

**THIS DOCUMENT IS IMPORTANT.** If you are in any doubt as to what action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. If you have sold all of your shares in Spirax Sarco Engineering plc please pass this document and the accompanying documents to the purchaser or to the agent through whom the sale was effected for onward transmission to the purchaser.

## **SPIRAX-SARCO ENGINEERING plc**

### **CIRCULAR TO SHAREHOLDERS AND NOTICE OF ANNUAL GENERAL MEETING**

to be held at

**SPIRAX SARCO TRAINING CENTRE  
CHARLTON HOUSE  
CIRENCESTER ROAD  
CHELTENHAM  
GLOUCESTERSHIRE  
GL53 8ER**

on

**THURSDAY, 13TH MAY 2004**

at

**2.00 pm**

The Notice convening the Annual General Meeting appears at the end of this document.

Forms of Proxy for use at the Annual General Meeting should be completed and returned to the Company's Registrar, Lloyds TSB Registrars, The Causeway, Worthing, BN99 6AS as soon as possible and, in any event, so as to arrive not less than forty-eight hours before the time of the meeting. You can submit your proxy electronically at [www.sharevote.co.uk](http://www.sharevote.co.uk) (not less than forty-eight hours before the time of the meeting). Please refer to the form of proxy for full details.

# **SPIRAX-SARCO ENGINEERING plc**

(Registered in England No. 596337)

**Registered office:  
Charlton House  
Cirencester Road  
Cheltenham  
Glos. GL53 8ER**

23rd March 2004

Dear Shareholder,

This letter accompanies the Report of the Directors and the Accounts for the year ended 31st December 2003.

## **NOTICE OF ANNUAL GENERAL MEETING**

You will find the Notice of Annual General Meeting of the Company, which is to be held on 13th May 2004, set out on pages 6 and 7 of this circular. There are some items of special business to be considered at that meeting, explanations of which are set out below.

## **APPROVAL OF THE DIRECTORS' REMUNERATION REPORT**

In accordance with the Companies Act 1985, directors of listed companies are required to prepare a remuneration report. It is proposed that The Directors' Remuneration Report for the financial year ended 31st December 2003, as set out on pages 26 to 33 of the 2003 Annual Report and Accounts, be approved.

The Directors' Remuneration Report contains, inter alia, details of the directors who were members of the Remuneration Committee, a forward looking statement of the Company's policy on directors' remuneration, a performance graph showing the Company's total cumulative shareholder return for the five year period ended 31st December 2003 compared with the total cumulative shareholder return for the FTSE All-Share Engineering and Machinery Index, details of the directors' service contracts and specific disclosures relating to each director's remuneration.

## **APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS**

Mr. N. H. Daws was appointed by the Board on 1st June 2003. As required by the articles of association he will retire at the annual general meeting and, being eligible, offers himself for appointment. Messrs. G. P. Marchand, D. J. Meredith, P. A. Smith and M. Townsend will also retire in accordance with the articles of association and, being eligible, offer themselves for re-appointment.

Details of the directors being appointed and re-appointed are as follows:-

Neil Daws (41) joined Spirax-Sarco Limited in 1978 and became its Product Director in 1996. He was appointed to the Board in June 2003 as Director - Supply and is responsible for product marketing, design and manufacture. He is a member of the Risk Management Committee.

Graham Marchand CEng MIMechE (58) joined Spirax Sarco in 1987 to run the Group's Continental European sales operations and became a director of Spirax-Sarco Limited in 1990. He was appointed to the Board in 1992 and is now responsible for the Americas, the UK and Italian markets and Central Marketing. He is a member of the Risk Management Committee.

David Meredith FCMA (44) joined the Group in 1988 as Group Accountant. He was appointed to the Board as Director - Finance in 1992. He is also responsible for Watson-Marlow Bredel. He is a member of the Finance and Risk Management Committees.

Peter Smith ACIS (56) joined Spirax-Sarco Limited in 1974, became Company Secretary in 1978 and a director of Spirax-Sarco Limited in 1988. He was appointed Company Secretary to Spirax-Sarco Engineering plc in 1992 and to the Board in 1995. He is a member of the Risk Management Committee.

Michael Townsend MA FCA (62) joined the Group as an independent non-executive director in 1997. Until his retirement in 1999 he was the Finance Director of Rolls Royce plc. He is Chairman of the Audit and Remuneration Committees, a member of the Nomination Committee and Senior Independent Director. He is a non-executive director of Kennel Club Services Limited.

Biographical details of all the directors are to be found on pages 16 and 17 of the 2003 Annual Report and Accounts.

