAREHOLDERS

Profit dealt with in the accounts of Spirax-Sarco Engineering plc was £23,997,000 (2003: £19,274,000). Included in this amount are dividends from subsidiary undertakings of £23,616,000 (2003: £19,457,000).

11 DIVIDENDS

| | 2004 £000 | 2003 £000 |
|--|--------------|--------------|
| Interim paid 6.3p (2003: 6.0p) per share | 4,747 | 4,487 |
| Final proposed 15.1p (2003: 14.1p) per share | 11,355 | 10,541 |
| 21.4p (2003: 20.1p) per share | 16,102 | 15,028 |

12 EARNINGS PER SHARE

The calculation of earnings per share (basic) is based on earnings of £32,547,000 (2003: £28,638,000) as shown in the Group profit and loss account, divided by the weighted average number of shares in issue during the year of 74,931,130 (2003: 74,432,975). The calculation of earnings per share (diluted) is based on the earnings shown above and the weighted average number of shares in issue diluted by 781,558 (2003: 521,701) to 75,712,688 (2003: 74,954,676). The dilution is in respect of unexercised share options.

13 FIXED ASSETS: INTANGIBLE ASSETS

THE GROUP

| | Goodwill £000 |
|-----------------------|------------------|
| Cost: | |
| At 1st January 2004 | 13,623 |
| Exchange adjustments | 107 |
| | 13,730 |
| Additions (note 31) | 1,177 |
| At 31st December 2004 | 14,907 |
| Amortisation: | |
| At 1st January 2004 | 2,500 |
| Exchange adjustments | 7 |
| | 2,507 |
| Charged in year | 687 |
| At 31st December 2004 | 3,194 |
| Net book value: | |
| At 31st December 2004 | 11,713 |
| At 31st December 2003 | 11,123 |

14 FIXED ASSETS: TANGIBLE ASSETS

THE GROUP

| | Land and buildings | | Fixtures, fittings, tools and equipment | | Total |
|-----------------------|--------------------|-------------------------|---|---------------|----------------|
| | Freehold £000 | Short leasehold £000 | Plant and machinery £000 | £000 | £000 |
| Cost or valuation: | | | | | |
| At 1st January 2004 | 49,878 | 1,445 | 81,784 | 51,984 | 185,091 |
| Exchange adjustments | (161) | (81) | (754) | (311) | (1,307) |
| | 49,717 | 1,364 | 81,030 | 51,673 | 183,784 |
| Additions | 1,348 | - | 9,054 | 4,608 | 15,010 |
| Disposals | (110) | (27) | (2,084) | (895) | (3,116) |
| At 31st December 2004 | 50,955 | 1,337 | 88,000 | 55,386 | 195,678 |
| Depreciation: | | | | | |
| At 1st January 2004 | 7,357 | 296 | 51,266 | 38,083 | 97,002 |
| Exchange adjustments | (66) | (13) | (408) | (241) | (728) |
| | 7,291 | 283 | 50,858 | 37,842 | 96,274 |
| Charged in year | 1,275 | 34 | 6,904 | 4,845 | 13,058 |
| Disposals | (44) | (3) | (1,857) | (844) | (2,748) |
| At 31st December 2004 | 8,522 | 314 | 55,905 | 41,843 | 106,584 |
| Net book value: | | | | | |
| At 31st December 2004 | 42,433 | 1,023 | 32,095 | 13,543 | 89,094 |
| At 31st December 2003 | 42,521 | 1,149 | 30,518 | 13,901 | 88,089 |

notes to the accounts *(continued)*

14 FIXED ASSETS: TANGIBLE ASSETS *(continued)*

Freehold land and buildings at cost or valuation on the basis of open market values for existing use comprises:

| | | 2004 £000 | 2003 £000 |
|-----------|------|--------------|--------------|
| Valuation | 1976 | 73 | 76 |
| | 1986 | 7,105 | 7,090 |
| | 1991 | 1,841 | 1,974 |
| Cost | | 41,936 | 40,738 |
| | | 50,955 | 49,878 |

The historical cost net book value of freehold land and buildings at 31st December 2004 was £46,540,000. Freehold land of £7,933,000 is not depreciated.

Included in the above are finance leases with net book value of £1,801,000 (2003: £1,950,000).

Fixed assets are stated at cost, except that as permitted under the provisions of FRS 15 - Tangible Fixed Assets, on adoption of that standard in 2000 the then book amounts of revalued land and buildings were retained. These book values are based on the previous revaluations shown above and have not subsequently been revalued.

15 FIXED ASSETS: INVESTMENTS

| | PARENT COMPANY | | |
|--|---|--|---------------|
| | Shares in subsidiary undertakings £000 | Loans to subsidiary undertakings £000 | Total £000 |
| Cost: | | | |
| At 1st January 2004 | 46,354 | 11,380 | 57,734 |
| Exchange adjustments | - | 166 | 166 |
| | 46,354 | 11,546 | 57,900 |
| Acquisition | 1,558 | - | 1,558 |
| Loan | - | 745 | 745 |
| Repayments | - | (84) | (84) |
| At 31st December 2004 | 47,912 | 12,207 | 60,119 |
| Amounts written off: | | | |
| At 1st January 2004 and 31st December 2004 | 994 | 1,042 | 2,036 |
| Net book value: | | | |
| At 31st December 2004 | 46,918 | 11,165 | 58,083 |
| At 31st December 2003 | 45,360 | 10,338 | 55,698 |

Investments are stated at cost less provisions for any impairment in value.

Details relating to subsidiary undertakings are given on the back cover. Except where stated all classes of shares were 100% owned by the Group at 31st December 2004. The country of incorporation of the principal Group companies is the same as the country of operation with the exception of companies operating in the United Kingdom which are incorporated in Great Britain. Eirdata Environmental Services Ltd. is incorporated in Eire. All are in the fluid control business except Spirax-Sarco Investments Ltd., Spirax-Sarco Overseas Ltd., Sarco International Corp., Watson-Marlow Bredel Holdings B.V., Spirax-Sarco Engineering S.L., Spirax-Sarco Engineering B.V. and Spirax-Sarco Investments B.V. which are investment holding companies.

Spirax-Marshall Limited, in which the Group has a 40% interest, and Spirax-Sarco Mexicana S.A., in which the Group has a 49% interest, have been consolidated as subsidiaries because the Group has participating interests in them and exercises a dominant influence over them. The dominant influence is on the basis that the operating and financial policies of these companies are set in accordance with the wishes of the Group and for the Group's benefit.

