Spirax-Sarco Engineering plc

www.spiraxsarcoengineering.com

News Release

Wednesday 5th August 2015

2015 Half Year Results

3% organic sales growth against slowing growth rates in industrial production
Currency headwinds increasing

Six months ended 30th June

Adjusted*	**2015**	**2014**	**Change**	**Constant Currency****
Revenue	£320.0m	£319.2m	0%	+3%
Adjusted operating profit*	£65.8m	£67.1m	-2%	0%
Adjusted operating profit margin*	20.6%	21.0%	-40 bps	-50 bps
Adjusted profit before taxation*	£65.5m	£66.3m	-1%	+1%
Adjusted earnings per share*	60.5p	61.7p	-2%	0%
Dividend per share	20.8p	19.5p	+7%	+7%

Statutory	**2015**	**2014**	**Change**
Revenue	£320.0m	£319.2m	0%
Operating profit	£59.4m	£64.7m	-8%
Profit before taxation	£57.3m	£63.5m	-10%
Earnings per share	52.2p	58.7p	-11%
Dividend per share	20.8p	19.5p	+7%

***All profit measures exclude certain non-operational items, which total £6.4m for the six months ended 30th June 2015, as defined in note 2.*

*** At constant exchange rates adjusting for both translation and transaction effects. References to "organic" are at constant currency excluding the effects of acquisitions and disposals.*

- Organic sales growth of 3%
- Operating profit up 3% at constant currency excluding India start-up and UK headcount reduction costs
- Underlying operating margin maintained
- Currency headwind reduced sales on translation by 2.6% versus first half 2014
- Strong growth in Watson-Marlow Fluid Technology business
- 98% cash conversion and interim dividend +7%

Commenting on the results, Nicholas Anderson, Group Chief Executive, said:

"We are pleased with the organic sales increase of 3%, against a backdrop of slowing growth rates in the global industrial markets we serve, particularly in Asia and South America. We have seen good growth in Europe, and Watson-Marlow is having another strong year. Currency headwinds reduced sales by 2.6% against the first half 2014. Our underlying operating profit margin was maintained and we have continued to reduce our structural cost base while also stepping up our strategic investments for future growth, particularly in India. These actions in the first half of 2015 will bring benefits in the second half of this year and in future years.

We anticipate that our markets will remain challenging, especially in emerging economies, but continue to expect modest market improvements in Europe and North America during the second half of this year and remain focussed on our strategic priorities to generate our own growth. We have a robust and resilient business model and, assuming no unexpected deterioration in our markets, the Board remains confident that the Group will make progress in 2015."

For further information, please contact:
Nicholas Anderson, Group Chief Executive
David Meredith, Finance Director
Tel: 020 7638 9571 at Citigate Dewe Rogerson

The meeting with analysts will be available as a live audio webcast on the Company's website at www.spiraxsarcoengineering.com or via the following link http://edge.media-server.com/m/p/hmksdyur *at 9.00 am, and a recording will be posted on the website shortly after the meeting. For access from any IOS Apple or android mobile device please use the following QR code:*

Unless otherwise stated, the figures quoted in the text below are based on the adjusted Group results (see note 2). References to "organic" changes are like-for-like excluding acquisitions and excluding the effects of exchange rate movements.

REVIEW OF OPERATIONS

Organic sales growth was 3% in the first half, partially offset by unfavourable currency movements that reduced sales on translation by 2.6% when compared with first half 2014 average exchange rates. Sales of £320.0 million were therefore marginally ahead of the prior year (2014: £319.2 million) at reported exchange rates.

Global industrial production growth rates, which drive our underlying markets, have progressively slowed over the past year to very low levels of around 1%, in both developed and emerging markets, and this continues to cause a drag on business activity, although we remain focused on our strategic actions to outperform our markets.

Organic sales were flat overall in our steam specialties business following a weak late Spring, although growth resumed in June and has been maintained into the early weeks of the second half year. Europe, Middle East and Africa (EMEA) performed well, achieving organic sales growth of 3% against a background of low, but stable, industrial production growth. In the Americas, organic sales increased by 2% due to growth in Latin America but were lower in North America against a relatively strong first half in 2014. In Asia Pacific, organic sales were 5% lower largely due to a slow first half in Korea. Organic sales again grew strongly in our Watson-Marlow Fluid Technology (WMFTG) business rising by 13%, with expansion in all geographic regions, especially North America and Europe. Asepco, acquired in April 2015 for £7 million, made a good start; sales in the short period since acquisition did not contribute materially to the Group in the first half.

Group adjusted operating profit was flat at constant currency. Watson-Marlow Fluid Technology Group (WMFTG) performed well, increasing profit by 10% at constant currency, reflecting the strong growth in sales. In the steam specialties business, operating profit was 4% lower at constant currency reflecting flat sales, the £0.5 million of net one-off headcount reduction costs in the UK steam specialties manufacturing business and nearly £1 million of start-up costs in India. EMEA performed well, with operating profit ahead 5% at constant currency benefiting from the higher sales, partially offset by the one-off costs. In Asia Pacific, operating profit was down 17% at constant currency reflecting the impact of lower sales and the start-up costs in our new direct sales business in India, which commenced trading last month. Overall in the Americas operating profit was 1% lower against a tough compare, reflecting reduced sales and increased costs in the USA, as resources were added and we continue the process of realigning our market approach, mitigated by good results in some of our smaller Latin American operations. Excluding India start-up costs and the UK headcount reduction costs, Group operating profit was ahead 3% at constant currency. At reported exchange rates, the Group adjusted operating profit of £65.8 million was 2% lower (2014: £67.1 million).

Currency headwinds have continued into 2015 and have increased since our AGM statement in early May, reducing sales on translation by 2.6% compared with first half 2014 average exchange rates. Gains from the stronger dollar have been more than offset by the impact from the weaker euro and some emerging market currencies. If recent exchange rates prevail for the remainder of the year, the translation impact on sales for the full year would increase to 4%. In relation to operating profit, the total impact of unfavourable exchange movements in the first half of 2015, including both translation and transaction effects, was to reduce profit by over 2.3%. Note 14 includes a table of the Group's significant exchange rates.

Net financial expense reduced to £0.6 million from £1.5 million reflecting the improved cash inflow over the prior year and lower interest costs following renegotiation of our debt facilities. Total income from Associate companies declined to £0.2 million from £0.7 million due to the sale in March 2015 of our investment in India ahead of the start-up of our wholly owned direct sales operation in India.

Adjusted pre-tax profit increased by 1% at constant currency to £65.5 million but was reduced by 1% at reported exchange rates (2014: £66.3 million). The pre-tax profit for the first half year on a statutory basis, was £57.3 million (2014: £63.5 million) and includes a one-off charge of £3.8 million in respect of the closure of our metering manufacturing facility in Longmont, Colorado, USA. The statutory pre-tax profit also includes a net charge of £1.7 million in respect of exchange translation losses from prior years, reclassified from equity to the profit and loss account in the current period under IAS 21, net of a small gain on disposal, relating to the sale of the Group's 49.3% interest in our Associate company Spirax Marshall in India that was completed in March 2015. The statutory pre-tax profit includes the amortisation of acquisition-related intangible assets. The overall tax rate, based on the adjusted profit before tax and excluding the Associates profit, was slightly higher at 30.4% (2014: 30.1%).

Adjusted basic earnings per share reduced by 2% to 60.5p (2014: 61.7p) but were flat at constant currency. The number of shares in issue reduced by 3.6% with effect from 15th June 2015, following the share consolidation of 28 existing ordinary shares into 27 new ordinary shares, in conjunction with the recently paid special dividend. This will reduce the number of shares in issue through the second half year and bring down the average shares in issue for the full year. Basic earnings per share on a statutory basis were 52.2p (2014: 58.7p).

