Spirax-Sarco Engineering plc
www.spiraxsarcoengineering.com

News Release

Thursday 5th March 2015
2014 Preliminary Results

HIGHLIGHTS

Adjusted*	2014	2013	Change	Constant FX
Revenue	£678.3m	£689.4m	-2%	+5%
Adjusted operating profit*	£153.0m	£151.6m	+1%	+12%
Adjusted operating profit margin*	22.5%	22.0%	+50 bps	+140 bps
Adjusted profit before taxation*	£151.1m	£151.1m	0%	+12%
Adjusted basic earnings per share*	140.4p	138.8p	+1%	+13%
Dividend per share	64.5p	59.0p	+9%	+9%
Special dividend per share	120.0p	-		

**All profit measures exclude certain non-operational items, as defined in note 2.*
Organic measures are at constant currency and exclude acquisitions

Statutory	2014	2013	Change
Operating profit	£148.1m	£147.0m	+1%
Profit before taxation	£144.8m	£145.7m	-1%
Basic earnings per share	132.8p	133.4p	0%

- Organic sales increased over 4%
- Operating profit ahead in all segments at constant currency
- Operating margin up 50 bps, despite stiff currency headwind
- Strong result in Watson-Marlow
- £91m return of capital – 120p per share special dividend

Nick Anderson, Chief Executive, commenting on the results said:

"The good results in 2014 again demonstrate the fundamental strengths and resilience of our business, with record profits and margin improvement achieved against an unhelpful economic background and a stiff currency headwind. We are increasing investment and adding resources in support of our growth strategy and we are confident that, through these actions, we can continue to outperform our markets and deliver further improvements in our business."

For further information, please contact:
Nick Anderson, Chief Executive
David Meredith, Finance Director
Tel: 020 7638 9571 at Citigate Dewe Rogerson until 6.00 p.m.

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/y5mjm8q7 at 9.00am, and a recording will be posted on the website shortly after the meeting.

Unless otherwise stated all profit measures exclude certain non-operational items, as defined in note 2. Organic measures are at constant currency and exclude acquisitions.

Chairman's Statement

I am pleased to report further progress in 2014 in what remained a challenging economic environment and against considerable currency headwinds.

Performance

Sales increased by 5% at constant currency to £678.3 million, including a small contribution of nearly 1% from the acquisition of BioPure in January 2014. Unfavourable currency movements reduced sales on translation by 6.4% leaving reported sales down 2% compared with sales of £689.4 million in 2013. We achieved good organic sales growth in Watson-Marlow and in the Americas, with modest growth in Asia Pacific and Europe, Middle East and Africa (EMEA).

Operating profit increased by 12% at constant currency to £153.0 million, with a strong improvement in Watson-Marlow, good gains in the Americas and a further advance in EMEA and in Asia Pacific. At reported exchange rates, operating profit was ahead 1%, having been impacted by a negative currency impact of £15 million. The operating profit margin rose to a record 22.5% from 22.0%, despite the stiff currency headwind. Net finance costs increased and the contribution from our Associate company in India was 32% lower, giving an increase in pre-tax profit at constant exchange rates of 12% to £151.1 million; a small advance on the prior year reported pre-tax profit. Adjusted earnings per share rose by 1% to 140.4p (2013: 138.8p) and by 13% at constant currency.

We have today announced that the Group has established a wholly-owned company in India and that we expect to start direct sales in mid-2015. We have also sold the Group's 49.3% interest in Spirax Marshall Private Limited in India to our local partners, with both parties now free to trade under their own respective names, inside and outside India.

Cash and Dividends

Cash inflow was again strong with good cash conversion and we finished the year with net cash of £52 million.

The interim dividend, which was paid in November 2014, was raised by 8% to 19.5p per share (2013: 18.0p per share). The Board is recommending an increase in the final dividend to 45.0p per share (2013: 41.0p) payable on 29th May 2015 to shareholders on the register at 1st May 2015. The total ordinary dividend for the year is therefore 64.5p per share, an increase of 9% over the 59.0p per share for the prior year.

Following a review of the Company's capital requirements and recognising the Group's significant cash generation capability, the Board is also recommending a return of capital to shareholders of £91 million by way of a special dividend of 120p per share in respect of 2014 (2013: nil). The dividend will be payable on 15th July 2015 to shareholders on the register at 12th June 2015. This return represents approximately 4% of the market capitalisation of the Company and the Board is recommending that this is combined with an appropriate share consolidation to maintain, as far as possible, the comparability of the share price before and after the special dividend.

Governance and Board changes
In May 2014, the Board was pleased to announce the appointment of Jamie Pike as an independent Non-Executive Director and Senior Independent Director, bringing his broad industrial and international business experience to the Board. Jamie replaced Gareth Bullock who stepped down at the AGM in May 2014, having completed the nine-year maximum tenure for assured independence. The Board would like to thank Gareth for his significant contribution and thoughtful counsel over many years. In consequence of Mr Bullock stepping down, Dr Krishnamurthy Rajagopal took over as Chairman of the Remuneration Committee.

Prospects
Our Spirax Sarco steam specialties and Watson-Marlow niche pumps and associated fluid technology businesses serve numerous different applications across a wide and diverse range of industries on a direct sales basis utilising the knowledge and experience of our 1,300 sales and service engineers. This direct sales approach, with an increasing sector focus, delivers genuine value to customers in the form of energy savings and emission reductions, water savings, productivity gains, quality improvements and solutions to difficult pumping and fluid control problems. Steam is used as the heat source in many industrial processes and a high proportion of sales come from customers' operating and maintenance spending. Our markets therefore reflect general economic conditions and in particular the rates of growth in industrial production. All these factors, together with the implementation of our growth strategy to pursue a relentless focus on customer service, market development, product development and excellence in manufacturing, mean that we are able to outperform our market growth, whilst retaining considerable resilience.

Overall, market conditions in 2014 were lacklustre, with industrial production growth slowing through the second half of the year in both developed and developing markets. We achieved good trading results in part due to a strong performance in Watson-Marlow, favourable mix and tight overhead controls. Our assumption is that, overall, the world economy will be no better in the current year than that seen in 2014. If recent exchange rates prevail for the full year, there would still be a small translation headwind to sales of 2% in 2015, as the impact of the weaker euro outweighs the benefits of the stronger dollar and related currencies. We are increasing investment and adding resources to develop the business as we execute our growth strategy, and focus on our priorities for generating our own growth and outperforming our markets. These factors, together with our fundamental strengths, give the Board confidence that we will achieve further progress in 2015.

Group Chief Executive's Report

Introduction
The good results in 2014 again demonstrate the fundamental strengths and resilience of our business, with record profits and margin improvement achieved against an unhelpful economic background and a stiff currency headwind. Our direct sales business model leverages the skills and experience of our 1,300 sales and service engineers across the world, to generate solutions to customers' energy and water savings, emissions, productivity, quality and cost problems. In so doing, we reinforce the trusting, long-term relationships that we have with our customers and further build our installed base, which underpins the resiliency of our business that also benefits from the high replacement element to our sales.

During 2014, we undertook an extensive strategic review that confirmed both the quality of our business and identified how we could do better what we already do well. This evolutionary strategy is captured in our six strategic priorities:

- **Increase direct sales effectiveness through sector focus**, enhancing our customer value propositions;
- **Develop the knowledge and skills of our expert sales and service teams**, enabling them to better understand our customers' processes and apply engineered solutions to their steam and niche pumping and fluid path problems;
- **Broaden our global presence**, achieving a first-to-market advantage from early entry into new markets;
- **Leveraging R&D investments**, widening our range of new products and solutions, which is crucial to the long-term growth and sustainability of our business;
- **Optimise supply chain effectiveness**, enhancing product availability, increasing flexibility, reducing costs and optimising customer service;
- **Operate sustainably and help improve our customers' sustainability**, which is at the core of our business operations.

Our focus is on generating our own growth and outperforming our markets. Our direct sales approach provides opportunities for us to unlock unrecognised customers' needs, which is especially valuable in an environment of subdued and slowing global industrial production growth. Our business is very resilient but not immune to any market weakness.

We are actively engaged in the implementation of our growth strategy across the organisation, with the pace of strategy roll out increasing as we progress priority projects. In addition, we have strengthened our acquisition strategy and sharpened our target search criteria with the aim of expanding the capabilities of our core steam specialties and Watson-Marlow businesses, extending geographic coverage and increasing our addressable markets into related areas.

Market environment

Steam provides the heat source across a wide range of industries and niche peristaltic pumps are used across a range of sectors. This wide spread, coupled with the fact that a large proportion of our revenue is derived from customers' operating and maintenance spend, means that our markets tend to reflect the rates of growth in industrial production both in individual markets, regionally and worldwide. The nature of our business is that we generally lag movements in economic conditions by a couple of quarters. Global industrial production growth picked up modestly in the second half of 2013 and into 2014 but has been slowing again since the latter half of 2014 in both developed and emerging markets.

Whilst the price of oil may influence the cost of energy to our customers, the correlation of the price of oil to our sales is weak; payback on energy cost savings being only one of a wide range of motivations for customers to trade with us. Our direct sales business model means that our sales engineers work closely with customers to identify improvements to their steam systems, and peristaltic pump and associated fluid path systems. Typical benefits, other than energy savings, include reduced CO_2e emissions, water savings, productivity improvements, efficiency improvements, reduced quality costs and regulatory compliance.