16 STOCKS

| | THE GROUP | |
|-------------------------------------|---------------|---------------|
| | 2004 £000 | 2003 £000 |
| Raw materials and consumables | 18,848 | 20,194 |
| Work in progress | 11,672 | 11,163 |
| Finished goods and goods for resale | 29,236 | 29,338 |
| | 59,756 | 60,695 |

17 DEBTORS

| | THE GROUP | | PARENT COMPANY | |
|---|----------------|---------------|----------------|---------------|
| | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 |
| Trade debtors | 78,426 | 71,064 | - | - |
| Amounts owed by subsidiary undertakings | - | - | 23,431 | 19,584 |
| Other debtors | 12,036 | 10,570 | 174 | 116 |
| Prepayments and accrued income | 3,799 | 3,147 | 227 | 261 |
| Taxation recoverable | 1,305 | 1,635 | - | 27 |
| Deferred tax | 5,010 | 4,099 | - | - |
| | 100,576 | 90,515 | 23,832 | 19,988 |

Other debtors in the Group balance sheet include prepaid pension costs of £8,485,000 (2003: £7,221,000) chargeable to the profit and loss account after more than one year.

18 CASH DEPOSITS AND SHORT-TERM INVESTMENTS

Cash deposits and short-term investments in the Group balance sheet comprise investments and money market deposits of £45,500,000 (2003: £38,197,000) and £28,042,000 (2003: £20,000,000) in the parent company, all with major banks, all of which have a maturity of three months or less from inception.

19 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | THE GROUP | | PARENT COMPANY | |
|--|---------------|---------------|----------------|---------------|
| | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 |
| Bank loans and overdrafts | | | | |
| Overdrafts | 4,871 | 12,602 | 1,092 | - |
| Other loans | 7,799 | 19,714 | - | - |
| Trade creditors | 17,830 | 14,220 | - | - |
| Bills of exchange payable | 988 | 993 | - | - |
| Obligations under finance leases (note 21) | 396 | 380 | - | - |
| Amount owing to subsidiary undertakings | - | - | 643 | 69 |
| Corporation tax | 1,963 | 1,587 | 355 | 54 |
| Overseas tax | 4,935 | 5,589 | - | - |
| Social security | 2,704 | 2,437 | - | - |
| Other creditors | 9,352 | 7,696 | 976 | 1 |
| Accruals | 13,754 | 10,968 | 673 | 609 |
| Proposed dividend | 11,356 | 10,541 | 11,356 | 10,541 |
| | 75,948 | 86,727 | 15,095 | 11,274 |

Bank loans and overdrafts amounting to £757,000 (2003: £1,000) are secured on fixed assets of certain Group companies.

notes to the accounts *(continued)*

20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | THE GROUP | | PARENT COMPANY | |
|--|---------------|---------------|----------------|--------------|
| | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 |
| Bank and other loans - Repayable between 1 and 2 years | 11,371 | 3,280 | - | - |
| - Repayable between 2 and 5 years | 22,553 | 20,706 | - | - |
| - Repayable in more than 5 years | 45 | - | - | - |
| Obligations under finance leases <i>(note 21)</i> | 478 | 849 | - | - |
| Amount owed to subsidiary undertakings | - | - | 298 | 941 |
| Tax payable | 14 | - | - | - |
| Accruals | 196 | 541 | - | - |
| | 34,657 | 25,376 | 298 | 941 |

The Company together with other Group companies has jointly and severally guaranteed loans granted to subsidiary undertakings amounting to £43,819,000 at 31st December 2004 (2003: £54,637,000).

21 OBLIGATIONS UNDER FINANCE LEASES

| | THE GROUP | |
|------------------------------|--------------|--------------|
| | 2004 £000 | 2003 £000 |
| Aggregate amounts repayable: | | |
| Over 5 years | 245 | 282 |
| between 2 and 5 years | 82 | 183 |
| between 1 and 2 years | 151 | 384 |
| | 478 | 849 |
| in 1 year or less | 396 | 380 |
| | 874 | 1,229 |

22 PROVISIONS FOR LIABILITIES AND CHARGES

| | THE GROUP | | | |
|----------------------------------|--|--|---|---------------|
| | Deferred taxation provisions £000 | Post retirement benefits £000 | Warranty and other provisions £000 | Total £000 |
| Provisions at 1st January 2004 | 6,517 | 10,712 | 448 | 17,677 |
| Exchange adjustments | (79) | 38 | - | (41) |
| | 6,438 | 10,750 | 448 | 17,636 |
| Charge for the year | 1,085 | 1,840 | - | 2,925 |
| Utilised during the year | - | (1,654) | - | (1,654) |
| Provisions at 31st December 2004 | 7,523 | 10,936 | 448 | 18,907 |

An analysis of deferred taxation is set out below.

22 PROVISIONS FOR LIABILITIES AND CHARGES (continued)

| | THE GROUP | |
|--------------------------------|--------------|--------------|
| | 2004 £000 | 2003 £000 |
| Accelerated capital allowances | 3,575 | 3,821 |
| Provisions disallowed | (3,827) | (3,575) |
| Other timing differences | 2,765 | 2,172 |
| | 2,513 | 2,418 |
| Deferred tax liabilities | 7,523 | 6,517 |
| Deferred tax asset (note 17) | (5,010) | (4,099) |
| | 2,513 | 2,418 |

23 NET ASSETS

The analysis of net assets by reference to the geographical location of the Group's operations is as follows:

| | THE GROUP | |
|------------------------------|----------------|----------------|
| | 2004 £000 | 2003 £000 |
| United Kingdom | 44,983 | 47,575 |
| Continental Europe | 60,698 | 60,901 |
| The Americas | 36,452 | 35,868 |
| Asia, Australasia and Africa | 41,893 | 38,806 |
| | 184,026 | 183,150 |
| Cash at bank and in hand | (4,886) | (4,977) |
| | 179,140 | 178,173 |
| Net cash | 2,873 | (14,357) |
| Net assets | 182,013 | 163,816 |

24 CALLED UP SHARE CAPITAL

| | THE GROUP | | PARENT COMPANY | |
|---|--------------|--------------|----------------|--------------|
| | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 |
| Ordinary shares of 25p each: | | | | |
| Authorised 120,000,000 | 30,000 | 30,000 | 30,000 | 30,000 |
| Allotted, called up and fully paid 75,201,211 | 18,800 | 18,690 | 18,800 | 18,690 |

166,209 ordinary shares, having an aggregate nominal value of £41,552, were issued pursuant to the Spirax-Sarco Engineering plc Employee Share Ownership Plan on 6th October 2004 for a consideration of £911,158 received by the Company. 18,061 ordinary shares, having an aggregate nominal value of £4,515, were issued pursuant to the Spirax-Sarco Engineering plc Employee Share Ownership Plan in lieu of dividends of £102,855. 257,000 ordinary shares, having an aggregate nominal value of £64,250, were issued during the year pursuant to the Spirax-Sarco Engineering Share Option Schemes for a consideration of £1,123,116 received by the Company.