## **SPECIAL BUSINESS**

### **AUTHORITY TO ALLOT RELEVANT SECURITIES**

At the annual general meeting held in 2003 shareholders authorised the directors, pursuant to section 80 of the Companies Act 1985, to allot relevant securities without the prior consent of shareholders for a period of five years. In accordance with the directors' intention to seek annual renewal of this authority, it is proposed to authorise the directors to allot relevant securities for a period of five years from the date of the resolution.

The £6,200,000 nominal amount of relevant securities to which this authority relates represents approximately 33% of the nominal amount of issued share capital of the Company as at 24th February 2004. The directors have no present intention of exercising this authority.

Resolution 10 will be proposed as an ordinary resolution to renew this authority.

### **AUTHORITY TO ALLOT EQUITY SECURITIES**

Also at last year's meeting a special resolution was passed, pursuant to section 95 of the Companies Act 1985, empowering the directors to allot equity securities for cash without first being required to offer such shares to existing shareholders. It is proposed that this authority, which will also include the sale of any shares the Company holds in treasury for cash, be renewed. The £934,000 nominal amount of equity securities to which this authority relates represents approximately 5% of the issued share capital of the Company as at 24th February 2004.

Resolution 11 will be proposed as a special resolution to renew this authority for a period of five years although it is the directors' intention to seek renewal of this authority annually.

### **SCRIP ALTERNATIVE**

At the annual general meeting held in 2003 shareholders authorised the directors to offer a scrip alternative to any dividend declared or paid in respect of the financial years ending on 31st December 2007. A scrip alternative will not be offered for the financial year ended 31st December 2003, but the directors consider it prudent to maintain the facility to provide this alternative for shareholders should circumstances alter to make a scrip alternative appropriate.

In accordance with the articles of association, resolution 12 will be proposed as an ordinary resolution to renew this authority for five years ending on 31st December 2008 although it is the directors' intention to renew this annually.

### **AUTHORITY TO PURCHASE ORDINARY SHARES**

A special resolution was also passed at last year's meeting empowering the directors to purchase the Company's shares in the market. It is proposed that this authority also be renewed. The power given by the resolution will only be exercised if the directors are satisfied that any purchase will increase the earnings per share of the ordinary share capital in issue after the purchase and, accordingly, that the

purchase is in the interests of shareholders. The directors will also give careful consideration to gearing levels of the Company and its general financial position. The purchase price would be paid out of distributable profits.

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the Regulations), came into force on 1st December 2003. They enable certain listed companies to hold shares in treasury, as an alternative to cancelling them, following a purchase of own shares by the company in accordance with the Companies Act 1985. Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy share options and share awards under the Company's share schemes. Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of those shares. Further, no dividend or distribution of the Company's assets may be made to the Company in respect of those shares.

Accordingly, if the directors exercise the authority conferred by Resolution 13, the Company will have the option of holding those shares in treasury rather than cancelling them.

The maximum number of shares which may be purchased under the proposed authority will be 7,400,000 shares representing approximately 10% of the issued ordinary share capital of the Company at 31st December 2003. The price paid for shares will not be less than the nominal value of 25p per share nor more than 5% above the average of the middle market quotation of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days preceding the day on which the shares are purchased.

The total number of options to subscribe for ordinary shares that were outstanding at 12th March 2004 (being the latest practicable date prior to publication of this circular) was 2,968,000. The percentage of issued share capital that they represented at that time was 3.97% and the percentage of issued share capital that they will represent if the full authority to purchase shares (existing and being sought) is used is 4.95%.

Purchases of shares under the proposed authority are required by the UK Listing Authority to be made in compliance with The Model Code for securities transactions by directors of listed companies. Accordingly, the Company will not exercise the authority at a time when the directors would be precluded from dealing in the Company's shares. Specifically, purchases will not be made within the two months preceding the announcement of the interim or final results. This proposal should not be taken as an indication that the Company will purchase shares at any particular price or to imply any opinion on the part of the directors as to the market or other value of the Company's ordinary shares.

Resolution 13 will be proposed as a special resolution to provide the Company with the necessary authority. The authority will expire at the conclusion of the 2005 annual general meeting unless renewed before that time. It is the present intention of the directors to seek a similar authority annually.

### **ACTION TO BE TAKEN**

Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy so as to reach the Registrars not less than forty-eight hours before the time for the meeting. You can submit your proxy electronically at [www.sharevote.co.uk](http://www.sharevote.co.uk) (not less than forty-eight hours before the time of the meeting). Please refer to the form of proxy for full details. Completion and return of a form of proxy will not prevent you from attending and voting in person at the meeting if you so wish.

### **RECOMMENDATION**

Your directors believe that all the proposals to be considered at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole and recommend shareholders to vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

Yours faithfully,  
**Tim Fortune**  
Chairman

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the forty-seventh annual general meeting of Spirax-Sarco Engineering plc will be held at the Spirax Sarco Training Centre, Charlton House, Cirencester Road, Cheltenham, Gloucestershire, GL53 8ER on 13th May 2004 at 2.00 pm for the following purposes.