Market conditions in Europe weakened steadily through the year, with year-on-year growth in industrial production close to zero by the year-end. This included negative growth all year in France and Italy, and steadily slowing growth in Germany but with a continued positive reading in the UK and indeed Spain.

In the Americas, industrial production growth continued at a healthy pace in North America throughout the period, in contrast to negative growth through the period in South America, including in Brazil and Argentina where economic conditions remain difficult.

In Asia Pacific, industrial production growth was positive but slowed markedly in the second half of 2014 due to the widely reported deceleration in China and negative growth in Korea in the final quarter. Market conditions were, however, good in Australia and some of our smaller operations in Indonesia and the Philippines.

Progress in 2014

Group sales increased by just over 5% at constant currency to £678.3 million, comprising organic sales growth of over 4% and nearly 1% from the acquisition of BioPure Technology Limited in January 2014. Growth was strongest in Watson-Marlow, with all geographic regions ahead. In the steam specialties business, the Americas segment saw good overall organic sales growth, with progress in North America and a good gain in Latin America, the latter including the benefit of currency-related price increases in Argentina. Organic sales were modestly ahead in Europe, Middle East and Africa (EMEA), with growth in most of the larger operations, and in Asia Pacific, with Korea performing well.

Sales of £678.3 million show a reduction of nearly 2% compared with sales of £689.4 million in 2013, due to unfavourable currency movements that impacted sales by 6.4% on translation. Sterling was stronger against every one of our reporting currencies, compounded by significant currency weakness in a number of our smaller markets. These stiff currency headwinds have now largely abated and if recent exchange rates prevail for the full year, sales in 2015 would show a further net reduction of 2% on translation into sterling versus 2014 average exchange rates.

Watson-Marlow's brand has been changed to Watson-Marlow Fluid Technology Group, reflecting the evolution of the business from a manufacturer of niche peristaltic pumps and tubing, to its current position as a world leader in niche peristaltic pumps and associated fluid path technologies. Organic sales growth in Watson-Marlow of 9% was spread across virtually all product lines, with new products continuing to make a valuable contribution. There were increases in both project work and base business, with progress in most industry sectors except precious metals mining, where sales were down on the prior year. Geographically, growth was strongest in Asia, from a relatively smaller base, as we further penetrate developing markets, and sales were well ahead in North America and EMEA. The acquisition of BioPure added a further 4% to sales, taking total constant currency growth of Watson-Marlow to 13%.

Organic sales increased by 3.4% in our steam specialties business, with higher than average increases in controls and energy management that are of increasing strategic focus. Higher sales came from improved base business, reflecting sustained demand from customers' operating and maintenance activities, while project work remained broadly flat due to a continued lack of confidence by customers to invest in higher value expansion, productivity and energy saving projects. Geographically, organic growth was led by the Americas, with sales up in North America and well ahead in Latin America; the latter supported by some currency-driven pricing gains in Argentina. Organic sales rose modestly in EMEA, due in part to project work in Italy, and rose in Asia Pacific due largely to Korea. Sales were flat in China as industrial overcapacity in many sectors and government initiated anti-corruption measures across the country, reduced overall levels of project work.

Record operating profit and margins were achieved in 2014. Group operating profit of £153.0 million was 12% higher at constant currency, with a strong currency headwind reducing the reported increase to 1% over the prior year operating profit of £151.6 million. Watson-Marlow performed very strongly and there were operating profit increases at constant currency in each of the steam specialties segments in the Americas, Asia Pacific and EMEA.

There was a strong increase in operating profit margin, rising to 22.5% from 22.0%, despite the stiff currency headwind. The Group benefitted from continued price management actions and broadly flat raw material and component costs. Improvements in our internal supply chain enabled a reduced level of subcontract costs and increased efficiency, and generally business and product mix was favourable versus the prior year. We continued to invest in product and market development for the long term, however, we tightened control of overheads through the second half of the year, as the world economic growth outlook moderated. Our business is seasonally biased to the second half and, as expected, this was slightly accentuated in 2014 by shipment of the larger than normal backlog built up in the first half year.

Market outlook
We continue to benefit from the many improvements made to our business in recent years and expect further benefits for all stakeholders over the coming years as we implement growth strategies across all aspects of our business to drive outperformance against our markets.

Industrial production growth prospects have been scaled back for 2015. However, we have an outstanding growth record and a direct sales business model that offers opportunities for self-help, whilst deriving a large proportion of revenues from customers' operating and maintenance budgets, giving a high degree of resilience to our business in more difficult economic conditions. We are increasing investment and adding resources in support of our growth strategy and we are confident that, through these actions, we can continue to outperform our markets and deliver further improvements in our business.

Europe, Middle East and Africa (EMEA)

	2014	2013	Change	Constant currency
Revenue	£236.2m	£244.3m	-3%	+2%
Operating profit	£45.9m	£48.2m	-5%	+4%
Operating margin	19.4%	19.7%	-30 bps	+30 bps

Market overview
Industrial production growth in EMEA improved towards the end of 2013, albeit to only relatively low levels of around 2%, and this was sustained through to the middle of 2014. However, since then industrial production growth progressively slowed, approaching zero at year-end, making for overall challenging market conditions. Russia and Ukraine account for just over 1% of Group sales and events there, together with the imposition of sanctions, caused increased market uncertainty and some loss of customer confidence in associated markets in Germany and the Nordic areas. Heightened security risks and Ebola had an impact on a number of our smaller markets in Africa. Market conditions in France were very poor but, in contrast, there has been some improvement in Spain and conditions have remained positive in the UK. Overall, large project business saw a decline, although quote levels are encouraging.

Progress in 2014
In EMEA, organic sales grew by 2% to £236.2 million. Currency movements were unfavourable reducing sales on translation by 5%, with reported sales therefore 3% down compared with the £244.3 million in 2013. We made good progress in our larger more developed markets in Germany, Italy, Spain and the UK, growing overall sales and profit by more than the segment average and increasing margins. Italy did particularly well, winning a number of large projects and the UK did well to grow sales again, following the strong advance in 2013. France was the only one of our larger more developed markets to see a decline in sales, reflecting the poor market conditions, although we are creating a new training centre in France to boost our capability and technical standing. Our operations in the Nordic areas performed well increasing sales and profit, as did Poland and Turkey.

Overall, project business was down in the year, including a large drop in the refining and petrochemicals sector in Russia that impacted our business there and which necessitated local cost-saving measures and a switch in sales focus to more resilient areas. Lower project work was also reflected in the Middle East, with the non-repeat of large hospital projects in the prior year. Generally quote logs in EMEA remain at an encouraging level.

Operating profit increased by 4% at constant currency to £45.9 million reflecting the sales increase, the benefit of continued price management actions, favourable mix and tight control of costs, especially in the second half year as the economic environment turned down. Our manufacturing operations in France and Italy did well, improving service levels and profit, but our UK steam specialties factory saw lower demand, especially through the quieter late summer period. Generally, we benefited from stable purchase costs for materials that mitigated the impact of unfavourable currency movements, which were large in a number of countries with the average exchange rate for the Russian rouble -22%, Turkish lira -16% and South African rand -15%. This was reflected in the overall reported profit, which declined by 5% from the prior year's £48.2 million. The operating profit margin for EMEA at 19.4% (2013: 19.7%) was slightly lower but improved by 30 bps at constant currency.

Strategy update
We continued to develop our markets, establishing a new operating company in the Netherlands and transitioning to a full operating company in the UAE and Egypt, the latter commencing local trading in January 2015. We achieved good improvements in stock management, delivery performance and customer service levels, which should underpin our largely self-generated growth initiatives. Resource has been added in a number of areas, including wider supply chain skills.

Outlook
We remain positive and continue to identify areas where we can grow and improve our business in EMEA. Markets remain challenging, with continued unfavourable currency movements and developing events in Ukraine and Russia creating uncertainty in a number of markets with strong trading links to Russia, as well as heightened security concerns in Africa and the Middle East. In February 2015, we took actions to reduce costs in our UK manufacturing plant and will incur a one-off cost of £1.0 million within ordinary trading in 2015, but this will be more than compensated by the on-going reduction in overheads during the remainder of the year.

Asia Pacific

	2014	2013	Change	Constant currency
Revenue	£177.7m	£182.8m	-3%	+2%
Operating profit	£46.4m	£48.0m	-3%	+4%
Operating margin	26.1%	26.3%	-20 bps	+50 bps

Market overview
The economic conditions in the region have been mixed, with continued expansion in some smaller markets such as Indonesia and Malaysia but with overall industrial production growth slowing sharply in the second half year. In our largest market in China, economic growth slowed but was also more balanced as the government works to partly offset the decline of capital investments that have accounted for almost half of GDP, with more consumption driven growth. Independent estimates of Chinese industrial production growth indicated a slowdown to mid-single digits by the end of 2014, reflecting the overcapacity in many industries, reduced foreign direct investment and the impact of the Government's anti-corruption campaign, although the latter is a welcome and positive development for the medium and longer term. Industrial production growth turned negative in

Korea in the fourth quarter and there was political turmoil in Thailand following the coup d'état in May. Generally in the region, pricing and competitive pressures remain and are greater than elsewhere, although our direct sales approach and fundamental strengths enabled us to outperform our markets.