notes to the accounts *(continued)*

24 CALLED UP SHARE CAPITAL *(continued)*

Directors and 107 other senior employees and former employees of the Group have been granted options to purchase 3,019,500 ordinary shares with an aggregate nominal value of £754,875. Options are exercisable as follows:

| | Number of shares | Price to be paid per share |
|-----------------------|---------------------|-------------------------------|
| Between 1998 and 2005 | 190,000 | 611.0p |
| Between 1999 and 2006 | 241,500 | 739.0p |
| Between 2000 and 2007 | 225,500 | 669.0p |
| Between 2001 and 2008 | 211,000 | 420.0p |
| Between 2002 and 2009 | 242,500 | 525.0p |
| Between 2003 and 2010 | 328,000 | 319.2p |
| Between 2004 and 2011 | 413,500 | 397.7p |
| Between 2005 and 2012 | 346,000 | 436.0p |
| Between 2006 and 2013 | 411,000 | 394.5p |
| Between 2007 and 2014 | 410,500 | 541.9p |
| | 3,019,500 | |

The performance condition applicable to directors' share options set out on page 31 also apply to these options.

25 RESERVES

| | THE GROUP | | | | |
|--|-------------------------------------|--------------------------------|--|---------------------------------------|----------------|
| | Share premium account £000 | Revaluation reserve £000 | Capital redemption reserve £000 | Profit and loss account £000 | Total £000 |
| Balance at 1st January 2004 | 35,996 | 4,350 | 1,832 | 99,782 | 141,960 |
| Effect of exchange rate adjustments | - | 29 | - | (1,221) | (1,192) |
| | 35,996 | 4,379 | 1,832 | 98,561 | 140,768 |
| Retained profit for the financial year | - | - | - | 16,445 | 16,445 |
| Sale of property | - | (72) | - | 72 | - |
| Premium on the issue of shares | 2,028 | - | - | - | 2,028 |
| Balance at 31st December 2004 | 38,024 | 4,307 | 1,832 | 115,078 | 159,241 |

The cumulative amount of goodwill resulting from acquisitions prior to 1998 (less goodwill on disposals) deducted from reserves amounted to £67,322,000 (2003: £67,322,000).

| | PARENT COMPANY | | | | |
|--|----------------|----------|--------------|---------------|---------------|
| Balance at 1st January 2004 | 35,996 | - | 1,832 | 28,013 | 65,841 |
| Retained profit for the financial year | - | - | - | 7,895 | 7,895 |
| Premium on the issue of shares | 2,028 | - | - | - | 2,028 |
| Balance at 31st December 2004 | 38,024 | - | 1,832 | 35,908 | 75,764 |

26 CAPITAL COMMITMENTS

| | THE GROUP | | PARENT COMPANY | |
|---|--------------|--------------|----------------|--------------|
| | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 |
| Capital expenditure contracted for but not provided | 2,438 | 1,028 | - | - |

27 LEASE OBLIGATIONS

| | THE GROUP | | | |
|--|--------------|--------------|------------------------|--------------|
| | Buildings | | Other operating leases | |
| | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 |
| Rental payments due in 2005 are under current operating leases terminating in the following years: | | | | |
| 2005 | 498 | 274 | 437 | 271 |
| 2006 to 2009 | 365 | 608 | 566 | 532 |
| 2010 onwards | 348 | 299 | 19 | 5 |
| | 1,211 | 1,181 | 1,022 | 808 |

28 PENSIONS AND OTHER POST-RETIREMENT BENEFITS

The total pension charge for the Group this year was £8,673,000 (2003: £8,369,000) of which £4,033,000 (2003: £4,238,000) relates to the overseas schemes. £5,266,000 (2003: £5,347,000) of the total pension charge was in respect of defined benefit schemes and £3,407,000 (2003: £3,022,000) for defined contribution schemes.

The Group operates three defined benefit schemes in the UK and two defined contribution schemes. Two of the defined benefit schemes were closed to new entrants during 2001, the other during 2004. The defined contribution schemes were established to provide pension benefits to new employees. The cost of the UK defined benefit pension schemes was determined using the projected unit and attained age methods following the advice of a qualified actuary. The cost of the defined contribution schemes is equal to the contributions paid.

The most recent actuarial valuations of the UK schemes were carried out at either 31st December 2001 or 5th April 2002. The valuations show that the market value of the assets was £109,700,000 and was sufficient to cover 98 per cent of the benefits that had accrued to members, after allowing for expected future increases in earnings. This shortfall should be eliminated within the average working lifetime of the employees in the UK.

The most important assumptions used in the valuations for accounting purposes concern the rate of return on investments and the rates of increases in salary and pensions. It was assumed that investment returns would exceed salary increases by an average of 2.9 per cent per annum and pension increases by an average of 3.9 per cent per annum.

Included in other debtors in the Group balance sheet are prepaid pension costs of £8,485,000 (2003: £7,221,000).

In respect of certain overseas schemes the excess of £10,341,000 (2003: £10,132,000) of the accumulated pension cost over the amount funded is provided in the accounts (note 22). Part of this provision relates to the unfunded German defined benefit scheme.

The charge for post-retirement benefits other than pensions for the Group in 2004 was £100,000 (2003: £90,000) and related to health care. Provisions for the benefit obligations at 31st December 2004 amounted to £595,000 (2003: £580,000) and are included in provisions for post retirement benefits (note 22). The future costs of benefits are assessed in accordance with the advice of independent qualified actuaries and are based on assumed discount rates of 5.75%.

Financial Reporting Standard 17 disclosures

Whilst the Group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 - Accounting for Pension Costs, under FRS 17 - Retirement Benefits the following transitional disclosures are required:

The actuarial valuations of the Group's principal defined benefit schemes were carried out at various dates between 31st December 2001 and 31st December 2004. The results produced at earlier valuation dates were updated to the 31st December 2004 by independent qualified actuaries.

notes to the accounts *(continued)*

28 PENSIONS AND OTHER POST-RETIREMENT BENEFITS *(continued)*

The financial assumptions used at 31st December were:

| | Assumptions weighted by value of liabilities % per annum | | | | | |
|------------------------------|---|------|------|-------------------------------|------|------|
| | UK pensions | | | Overseas pensions and medical | | |
| | 2004 | 2003 | 2002 | 2004 | 2003 | 2002 |
| Rate of increase in salaries | 3.6 | 3.5 | 3.3 | 3.2 | 3.4 | 3.4 |
| Rate of increase in pensions | 2.6 | 2.5 | 2.3 | 1.8 | 1.8 | 1.8 |
| Discount rate | 5.4 | 5.5 | 5.6 | 5.4 | 5.8 | 6.2 |
| Rate of price inflation | 2.6 | 2.5 | 2.3 | 2.2 | 2.2 | 2.2 |
| Medical trend rate | | | | 5.0 | 5.0 | 5.0 |