The Board has declared an interim dividend of 20.8p (2014: 19.5p) per ordinary share, an increase of 7%. The dividend will be paid on 6th November 2015 to shareholders on the register at the close of business on 9th October 2015. The final dividend of 45.0p per share in respect of 2014 was paid on 29th May 2015 at a cash cost of £34.1 million. The special dividend of 120.0p per share in respect of 2014 was paid on 15th July 2015 at a cash cost of £91.0 million.

Trading

Our businesses serve very diverse markets across a wide range of different industries, geographic regions, customers and products. Because steam is so widely used across so many applications, our markets broadly reflect changes in global economic conditions and, in particular, movements of industrial production growth rates. Our Watson-Marlow fluid path technology business benefits from a similar diversity of markets. The Group's direct sales business model brings to bear our highly trained sales engineers on the solution of customers' energy and water saving, CO_2 reduction, productivity, quality and sustainability issues.

Global industrial production growth, which we typically lag by a few quarters, has progressively slowed over the past year to currently very low levels. The slowdown of industrial production growth has been particularly marked in China and other emerging markets where we have long had a strong presence, with recessionary conditions in Latin America and Russia. This slowdown has also been evident in the developed markets of North America and Europe, although industrial production growth rates in the latter look to have stabilised, albeit at close to 1%.

In the first half of 2015, sales in our steam specialties business were flat at constant currency. Overall, large project work has again been at a lower level, offset by growth in our day-to-day business reflecting increased demand from customers' replacement and maintenance spending, from which we derive a large proportion of our revenues. As we have previously noted, the impact on our business from the low oil price is relatively muted but we are not immune, having seen a negative impact in Korea and Canada in particular, as well as Brazil and China for different local reasons. Overall, the weaker oil & petrochemical sector reduced our growth rate by around 1%. The operating profit margin in our steam specialties business was lower at 19.6% compared with 20.7% in the first half of last year, in part due to the one-off headcount reduction costs in the UK, start-up costs in our new operation in India and small exchange transaction losses. However, input costs for materials remained broadly flat.

Sales in our Watson-Marlow Fluid Technology business increased strongly, by 14% at constant currency, with contributions from all geographic regions. Asepco, acquired in April 2015, made a good start, integrating smoothly into the Watson-Marlow business and culture; excluding Asepco, sales were ahead 13% at constant currency. New products from all brands in the business contributed well and the revolutionary Qdos peristaltic metering pump was again a significant part of this, achieving deeper market penetration from an expanded range. Sales increased across almost all industry sectors. The operating profit margin in Watson-Marlow was unchanged at 29.9%, benefiting from favourable exchange transaction gains, particularly on product imported into North America from Europe, but reflecting increased product and market development investment.

The evolution of the Group's business strategy, building on the foundation of our robust, direct sales business model that has proved resilient through the business cycle, was clearly set out in the 2014 Annual Report, with the overarching philosophy of doing better what we already do well, so that we can outperform our markets. We are focusing resources on the implementation of the key elements of that more customer-centric strategy and in particular the sharpening of our direct sales approach to the market through sectorisation, leveraging strength in key industry sectors and key product areas, improved marketing capability, and enhanced training of our sales engineers and support teams. Closer alignment of product development activities to support these key actions and development of the wider supply chain to improve service and reduce costs is also underway. We are also investing in support systems in customer facing areas as well as in product development and manufacturing functions.

Steam Specialties Business

EMEA

	2015	2014	Change	Constant currency
Revenue	£111.8m	£119.3m	-6%	+3%
Operating profit	£21.3m	£24.2m	-12%	+5%
Operating margin	19.0%	20.3%	-130 bps	+30 bps

Europe, Middle East and Africa (EMEA) did well, growing sales by 3% at constant currency to £111.8 million. Exchange movements were strongly negative, reducing sales on translation by 9%, due to the 10% weaker euro versus the first half of last year. Reported sales were therefore down by 6% (2014: £119.3 million). Operating profit at £21.3 million was also significantly impacted by unfavourable exchange movements and was down 12% at reported currencies but was ahead 5% at constant currency (2014: £24.2 million). The operating profit margin was 19.0% (2014: 20.3%), while at constant exchange rates a further improvement was achieved, following the good gains in recent years. We benefited from continued flat material input costs and EMEA results were ahead despite the £0.5 million of net one-off headcount reduction costs in the steam specialties UK manufacturing operations.

Economic conditions in EMEA have been stable but with industrial production growth rates running at very low levels close to 1%. Industrial production rates modestly improved overall in our larger developed markets but have deteriorated in some developing markets and in Russia in particular. Our business tends to lag movements in industrial production growth rates by a few quarters and we continue to expect to see some pick-up in market activity through the second half while monitoring closely events in Greece, and indeed Russia, for any wider European impacts. Our sales in Russia account for around 1% of Group sales and our direct exposure to Greece is immaterial. Implementation of our strategy in EMEA is progressing well with good co-operation between operating companies in supporting common key actions across the region. Large project activity has remained flat and growth has come from increased customer spend in maintenance and operations, including a higher number of smaller self-generated projects. Sales and operating profit at constant currency were strongly ahead in Italy, with good gains in shipbuilding, and in South Africa where a refocused team is making positive gains. We achieved good progress in Germany and sales and profit were ahead at constant currency in Iberia, following a number of difficult years. The UK sustained the good performance of 2014. Trading results were lower in a number of smaller operations, with profits sharply lower in Russia, where the sales slowdown was compounded by the currency devaluation.

In our main European manufacturing operations in the UK and France, demand levels were again lower reflecting the reduced demand from Asia Pacific and the Americas. Action was taken to reduce costs and the headcount in our UK steam specialties manufacturing operation was reduced by 8% incurring one-off costs of £1.0 million in the first half. Annualised benefits of £2.2 million commenced from April 2015, with £0.5 million of benefit arising in the second quarter and a further £1.1 million in the second half year. The focus remains on efficiency gains, customer service levels and improvements to the wider supply chain.

We announced yesterday the sale of M&M International to Rotork plc for €9.7 million (£6.8 million) in cash, on a cash-free debt-free basis. This company manufactures piston actuated valves and solenoid valves in Bergamo (Italy) and channels close to 15% of its production through our global sales and distribution network. A review concluded that M&M's lower strategic fit with our Group limited our ability to improve their sales growth rates and profitability. 2014 sales of M&M were €8.9 million (£7.2 million at 2014 exchange rates) with an operating profit of €1.5 million (£1.2 million). In April 2015, we completed the acquisition of Valve and Control Engineering Ltd in Scotland, a specialist boiler and valve service and repair business, for a maximum consideration of £0.8 million.

Asia Pacific

	2015	2014	Change	Constant currency
Revenue	£74.3m	£75.5m	-2%	-5%
Operating profit	£15.5m	£16.8m	-8%	-17%
Operating margin	20.9%	22.2%	-130 bps	-280 bps

Sales in Asia Pacific were down 5% at constant currency to £74.3 million and down by 2% (2014: £75.5 million) at the more favourable reported exchange rates, with the Chinese RMB 8% stronger against sterling and the Korean won 4% stronger. Economic conditions have weakened across the region. Industrial production growth slowed markedly, particularly in China, and Korea is experiencing its third quarter of industrial production decline. Project work has declined further with projects delayed or cancelled, this being mitigated by higher focus on smaller value-added opportunities and customers' maintenance and operations requirements. Operating profit of £15.5 million was down 8% (2014: £16.8 million) and down 17% at constant currency. Excluding pre-operating costs of nearly £1 million in India, profit was down 11% at constant currency, due to a much weaker performance in the first half in Korea and increased market development costs in South East Asia. The operating profit margin was 20.9% (2014: 22.2%).