Progress in 2014

Organic sales increased by 2% but at reported exchange rates sales reduced by 3% from £182.8 million to £177.7 million due to unfavourable currency movements versus sterling in all currencies. As expected, sales growth was stronger in the second half as a number of large projects in Korea were shipped and the usual order build from the first half year was unwound. However, we were not immune from the general economic slowdown across much of the region in the second half year.

Our business in Korea performed very well, achieving higher sales, especially in the refining and petrochemical and power industries for export projects, and through a strong focus on smaller and mid-sized energy saving and process improvement opportunities. Our Korean sales team did well with steam system services and with sales into general industry, although there were some project delays and postponed investment in the shipbuilding sector. Profit was well ahead in Korea reflecting the higher sales and favourable product mix.

In China, sales were flat and profit slightly lower at constant currency. Project work related to customers' capital investment, which has been significant in this country approaching 50% of our sales in prior years, declined reflecting the industrial overcapacity in the markets we serve, as well as delays caused by the government's anti-corruption drive. This was compensated for by refocusing on customers' energy efficiency, process improvement and maintenance activities, where sales increased. The growth in overheads slowed markedly but wage pressures continued, which was partially offset by efficiency improvements and an on-going increase in the proportion of local manufacture, as production is expanded in line with our regional manufacturing strategy.

Elsewhere in Asia Pacific, we made good progress in Japan against a significant 13% currency headwind, with very effective price management and, similarly, did well in Australia, growing sales and profit at constant currency. Our new company in Indonesia became fully operational during the year, completing a myriad of approvals, and we focused on market development, intensive training of our expanding sales team and building customer relationships. In the Philippines, our business performed well in its first full year as an operating company and we did well in Thailand, against a difficult market background.

Overall in Asia Pacific, operating profit increased by 4% at constant currency reflecting favourable mix, price management and increased regional manufacture, partially offset by increased market development costs, investment in new IT systems and expanded office facilities in a number of operations. Unfavourable currency movements meant that operating profit of £46.4 million (2013: £48.0 million) was 3% lower at reported exchange rates. The operating profit margin was broadly unchanged at 26.1% (2013: 26.3%) and ahead 50 bps at constant currency.

Strategy update

Markets in Asia Pacific continue to exhibit good long-term growth characteristics. Our strategy, as elsewhere in the world, is focused on self-generated growth based on making improvements to our sales effectiveness, with increasing sectorisation and enhanced delivery performance. Broadening our market presence remains a priority, with new operations in new territories adding to the aggressive development of those established in recent years. Our regional manufacturing strategy and optimisation of the wider supply chain, is focused on local product availability, cost effectiveness and flexibility.

Outlook
Overall, regional industrial production growth has progressively slowed and economic uncertainty persists in our largest market in China. However, we remain positive about the medium and long-term growth prospects, with a good exposure to the more resilient sectors such as foods and healthcare. We expect to benefit from our investments in market development, especially in Indonesia, and from a focus on key industries such as foods, beverages and healthcare, where there are positive dynamics from a growing and ageing population.

We have announced today the establishment of a wholly owned company in India that is expected to commence direct sales operations around mid-2015. This exciting start-up will include world-class manufacturing and training facilities and is central to our strategy of accelerating growth in this important market. The 49.3% shareholding in our long-standing Associate Company in India, Spirax Marshall Private Limited, has been sold to our local partner for £6.5 million and both parties will in future be free to trade under their respective names within and outside India.

The Americas

	2014	2013	Change	Constant currency
Revenue	£126.2m	£132.0m	-4%	+8%
Operating profit	£28.0m	£26.1m	+7%	+31%
Operating margin	22.2%	19.8%	+240 bps	+400 bps

Market overview
Market conditions remained positive in North America through the year with good growth in industrial production in the USA, although in Canada the falling oil price impacted the oil tar sands sector. The position in South America was very different, with overall negative industrial production in all four quarters, including in our important markets in Brazil and Argentina. Additionally in Brazil, the corruption issues at Petrobras impacted project work in the sector and dented economic confidence in the country. Elsewhere, economic conditions were mixed in some of our smaller markets and there was generally a reduction in large projects across the region.

Progress in 2014
Sales in the Americas increased by 8% at constant currency, with sales ahead in North America and a good advance in Latin America, although the latter benefitted from local currency gains in Argentina from dollar-based pricing. All currencies were weaker against sterling, including the Brazilian real -12% and Canadian dollar -11%, and the Argentine peso suffered a significant devaluation of 35%, which meant that sales of £126.2 million (2013: £132.0 million) in the Americas showed a decline of 4% at reported exchange rates.

In North America, sales efforts were focused towards our target areas, where we achieved sales growth, and away from less attractive lower margin project and service work, which registered a decline. These actions resulted in a favourable mix and much improved profit and margin performance, albeit at the expense of some top-line growth. This was underpinned by improved delivery performance, focused price management and close control of overhead costs, as we carefully implement important changes in the USA to expand the total available market, leveraging our direct sales resource to uncover and capture unrecognised customer needs.

In Latin America, market conditions continued to be difficult in our two largest markets in Brazil and Argentina, although in Mexico, market conditions improved. Sales and profit in Brazil were flat at constant currency, with lower levels of project work in the refining and petrochemicals sector, reflecting a significant decline at Petrobras. Profit in Brazil benefited from a positive sales mix into beverages, pulp and paper, and chemicals, and from continued cost controls. Trading conditions in Argentina were challenging, with the currency devaluing, high cost inflation and regulatory hurdles. Despite this, sales into the domestic and export markets were modestly ahead in dollar terms and operating profit was well ahead, even at reported exchange rates, aided by dollar-based pricing.

Elsewhere in Latin America, our recently established company in Chile did exceptionally well in its first full year of trading, building the knowledge of our direct-sales team and winning a large bakery project. In Mexico, the relocation to our new manufacturing plant, offices and training centre was completed in the second quarter and efficiency gains began to be captured.

Overall in the Americas, operating profit increased by 31% at constant currency. Unfavourable currency movement, including the devaluation in Argentina, meant that the operating profit of £28.0 million (2013: £26.1 million) increased by 7% at reported exchange rates. The underlying profit increase reflects a positive sales mix, flat material costs, effective price management, dollar-based pricing in Argentina and overhead controls. The operating profit margin improved to 22.2% (2013: 19.8%), with good gains in both North America and Latin America.

Strategy update
As mentioned above, our new operating company in Chile made an excellent start and a new company in Peru commenced local trading in January 2015, continuing the expansion of our direct presence. Self-generated growth is a strategic focus for all companies, including a gradual alignment of sales along a sector basis and intensified training. Regional manufacturing was extended, with the completion of the new world-class facility in Mexico that was designed to comply with the highest environmental and sustainability standards and became fully operational in April 2014. The sustainability of our business was enhanced, with improvements in profitability, increased return on capital employed and improved employee welfare following the introduction of Behaviour Based Safety, initially in the USA.

Outlook
North America accounts for well over half of the sales in the Americas and market conditions remain positive in the USA, where we expect to benefit from the changes being made to effectively increase our total addressable market. In Mexico, the market is improving but elsewhere in Latin America, industrial production growth is negative in Brazil, where the focus is on self-generated growth, and in Argentina, where the economic environment is difficult and further currency turmoil cannot be ruled out; elections there later in 2015 create additional uncertainty.

Watson-Marlow Fluid Technology Group

	2014	2013	Change	Constant currency
Revenue	£138.2m	£130.3m	+6%	+13%
Operating profit	£43.5m	£39.5m	+10%	+20%
Operating margin	31.5%	30.3%	+120 bps	+190 bps

Market overview
Economic conditions in the various regions of the world were the same as for the steam specialties business. Market conditions reflect the different spread of industries served by our Watson-Marlow niche peristaltic pumps and associated fluid path technologies business. Water and wastewater markets were particularly strong, with good growth in the Americas and Asia as pent-up demand was released, underpinned by good progress with new product releases and market share gains in metering applications. General industrial markets were strong, as was OEM in medical device and clinical diagnostic applications. Our largest sector biopharmaceutical, accounting for around a third

of sales, was boosted by the acquisition of BioPure Technology Limited. Food and beverage markets were generally more difficult but strong growth continued in Asia. Precious metal mining stabilised against the background of a global decline in capital expenditure in the industry. Generally, pricing pressures remain in most sectors, especially in a lower inflation environment.

Progress in 2014

Sales increased by nearly 13% at constant currency, including a contribution of 4% from the acquisition of BioPure in January 2014. Sales of £138.2 million were 6% ahead of £130.3 million in the comparable period at reported exchange rates, reflecting unfavourable currency movements that reduced sales on translation by 6%. Organic sales growth was achieved in all regions and was widespread across the product range, with a strong advance in Flexicon filling systems and Watson-Marlow core pumps and tubing. New product releases contributed well, including extensions to the new Qdos chemical metering pump range. Overall, there was an increase in both base business and project work. There was a seamless integration of BioPure into the Group and we achieved a smooth transition from BioPure's distribution to our direct sales in the USA.