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

| | Assumptions weighted by market value of assets % per annum | | | | | |
|---|---|------|------|-------------------------------|------|------|
| | UK pensions | | | Overseas pensions and medical | | |
| | 2004 | 2003 | 2002 | 2004 | 2003 | 2002 |
| Expected rate of return on assets (aggregate) | 7.5 | 7.5 | 7.5 | 7.5 | 7.8 | 7.6 |
| Bonds | 5.0 | 4.9 | 5.0 | 5.4 | 5.9 | 6.0 |
| Equities | 8.1 | 8.2 | 8.2 | 8.5 | 9.0 | 9.0 |
| Other | 5.9 | 5.5 | 5.9 | 3.9 | 3.9 | 2.7 |

The market value of the schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised and the present value of the schemes' liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, at 31st December 2004 were:

| | UK pensions | | | Overseas pensions and medical | | | Total | | |
|---------------------------------|--------------|--------------|--------------|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| | 2004 £000 | 2003 £000 | 2002 £000 | 2004 £000 | 2003 £000 | 2002 £000 | 2004 £000 | 2003 £000 | 2002 £000 |
| Total market value in aggregate | 124,000 | 110,700 | 91,100 | 14,100 | 14,700 | 11,900 | 138,100 | 125,400 | 103,000 |
| Bonds | 19,200 | 17,800 | 15,900 | 3,800 | 4,000 | 3,800 | 23,000 | 21,800 | 19,700 |
| Equities | 97,300 | 86,200 | 70,100 | 9,600 | 9,800 | 7,300 | 106,900 | 96,000 | 77,400 |
| Other | 7,500 | 6,700 | 5,100 | 700 | 900 | 800 | 8,200 | 7,600 | 5,900 |

| | UK pensions | | | Overseas pensions and medical | | | Total | | |
|---|--------------|--------------|--------------|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| | 2004 £000 | 2003 £000 | 2002 £000 | 2004 £000 | 2003 £000 | 2002 £000 | 2004 £000 | 2003 £000 | 2002 £000 |
| Total market value of schemes' assets | 124,000 | 110,700 | 91,100 | 14,100 | 14,700 | 11,900 | 138,100 | 125,400 | 103,000 |
| Present value of the schemes' liabilities | (148,500) | (140,000) | (124,400) | (26,400) | (27,500) | (27,300) | (174,900) | (167,500) | (151,700) |
| Deficit in the schemes | (24,500) | (29,300) | (33,300) | (12,300) | (12,800) | (15,400) | (36,800) | (42,100) | (48,700) |
| Related deferred tax asset | 7,400 | 8,800 | 10,000 | 2,000 | 2,200 | 3,300 | 9,400 | 11,000 | 13,300 |
| Net pension liability | (17,100) | (20,500) | (23,300) | (10,300) | (10,600) | (12,100) | (27,400) | (31,100) | (35,400) |

28 PENSIONS AND OTHER POST-RETIREMENT BENEFITS (continued)

The movement in deficits in the schemes during the year were:

| | UK pensions | | Overseas pensions and medical | | Total | |
|--|-------------|----------|-------------------------------|----------|----------|----------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Net pension liability at beginning of year | (20,500) | (23,300) | (10,600) | (12,100) | (31,100) | (35,400) |
| Contributions paid | 5,500 | 5,300 | 1,900 | 1,300 | 7,400 | 6,600 |
| Current service cost | (5,800) | (5,000) | (1,000) | (900) | (6,800) | (5,900) |
| Settlement gain | - | - | 200 | - | 200 | - |
| Curtailment gain | - | - | 100 | - | 100 | - |
| Other finance income/(charge) | 700 | - | (400) | (700) | 300 | (700) |
| Actuarial gain/(loss) | 4,400 | 3,700 | (300) | 2,900 | 4,100 | 6,600 |
| Adjustment to deferred tax asset | (1,400) | (1,200) | (200) | (1,100) | (1,600) | (2,300) |
| Net pension liability at end of year | (17,100) | (20,500) | (10,300) | (10,600) | (27,400) | (31,100) |

The components for the defined benefit cost for the year ended 31st December 2004 under FRS 17 were:

| | UK pensions | | Overseas pensions and medical | | Total | |
|---|-------------|---------|-------------------------------|---------|---------|---------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Current service cost | (5,800) | (5,000) | (1,000) | (900) | (6,800) | (5,900) |
| Past service cost | - | - | - | - | - | - |
| Total charge to operating profit | (5,800) | (5,000) | (1,000) | (900) | (6,800) | (5,900) |
| Settlement gain | - | - | 200 | - | 200 | - |
| Curtailment gain | - | - | 100 | - | 100 | - |
| Net gain to profit and loss account | - | - | 300 | - | 300 | - |
| Interest on pension scheme liabilities | (7,600) | (6,900) | (1,500) | (1,500) | (9,100) | (8,400) |
| Expected return on assets in the pension scheme | 8,300 | 6,900 | 1,100 | 800 | 9,400 | 7,700 |
| Net (charge)/credit to other finance income | 700 | - | (400) | (700) | 300 | (700) |
| Total charge before tax | (5,100) | (5,000) | (1,100) | (1,600) | (6,200) | (6,600) |

The amounts to be recognised in the Group statement of total recognised gains and losses (STRGL) were:

| | UK pensions | | Overseas pensions and medical | | Total | |
|---|-------------|---------|-------------------------------|-------|---------|---------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Gain on assets | 3,600 | 10,800 | 100 | 1,800 | 3,700 | 12,600 |
| Experience gain on liabilities | 6,300 | 1,500 | 1,100 | 1,400 | 7,400 | 2,900 |
| Loss on change of assumptions (financial and demographic) | (5,500) | (8,600) | (2,000) | (300) | (7,500) | (8,900) |
| Currency gain | - | - | 500 | - | 500 | - |
| Total gain/(loss) recognised in STRGL before adjustment for tax | 4,400 | 3,700 | (300) | 2,900 | 4,100 | 6,600 |