As ordinary business to consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and consider the directors' report and accounts for the year ended 31st December 2003.
2. To approve The Directors' Remuneration Report for the year ended 31st December 2003, as set out on pages 26 to 33 of the 2003 Annual Report and Accounts.
3. To declare a final dividend.
4. To appoint Mr. N. H. Daws as a director.
5. To re-appoint Mr. G. P. Marchand as a director.
6. To re-appoint Mr. D. J. Meredith as a director.
7. To re-appoint Mr. P. A. Smith as a director.
8. To re-appoint Mr. M. Townsend as a director.
9. To re-appoint KPMG Audit Plc as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company at a remuneration to be determined by the Audit Committee.

As special business to consider and, if thought fit, pass the following resolutions of which resolutions 10 and 12 will be proposed as ordinary resolutions and resolutions 11 and 13 will be proposed as special resolutions.

10. That, subject to and in accordance with article 6 of the Company's articles of association, the directors be authorised to allot relevant securities up to a maximum nominal amount of £6,200,000; that this authority shall expire on 12th May 2009 and that all previous authorities under section 80 of the Companies Act 1985 shall cease to have effect.
11. That:
  - (a) subject to and in accordance with article 7 of the Company's articles of association, the directors be empowered to allot equity securities for cash;
  - (b) the directors be empowered to allot equity securities within section 94(3A) of the Companies Act 1985 as if section 89(1) of the Act did not apply;
  - (c) the powers under paragraph (a) above (other than in connection with a rights issue) and paragraph (b) above shall be limited to the allotment of equity securities having a maximum nominal amount of £934,000;
  - (d) these authorities shall expire on 12th May 2009; and
  - (e) all previous authorities under section 95 of the Companies Act 1985 shall cease to have effect.

12. That approval be and is hereby given to the exercise by the directors of the power conferred upon them by article 109 of the Company's articles of association in respect of any dividends declared or paid in respect of the financial years ending on 31st December 2008.
13. That, in accordance with article 11 of its articles of association and the Companies Act 1985, the Company is generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Companies Act 1985) of ordinary shares of 25p each in the capital of the Company ("ordinary shares") on such terms and in such manner as the Board of directors of the Company may from time to time determine provided that:
- (a) the maximum number of ordinary shares that may be purchased pursuant to this authority is 7,400,000;
  - (b) the maximum price which may be paid for an ordinary share purchased pursuant to this authority is an amount equal to 105% of the average of the middle market prices shown in the quotations for the Company's ordinary shares in the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased and the minimum price which may be paid is 25p per ordinary share (in each case exclusive of expenses payable by the Company); and
  - (c) this authority will expire at the conclusion of the annual general meeting of the Company to be held in 2005 unless renewed before that time, but the Company may make a contract to purchase ordinary shares under this authority before its expiry which will or may be executed wholly or partly after the expiry of this authority, and may make a purchase of ordinary shares in pursuance of any such contract.

By order of the Board

Charlton House,  
Cirencester Road,  
Cheltenham.

**P. A. Smith** Secretary

23rd March 2004

#### Notes

A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on a poll instead of him. A proxy need not be a member of the Company.

For the convenience of ordinary shareholders who may be unable to attend the meeting, a form of proxy is enclosed which should be completed and returned so as to reach the Registrars not less than forty-eight hours before the time for the meeting.

You may, if you wish, give your voting instructions electronically by logging on to the web site [www.sharevote.co.uk](http://www.sharevote.co.uk). You will need your Voting Reference Number (this is the twenty-four digit number printed below your name on the form of proxy). Full details of the procedure are given on the web site. If however you have registered for a Shareview portfolio, log on to your portfolio at [www.shareview.co.uk](http://www.shareview.co.uk) and click on "Company Meetings". Your voting instructions must be received by Lloyds TSB Registrars at least forty-eight hours before the time for the meeting. Please note that any electronic communication that is found to contain a computer virus will not be accepted. The fact that shareholders may have submitted forms of proxy will not prevent them from attending and voting in person should they afterwards decide to do so.

Only members whose names appear on the register of members of the Company at the close of business on Tuesday, 11th May 2004 shall be entitled to attend the meeting either in person or by proxy and the number of ordinary shares then registered in their respective names shall determine the number of votes such persons are entitled to cast in the event of a poll at the meeting.

Copies of the service contracts of the executive directors of the Company and the letters of appointment of the non-executive directors of the Company are available for inspection at the registered office during normal business hours and will be available at the place of the meeting from 1.45 pm until its conclusion.