Our largest sales and profit contributor in the Group is China, accounting for over 10% of Group sales in 2014, where the market is suffering from a well-publicised issue of overcapacity to a greater or lesser extent in most industries. Our sales in China in the first half were marginally lower at constant currency due to further reductions in project work, largely offset by increased day-to-day base business as we refocus our sales resource on customers' smaller energy saving and productivity enhancing opportunities. We expect industrial markets in China to continue to slow and aim to continue mitigating this by leveraging our strength in some of the more resilient sectors such as food & beverages, pharmaceuticals, textiles and healthcare, and maximising the benefits of our powerful direct sales business model.

In Korea, sales and profit were lower reflecting a decline of industrial production and delayed or cancelled projects, including a modest impact from lower activity in the oil & petrochemicals market. We note that order books in Korea and China are higher than the levels reported at this time last year, which should again be supportive of stronger sales in the second half. Elsewhere in Asia Pacific, we achieved improved results in Japan, Taiwan and the Philippines but saw lower results in Australasia and other smaller markets.

As previously announced, in March 2015 we completed the separation from our long-standing business in India via the sale of the Group's 49.3% interest in the Associate company Spirax Marshall for £6.5 million in cash. Our new wholly owned manufacturing and direct sales operation commenced trading in July 2015 following intensive training of our sales and support teams, based in the main industrial centres. Economic activity in India has been growing and we look forward to this providing a favourable background as sales start to build over the coming years. A new facility comprising offices, warehouse, training centre and world class manufacturing plant is under construction, with completion expected early in 2016. The Group's results in the first half include nearly £1 million of pre-operating expenses in India which are somewhat greater than our initial expectations due primarily to high product regulatory approval costs. We now have a strong local team and will continue to add resources as sales build and expect another similar net trading loss in the second half of this year, with improved results from 2016 onwards. Associate profits from India of £0.2 million were recorded in respect of the period to March 2015 compared with £0.8 million for the half year in 2014 (£1.3 million in the full year 2014).

We remain positive on the Asia Pacific region despite the short-term uncertainties. We continue investing to improve our strong position and outperform in existing markets, as well as investing for growth in new ones.

Americas

	2015	2014	Change	Constant currency
Revenue	£61.0m	£59.8m	+2%	+2%
Operating profit	£11.8m	£11.9m	-1%	-1%
Operating margin	19.3%	19.8%	-50 bps	-50 bps

Organic sales increased by 2% in the Americas to £61.0 million and by 2% at reported exchange rates (2014: £59.8 million). Exchange gains on translation of sales from the stronger dollar, were virtually offset by the impact of much weaker currencies in Latin America, in particular, the Brazilian real down 15%. Sales were lower in North America at constant currency but were ahead in Latin America, driven mostly by growth in Argentina and Mexico. Economic conditions in the Americas slowed, with industrial production growth rates trending to a low level in North America and turning sharply negative in Latin America; Argentina has been mired in an industrial recession for over a year and the Brazilian economy continues to contract strongly this year. Divisional operating profit was broadly unchanged at £11.8 million (2014: £11.9 million) and was 1% lower at constant currency. The operating profit margin was 19.3% (2014: 19.8%).

Sales and operating profit were lower at constant currency in North America following a relatively difficult trading environment in the first half and against a strong profit performance in the comparable period last year. Large project business was lower, including a modest impact from the lack of projects in the Canadian tar sands, although smaller projects showed a modest pick-up. We are continuing the gradual implementation of our more proactive approach to the market in the USA, where additional and redirected sales resources are increasingly working with customers, on a sector basis, to grow the total market by unearthing and developing many hitherto unrecognised customer needs and opportunities for energy and water savings, emissions reductions, productivity improvements, quality improvements and cost reductions. We are also working constructively with distributors to strengthen relationships in appropriate areas of the market but these changes have not been without some limited disruption. In June 2015, we completed the closure of our small meter manufacturing facility in Colorado, USA. Sales of products made at that facility have been declining over recent years and the unit posted an operating loss of £0.6 million in the first half of 2015, which will not repeat in the second half of 2015. Skilled technical resources have been retained to form the core of a new sales support and development team, focused on an expanded metering and energy management offering. One-off, mostly non-cash, closure costs of £3.8 million were incurred that have been excluded from the adjusted operating profit but have been charged against profit in the statutory reported results.

Our performance in Latin America was relatively good against a poor economic environment. Sales and profit were ahead at constant currency in a number of our operations, although we enter the second half with a smaller order book than at this point in 2014. Results were ahead in Brazil, although the second half will reflect lower demand that has been significantly impacted by the paralysis in Petrobras, which is also having a wider economic impact in the country. As expected, profits were lower in Argentina, where strong local inflationary pressures persist and the short term benefits of 2014's currency devaluation are being eroded. We continue to perform well in Mexico and in some of the smaller markets in the region, making a good start in our new direct sales operation in Peru.

We remain positive on the Americas region, where we have been present for many decades, and continue investing to strengthen our well established market position. We expect a second half pick up in the USA, as market conditions improve and we gain traction from our strategic growth initiatives.

Watson-Marlow Fluid Technology

	2015	2014	Change	Constant currency
Revenue	£72.8m	£64.5m	+13%	+14%
Operating profit	£21.8m	£19.3m	+13%	+10%
Operating margin	29.9%	29.9%	0 bps	-120 bps

Sales increased by an exceptional 14% at constant currency including a first-time contribution from Asepco acquired in April 2015 (+13% excluding Asepco) that specialises in the design and manufacture of high purity aseptic valves for the biotechnology and pharmaceutical industries. Sales comparisons will become more difficult through the second half of the year due to the strong sales achieved in the second half of last year. Exchange rates reduced sales on translation by a net 1% in the first half, giving a reported sales increase of 13% from £64.5 million to £72.8 million. Reported operating profit also increased by 13% from £19.3 million to £21.8 million, including a small initial contribution from Asepco and a transaction exchange benefit primarily due to lower landed costs in North America from Watson-Marlow manufacturing units in Europe. The operating profit margin was unchanged at 29.9%. At constant currency the operating profit increased by 10%.

Sales were higher in most industry sectors. Our largest sector, biopharmaceutical, was strong with a good flow of project business underpinned by a continued trend towards single-use systems that favour Watson-Marlow products. The acquisition of Asepco, in April, will add to sales in this sector and is a logical extension of product along the fluid path. The new Qdos peristaltic metering pump continued to contribute well in an extended range of sizes displacing other pump types, in particular diaphragm pumps. Food & beverage markets were positive and OEM demand continued at a good level, including projects in clinical diagnostic applications. New products again contributed well, with additions to most product ranges and an active pipeline of future opportunities that extend our capability. An entry level peristaltic pump, manufactured in Asia for local markets, was also recently launched.

All geographic regions contributed to the sales growth at constant currency. Strong growth in the Americas was led by exceptional growth in North America. Good growth was sustained in EMEA with widespread gains, continuing to benefit from the increased sector focus and direct sales expansion over recent years. Sales growth in Asia Pacific was more modest, including in China and Korea, with lower order book levels as we enter the second half. The market in Australia was more difficult where the dominant mining sector was weaker.

In July 2015, we completed the purchase, for £2.8 million, of the MasoSine manufacturing and distribution rights in Japan, providing WMFTG with a direct sales presence in the Japanese market for the first time. This will strengthen the level of service and support available to WMFTG customers in the significant Japanese food and beverage and industrial process markets, and provide a platform for future growth in this important market.