The history of experience gains and losses was:

| | UK pensions | | | Overseas pensions and medical | | | Total | | |
|--|-------------|--------|----------|-------------------------------|-------|---------|-------|--------|----------|
| | 2004 | 2003 | 2002 | 2004 | 2003 | 2002 | 2004 | 2003 | 2002 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Gain/(loss) on assets | 3,600 | 10,800 | (27,700) | 100 | 1,800 | (1,700) | 3,700 | 12,600 | (29,400) |
| % of schemes' assets at end of year | 2.9% | 9.8% | (30.4%) | 0.7% | 12.3% | (14.3%) | 2.7% | 10.1% | (28.5%) |
| Experience gain/(loss) on liabilities | 6,300 | 1,500 | 500 | 1,100 | 1,400 | (1,500) | 7,400 | 2,900 | (1,000) |
| % of schemes' liabilities at end of year | 4.2% | 1.1% | 0.4% | 4.2% | 4.9% | (5.5%) | 4.2% | 1.7% | (0.7%) |
| Total gain/(loss) recognised in STRGL | 4,400 | 3,700 | (26,700) | (300) | 2,900 | (3,600) | 4,100 | 6,600 | (30,300) |
| % of schemes' liabilities at end of year | 3.0% | 2.6% | (21.5%) | (1.1%) | 10.5% | (13.2%) | 2.3% | 3.9% | (20.0%) |

notes to the accounts *(continued)*

28 PENSIONS AND OTHER POST-RETIREMENT BENEFITS *(continued)*

If the above amounts had been recognised in the accounts, the Group's net assets and profit and loss account reserve at 31st December 2004 would be as follows:

| | 2004 £000 | 2003 £000 |
|---|--------------|--------------|
| Net assets (page 41) | 182,013 | 163,816 |
| Unprovided pension liability* | (27,400) | (29,900) |
| Adjusted net assets including pension liability | 154,613 | 133,916 |
| Profit and loss account reserve (page 41) | 115,078 | 99,782 |
| Unprovided pension liability* | (27,400) | (29,900) |
| Adjusted profit and loss account reserve | 87,678 | 69,882 |

* The net pension liability of £27,400,000 (2003: £31,100,000) calculated in accordance with FRS 17 compares with the net pension provision currently recorded of £nil (2003: £1,200,000).

29 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

| | THE GROUP | |
|---|-----------------|-----------------|
| | 2004 £000 | 2003 £000 |
| Returns on investments and servicing of finance | | |
| Interest received | 1,584 | 1,110 |
| Interest paid | (1,782) | (2,185) |
| Interest element of finance lease rental payments | (64) | (106) |
| Dividends paid by subsidiary undertakings to minority interests | (432) | (312) |
| Net cash outflow for returns on investments and servicing of finance | (694) | (1,493) |
| Capital expenditure | | |
| Purchase of tangible fixed assets | (14,787) | (12,571) |
| Sales of tangible fixed assets | 653 | 659 |
| Net cash outflow for capital expenditure | (14,134) | (11,912) |
| Acquisitions and disposals | | |
| Purchase of subsidiary undertakings | (1,052) | (1,909) |
| Net cash and overdrafts acquired with subsidiary | 249 | - |
| Net cash outflow for acquisitions | (803) | (1,909) |
| Management of liquid resources* | | |
| Net cash placed on deposit | (7,745) | (6,012) |
| Net cash outflow from management of liquid resources | (7,745) | (6,012) |
| Financing | | |
| Issue of ordinary share capital | 2,138 | 1,731 |
| Debt due within a year: net decrease in short term borrowings | (11,857) | 7,119 |
| Debt due beyond a year: net increase in long term borrowings | 9,527 | (15,481) |
| Capital element of finance lease rental payments | (347) | (397) |
| Decrease in debt | (2,677) | (8,759) |
| Net cash outflow from financing | (539) | (7,028) |

* Spirax-Sarco Engineering plc includes as liquid resources term deposits of less than a year.

30 ANALYSIS OF CHANGES IN NET CASH

| | At 1st Jan 2004 | Cash flow | Exchange movement | At 31st Dec 2004 |
|---------------------------|--------------------|---------------|----------------------|---------------------|
| | £000 | £000 | £000 | £000 |
| Cash in hand and at bank | 4,977 | (116) | 25 | 4,886 |
| Overdrafts | (12,602) | 7,344 | 387 | (4,871) |
| | | <u>7,228</u> | | |
| Debt due within a year | (19,714) | 11,857 | 58 | (7,799) |
| Debt due beyond a year | (23,986) | (9,527) | (456) | (33,969) |
| Finance leases | (1,229) | 347 | 8 | (874) |
| | | <u>2,677</u> | | |
| Current asset investments | 38,197 | 7,745 | (442) | 45,500 |
| Total | (14,357) | 17,650 | (420) | 2,873 |

31 PURCHASE OF SUBSIDIARY UNDERTAKINGS

| Eirdata Environmental Services Limited Eire | | | |
|--|------------|-------------------------------------|---------------|
| | Book value | Accounting policy adjustments | Fair value |
| | £000 | £000 | £000 |
| Fixed assets | 49 | - | 49 |
| Current assets | | | |
| Stock | 29 | - | 29 |
| Trade debtors | 212 | (11) | 201 |
| Other debtors | 34 | - | 34 |
| Cash | 208 | - | 208 |
| | <u>483</u> | <u>(11)</u> | <u>472</u> |
| Total assets | 532 | (11) | 521 |
| Current liabilities | | | |
| Trade creditors | 50 | - | 50 |
| Tax | 22 | - | 22 |
| Other creditors | 68 | - | 68 |
| | <u>140</u> | <u>-</u> | <u>140</u> |
| Total net assets | 392 | (11) | 381 |
| Goodwill | | | 1,177 |
| Purchase consideration | | | 1,558 |
| Satisfied by | | | |
| Cash paid | | | 446 |
| Deferred consideration | | | 976 |
| Expenses | | | 136 |
| | | | 1,558 |

Analysis of net flow of cash and cash equivalents in respect of purchase of subsidiaries

| | |
|---|------------|
| Cash consideration | 446 |
| Expenses | 136 |
| Cash acquired | (249) |
| Deferred consideration on Ampe S.r.l. and M&M International S.r.l. acquisitions | 470 |
| Net cash outflow | 803 |

The acquisition of 80% of Eirdata Environmental Services Limited in Eire from its shareholders was completed on 1st October 2004. The acquisition was accounted for by the acquisition method of accounting. Consideration of £446,000 was paid on completion. The book value of trade debtors has been adjusted to reflect Spirax Sarco's accounting policies in order to arrive at their fair value.

The total profits after tax of the business acquired for its financial year ended 29th February 2004 was £145,000. The total profits after tax of the business acquired in the seven months in 2004 prior to acquisition on 1st October 2004 was £143,000.

notes to the accounts *(continued)*

32 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Group does not enter into significant derivative transactions. The Group's principal financial instruments comprise bank loans, guaranteed senior notes, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained fundamentally unchanged since the beginning of 2000.

Interest rate risk

The Group borrows in desired currencies at both fixed and floating rates of interest as appropriate to the purposes of the borrowing depending on which gives best value. At the year-end 15% of the Group's debts were at fixed rates.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and finance leases as appropriate.