In the EMEA region, sales growth was widespread, although sales were down in Russia. There was good growth in France and Germany, and a strong performance in Scandinavia. We continued to benefit from our focused market sector approach across our key industry sectors, driving a better understanding of how we add value to our customers' businesses. Growth was strongest in the Asia Pacific region, although from a relatively smaller base in these developing markets. There was good growth in China and Korea but in Australia, sales were marginally down reflecting the difficulties faced by the local mining sector. The Americas region contributed well, driven by the USA where the OEM and industrial sectors were strong, although our business in Brazil was broadly flat, due to the downturn in the mining sector and weakening industrial production impinging investment.

Watson-Marlow's operating profit increased by 20% at constant currency to £43.5 million (2013: £39.5 million) and was 10% ahead at reported exchange rates. The profit increase reflects the higher sales, a good first-time contribution of £1.6 million from BioPure and unusually favourable product mix. The operating profit margin improved from 30.3% to a very strong 31.5%.

Strategy update

A number of small individual distributors were converted to direct sales during the year across five product lines in six countries and product development was increased across all product lines, with the emphasis on increasing the addressable market size. Our Global Excellence in Manufacturing (GEM) programme was stepped up, with a number of plants increasing their proficiency level. Watson-Marlow's brand has been changed to Watson-Marlow Fluid Technology Group. This change better reflects the evolution of the business from a manufacturer of niche peristaltic pumps and tubing, to its current position as a world leader in niche peristaltic pumps and associated fluid path technologies. Our business now encompasses seven distinct brands which, combined, deliver complete fluid technology solutions to the biopharmaceutical, industrial, food and beverage, mining, environmental and OEM market sectors. This change recognises our progressive product and market diversification, and follows the recent acquisition of BioPure, which signalled our strategic move to offer a wider range of solutions to the biotechnology and pharmaceutical markets. Our Watson-Marlow direct sales companies employ a market sectorised approach to successfully leverage these new and related products to grow sales of our niche peristaltic pumps and associated fluid path technologies.

Outlook

Our market in the USA continues to grow, although there is much slower growth and more uncertainty in many other markets in Europe and Latin America in particular. The precious metals mining sector is expected to remain sluggish, with low levels of project activity. Our focus remains on growing sales through the expansion of our addressable markets, the development of new innovative products that take market share from other pump types and aggressive geographical expansion of our sector-based direct sales presence, complemented by related niche acquisitions. We expect to increase investment in product and market development, and will have higher system support costs in the current year to support this growth strategy. The currency headwinds have largely abated and at current exchange rates, there would be a small negative impact of 1% in 2015 versus average rates in 2014.

Financial Review

The Group reports under International Financial Reporting Standards (IFRS) and also uses adjusted figures where the Board believes that this gives a more representative indication of the underlying performance. Unless otherwise stated, adjusted figures are used throughout and exclude the amortisation and impairment of acquisition-related intangible assets and acquisition and disposal costs, together with the tax effects of these items.

Good results were achieved in 2014. Sales of £678.3 million (2013: £689.4 million) were ahead 5% at constant currency, comprising organic sales growth of over 4% and a contribution of nearly 1% from acquisitions, which was more than offset by unfavourable currency movements that reduced sales on translation by 6.4%. At reported exchange rates, sales declined by less than 2%. Growth was strongest in Watson-Marlow, with organic sales ahead 9%, boosted by a good first-time contribution from BioPure Technology Limited acquired in January 2014. Organic sales increased by over 3% in the steam specialties business, led by an 8% increase in the Americas, with sales ahead in North America and a good advance in Latin America benefiting from some strong currency-related price increases in Argentina. In EMEA and Asia Pacific, organic sales growth was more modest at 2%.

Currency movements were strongly negative with a £44.1 million or 6.4% sales translation headwind in 2014. Sterling was stronger against every currency in which we operate, including 5% against both the euro and dollar, and there were individually weak currencies in a number of developing markets, including the Argentine peso -35% against sterling on average, the Russian rouble -22%, Turkish lira -16%, South African rand -15%, Brazilian real -12% and Canadian dollar -11%. These headwinds have largely abated, although if recent exchange rates prevailed for the full year, there would still be a 2% negative sales translation impact in 2015.

Operating profit increased by 1% from £151.6 million to £153.0 million and by over 12% at constant currency. The statutory operating profit was £148.1 million (2013: £147.0 million). In addition to a significant impact of £11.3 million from exchange translation, there was a negative exchange transaction impact of £4.1 million, creating a total operating profit currency headwind of 10.2% or £15.5 million for the year. This impact was spread across all segments with EMEA -£4.1 million, Asia Pacific -£3.3 million, the Americas -£4.8 million and Watson-Marlow -£3.2 million. The factors driving the underlying operating profit increase of 12% in 2014 were:

- Benefit and modest leverage from the organic sales increase of over 4%;
- The continued focus on price management and business mix;
- Favourable product mix in both the steam specialties and Watson-Marlow businesses;
- The benefit of broadly flat costs for materials reflecting subdued prices for raw materials, castings, forgings and other components;
- Close control of overhead costs, especially in the second half year, as industrial production growth slowed in both developed and developing markets.

The operating profit margin improved from 22.0% to 22.5%, despite the unfavourable currency headwind, reflecting the above factors and the very strong margin performance in Watson-Marlow.

Early in 2015, we took cost reduction actions in our steam specialties manufacturing operation in the UK, resulting in a reduction of 43 permanent positions, representing 7% of the Cheltenham manufacturing workforce. There is a one-off cost of £1.0 million that will be included within adjusted operating profit in the first half, which will be more than compensated in 2015 by the on-going annualised £2.0 million reduction in overhead, with a further modest full-year effect benefiting 2016.

Interest
Net interest cost increased from £2.3 million to £3.0 million. Net finance costs under IAS19 in respect of the Group's defined benefit pension schemes increased by £0.2 million to £2.9 million. Net bank interest deteriorated by £0.5m due to the full-year effect on cash balances in 2014 of the £78 million special dividend paid in July 2013, variations in interest rates and the location of cash balances and borrowings.

Associates
The Group's after tax share of the profits of Associates was significantly lower at £1.2 million (2013: £1.7 million) due to a disappointing 32% decline in the profits from our 49.3% share of Spirax Marshall in India. The Group's initial 30% interest in the Econotherm heat pipe technology start-up was increased in two stages during the year to 39% and further progress was made in commercialising this innovative heat transfer technology.

Pre-tax profit
The profit before tax at £151.1 million was 12% ahead at constant exchange rates. Unfavourable currency movements meant that at reported exchange rates, the pre-tax profit was fractionally ahead of the prior year. The statutory profit before tax was £144.8 million (2013: £145.7 million) and includes those non-operating items, listed below, that have been excluded from the adjusted profit:

- A charge of £4.1 million (2013: £4.0 million) for the amortisation of acquisition-related intangible assets;
- Acquisition and disposal costs of £0.8 million (2013: £0.6 million);
- A charge of £1.5 million (2013: £0.8 million) against the Associate profit comprising £0.5 million (2013: £0.7 million) for the amortisation of acquisition-related intangible assets and £1.0 million for the impairment of goodwill and other assets in respect of the sale of the Group's 49.3% holding in our Associate company Spirax Marshall in India (2013: £0.1 million in respect of the disposal of the HVAC business of Eirdata).

Taxation
The tax charge on the adjusted profit before tax, excluding Associates' profit (which is presented on an after-tax basis), was virtually unchanged at 29.9% (2013: 29.8%). The Group comprises around 70, mainly small, operating units in over 40 countries, which reflects the business model that requires a direct sales presence, with local sales engineers providing solutions direct to end-users wherever possible, holding local stocks for optimum customer service levels and invoicing in local currency. The Group's overall tax rate essentially reflects the blended average of the tax rates in the many different tax jurisdictions in which we operate and make profits.

Earnings per share
The Group's strategy is directed at sustainable growth in shareholder value, with consistent growth in earnings and dividends per share. Adjusted basic earnings per share increased by 1% to 140.4p (2013: 138.8p) and by 13% at constant currency, including a small benefit from the reduction in the average number of shares in issue, due to the full-year effect of the share consolidation in mid-2013. The statutory earnings per share decreased by less than 1% to 132.8p (2013: 133.4p). The fully diluted earnings per share were not materially different in either year.

Dividends
The Board is proposing a final dividend of 45.0p per share (2013: 41.0p per share) payable on 29th May 2015 to shareholders on the register at 1st May 2015. Together with the interim dividend of 19.5p per share (2013: 18.0p), the total Ordinary dividend is therefore 64.5p per share, which is an increase of 9% on the 59.0p total Ordinary dividend in 2013. This extends our dividend record to 47 years, with a compound annual increase of 11% over that period; the increase over the last ten years has been 12% pa and over the last five years also 12% pa.

In addition, having reviewed the capital requirements of the Company and recognising the Group's significant cash generation capability, the Board is proposing a return of capital to shareholders of £91 million in the form of a special dividend of 120p per share in respect of 2014 (2013: nil). If approved at the AGM, the special dividend will be paid on 15th July 2015 to shareholders on the register at 12th June 2015. This is equivalent to approximately 4% of the market capitalisation of the Company and, as is common with a significant return of capital to shareholders, the Board is recommending that this is combined with an appropriate share consolidation. This is intended to maintain, as far as possible, the share price, earnings per share and dividends per share, before and after the special dividend, and to remove the impact of the special dividend on employee equity-based incentives. It is anticipated, therefore, that the market price of each Ordinary share will remain at a broadly similar level following the special dividend and share consolidation.