Balance sheet and cash flow

Capital employed of £343 million at 30th June 2015 reduced by 1% at constant currency and excluding acquisitions, versus the equivalent position at 30th June 2014. Improved controls over inventory continue to be implemented to maximise customer service levels. Investment in fixed assets was broadly in line with the level of depreciation in the first half year, although we expect increased investment in the second half in the new plant in India, giving Group capital expenditure of over £30 million for the full year 2015.

Cash generation remains a priority, with a very good 98% cash conversion in the first half, and we continue to operate with a strong balance sheet. There was an outflow of £7 million in respect of the acquisition of Asepco in April 2015, which was broadly matched by the inflow of £6 million in respect of the sale of the Group's 49.3% interest in our Associate company Spirax Marshall in India, completed in March 2015. Currency movements reduced opening net cash balances by £6 million on translation. Net cash at 30th June 2015 was £53.5 million compared with £52.5 million at 31st December 2014 and net debt of £1.5 million at 30th June 2014. The special dividend of 120p per share was approved by shareholders at the AGM on 11th May 2015 and £91.0 million was therefore recognised within current liabilities at 30th June 2015. The dividend was paid after the period end on 15th July 2015.

Adjusted cash flow	**30th June 2015 £'000**	**30th June 2014 £'000**
Adjusted operating profit	65,841	67,149
Depreciation (excluding amortisation of acquisition intangible assets)	12,367	11,187
Share plans	1,476	1,795
Working capital changes	(1,636)	(7,117)
Net capital expenditure (including software and development)	(13,404)	(18,684)
Cash from operations	**64,644**	**54,330**
Net Interest	725	(144)
Income taxes paid	(24,238)	(24,449)
Free cash flow	**41,131**	**29,737**
Net dividends paid	(34,226)	(31,101)
Provisions and post-retirement deficit reduction payments	(605)	(2,645)
Proceeds from issue of shares	1,892	2,454
Acquisitions and disposals	(622)	(9,087)
Adjustments*	(474)	(471)
Cash flow for period	7,096	(11,113)
Exchange movements	(6,110)	(6,816)
Opening net cash	52,493	16,400
Closing net cash/(debt) at 30th June	**53,479**	**(1,529)**

*Adjustments comprise acquisition and disposal costs of £374k, USA metering manufacturing cash closure costs of £237k and an adjustment in respect of the disposal of Spirax Marshall of £137k

Net assets of £6.7 million in respect of M&M International are shown as an asset held for sale (within current assets and current liabilities) in the balance sheet at 30th June 2015. Subsequent to the balance sheet date, the disposal of this business was completed on 3rd August 2015 for €9.7 million (£6.8 million). A small profit on disposal will be recognised within the statutory profit in the second half year as well as a small loss in respect of prior years' exchange translation differences as required under IAS 21.

Principal risks and uncertainties

The Group has a robust risk management process in place to identify, evaluate and manage the identified risks that could impact the Group's performance. The current risks, together with an explanation of the impact and mitigation actions, are set out in the 2014 Annual Report on pages 28 to 29. The Group has reviewed these risks and concluded that they represent the current position and remain relevant for the second half of the financial year. A summary of the relevant key risks and uncertainties is:

- Economic and political instability
- Significant exchange rate movements
- Loss of manufacturing output at any Group factory

- Breach of legal and regulatory requirements
- Non-compliance with health, safety and environmental legislation
- Defined benefit pension deficits
- Failure to respond to technological developments or customer needs

Our overall geographic diversity limits the impact of instability in any particular region. The Group continues to keep events in Russia (now close to 1% of Group sales) under constant review and is monitoring political and economic events in Greece closely, given the possibility of Europe-wide implications. Currency movements have continued to be relatively volatile, with recent weakness in a number of currencies that are important to the Group, including the Brazilian real and Korean won. Exchange rate movements are monitored closely and we keep mitigating actions under review.

Outlook

Implementation of our strategy for growth is aimed at enhancing our capability to outperform our markets and generate our own growth. Our direct sales business model, with highly skilled sales engineers, creates opportunities to generate engineered solutions to meet customers' needs for energy and water saving, emissions reduction, productivity improvement, quality improvements, regulatory compliance and cost reduction. In difficult economic times our business is resilient, deriving a high proportion of revenues from small projects, replacement demand and customers' maintenance and operating spending.

Because our businesses are so diverse across industrial applications, our markets are strongly influenced by movements in industrial production, which our business tends to lag by a few quarters. Growth rates of global industrial production have progressively slowed for the past year to very low growth rates of around 1%. This slowing of growth rates has been mostly driven by emerging markets, particularly China, Russia and South America. We have, however, achieved good growth in Europe and Watson-Marlow. We anticipate that our markets will remain challenging, especially in emerging economies, but continue to expect modest improvements in European and North American markets during the second half of this year and remain focussed on our strategic priorities to generate our own growth. Currency movements reduced sales on translation by 2.6% in the first half and, if recent exchange rates prevail for the remainder of the year, this will increase to 4% for the full year. We continue to improve the efficiency of our business, having taken actions at our UK and USA manufacturing facilities that bring benefits to trading in the second half and reduce our cost base going forward. We are also continuing to invest for growth, particularly in India, where significant resources have been added to support future expansion. We have a robust and resilient business model and, assuming that there is no unexpected deterioration in our markets, the Board remains confident that the Group will make progress in 2015.

STATEMENT OF FINANCIAL POSITION

	Notes	30th June 2015 £'000	30th June 2014 £'000	31st December 2014 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		164,705	177,116	176,668
Goodwill		45,455	48,338	47,682
Other intangible assets		46,716	46,422	48,123
Prepayments		477	180	402
Investment in associate		245	7,917	377
Deferred tax assets		35,919	33,146	35,941
		293,517	313,119	309,193
Current assets				
Inventories		98,819	111,306	98,007
Trade receivables		133,170	132,596	155,696
Other current assets		25,024	21,153	23,973
Taxation recoverable		4,594	4,027	4,420
Associate held for sale		-	-	5,777
Assets of business held for sale		9,270	-	-
Bank deposits	8	-	31,103	24,437
Cash and cash equivalents	8	86,625	79,318	117,981
		357,502	379,503	430,291
Total assets		651,019	692,622	739,484
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables		76,316	80,443	90,754
Special dividend		90,951	-	-
Bank overdrafts	8	153	3,683	461
Short-term borrowing	8	6,326	34,628	40,070
Current portion of long-term borrowings	8	298	298	298
Liabilities directly associated with assets classified as held for sale		2,533	-	-
Current tax payable		12,338	11,184	22,175
		188,915	130,236	153,758
Net current assets		168,587	249,267	276,533
Non-current liabilities				
Long-term borrowings	8	26,369	73,341	49,096
Deferred tax liabilities		16,564	16,381	17,412
Post-retirement benefits	7	74,970	64,889	75,779
Provisions		443	761	556
Long term payables		881	-	1,005
		119,227	155,372	143,848
Total liabilities		308,142	285,608	297,606
Net assets		342,877	407,014	441,878
Equity				
Share capital		19,678	19,629	19,622
Share premium account		66,918	62,351	65,067
Other reserves		(23,123)	(7,064)	(6,486)
Retained earnings		278,653	331,382	362,796
Equity shareholders' funds		342,126	406,298	440,999
Non-controlling interest		751	716	879
Total equity		342,877	407,014	441,878
Total equity and liabilities		651,019	692,622	739,484