Foreign currency risk

The Group has operations around the world and therefore its balance sheet can be affected significantly by movements in the rate of exchange between sterling and various other currencies particularly the US dollar and euro. The Group seeks to mitigate the effect of this structural currency exposure by borrowing in these currencies where appropriate while maintaining a low cost of debt. At 31st December 2004 the percentage of debt to net assets, excluding debt, was 50% (2003: 57%) for the euro and 28% (2003: 45%) for the US dollar.

The Group also has transactional currency exposures principally as a result of trading between Group companies. Such exposures arise from sales or purchases by an operating unit in currencies other than the unit's functional currency. Net cash flows between any two currencies of less than £1m per annum would not usually be considered sufficiently material to warrant forward cover. Forward cover is not taken out more than twelve months in advance or for more than 80% of the forecast exposure.

The disclosures below exclude short-term debtors and creditors.

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group as at 31st December was as follows:

| | Total | Fixed rate financial liabilities | Floating rate financial liabilities | Financial liabilities on which no interest is paid |
|-----------|---------------|--|---|---|
| | £000 | £000 | £000 | £000 |
| 2004 | | | | |
| Euro | 29,420 | 1,117 | 28,303 | - |
| US dollar | 5,994 | 4,162 | 1,832 | - |
| Other | 12,099 | 1,779 | 10,320 | - |
| | 47,513 | 7,058 | 40,455 | - |
| 2003 | | | | |
| | £000 | £000 | £000 | £000 |
| Euro | 36,639 | 1,095 | 35,003 | 541 |
| US dollar | 10,017 | 6,690 | 3,327 | - |
| Other | 11,416 | 56 | 11,360 | - |
| | 58,072 | 7,841 | 49,690 | 541 |

In respect of fixed rate financial liabilities the interest rate for euro financial liabilities is 4.4% (2003: 4.4%) fixed for 1.5 years (2003: 2.5 years). The interest rate for US dollar financial liabilities is 6.7% (2003: 6.7%) fixed for 1.1 years (2003: 2.1 years).

The benchmark rates for the floating rate financial liabilities are as follows:

| | | |
|-----------------|---|---------------|
| Canadian dollar | } | LIBOR |
| Japanese yen | | |
| US dollar | | |
| Euro | | LIBOR/EURIBOR |

32 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Group as at 31st December was as follows:

| | | Floating rate financial assets | Financial assets on which no interest is earned |
|----------|---------------|--------------------------------------|---|
| | Total £000 | £000 | £000 |
| 2004 | | | |
| Sterling | 28,182 | 28,042 | 140 |
| Other | 22,204 | 17,458 | 4,746 |
| | 50,386 | 45,500 | 4,886 |
| 2003 | | | |
| | £000 | £000 | £000 |
| Sterling | 21,301 | 20,166 | 1,135 |
| Other | 21,873 | 18,031 | 3,842 |
| | 43,174 | 38,197 | 4,977 |

Financial assets on which no interest is earned comprise cash at bank and in hand.

Floating rate financial assets comprise cash placed on money market deposit mainly at call and one month rates.

Currency exposures

As explained above, the Group's objectives in managing the currency exposures arising from its net investment overseas (in other words, its structural currency exposures) are to maintain a low cost of debt while partially hedging against currency depreciation. All gains and losses arising from these structural currency exposures are dealt with in the statement of total recognised gains and losses.

Transactional (or non-structural) exposures give rise to net currency gains and losses that are recognised in the profit and loss account. Such exposures include the monetary assets and monetary liabilities in the Group balance sheet that are not denominated in the operating (or 'functional') currency of the operating unit involved. At 31st December the currency exposures in respect of the euro was a net monetary asset of £32,000 (2003: £81,000) and in respect of the US dollar a net monetary asset of £811,000 (2003: £744,000).

Foreign exchange contracts

There were no significant forward exchange contracts outstanding at 31st December 2004.

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31st December was as follows:

| | 2004 £000 | 2003 £000 |
|--|---------------|--------------|
| In one year or less, or on demand | 13,066 | 32,696 |
| In more than one year but no more than two | 11,522 | 4,204 |
| In more than two years but no more than five | 22,635 | 20,890 |
| In more than five years | 290 | 282 |
| | 47,513 | 58,072 |

Borrowing Facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available at 31st December in respect of which all conditions precedent had been met at that date were as follows:

| | 2004 £000 | 2003 £000 |
|------------------------------|---------------|--------------|
| Expiring in one year or less | 16,079 | 16,343 |

Fair values of financial assets and financial liabilities

A US dollar loan with a book value of £4,162,000 (2003: £6,690,000) had a fair value at 31st December of £4,271,000 (2003: £7,014,000). Apart from this loan, fair values of financial assets and liabilities at that date were not considered to be materially different from book values due to their size or the fact that they were at short term rates of interest.

financial summary 1995 - 2004

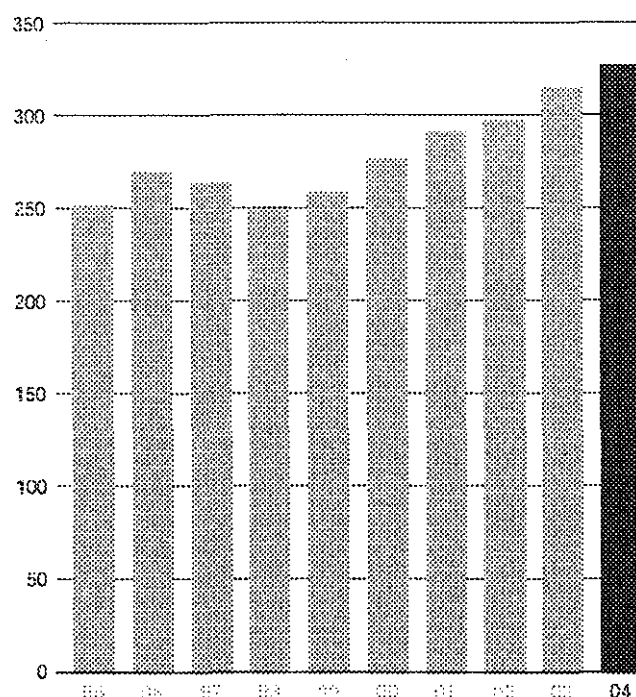
| | 1995 £000 | 1996 £000 | 1997 £000 | 1998 £000 |
|--------------------------------------|--------------|--------------|--------------|--------------|
| Turnover | 251,285 | 271,980 | 265,595 | 249,030 |
| Operating profit * | 44,016 | 48,214 | 48,574 | 42,433 |
| Operating profit margin | 17.5% | 17.7% | 18.3% | 17.0% |
| Profit before taxation * | 43,072 | 47,113 | 47,715 | 42,270 |
| Profit before taxation ** | 43,072 | 47,113 | 47,715 | 30,641 |
| Profit after taxation | 27,230 | 30,984 | 31,229 | 20,140 |
| Dividends | 10,361 | 11,686 | 12,535 | 13,116 |
| Net assets | 122,524 | 119,898 | 128,772 | 136,196 |
| Earnings per share (basic) * | 33.8p | 38.0p | 38.3p | 34.5p |
| Earnings per share (basic) ** | 33.8p | 38.0p | 38.3p | 24.1p |
| Dividends per share | 13.2p | 14.8p | 15.8p | 16.5p |
| Return on capital employed | 37.2% | 37.1% | 36.5% | 30.3% |