The total dividend in respect of 2014, combining both the Ordinary and special dividends, will therefore be 184.5p per share.

Acquisitions and disposals
We continue to actively search for suitable acquisitions opportunities that meet our strict criteria, in order to supplement our organic growth strategy. Acquisitions fall into three broad categories;

- geographic expansion, typically through the acquisition of a distributor in a developing market;
- products that can be integrated into our existing businesses; and,
- related acquisitions that fit alongside our existing steam specialties and Watson-Marlow businesses.

Our strong balance sheet and debt capacity provides us with considerable flexibility.

On 6th January 2014, we announced the acquisition of BioPure Technology Limited for £8.2 million. BioPure specialises in the design and production of advanced single-use tubing connector systems for the biopharmaceutical industry, operating as part of our Watson-Marlow Fluid Technology business. The first-time contribution from BioPure was ahead of our expectations, with a very smooth integration in to our Watson-Marlow sector-based sales structure.

Econotherm continues to make progress in commercialising their innovative heat pipe technology. In May 2014, the Group invested a further £150,000 and in December 2014, an additional £250,000 into the business, taking our interest in this Associate company to 39%.

On 22nd May 2014, we completed the purchase of the thermocompressor business of Transvac Systems Limited for £0.9 million. Good progress has been made in bringing in-house this acquired technology, which can improve steam system efficiency and is well-suited to our technical sales approach. This acquisition also included jet heaters and steam jet syphons.

We have announced today that the Group has established a wholly-owned company in India that will commence direct sales around mid-year 2015, operating from a new site in Chennai where investment of £11 million in a manufacturing plant, warehouse, training centre and offices has commenced. On 1st March 2015, we sold the Group's 49.3% interest in Spirax Marshall Private Limited for £6.5 million to our Indian partners and both parties are now free to trade under their own respective names inside and outside India. Spirax Sarco retains sole rights to the Spirax Sarco brands and product nomenclatures. The disposal proceeds were broadly in line with the net tangible asset value. To reflect the impending sale of the business, our Investment in this Associate company as at 31st December 2014 was categorised as an asset held for sale and an impairment charge of £1.0 million was recognised, largely in respect of goodwill relating to an increase in our shareholding in 2008 from 40% to 49.3%. This impairment charge is included within the statutory results for 2014 but has been excluded from the adjusted trading results, as explained earlier. The Group's results for 2015 will reflect our 49.3% share of the after tax profits of the Associate company for January and February 2015 of £0.2 million (2014 full year £1.3 million) and an expected modest trading loss in our newly established direct sales operation. We anticipate an increasing contribution to Group sales and profits from India in future years.

Research and development

In the steam specialties business, our research and development programme was refined to more fully align with the sales growth strategy. We continue to focus on a smaller number of larger opportunities centred on our key areas of interest in controls and thermal energy management, where we have overall smaller market shares and larger addressable markets. New product development projects are expected to increasingly reflect the needs of customers in specific industries, reflecting the gradual move to a more industry sector-based sales approach.

In our Watson-Marlow niche peristaltic pump and associated fluid path technologies business, we continue to follow the successful strategy of focusing on increasing the addressable market size, with innovative products that take market share from other positive displacement pump types. There were extensions to the new Qdos pump range, together with tube and hose developments, where Watson-Marlow is at the forefront of technological advances.

Overall the Group's total investment in research and development was £9.6 million (2013: £9.6 million).

Capital employed

Capital employed	2014	2013
	£'000	**£'000**
Property, plant and equipment	176,668	174,218
Inventories	98,007	104,164
Trade receivables	155,696	145,380
Prepayment and other current assets/(liabilities)	(84,134)	(79,284)
Capital employed	**346,237**	**344,478**
Intangibles and investment in Associate/assets held for sale	101,959	97,398
Post-retirement benefits	(75,779)	(72,043)
Deferred tax	18,529	18,619
Provisions and long-term payables	(1,561)	(1,318)
Net cash	52,493	16,400
Net assets	**441,878**	**403,534**
Adjusted operating profit	**152,950**	**151,626**
Average capital employed	**345,358**	**341,775**
Return on capital employed	**44.3%**	**44.4%**

Total capital employed increased by less than 1% to £346 million. At constant exchange rates the increase was just 2%.

Tangible fixed assets increased by 3% at constant currency to £177 million, with increased investment in land and buildings, including in respect of additional land adjacent to our existing plant in Shanghai, China, and in a new site at Chennai in India. Both these sites will now be developed, with a new facility in India scheduled to be completed in early 2016, and a significant plant extension in China scheduled for completion in 2017. We will continue to invest in capital expenditure projects that deliver good returns through increased efficiency, reduced costs and flexibility, in support of our wider supply chain strategy. At the end of 2014, the combined heat and power plant in Cheltenham was brought on stream, which will reduce our energy usage, reduce our CO_2e emissions and improve our sustainability.

Total working capital increased by 2% at constant currency to £170 million. This was due to an increase in trade receivables of 9%, reflecting the higher level of project work shipped in the final two months of the year, particularly in Asia Pacific. We continue to roll out improved stock management techniques aimed at optimising stock levels across both manufacturing units and sales operations in support of sales growth. Inventory levels reduced by 3% at constant currency, which compares with an increase in sales of 5% on the same basis. The overall ratio of working capital to sales nudged up to 25.0% (2013: 24.7%) reflecting the higher debtors.

Return on capital employed

This is one of our most important key performance indicators and forms a meaningful element of Executive Directors' annual bonuses. Effective deployment and efficient use of fixed assets, together with close control of debtors and optimisation of inventories, drive improved levels of capital employed. Following the marked improvement in 2013, the overall return on capital employed was virtually unchanged at 44.3% (2013: 44.4%). The improvement in adjusted operating profit was contained to just 1% due to the considerable currency headwind, excluding which operating profit was ahead over 12%. Average capital employed (using the average of opening and closing sterling balance sheet values for the period) also increased by 1%, although this was much less affected by currency movements and therefore masked an underlying improvement in return on capital employed.

Post-retirement benefits
The net post-retirement benefit liability under IAS19 shows a small increase to £75.8 million (2013: £72.0 million). The value of assets held by the Group's various defined benefit pension arrangements (around 90% of which are held in the main UK defined benefit pension schemes) increased by 12%, reflecting returns on assets again above the scheme assumptions and deficit reduction contributions of £3.4 million into the UK schemes in the year. However, assessed liability values increased by 11% reflecting the continuing fall in yields on AA Corporate Bonds, the use of which is mandated under IAS19 to determine the present value of post-retirement benefit outflows. The main UK schemes were closed to new members in 2001 but have remained open to future service accrual. These schemes have been managed for the last three years under a dynamic de-risking strategy whereby asset and liability values are monitored on a daily basis by the asset manager and appropriate asset allocation decisions taken as the funding level improves against pre-agreed trigger points.

The last actuarial valuation of the UK schemes, as at 31st December 2013, was completed in September 2014 and showed those schemes to be broadly in balance. As a consequence, deficit reduction cash contributions by the Company were ceased with effect from October 2014. This actuarial position compares with a deficit of £42m, as at 31st December 2013, under IAS19.

Cash flow and treasury
2014 was another good year for cash flow, founded on a high conversion of profit into cash through close control of working capital, whilst continuing to invest in capital expenditure projects in support of business growth and margin improvement.

Adjusted cash flow	**2014 £'000**	2013 £'000
Operating profit	152,950	151,626
Depreciation and amortisation	22,703	22,707
Adjustments (including share plans)	1,615	2,700
Working capital changes	(14,523)	(7,345)
Net capital expenditure (including software and R&D)	(31,331)	(26,693)
Cash from operations	**131,414**	**142,995**
Net interest	(53)	417
Tax paid	(41,915)	(42,318)
Free cash flow	**89,446**	**101,094**
Net dividends paid	(45,109)	(119,992)
Pension deficit reduction payments and provisions	(4,870)	(6,985)
Restructuring costs paid	-	(1,623)
Proceeds from issue of shares/buy-back	2,218	(582)
Acquisitions	(9,984)	(5,601)
Cash flow for the year	**31,701**	**(33,689)**
Exchange movements	4,392	(1,587)
Opening net cash	16,400	51,676
Net cash at 31st December	**52,493**	**16,400**

Adjusted operating cash flow was £131.4 million (2013: £143.0 million). Cash conversion was 86%, down from 94% for the prior year partly due to an increase of £4.6 million in capital expenditure to £31.3 million, as we invested in a new site in India and in additional land adjacent to our existing plant in China. We would expect capital expenditure in the current year to increase again to over £35 million. Working capital absorbed £14.5 million (2013 £7.3 million), due to an increase in trade debtors reflecting the greater proportion of project work in the last two months of the year. Our business is vertically integrated with high value added, where we purchase raw materials in the form of castings, forgings and components, and manufacture, test, hold inventories of finished product and sell direct to end-users wherever possible. This business model means that our working capital largely comprises debtors and inventories, with a relatively low value of trade creditors but also delivered a 44.3% return on capital employed.