CONSOLIDATED INCOME STATEMENT

	Six months to 30th June 2015			Six months to 30th June 2014			Year ended 31st December 2014		
	Adjusted	**Adj't**	**Total**	**Adjusted**	**Adj't**	**Total**	**Adjusted**	**Adj't**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue (note 2)	319,979	-	319,979	319,160	-	319,160	678,277	-	678,277
Operating costs	(254,138)	(6,428)	(260,566)	(252,011)	(2,491)	(254,502)	(525,327)	(4,855)	(530,182)
Operating profit (note 2)	65,841	(6,428)	59,413	67,149	(2,491)	64,658	152,950	(4,855)	148,095
Financial expenses	(1,965)	-	(1,965)	(2,518)	-	(2,518)	(5,229)	-	(5,229)
Financial income	1,388	-	1,388	976	-	976	2,246	-	2,246
Net financing expense (note 3)	(577)	-	(577)	(1,542)	-	(1,542)	(2,983)	-	(2,983)
Share of profit of associates	247	(1,753)	(1,506)	718	(380)	338	1,151	(1,469)	(318)
Profit before taxation	65,511	(8,181)	57,330	66,325	(2,871)	63,454	151,118	(6,324)	144,794
Taxation (note 4)	(19,848)	1,917	(17,931)	(19,748)	608	(19,140)	(44,857)	636	(44,221)
Profit for the period	45,663	(6,264)	39,399	46,577	(2,263)	44,314	106,261	(5,688)	100,573
Attributable to:									
Equity shareholders	45,646	(6,264)	39,382	46,532	(2,263)	44,269	106,015	(5,688)	100,327
Non-controlling interest	17	-	17	45	-	45	246	-	246
Profit for the period	45,663	(6,264)	39,399	46,577	(2,263)	44,314	106,261	(5,688)	100,573
Earnings per share									
Basic earnings per share (note 5)	60.5p		52.2p	61.7p		58.7p	140.4p		132.8p
Diluted earnings per share (note 5)	60.2p		52.0p	61.4p		58.4p	139.5p		132.0p
Dividends									
Dividend per share (note 6)			20.8p			19.5p			64.5p
Special dividend per share (note 6)									120.0p
Dividend paid per share (note 6)			45.0p			41.0p			60.5p

Adjusted figures exclude certain non-operational items as detailed in note 2. All amounts relate to continuing operations. The notes on pages 15 to 24 form an integral part of the accounts.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months to 30th June 2015 £'000	Six months to 30th June 2014 £'000	Year ended 31st December 2014 £'000
Profit for the period	39,399	44,314	100,573
Items that will not be reclassified to profit or loss			
Remeasurement gain/(loss) on post-retirement benefits	1,306	5,471	(5,159)
Deferred tax on remeasurement loss on post-retirement benefits	(972)	(724)	(258)
	334	4,747	(5,417)
Items that may be reclassified subsequently to profit or loss			
Foreign exchange translation differences	(18,317)	(18,935)	(15,155)
Non-controlling interest foreign exchange translation differences	(8)	11	22
Profit/(loss) on cash flow hedges	33	5	(232)
	(18,292)	(18,919)	(15,365)
Total comprehensive income for the period	21,441	30,142	79,791
Attributable to:			
Equity shareholders	21,432	30,086	79,523
Non-controlling interest	9	56	268
Total comprehensive income for the period	21,441	30,142	79,791

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months to 30th June 2015	Share Capital £000	Share Premium Account £000	Other Reserves £000	Retained earnings £000	Equity shareholders' funds £000	Non-controlling interest £000	Total equity £000
Balance at 1st January 2015	19,622	65,067	(6,486)	362,796	440,999	879	441,878
Profit for the period	-	-	-	39,382	39,382	17	39,399
Other comprehensive (expense)/income for the period							
Foreign exchange translation differences	-	-	(18,317)	-	(18,317)	(8)	(18,325)
Remeasurement gain on post-retirement benefits	-	-	-	1,306	1,306	-	1,306
Deferred tax on remeasurement gain on post-retirement benefits	-	-	-	(972)	(972)	-	(972)
Profit on cash flow hedges reserve	-	-	33	-	33	-	33
Total other comprehensive (expense) for the period	-	-	(18,284)	334	(17,950)	(8)	(17,958)
Total comprehensive income for the period	-	-	(18,284)	39,716	21,432	9	21,441
Contributions by and distributions to owners of the Company							
Dividends paid	-	-	-	(34,089)	(34,089)	(137)	(34,226)
Special dividend accrued	-	-	-	(90,951)	(90,951)	-	(90,951)
Equity settled share plans net of tax	-	-	-	1,181	1,181	-	1,181
Issue of share capital	41	1,851	-	-	1,892	-	1,892
Employee Benefit Trust Shares	15	-	1,647	-	1,662	-	1,662
Balance at 30th June 2015	**19,678**	**66,918**	**(23,123)**	**278,653**	**342,126**	**751**	**342,877**

Other reserves represent the Group's translation, cash flow hedge and capital redemption reserves. The non-controlling interest is a 2.5% share of Spirax-Sarco (Korea) Ltd held by employee shareholders.

Six months to 30th June 2014	**Share Capital**	**Share Premium Account**	**Other Reserves**	**Retained earnings**	**Equity shareholders' funds**	**Non-controlling interest**	**Total equity**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1st January 2014	19,568	59,954	11,474	311,737	402,733	801	403,534
Profit for the period	-	-	-	44,269	44,269	45	44,314
Other comprehensive (expense)/income for the period							
Foreign exchange translation differences	-	-	(18,935)	-	(18,935)	11	(18,924)
Remeasurement gain on post-retirement benefits	-	-	-	5,471	5,471	-	5,471
Deferred tax on remeasurement gain on post-retirement benefits	-	-	-	(724)	(724)	-	(724)
Profit on cash flow hedges reserve	-	-	5	-	5	-	5
Total other comprehensive (expense) for the period	-	-	(18,930)	4,747	(14,183)	11	(14,172)
Total other comprehensive income for the period	-	-	(18,930)	49,016	30,086	56	30,142
Dividends paid	-	-	-	(30,960)	(30,960)	(141)	(31,101)
Equity settled share plans net of tax	-	-	-	1,589	1,589	-	1,589
Issue of share capital	57	2,397	-	-	2,454	-	2,454
Employee Benefit Trust Shares	4	-	392	-	396	-	396
Balance at 30th June 2014	19,629	62,351	(7,064)	331,382	406,298	716	407,014

For the year ended 31st December 2014	**Share Capital**	**Share Premium Account**	**Other Reserves**	**Retained earnings**	**Equity shareholders' funds**	**Non-controlling interest**	**Total equity**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1st January 2014	19,568	59,954	11,474	311,737	402,733	801	403,534
Profit for the year	-	-	-	100,327	100,327	246	100,573
Other comprehensive (expenses)/income							
Foreign exchange translation differences	-	-	(15,155)	-	(15,155)	22	(15,133)
Remeasurement loss on post-retirement benefits	-	-	-	(5,159)	(5,159)	-	(5,159)
Deferred tax on remeasurement loss on post-retirement benefits	-	-	-	(258)	(258)	-	(258)
Loss on cash flow hedges reserve	-	-	(232)	-	(232)	-	(232)
Total other comprehensive (expense) for the year	-	-	(15,387)	(5,417)	(20,804)	22	(20,782)
Total other comprehensive income for the year	-	-	(15,387)	94,910	79,523	268	79,791
Contributions by and distributions to owners of the Company							
Dividends paid	-	-	-	(45,715)	(45,715)	(190)	(45,905)
Equity settled share plans net of tax	-	-	-	1,864	1,864	-	1,864
Issue of share capital	110	5,113	-	-	5,223	-	5,223
Employee Benefit Trust Shares	(56)	-	(2,573)	-	(2,629)	-	(2,629)
Balance at 31st December 2014	19,622	65,067	(6,486)	362,796	440,999	879	441,878