* before exceptional and non-operating items

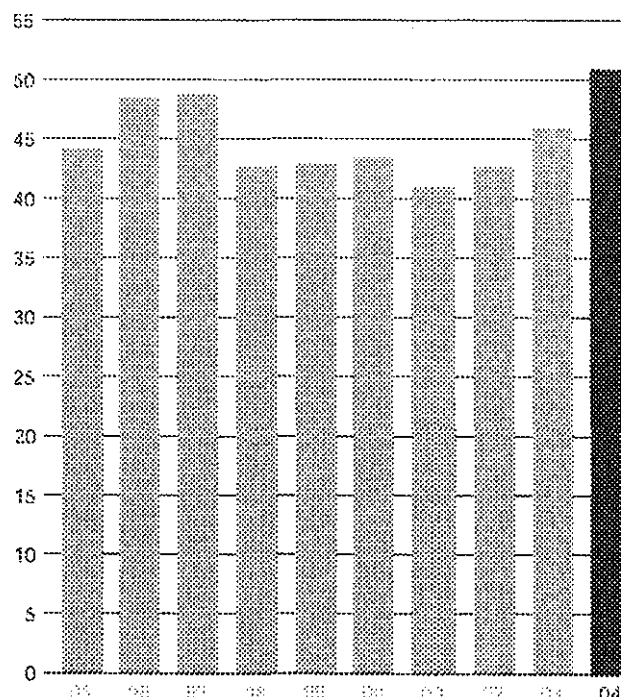
** after exceptional and non-operating items

Return on capital employed is based on operating profit before the exceptional and non-operating items and goodwill amortisation, and average net assets excluding net cash/debt.

turnover (£m)

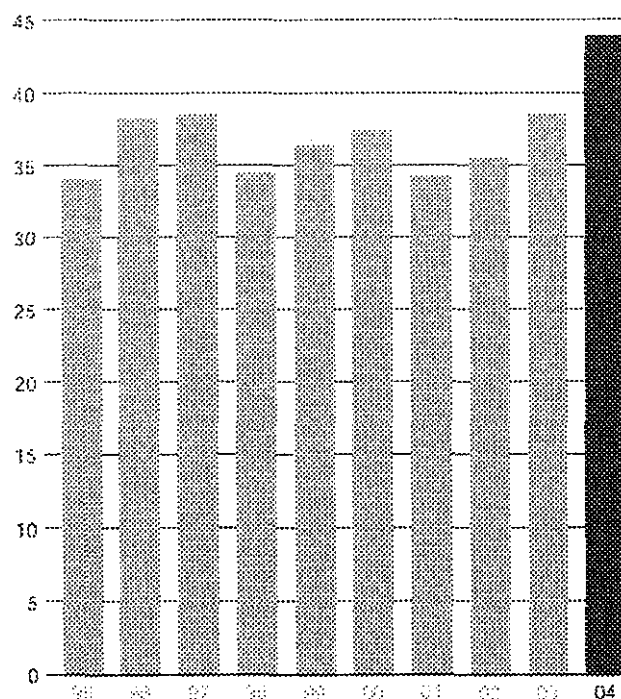


operating profit (£m)
(before exceptional
and non-operating items)

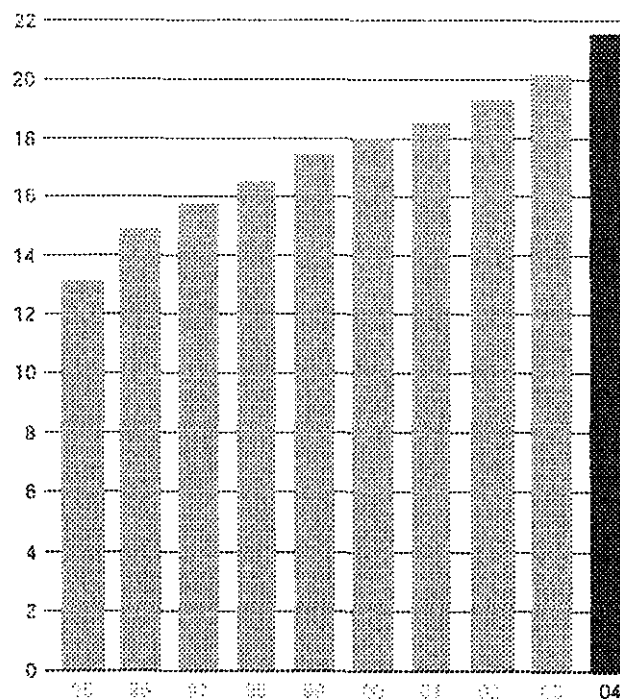


| 1999 £000 | 2000 £000 | 2001 £000 | 2002 £000 | 2003 £000 | 2004 £000 |
|--------------|--------------|--------------|--------------|--------------|----------------|
| 258,942 | 278,148 | 291,942 | 296,363 | 314,087 | 325,833 |
| 42,721 | 43,370 | 40,803 | 42,674 | 45,750 | 51,100 |
| 16.5% | 15.6% | 14.0% | 14.4% | 14.6% | 15.7% |
| 41,751 | 41,157 | 38,025 | 40,693 | 44,564 | 50,836 |
| 41,751 | 40,167 | 38,641 | 40,693 | 44,564 | 50,836 |
| 29,058 | 27,300 | 26,625 | 26,806 | 29,426 | 33,682 |
| 13,102 | 13,301 | 13,752 | 14,350 | 15,028 | 16,102 |
| 128,737 | 138,264 | 145,115 | 149,293 | 163,816 | 182,013 |
| 36.1p | 37.4p | 34.4p | 35.3p | 38.5p | 43.4p |
| 36.1p | 35.4p | 35.3p | 35.3p | 38.5p | 43.4p |
| 17.3p | 18.0p | 18.6p | 19.3p | 20.1p | 21.4p |
| 28.0% | 26.2% | 23.6% | 25.6% | 28.3% | 31.0% |

earnings per share (p)
(before exceptional
and non-operating items)



dividends per share (p)