Taxation paid was £41.9 million, which was similar to the previous year and close to the tax charge in the profit & loss account, with tax paid in virtually every one of the 41 countries in which the Group has operating units. Free cash flow of £89.4 million (2013: £101.1 million) was therefore generated and available for dividends to shareholders, acquisitions and other corporate uses.

Dividend payments were £45.1 million reflecting the increase in the Ordinary dividend, partially offset by the reduction in the number of shares in issue following the share consolidation. Total dividend payments in the prior year were £120.0 million and included £78.3 million in respect of the 2012 special dividend paid in July 2013. Pension deficit reduction cash contributions and provision movements were lower at £4.9 million (2013: £7.0 million) due to the cessation of such contributions following the triennial actuarial valuation of the main UK schemes completed during 2014. There was an outflow of £10.0 million for acquisitions, largely comprising the purchase of BioPure in January 2014. There was an inflow of £2.2 million in respect of share capital comprising an inflow of £5.2 million for shares issued under the Group's various employee share schemes and an outflow of £3.0 million for shares bought back and lodged in the Group's Employee Benefit Trust, to provide shares for future vesting of awards under the Group's long-term performance share plan.

We therefore generated an increase in net cash of £31.7 million during the year. Currency movements increased net cash balances by £4.4 million, giving closing net cash of £52.5 million at 31st December 2014, compared with £16.4 million a year earlier.

The Group's profit and loss account and balance sheet are exposed to movements in a wide range of different currencies. This stems from our direct sales business model, with a large number of local operating units. These currency exposures and risks are managed through a rigorously applied Treasury Policy, typically using centrally managed and approved simple forward contracts to mitigate exposures to known cash flows and avoiding the use of complex derivative transactions. The largest exposures are to the euro, US dollar, Chinese renminbi and Korean won. Whilst currency effects can be significant, the structure of the Group provides mitigation through our regional manufacturing strategy, diverse spread of geographic locations and through the natural hedge of having a high proportion of our overhead costs in local currency in our direct sales operating units.

Capital structure

The Board keeps the capital requirements of the Group under regular review, maintaining a strong balance sheet to protect the business and provide flexibility of funding for growth. The Group generates high returns on capital and our priority is to maximise reinvestment in the business to generate further returns in the future. We also prioritise the search for suitable acquisitions that can expand our geographic reach, deepen our market penetration, broaden our product range or add to our addressable markets in related areas. Acquisition targets need to exhibit good strategic fit and meet strict commercial, economic and return on investment criteria.

Where cash resources exceed expected future requirements, we will seek to return capital to shareholders and have today announced a £91 million return via a special dividend of 120p per share. This is equivalent to approximately 4% of the Company's share capital and, as is common with a significant return of capital, is being combined with an appropriate share consolidation. The purpose of the share consolidation is to maintain, as far as possible, the comparability of the share price before and after the special dividend and to remove the impact of the special dividend on employee equity-based incentives.

Spirax-Sarco Engineering plc

STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER 2014

	Note	2014 £'000	2013 £'000
ASSETS			
Non-current assets			
Property, plant and equipment		176,668	174,218
Goodwill		47,682	45,765
Other intangible assets		48,123	44,594
Prepayments		402	162
Investment in associates		377	7,039
Deferred tax assets		35,941	34,472
		309,193	306,250
Current assets			
Inventories		98,007	104,164
Trade receivables		155,696	145,380
Other current assets		23,973	19,880
Taxation recoverable		4,420	3,709
Associate held for sale		5,777	-
Bank deposits		24,437	32,901
Cash and cash equivalents		117,981	84,417
		430,291	390,451
Total assets		739,484	696,701
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables		90,754	86,108
Bank overdrafts		461	1,809
Short-term borrowing		40,070	39,338
Current portion of long-term borrowings		298	298
Current tax payable		22,175	16,927
		153,758	144,480
Net current assets		276,533	245,971
Non-current liabilities			
Long-term borrowings		49,096	59,473
Deferred tax liabilities		17,412	15,853
Post-retirement benefits		75,779	72,043
Provisions		556	720
Long-term payables		1,005	598
		143,848	148,687
Total liabilities		297,606	293,167
Net assets	2	441,878	403,534
Equity			
Share capital		19,622	19,568
Share premium account		65,067	59,954
Other reserves		(6,486)	11,474
Retained earnings		362,796	311,737
Equity shareholders' funds		440,999	402,733
Non-controlling interest		879	801
Total equity		441,878	403,534
Total equity and liabilities		739,484	696,701

Spirax-Sarco Engineering plc

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2014

	Note	Adjusted 2014 £'000	Adj't 2014 £'000	Total 2014 £'000	Adjusted 2013 £'000	Adj't 2013 £'000	Total 2013 £'000
Revenue	2	678,277	-	678,277	689,388	-	689,388
Operating costs		(525,327)	(4,855)	(530,182)	(537,762)	(4,586)	(542,348)
Operating profit	2	152,950	(4,855)	148,095	151,626	(4,586)	147,040
Financial expenses		(5,229)	-	(5,229)	(4,268)	-	(4,268)
Financial income		2,246	-	2,246	1,968	-	1,968
	3	(2,983)	-	(2,983)	(2,300)	-	(2,300)
Share of profit of associates		1,151	(1,469)	(318)	1,730	(756)	974
Profit before taxation		151,118	(6,324)	144,794	151,056	(5,342)	145,714
Taxation	4	(44,857)	636	(44,221)	(44,542)	1,148	(43,394)
Profit for the period		106,261	(5,688)	100,573	106,514	(4,194)	102,320
Attributable to:							
Equity shareholders		106,015	(5,688)	100,327	106,298	(4,194)	102,104
Non-controlling interest		246	-	246	216	-	216
Profit for the period		106,261	(5,688)	100,573	106,514	(4,194)	102,320
Earnings per share	5						
Basic earnings per share		140.4p		132.8p	138.8p		133.4p
Diluted earnings per share		139.5p		132.0p	137.8p		132.4p
Dividends	6						
Dividends per share				64.5p			59.0p
Special dividend per share				120.0p			-
Dividends paid during the year (per share)				60.5p			155.0p

Adjusted figures exclude certain non-operational items as detailed in note 2

Spirax-Sarco Engineering plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2014

	The Group	
	2014	**2013**
	£'000	**£'000**
Profit for the year	100,573	102,320
Items that will not be reclassified to profit or loss		
Remeasurement loss on post-retirement benefits	(5,159)	(2,866)
Deferred tax on remeasurement loss on post-retirement benefits	(258)	(1,074)
	(5,417)	(3,940)
Items that may be reclassified subsequently to profit or loss		
Foreign exchange translation differences	(15,155)	(12,875)
Non-controlling interest foreign exchange translation differences	22	(49)
Profit on cash flow hedges net of tax	(232)	48
	(15,365)	(12,876)
Total comprehensive income for the year	79,791	85,504
Attributable to:		
Equity shareholders	79,523	85,337
Non-controlling interest	268	167
Total comprehensive income for the year	79,791	85,504

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2014

GROUP

	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 (expense)/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)
Profit on cash flow hedges reserve	-	-	(232)	-	(232)	-	(232)
Total other comprehensive (expense)/income for the year	-	-	(15,387)	(5,417)	(20,804)	22	(20,782)
Total comprehensive (expense)/incomefor 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

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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2013

GROUP

	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 2013	19,536	56,172	28,098	331,945	435,751	798	436,549
Profit for the year	-	-	-	102,104	102,104	216	102,320
Other comprehensive (expense)/income							
Foreign exchange translation differences	-	-	(12,875)	-	(12,875)	(49)	(12,924)
Actuarial loss on post-retirement benefits	-	-	-	(2,866)	(2,866)	-	(2,866)
Deferred tax on actuarial loss on post-retirement benefits	-	-	-	(1,074)	(1,074)	-	(1,074)
Profit on cash flow hedges reserve	-	-	48	-	48	-	48
Total other comprehensive (expense) for the year	-	-	(12,827)	(3,940)	(16,767)	(49)	(16,816)
Total comprehensive income/(expense) for the year	-	-	(12,827)	98,164	85,337	167	85,504
Contributions by and distributions to owners of the Company							
Dividends paid	-	-	-	(120,792)	(120,792)	(164)	(120,956)
Equity settled share plans net of tax	-	-	-	2,420	2,420	-	2,420
Issue of share capital	66	3,782	-	-	3,848	-	3,848
Employee Benefit Trust shares	(34)	-	(3,797)	-	(3,831)	-	(3,831)
Balance at 31st December 2013	19,568	59,954	11,474	311,737	402,733	801	403,534

Other reserves represent the Group's Translation, Cash flow hedge and Capital redemption reserves.