CASH FLOW STATEMENT

	Notes	Six months to 30th June 2015 £'000	Six months to 30thJune 2014 £'000	Year ended 31st December 2014 £'000
Cash flows from operating activities				
Profit before taxation		57,330	63,454	144,794
Depreciation, amortisation and impairment		16,612	13,207	26,799
Loss on disposal of Associate		1,790	-	-
Share of profit of Associates		(147)	(338)	318
Equity settled share plans		1,476	1,795	2,374
Net finance income		577	1,542	2,983
Operating cash flow before changes in working capital and provisions		77,638	79,660	177,268
Change in trade and other receivables		9,888	8,751	(20,032)
Change in inventories		(4,956)	(9,771)	1,111
Change in provisions and post-retirement benefits		(605)	(2,645)	(4,870)
Change in trade and other payables		(4,996)	(6,097)	4,398
Cash generated from operations		76,969	69,898	157,875
Interest paid		(663)	(1,120)	(2,299)
Income taxes paid		(24,238)	(24,449)	(41,915)
Net cash from operating activities		**52,068**	44,329	113,661
Cash flows from investing activities				
Purchase of property, plant & equipment		(11,313)	(16,517)	(27,032)
Proceeds from sale of property, plant & equipment		1,198	793	2,980
Purchase of software & other intangibles		(2,000)	(2,069)	(4,647)
Development expenditure capitalised		(1,289)	(891)	(2,632)
Acquisition of businesses		(7,087)	(9,087)	(9,984)
Bank deposits		24,626	-	9,038
Interest received		1,388	976	2,246
Dividends received		-	-	796
Net cash used in investing activities		**5,523**	(26,795)	(29,235)
Cash flows from financing activities				
Proceeds from issue of Share Capital		1,892	2,454	5,223
Sale of associate		6,465	-	-
Employee Benefit Trust Share purchase		-	-	(3,005)
Repaid borrowings	8	(57,000)	(1,703)	(8,995)
New borrowings	8	807	11,000	-
Change in finance lease liabilities	8	(154)	(96)	(241)
Dividends paid (including minorities)		(34,226)	(31,101)	(45,905)
Net cash used in financing activities		**(82,216)**	(19,446)	(52,923)
Net change in cash and cash equivalents	8	**(24,625)**	(1,912)	31,503
Net cash and cash equivalents at beginning of period	8	117,520	82,608	82,608
Exchange movement	8	(6,423)	(5,061)	3,409
Net cash and cash equivalents at end of period	8	**86,472**	75,635	117,520
Bank deposits	8	-	31,103	24,437
Borrowings and finance leases	8	(32,993)	(108,267)	(89,464)
Net Cash/(debt) at the end of the period	8	**53,479**	(1,529)	52,493

NOTES TO THE ACCOUNTS

1. BASIS OF PREPARATION

Spirax-Sarco Engineering plc is a company domiciled in the UK. The half year condensed consolidated financial statements of Spirax-Sarco Engineering plc and its subsidiaries (the Group) have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. The accounting policies applied are consistent with those set out in the 2014 Spirax-Sarco Engineering plc Annual Report.

These condensed consolidated half year financial statements do not include all the information required for full annual statements and should be read in conjunction with the 2014 Annual Report. The comparative figures for the year ended 31st December 2014 do not constitute the Group's statutory accounts for that financial year as defined in Section 434 of the Companies Act 2006. The consolidated statutory accounts for Spirax-Sarco Engineering plc in respect of the year ended 31st December 2014 have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The consolidated financial statements of the Group in respect of the year ended December 2014 are available upon request from Mr A. J. Robson, General Counsel and Company Secretary, Charlton House, Cheltenham, Gloucestershire, GL53 8ER, United Kingdom or on www.spiraxsarcoengineering.com.
The financial statements for the six months ended 30th June 2015, which have not been audited or reviewed by the auditors, were authorised by the Board on 4th August 2015.

The interim report has been prepared solely to provide additional information to shareholders as a body to assess the Group's strategies and the potential for those strategies to succeed. This interim report should not be relied upon by any other party or for any other purpose.

GOING CONCERN

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

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

There are a number of new standards, amendments to standards and interpretations that are not yet effective for the period ended 30th June 2015 and have, therefore, not been applied in preparing these condensed consolidated interim financial statements. None of these are anticipated to have a significant impact on the consolidated income statement or consolidated statement of financial position.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of interim financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2014.

The Directors have considered the facts and circumstances as at 30th June 2015 and concluded that there are no indicators of impairments that require an impairment review to be undertaken on goodwill at the interim statement of financial position date. The annual impairment review will be undertaken later in 2015 consistent with the timing in previous years.

CAUTIONARY STATEMENTS

This interim report contains forward-looking statements. These have been made by the Directors in good faith based on the information available to them up to the time of their approval of this report. The Directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The Directors undertake no obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

RESPONSIBILITY STATEMENT

The Directors confirm that to the best of their knowledge:

- this financial information has been prepared in accordance with IAS *34 Interim Financial Reporting* as adopted by the EU;

- the interim management report includes a fair review of the information required by:

    (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

    (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.

The Directors of Spirax-Sarco Engineering plc on 4th August 2015 are the same as those listed in the 2014 Annual Report on pages 60 and 61.

N J Anderson
Group Chief Executive
4th August 2015

D J Meredith
Finance Director
4th August 2015

On behalf of the Board

2. SEGMENTAL REPORTING

As required by IFRS 8, Operating Segments, the following segmental information is presented in a consistent format with management information considered by the Board.

Analysis by location of operation

Six months to 30th June 2015

	Gross revenue £'000	Inter-segment revenue £'000	Revenue £'000	Total operating profit £'000	Adjusted operating profit £'000	Adjusted operating margin %
Europe, Middle East & Africa	128,636	16,807	111,829	20,648	21,294	19.0%
Asia Pacific	76,489	2,210	74,279	15,234	15,492	20.9%
Americas	63,989	2,941	61,048	7,287	11,760	19.3%
Steam Specialties business	269,114	21,958	247,156	43,169	48,546	19.6%
Watson-Marlow	72,823	-	72,823	20,743	21,794	29.9%
Corporate expenses				(4,499)	(4,499)	
	341,937	21,958	319,979	59,413	65,841	20.6%
Intra-Group	(21,958)	(21,958)				
Total	**319,979**	**-**	**319,979**	**59,413**	**65,841**	**20.6%**
Net finance expense				(577)	(577)	
Share of profit/(loss) of Associates				(1,506)	247	
Profit before tax				**57,330**	**65,511**	

Six months to 30th June 2014

	Gross revenue £'000	Inter-segment revenue £'000	Revenue £'000	Total operating profit £'000	Adjusted operating profit £'000	Adjusted operating margin %
Europe, Middle East & Africa	138,354	19,089	119,265	23,772	24,218	20.3%
Asia Pacific	78,424	2,881	75,543	16,754	16,754	22.2%
Americas	62,566	2,742	59,824	10,954	11,862	19.8%
Steam Specialties business	279,344	24,712	254,632	51,480	52,834	20.7%
Watson-Marlow	64,536	8	64,528	18,135	19,272	29.9%
Corporate expenses				(4,957)	(4,957)	
	343,880	24,720	319,160	64,658	67,149	21.0%
Intra-Group	(24,720)	(24,720)	-	-	-	
Total	**319,160**	**-**	**319,160**	**64,658**	**67,149**	**21.0%**
Net finance expense				(1,542)	(1,542)	
Share of profit of Associates				338	718	
Profit before tax				**63,454**	**66,325**	