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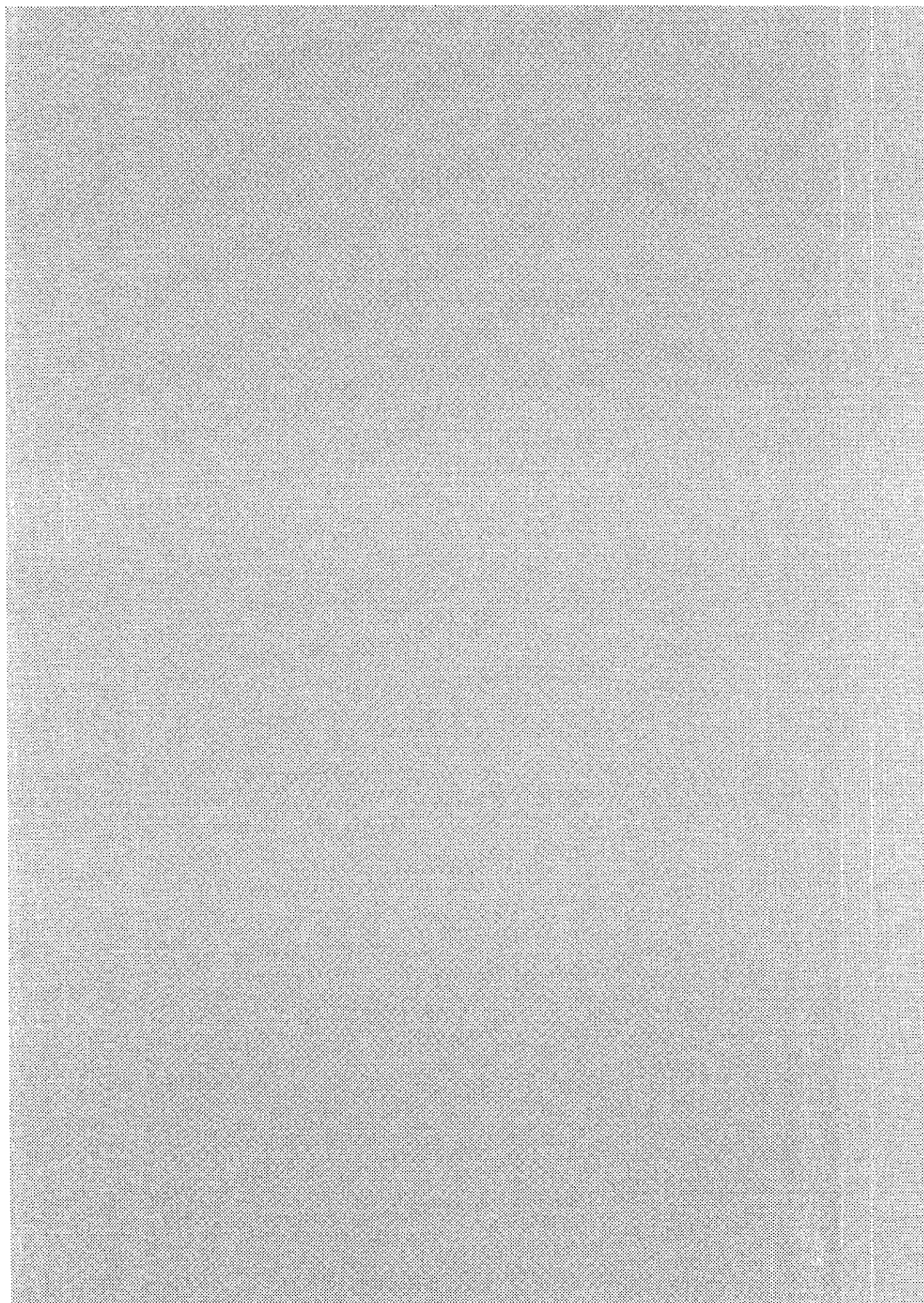
SOLICITORS

Allen & Overy

IMPORTANT DATES

| | |
|---------------------------------------|-----------------|
| Ordinary shares quoted ex-dividend | 20th April 2005 |
| Record date for final dividend | 22nd April 2005 |
| Annual general meeting | 12th May 2005 |
| Final dividend payable | 23rd May 2005 |

*Designed by Spirax Sarco in collaboration with db Designs
Printed by MGP Chromocraft*



Spirax Sarco worldwide

united kingdom

Spirax-Sarco Ltd.
Spirax-Sarco Investments Ltd.
Spirax-Sarco Overseas Ltd.
Watson-Marlow Ltd.
Eirdata Environmental Services Ltd. (80%) (Eire)

americas

Argentina

Spirax Sarco S.A.

Brazil

Spirax Sarco Ind. e Com. Ltda.

Canada

Spirax Sarco Canada Ltd.

Mexico

Spirax-Sarco Mexicana S.A. (49%)

USA

Spirax Sarco, Inc.
Sarco International, Corp.
Watson-Marlow, Inc.

international

Australia

Spirax-Sarco Pty. Ltd.

China

Spirax-Sarco Engineering (China) Ltd.

India

Spirax-Marshall Ltd. (40%)

Japan

Spirax-Sarco Ltd. (Branch)

Malaysia

Spirax-Sarco Sdn. Bhd.

New Zealand

Spirax Sarco Ltd.

Singapore

Spirax-Sarco (Private) Ltd.

South Africa

Spirax-Sarco South Africa (Pty.) Ltd.
Watson Marlow Bredel S.A. (Pty.) Ltd.

South Korea

Spirax-Sarco (Korea) Ltd. (97.5%)

Taiwan

Spirax Sarco Co. Ltd.

Thailand

Spirax Sarco (Thailand) Ltd.

continental europe

Austria

Spirax Sarco Ges. mbH

Belgium

Spirax-Sarco N.V.
Watson-Marlow N.V.

Czech Republic

Spirax Sarco spol. s r.o.

Denmark

Spirax-Sarco Ltd. (Branch)

Finland

Spirax Oy

France

Spirax-Sarco S.A.S.
Watson-Marlow S.A.

Germany

Spirax-Sarco GmbH
Hygromatik Lt. A. GmbH
Watson-Marlow GmbH

Italy

Spirax-Sarco S.r.l.
Watson-Marlow S.r.l.
M&M International S.r.l.
Ampe S.r.l.

Netherlands

Bredel Hose Pumps B.V.
Spirax-Sarco Engineering B.V.
Spirax-Sarco Investments B.V.
Watson-Marlow Bredel Holdings B.V.
Watson-Marlow B.V.

Norway

Spirax-Sarco Ltd. (Branch)

Poland

Spirax Sarco Sp. z o.o.

Portugal

Spirax Sarco Equip. Ind. Lda.

Spain

Spirax Sarco S.A. (95.1%)
Spirax-Sarco Engineering S.L.
M&M Iberica S.L. (67%)

Sweden

Spirax-Sarco A.B.
WM Alitea A.B.

Switzerland

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