Spirax-Sarco Engineering plc

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2014

	Note	2014 £'000	2013 £'000
Cash flows from operating activities			
Profit before taxation		144,794	145,714
Depreciation, amortisation and impairment		26,799	26,678
Share of loss/(profit) of associates		318	(974)
Equity settled share plans		2,374	3,315
Net finance (expense)		2,983	2,300
Operating cash flow before changes in working capital and provisions		177,268	177,033
Change in trade and other receivables		(20,032)	(8,704)
Change in inventories		1,111	(3,573)
Change in provisions and post-retirement benefits		(4,870)	(6,985)
Change in trade and other payables		4,398	3,309
Cash generated from operations		157,875	161,080
Interest paid		(2,299)	(1,551)
Income taxes paid		(41,915)	(42,318)
Net cash from operating activities		113,661	117,211
Cash flows from investing activities			
Purchase of property, plant and equipment		(27,032)	(20,451)
Proceeds from sale of property, plant and equipment		2,980	1,777
Purchase of software and other intangibles		(4,647)	(5,240)
Development expenditure capitalised		(2,632)	(2,779)
Acquisition of businesses		(9,984)	(5,601)
Bank deposit		9,038	(32,901)
Interest received		2,246	1,968
Dividends received		796	964
Net cash used in investing activities		(29,235)	(62,263)
Cash flows from financing activities			
Proceeds from issue of share capital		5,223	3,848
Purchase of Employee Benefit Trust shares		(3,005)	(4,430)
Repaid borrowings		(8,995)	(4,383)
New borrowings		-	57,506
Change in finance lease liabilities	7	(241)	(353)
Dividends paid (including minorities)		(45,905)	(120,956)
Net cash used in financing activities		(52,923)	(68,768)
Net change in cash and cash equivalents	7	31,503	(13,820)
Net cash and cash equivalents at beginning of period		82,608	99,445
Exchange movement		3,409	(3,017)
Net cash and cash equivalents at end of period	7	117,520	82,608
Bank deposits		24,437	32,901
Borrowings and finance leases		(89,464)	(99,109)
Net cash	7	52,493	16,400

1. **NOTES TO THE ACCOUNTS**

This announcement is based on the Company's financial statements, which are prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union (EU) and therefore comply with Article 4 of the EU IAS legislation and with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS. With the exception of the new standards adopted in the year, as discussed below, there have been no significant changes in accounting policies from those set out in the Spirax-Sarco Engineering plc 2013 Annual Report. The accounting policies have been applied consistently throughout the years ended 31 December 2013 and 31 December 2014.

During the year, the Group has applied IFRS10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements, IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, IFRS 7 Financial Instrument Disclosures, IAS 32 Financial Instrument Presentation and IAS 39 Financial Instruments Recognition and Measurement. Their adoption has not had a material impact on the disclosures or amounts reported in the accounts.

Having made appropriate enquiries, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that therefore it is appropriate to adopt the going concern basis in preparing the Annual Report.

The Group has processes in place to identify, evaluate and mitigate the principal risks that could have an impact on the Group's performance. The principal risks together with a description of why they are relevant are set out below. Details of how they link with the Group's strategy and how mitigation is managed are included in the Group's 2013 Annual Report on pages 26 and 27 and they will be disclosed in the 2014 Annual Report on page 29.

- ***Economic and political instability***
  Economic and political instability creates risks for our locally based direct operations
- ***Significant exchange rate movements***
  The Group reports its results and pays dividends in sterling. Operating and manufacturing companies trade in local currency
- ***Loss of manufacturing output at any Group factory***
  Loss of manufacturing output at any important plant risks serious disruption to sales operations
- ***Breach of legal and regulatory requirements***
  The Group is subject to many different laws and regulations. Breaching these laws and regulations could have serious consequences.
- ***Non-compliance with health, safety and environmental legislation***
  The Group places great emphasis on health, safety and environmental issues so as to avoid the risk of major problems
- ***Defined benefit pension deficit***
  Defined benefit pension schemes carry risks in relation to investment performance, security of assets, longevity and inflation.
- ***Failure to respond to technological developments of customer needs***
  The Group has significantly increased R&D resources in recent years.

The 2014 financial statements were approved by the Board of Directors on 4th March 2015.

2. SEGMENTAL REPORTING

Analysis by location of operation

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 profit of associates				(318)	1,151	
Profit before tax				**144,794**	**151,118**	

2013

	Gross Revenue £'000	Inter-Segment revenue £'000	Revenue £'000	Total Operating Profit £'000	Adjusted Operating Profit £'000	Adjusted Operating Margin %
Europe, Middle East & Africa	286,551	42,240	244,311	47,057	48,205	19.7%
Asia Pacific	187,916	5,142	182,774	48,033	48,033	26.3%
Americas	138,676	6,642	132,034	24,243	26,119	19.8%
Steam Specialties business	613,143	54,024	559,119	119,333	122,357	21.9%
Watson-Marlow	130,325	56	130,269	37,940	39,502	30.3%
Corporate Expenses				(10,233)	(10,233)	
	743,468	54,080	689,388	147,040	151,626	22.0%
Intra Group	(54,080)	(54,080)				
Total	**689,388**	**-**	**689,388**	**147,040**	**151,626**	22.0%
Net finance expense				(2,300)	(2,300)	
Share of profit of associates				974	1,730	
Profit before tax				**145,714**	**151,056**	

Net revenue generated by Group companies based in the USA is £109,879,000 (2013: £108,937,000), in China is £74,266,000 (2013: £76,807,000) in the UK is £69,206,000 (2013: £71,438,000), and the rest of the world is £424,926,000 (2013: £432,206,000)

The total operating profit for each period includes the non-operational items analysed below:

2014

	Amortisation and impairment of acquisition-related intangible assets	Acquisition and disposal costs	Total
Europe, Middle East & Africa	(427)	(647)	(1,074)
Asia Pacific	(227)	-	(227)
Americas	(1,430)	(53)	(1,483)
Steam Specialties business	(2,084)	(700)	(2,784)
Watson-Marlow	(2,012)	(59)	(2,071)
	(4,096)	(759)	(4,855)

2013

	Amortisation and impairment of acquisition-related intangible assets £'000	Acquisition and disposal costs £'000	Total £'000
Europe, Middle East & Africa	(629)	(519)	(1,148)
Asia Pacific	-	-	-
Americas	(1,780)	(96)	(1,876)
Steam Specialties business	(2,409)	(615)	(3,024)
Watson-Marlow	(1,562)	-	(1,562)
	(3,971)	(615)	(4,586)

Impairment of acquisition related intangible assets was £nil (2013: £145,000). The 2013 charge was in relation to the disposal of the HVAC business of Eirdata in Ireland.

Share of profit of associates

The share of profit of associates analysed between adjusted income and total (including non-operational items) is as follows:

	2014 Adjusted £'000	2014 Total £'000	2013 Adjusted £'000	2013 Total £'000
Europe, Middle East & Africa	(172)	(367)	(205)	(663)
Asia Pacific	1,323	49	1,935	1,637
Americas	-	-	-	-
Steam Specialties business	1,151	(318)	1,730	974
Watson-Marlow	-	-	-	-
	1,151	(318)	1,730	974

Adjusted share of profit of associates excludes amortisation and impairment of acquisition related intangible assets of £1,125,000 (2013: £756,000) and in 2014 excludes an impairment of tangible assets in respect of Spirax Marshall in India of £344,000 (2013: £ nil)

Net financing income and expense

	2014 £'000	2013 £'000
Europe, Middle East & Africa	(2,310)	(1,848)
Asia Pacific	1,215	796
Americas	(326)	(418)
Steam Specialties business	(1,421)	(1,470)
Watson-Marlow	(5)	(51)
Corporate	(1,557)	(779)
	(2,983)	(2,300)

Net assets

	2014		2013	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Europe, Middle East & Africa	203,729	(94,959)	215,933	(96,942)
Asia Pacific	136,592	(22,831)	119,704	(22,038)
Americas	103,318	(33,244)	102,575	(25,278)
Watson-Marlow	113,066	(17,060)	102,989	(15,210)
	556,705	(168,094)	541,201	(159,468)
Liabilities	(168,094)		(159,468)	
Deferred Tax	18,529		18,619	
Current Tax payable	(17,755)		(13,218)	
Net Cash	52,493		16,400	
Net assets	441,878		403,534	

Non-current assets in the UK were £102,889,000 (2013: £103,589,000)

Capital additions and depreciation, amortisation and impairment

	2014		2013	
	Capital additions £'000	Depreciation, amortisation and impairment £'000	Capital additions £'000	Depreciation, amortisation and impairment £'000
Europe, Middle East & Africa	15,301	10,476	10,532	11,859
Asia Pacific	8,657	5,144	6,602	4,707
Americas	4,159	5,335	6,770	5,912
Watson-Marlow	11,271	5,844	7,323	4,200
	39,388	26,799	31,227	26,678

Capital additions include property, plant and equipment of £26,876,000 (2013: £21,835,000) and other intangible assets of £12,512,000 (2013: £9,392,000) of which £5,233,000 (2013: £1,373,000) relates to acquired intangibles from acquisitions in the period. Capital additions split between the UK and rest of the world are UK £20,902,000 (2013: £12,154,000), rest of the world £18,486,000 (2013: £19,073,000). Depreciation, amortisation and impairment include the profit on disposal of fixed assets of £473,000 (2013: £467,000)

3. NET FINANCING INCOME AND EXPENSE

	2014 £'000	2013 £'000
Financial expenses		
Bank and other borrowing interest payable	(2,310)	(1,551)
Interest on pension scheme liabilities	(2,919)	(2,717)
	(5,229)	(4,268)
Financial income		
Bank interest receivable	2,246	1,968
	2,246	1,968
Net financing (expense)	(2,983)	(2,300)
Net pension scheme financial income	(2,919)	(2,717)
Net bank interest	(64)	417
Net financing income	(2,983)	(2,300)

4. TAXATION

	2014 £'000	2013 £'000
Analysis of charge in period		
UK corporation tax		
Current tax on income for the period	2,440	1,538
Adjustments in respect of prior periods	945	136
	3,385	1,674
Double taxation relief	(851)	(1,538)
	2,534	136
Foreign tax		
Current tax on income for the period	42,233	40,169
Adjustments in respect of prior periods	247	(989)
	42,480	39,180
Total current tax charge	45,014	39,316
Deferred tax – UK	(179)	2,127
Deferred tax – Foreign	(614)	1,951
Tax on profit on ordinary activities	44,221	43,394
Effective tax rate	30.5%	29.8%

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.