Year ended 31st December 2014

	Gross revenue £'000	Inter-segment revenue £'000	Revenue £'000	Total operating profit £'000	Adjusted operating profit £'000	Adjusted operating margin %
Europe, Middle East & Africa	274,271	38,039	236,232	44,855	45,929	19.4%
Asia Pacific	182,556	4,894	177,662	46,191	46,418	26.1%
Americas	131,869	5,681	126,188	26,478	27,961	22.2%
Steam Specialties business	588,696	48,614	540,082	117,524	120,308	22.3%
Watson-Marlow	138,195		138,195	41,428	43,499	31.5%
Corporate expenses				(10,857)	(10,857)	
	726,891	48,614	678,277	148,095	152,950	22.5%
Intra-Group	(48,614)	(48,614)				
Total	**678,277**	**-**	**678,277**	**148,095**	**152,950**	22.5%
Net finance expense				(2,983)	(2,983)	
Share of operating profit/(loss) of Associates				(318)	1,151	
Profit before tax				**144,794**	**151,118**	

Non-operational items

The Group uses adjusted figures as key performance measures in addition to those reported under adopted IFRS. The Group's management believes these measures provide valuable additional information for users of the financial statements in understanding the Group's performance. Adjusted operating profit excludes certain non-operational items which are analysed below:

	Six months to 30th June 2015 £'000	Six months to 30th June 2014 £'000	Year ended 31st Dec. 2014 £'000
Amortisation and impairment of acquisition-related intangible assets	(2,240)	(2,020)	(4,096)
USA meter manufacturing facility closure costs	(3,814)	-	-
Acquisition and disposal costs	(374)	(471)	(759)
	(6,428)	**(2,491)**	**(4,855)**

Share of profit of Associates

An analysis of the share of profit of Associates is shown below:

	Six months to 30th June 2015 £'000	Six months to 30th June 2014 £'000	Year ended 31st Dec. 2014 £'000
Share of adjusted profit	247	718	1,151
Non-operational items			
Amortisation and impairment of acquisition-related intangible assets	(100)	(380)	(1,125)
Impairment of tangible assets	-	-	(344)
Final adjustment to previous impairment write offs	137	-	-
Exchange translation differences recycled under IAS 21	(1,790)	-	-
Total non-operational items	**(1,753)**	**(380)**	**(1,469)**
Total Associates	**(1,506)**	**338**	**(318)**

Net assets

The total assets and liabilities of the four segments have not been disclosed as there has been no material change in the amounts disclosed in the 2014 Annual Report and Accounts.

Capital additions and depreciation, amortisation and impairment

	Six month 30th June 2015		Six month 30th June 2014		Year ended 31st December 2014	
	Capital additions	Depreciation, amortisation and impairment	Capital additions	Depreciation, amortisation and impairment	Capital additions	Depreciation, amortisation and impairment
	£'000	£'000	£'000	£'000	£'000	£'000
Europe, Middle East & Africa	5,997	5,659	6,818	5,119	15,301	10,476
Asia Pacific	1,967	2,941	7,144	2,385	8,657	5,144
Americas	1,720	4,776	2,351	3,035	4,159	5,335
Watson-Marlow	5,201	3,236	6,187	2,668	11,271	5,844
Group total	**14,885**	**16,612**	**22,500**	**13,207**	39,388	26,799

Capital additions include property, plant and equipment at 30th June 2015 of £8,805,000; at 30th June 2014 of £16,144,000; and at 31st December 2014 of £26,876,000; and other intangible assets at 30th June 2015 of £6,080,000; at 30th June 2014 of £6,356,000; and at 31st December 2014 of £12,512,000. Depreciation, amortisation and impairment includes amortisation of acquisition-related intangible assets at 30th June 2015 of £2,240,000; at 30th June 2014 of £2,020,000; and at 31st December 2014 of £4,096,000 and impairment at 30th June 2015 of £1,024,000 of intangible assets and £981,000 of tangible assets in respect of the USA meter manufacturing closure costs (2014: nil).

3. NET FINANCING INCOME AND EXPENSE

	Six months to 30th June 2015 £'000	Six months to 30th June 2014 £'000	Year ended 31st December 2014 £'000
Financial expenses			
Bank and other borrowing interest payable	(663)	(1,120)	(2,310)
Net interest on pension scheme liabilities	(1,302)	(1,398)	(2,919)
	(1,965)	(2,518)	(5,229)
Financial income			
Bank interest receivable	1,388	976	2,246
Net financing expense	**(577)**	**(1,542)**	**(2,983)**
Net pension scheme financial expense	(1,302)	(1,398)	(2,919)
Net bank interest	725	(144)	(64)
Net financing expense	**(577)**	**(1,542)**	**(2,983)**

4. TAXATION

Taxation has been estimated at the rate expected to be incurred in the full year

	Six months to 30th June 2015 £'000	Six months to 30th June 2014 £'000	Year ended 31st December 2014 £'000
United Kingdom corporation tax	417	67	2,534
Foreign taxation	18,855	18,923	42,480
Deferred taxation	(1,341)	150	(793)
	17,931	**19,140**	**44,221**

5. EARNINGS PER SHARE

	Six months to 30th June 2015	Six months to 30th June 2014	Year ended 31st December 2014
Profit attributable to equity shareholders (£'000)	**39,382**	**44,269**	**100,327**
Weighted average shares in issue	75,463,654	75,452,395	75,532,018
Dilution	302,944	393,906	455,530
Diluted weighted average shares in issue	**75,766,598**	**75,846,301**	**75,987,548**
Basic earnings per share	**52.2p**	**58.7p**	**132.8p**
Diluted earnings per share	**52.0p**	**58.4p**	**132.0p**
Adjusted profit attributable to equity shareholders (£'000)	**45,646**	**46,532**	**106,015**
Basic adjusted earnings per share	**60.5p**	**61.7p**	**140.4p**
Diluted adjusted earnings per share	**60.2p**	**61.4p**	**139.5p**

The dilution is in respect of unexercised share options and the Performance Share Plan.

6. DIVIDENDS

	Six months to 30th June 2015 £'000	Six months to 30th June 2014 £'000	Year ended 31st December 2014 £'000
Amounts paid in the period			
Final dividend for the year ended 31st December 2014 of 45.0p (2013: 41.0p) per share	34,089	30,960	30,960
Interim dividend for the year ended 31st December 2014 of 19.5p (2013: 18.0p) per share	-	-	14,755
Total dividends paid	**34,089**	**30,960**	**45,715**
Amounts arising in respect of the period			
Interim dividend for the year ended 31st December 2015 of 20.8p (2014: 19.5p) per share	15,202	14,733	14,755
Final dividend for the year ended 31st December 2014 of 45.0p (2013: 41.0p) per share	-	-	34,134
Special dividend for the year ended 31st December 2014 of 120.0p (2013: nil) per share	-	-	91,024
Total dividends arising	**15,202**	**14,733**	**139,913**

No scrip alternative to the cash dividend is being offered in respect of the 2015 interim dividend.

7. POST-RETIREMENT BENEFITS

The Group is accounting for pension costs in accordance with IAS 19.
The disclosures shown here are in respect of the Group's Defined Benefit Obligations. Other plans operated by the Group were either Defined Contribution plans or were deemed immaterial for the purposes of IAS 19 reporting. Full IAS 19 disclosure for the year ended 31st December 2014 is included in the Group's Annual Report.