The UK corporation tax charge is calculated after deducting tax allowable deficit reduction cash contributions to the UK post-retirement benefit schemes of £3,366,000 (2013: £7,302,000) covering all employees in the UK defined benefit schemes.

5. EARNINGS PER SHARE

	2014 £'000	2013 £'000
Profit attributable to equity shareholders	100,327	102,104
Weighted average shares in issue	75,532,018	76,566,689
Dilution	455,530	549,341
Diluted weighted average shares in issue	75,987,548	77,116,030
Basic earnings per share	132.8p	133.4p
Diluted earnings per share	132.0p	132.4p
Adjusted profit attributable to equity shareholders	106,015	106,298
Basic adjusted earnings per share	140.4p	138.8p
Diluted adjusted earnings per share	139.5p	137.8p

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

6. DIVIDENDS

	2014 £'000	2013 £'000
Amounts paid in the year		
Final dividend for the year ended 31st December 2013 of 41.0p (2012: 37.0p) per share	30,960	28,942
Special dividend for the year ended 31st December 2013 of nil (2012: 100.0p) per share	-	78,260
Interim dividend for the year ended 31st December 2014 of 19.5p (2013: 18.0p) per share	14,755	13,590
	45,715	120,792
Amounts arising in respect of the year		
Interim dividend for the year ended 31st December 2014 of 19.5p (2013: 18.0p) per share	14,755	13,590
Proposed final dividend for the year ended 31st December 2014 of 45.0p (2013: 41.0p) per share	34,134	30,903
Proposed special dividend for the year ended 31st December 2014 of 120.0p (2013: nil)	91,024	-
	139,913	44,493

7. ANALYSIS OF CHANGES IN NET CASH

	At 1st Jan 2014 £'000	Cash flow* £'000	Exchange movement £'000	At 31st Dec. 2014 £'000
Current portion of long term borrowings	(298)			(298)
Non-current portion of long term borrowings	(59,473)			(49,096)
Short term borrowing	(39,338)			(40,070)
Total borrowings	(99,109)	9,236	409	(89,464)
Comprising:				
Borrowings	(98,041)	8,995	409	(88,637)
Finance Leases	(1,068)	241	-	(827)
	(99,109)	9,236	409	(89,464)
Cash and cash equivalents	84,417	30,184	3,380	117,981
Bank overdrafts	(1,809)	1,319	29	(461)
Net cash and cash equivalents	82,608	31,503	3,409	117,520
Bank deposits	32,901	(9,038)	574	24,437
Net cash	16,400	31,701	4,392	52,493

*£1,008,000 of cash was acquired as part of the purchase of Bio Pure Technology Limited during the year

8. RETURN ON CAPITAL EMPLOYED

Return on capital employed is one of the Group's key performance indicators, but is a non-statutory measure. An analysis of the components is as follows:

	2014 £'000	2013 £'000
Property, plant and equipment	176,668	174,218
Prepayments	402	162
Inventories	98,007	104,164
Trade receivables	155,696	145,380
Other current assets	23,973	19,880
Tax recoverable	4,420	3,709
Trade and other payables	(90,754)	(86,108)
Current tax payable	(22,175)	(16,927)
Capital employed	346,237	344,478
Average capital employed	345,358	341,775
Operating profit	148,095	147,040
Adjustments (note 2)	4,855	4,586
Adjusted operating profit	152,950	151,626
Return on capital employed	44.3%	44.4%

9. PURCHASE OF BUSINESSES

2014

	Acquisitions Book Value	Fair value adjustment	Fair value
	£'000	£'000	£'000
Non-current assets			
Property, plant and equipment	829	-	829
Intangibles	-	4,395	4,395
	829	4,395	5,224
Current assets			
Inventories	283	-	283
Trade receivables	517	-	517
Cash	1,008	-	1,008
Total assets	2,637	4,395	7,032
Current liabilities			
Trade payables	439	-	439
Deferred tax	-	739	739
Total liabilities	439	739	1,178
Total net assets	2,198	3,656	5,854
Goodwill	-	-	4,301
Total	-	-	10,155

Satisfied by	
Cash paid	10,055
Deferred consideration	100
	10,155
Cash outflow for acquired businesses in the Cash Flow	
Cash paid for businesses acquired in the period	10,055
Less cash acquired	(1,008)
Deferred consideration for businesses acquired in prior years	937
Net cash outflow	9,984

1. The acquisition of Bio Pure Technology Limited, a company specialising in the design and production of advanced single-use tubing connector systems for the Biopharmaceutical process industry based in the UK was completed on 6th January 2014. The acquisition method of accounting has been used. Consideration of £9,255,000 was paid on completion. 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. Bio Pure Technology Limited has generated £4,885,000 of revenue and £1,654,000 of pre-tax profit since acquisition.

2. The acquisition of the UK Transvac thermocompressor business was completed on 22nd May 2014. The acquisition method of accounting has been used. Consideration of £800,000 was paid during the year with a further £100,000 being payable by the end of May 2015. The payment is dependent upon the delivery of the assets, designs and training. Separately identified intangibles are recorded as part of the fair value adjustment. The goodwill recognised represents the opportunity to sell a wider range of products to our existing customer base to fully utilise the Group's applications expertise to expand sales. Goodwill arising is expected to be tax deductible. The acquisition led to a product launch in February 2015 from which revenue and profit are anticipated.

£107,000 of acquisition costs were incurred in relation to these acquisitions. The acquired intangibles relate to customer relations, technology based assets and marketing based assets.

10. BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31st December 2014 or 31st December 2013. Statutory accounts for 2013, which were prepared under accounting standards adopted by the EU, have been delivered to the registrar of companies and those for 2014 will be delivered following the Company's Annual General Meeting. The auditors have reported on these accounts; their report was (i) unqualified, (ii) did not include any references to any matters to which the auditors drew attention by way of emphasis without qualifying and (iii) did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

If approved at the annual general meeting on 11th May 2015, the final dividend will be paid on 29th May 2015 to shareholders on the register at 1st May 2015. No scrip alternative to the cash dividends is being offered.

Copies of the Annual Report will be sent on 20th March 2015 to shareholders and can be obtained from our registered office at Charlton House, Cirencester Road, Cheltenham, Gloucestershire GL53 8ER. The report is also available on our website at www.SpiraxSarcoEngineering.com.

11. RESPONSIBILITY STATEMENT OF THE DIRECTORS ON THE ANNUAL REPORT

The responsibility statement below has been prepared in connection with the company's full annual report for the year ending 31st December 2014. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge:

- The financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the company and the undertakings included in the consolidation taken as a whole; and
- The strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and
- The annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Company's performance, business model and strategy.

This responsibility statement was approved by the board of directors on 4th March 2015 and is signed on its behalf by:

N J Anderson Chief Executive D J Meredith Finance Director

12. CAUTIONARY STATEMENT

All statements other than statements of historical fact included in this document, including, without limitation, those regarding the financial condition, results, operations and businesses of Spirax-Sarco Engineering plc and its strategy, plans and objectives and the markets and economies in which it operates, are forward-looking statements. These forward-looking statements which reflect management's assumptions made on the basis of information available to it at this time, involve known and unknown risks, uncertainties and other important factors which could cause the actual results, performance or achievements of Spirax-Sarco Engineering plc or the markets and economies in which we operate to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Spirax-Sarco Engineering plc and its directors accept no liability to third parties in respect of this report save as would arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with schedule 10A of the Financial Services and Markets Act 2000. It should be noted that schedule 10A contains limits on the liability of the directors of Spirax-Sarco Engineering plc so that their liability is solely to Spirax-Sarco Engineering plc.

13. EXCHANGE RATE IMPACTS

Whilst not an IFRS disclosure or part of the audited accounts, set out below is an additional disclosure that highlights the movements in a selection of average exchange rates between 2014 and 2013.

Average exchange rates to sterling have been as follows:

	Average 2014	**Average 2013**	**Change %**
Bank of England sterling index	87.1	81.7	-6%
US$	1.65	1.57	-5%
Euro	1.24	1.18	-5%
RMB	10.15	9.66	-5%
Won	1,734	1,716	-1%
Real	3.88	3.41	-12%
Argentine Peso	13.32	8.65	-35%
Australian $	1.83	1.64	-10%
Rouble	64.13	50.12	-22%
Rand	17.85	15.16	-15%
Turkish Lira	3.60	3.01	-16%