The amounts recognised in the balance sheet are as follows:

		Total	
	At 30th June 2015 £'000	**At 30th June 2014 £'000**	**At 31st December 2014 £'000**
Retirement benefit liability recognised in the balance sheet	(74,970)	(64,889)	(75,779)
Related deferred tax asset	16,900	16,905	17,703
Net pension liability	**(58,070)**	**(47,984)**	**(58,076)**

8. ANALYSIS OF CHANGES IN NET CASH

	At 1st Jan 2015 £'000	**Cash flow £'000**	**Exchange movement £'000**	**At 30th June 2015 £'000**
Current portion of long-term borrowings	(298)			(298)
Non-current portion of long-term borrowings	(49,096)			(26,369)
Short-term borrowing	(40,070)			(6,326)
Total borrowings	(89,464)	56,347	124	(32,993)
Comprising:				
Borrowings	(88,637)	56,193	92	(32,352)
Finance leases	(827)	154	32	(641)
	(89,464)	56,347	124	(32,993)
Cash and cash equivalents	117,981	(24,879)	(6,477)	86,625
Bank overdrafts	(461)	254	54	(153)
Net cash and cash equivalents	117,520	(24,625)	(6,423)	86,472
Bank deposits	24,437	(24,626)	189	-
Net cash	**52,493**	**7,096**	**(6,110)**	**53,479**

9. CAPITAL EMPLOYED

The Board uses certain non-statutory measures to help it effectively monitor the performance of the Group. Capital employed is a key measure.

	At 30th June 2015 £'000	**At 30th June 2014 £'000**	**At 31st December 2014 £'000**
Capital Employed			
Property, plant and equipment	164,705	177,116	176,668
Prepayments	477	180	402
Inventories	98,819	111,306	98,007
Trade receivables	133,170	132,596	155,696
Other current assets	25,024	21,153	23,973
Tax recoverable	4,594	4,027	4,420
Capital employed element of business held for sale	4,666	-	-
Trade and other payables	(76,316)	(80,443)	(90,754)
Current tax payable	(12,338)	(11,184)	(22,175)
Capital employed	**342,801**	**354,751**	**346,237**

10. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Full details of the Group's other related party relationships, transactions and balances are given in the Group's financial statements for the year ended 31st December 2014. There have been no material changes in these relationships in the period up to the end of this report.

No related party transactions have taken place in the first half of 2015 that have materially affected the financial position or the performance of the Group during that period.

11. PURCHASE OF BUSINESSES

			Acquisitions	
2015		**Book value £'000**	**FV adj £'000**	**Fair value £'000**
Non-current assets				
Property, plant and equipment		328		328
Other tangible assets		69		69
Intangibles			2,935	2,935
		397	2,935	3,332
Current assets				
Inventories		1,351		1,351
Trade receivables		747		747
Other receivables		60		60
Cash		449		449
Total assets		3,004	2,935	5,939
Current liabilities				
Trade payables		391		391
Other payables and accruals		160		160
Deferred tax			959	959
Total liabilities		551	959	1,510
Total net assets		2,453	1,976	4,429
Goodwill				3,554
Total				**7,983**
Satisfied by	Cash paid			7,412
	Deferred consideration			571
				7,983
Reconciliation to the Cash Flow Statement:				
Cash paid for 2015 businesses acquired				7,412
Less cash acquired				(449)
Deferred consideration for prior years' acquisitions				124
Cash outflow				**7,087**

1. The acquisition of the Asepco Corporation, a company specialising in the design and production of high purity tanks and process valves, and magnetically driven mixers for the biopharmaceutical industry based in the USA was completed on 8th April 2015. The acquisition method of accounting has been used. Consideration of £7,005,000 was paid on completion with a further £221,000 deferred. Separately identified intangibles are recorded as part of the fair value adjustment. The goodwill recognised represents the skilled workforce acquired and the synergies that can be achieved by being part of the Spirax Group. 100% of voting rights were acquired. Goodwill arising is not expected to be tax deductible. Asepco has generated £1,100,000 of revenue and £180,000 of pre-tax profit since acquisition. Had acquisition been made on 1st January 2015, the revenue and pre-tax profit would have been approximately double these figures.

2. The acquisition of Valve and Control Engineering Ltd. (VCE), specialising in boiler services and certifications, based in the UK was completed on 14th April 2015. The acquisition method of accounting has been used. Consideration of £407,000 was paid on completion with a further £350,000 deferred and contingent on future performance. Separately identified intangibles are recorded as part of the fair value adjustment. The goodwill recognised represents the skilled workforce acquired and the opportunity to sell to a wider customer base. Goodwill arising is not expected to be tax deductible. VCE has generated £150,000 of revenue and £50,000 of pre-tax profit since acquisition. Had the acquisition been made on 1st January 2015, the revenue and pre-tax profit would have been approximately double these figures.

   £127,000 of acquisition costs were incurred in relation to these acquisitions. The values above are provisional. The acquired intangibles relate to customer relationships, technology based assets and marketing based assets.

12. ASSETS HELD FOR SALE

On 3rd August 2015 M&M International Srl based in Italy was sold by the Group. This operation has been classified as held for sale in the balance sheet at 30th June 2015. The transaction details are explained more fully in a separate announcement dated 4th August 2015. The proceeds of disposal exceed the book value of the related net assets and accordingly no impairment losses have been recognised on the classification of this operation as held for sale.

The major classes of assets and liabilities classified as held for sale are as follows:

	At 30th June 2015 £'000
Goodwill and other intangibles	2,610
Property, plant and equipment	3,296
Inventories	996
Trade receivables	1,155
Deferred tax assets	831
Other current assets	382
Total assets of business held for sale	**9,270**
Trade and other payables	1,136
Deferred tax liabilities	837
Post-retirement benefits	454
Other payables	106
Total liabilities associated with assets classified as held for sale	**2,533**
Net assets of business held for sale	**6,737**

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table compares amounts and fair values of the Group's financial assets and liabilities:

	At 30th June 2015		At 30th June 2014		At 31st December 2014	
	Carrying Value £'000	**Fair Value £'000**	**Carrying Value £'000**	**Fair Value £'000**	**Carrying Value £'000**	**Fair Value £'000**
Financial assets						
Cash and cash equivalents	86,625	86,625	79,318	79,318	117,981	117,981
Bank deposits	-	-	31,103	31,103	24,437	24,437
Trade and other receivables	142,440	142,440	142,808	142,808	168,721	168,721
Total financial assets	**229,065**	**229,065**	**253,229**	**253,229**	**311,139**	**311,139**
Financial liabilities						
Bank loans	32,352	32,352	107,295	107,295	88,637	88,637
Finance lease obligations	641	644	972	977	827	831
Bank overdrafts	153	153	3,683	3,683	461	461
Trade payables	20,853	20,853	27,188	27,188	27,670	27,670
Other payables	23,925	23,925	25,500	25,500	25,976	25,976
Total financial liabilities	**77,924**	**77,927**	**164,638**	**164,643**	**143,571**	**143,575**

There are no other assets or liabilities measured at fair value on a recurring or non-recurring basis for which fair value is disclosed.

Derivative financial instruments are measured at fair value. Fair value of derivative financial instruments is calculated based upon discounted cash flow analysis using the appropriate market information for the duration of the instruments.

The Group uses forward currency contracts to manage its exposure to movements in foreign exchange rates. The forward contracts are designated as hedge instruments in a cash flow hedging relationship. At 30th June 2015 the Group had contracts outstanding to purchase £2,508,000 with US Dollars, £300,000 with Korean Won, £120,000 with YEN and €1,634,000 with US Dollars. The fair values at the end of the reporting period were £33,000 (31st December 2014 £232,000). The fair value of derivative financial instruments falls into the level 2 category of the fair value hierarchy in accordance with IFRS 7.

14. EXCHANGE RATES

Set out below is an additional disclosure (not required by IAS 34) that highlights movements in a selection of average exchange rates between half-year 2015 and half-year 2014.

	Average half-year 2015	**Average half-year 2014**	**Change %**
Bank of England sterling index	90.6	86.4	-5%
US$	1.53	1.67	+9%
Euro	1.36	1.22	-10%
RMB	9.53	10.33	+8%
Won	1,685	1,751	+4%
Real	4.53	3.84	-15%
Yen	185	172	-7%
Australian $	1.96	1.83	-7%
Rouble	89.74	58.28	-35%
Turkish Lira	3.92	3.61	-8%