

The Directors' remuneration report

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

THE REMUNERATION COMMITTEE

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

The Committee members throughout the year were Messrs. G. Bullock, E. Lindh, and W. H. Whiteley (Chairman). They continue to be the Committee members and each is an independent non-executive director. They bring independence to all aspects of Board remuneration and the application of professional advice.

The Committee is responsible for determining, on behalf of the Board, the Company's remuneration policy, the employment conditions and remuneration packages of individual executive directors and the fees for the Chairman. The Committee also administers and determines the grant of options under the Group's share option schemes for executive directors and other senior employees and administers and determines the grants of awards under the Performance Share Plan.

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

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

POLICY ON EXECUTIVE DIRECTORS' REMUNERATION

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

In order to align the interests of directors and shareholders, the Committee has structured the total remuneration package to provide a material performance-related element through the annual bonus and the Group's performance share plan.

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

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

Basic Salary

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

Annual Bonus

The Company operates an annual bonus scheme for executive directors. Improvements in earnings per share, which is the Group's financial objective, is an important component of the bonus calculation. The bonus is paid as a percentage of salary. This percentage is the sum of:-

- (i) one third of the percentage increase in profit before tax for the year over the average profit before tax for the previous three years - this element contributed 11%;
- (ii) two thirds of the percentage increase in earnings per share for the year over the average earnings per share for the previous three years - this element contributed 22%;
- (iii) cash generation (expressed as a percentage of profit for the financial year) will carry a maximum of 20% bonus. Where cash inflow, as determined from the Accounts, is less than 100% of profit, no bonus will be earned under this element; where cash generated equals or exceeds 160% of profit, the full 20% will accrue with proportionate bonus being earned between 100% and 160% of profit. No bonus was payable in respect of this element for the year; and

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

There is a contractual maximum bonus payment equal to basic salary. The bonus forms an integral and regular part of the executive directors' remuneration.

The Committee can report that an amendment to the calculation of pensionable pay was agreed with each of the executive directors appointed before 2005. Elements (i) and (ii) of any bonus earned after 31st December 2005 is not pensionable. From 1st January 2006 an appropriate, actuarially calculated, percentage increase to basic salary has been applied, reflecting the individual director's age and expected period of service to normal retirement date. On the advice of the actuaries, the increase in relation to Messrs. M. J. D. Steel and P. A. Smith has been spread over two years with a second element to apply from 1st January 2007. This increase will qualify as part of the directors' pensionable pay.

Additionally the Committee offered to executive directors a cash alternative to pension contributions in respect of the directors' pensionable service from 6th April 2006, i.e. "A Day" under the HMRC tax regime for pensions. This cash alternative was confirmed by the Company's actuaries. The cost of the alternative to the Company would be no greater than the cost of the pension contributions. The cash alternative was not adopted by any of the executive directors.

Options

Spirax-Sarco Engineering 1992 UK and Global Share Option Schemes

Spirax-Sarco Engineering Approved and Global Share Option Schemes

The Company operates share option schemes administered by the Committee which determines the grant of options under the schemes, usually once per year. These are designed to align the longer term interests of participants with those of shareholders by giving an incentive linked to added shareholder value. Following the introduction of the Performance Share Plan in 2005, it is intended that, ordinarily, executive directors will be granted awards under that plan rather than be granted options. Executive directors, senior executives and management hold options granted in previous years and it is intended that options will continue to be granted to senior executives and management. The policy is to phase options over the ten year life of the share option schemes. Options granted to each director from 1995 are subject to a performance condition which is described below.

Performance Condition for Share Option Schemes

In accordance with market practice, options granted are normally specified to be exercisable between three and ten years from the date of grant and, for grants from 1995, only if a specified performance condition is satisfied. In line with the then established market practice, the performance condition for options granted from 1995 up to 2001 requires an increase in earnings per share of more than 6% greater than the increase in the UK retail prices index over a period of three consecutive years between grant and exercise. For options granted from and including 2002 the performance condition requires an increase in earnings per share of more than 9% greater than the increase in the UK retail prices index over a period of three consecutive years between grant and exercise. For grants from and including 2005, the performance condition will, ordinarily, need to be met over the three year period from the 1st January prior to the date of grant in order for the option to become exercisable. If the condition is not met at the end of the three year period, the option will lapse. The same performance condition applies to each director. The performance condition chosen was considered appropriate because it ensured increases in the earnings per share were achieved having taken account of UK inflation. The auditors are asked to confirm whether the performance condition has been met. The method of assessment is considered appropriate to confirm compliance with the condition. The performance condition requires a comparison with a factor external to the Company, namely the growth in the UK retail prices index over the performance period.

Details of total share options issued are set out in Note 24 on page 63. The above performance conditions apply to other relevant options granted to all participants in the share option schemes.

Performance Share Plan

A performance share plan for executive directors, senior executives and management was adopted at the 2005 annual general meeting. Grant levels, performance criteria and vesting schedules remain in line with shareholder approval. Awards take the form of contingent rights to acquire shares, subject to the satisfaction of a performance target. To the extent they vest, awards may be satisfied in cash or in shares. The Committee's current policy is that the maximum individual annual award will be of shares with a market value of not more than 150% of salary, although the intention is that in practice the market value of an individual award will be significantly below the maximum. Ordinarily, an eligible person will not be granted options under the Company's share option schemes and awards under the performance share plan in the same year.

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The vesting of an award will normally be subject to the satisfaction of a performance target. The performance target applied to awards granted in 2005 was based on the Company's total shareholder return ("TSR") relative to the TSR of other companies included in the FTSE All-Share Engineering and Machinery Index over the three year period commencing with effect from 1st January 2005. Awards will vest on a sliding scale. For full vesting, the Company's TSR must be at or above the upper quartile, with 25% of the shares subject to an award vesting if the Company's TSR is at the median relative to the comparator group. Awards will vest on a pro-rata straight line basis between median and upper quartile performance. The same performance condition applies to each director. The FTSE All-Share Engineering and Machinery Index has ceased to exist with effect from 2006. For the awards granted in 2005, the comparator group will consist of the same companies comprising that sector immediately before the start of the performance period. Awards made in 2006 were subject to the same performance condition as described above save that the Company's TSR was compared with the TSR of other companies included in the FTSE All-Share Industrial Engineering Index. Since the Company is now included in this sector, the Committee believes that this is the appropriate comparator group.

In addition to the TSR target, for an award to vest the Committee will also, normally, need to be satisfied that the Company's underlying financial performance has been satisfactory over the three year performance period.

The performance condition chosen was considered appropriate because it is dependent on the Company's relative long term performance based on total shareholder return, it compares the Company's performance with the performance of companies in a comparator group and was the basis described to shareholders when the plan was approved by shareholders at the 2005 annual general meeting. In assessing whether the chosen performance condition is met the Committee's professional advisers will be asked to perform the necessary calculations. In calculating TSR, average share prices for the period before the beginning and end of the performance period will be used to avoid abnormal share price movements significantly affecting the calculation.

The policy adopted by the Committee in the two years the awards have been made was to provide shares to a face value of 60% of current annual basic salary for each executive director.

Spirax-Sarco Engineering plc Employee Share Ownership Plan

The executive directors participate in the Employee Share Ownership Plan, as described on page 42. Participation in the Employee Share Ownership Plan is open to all eligible UK employees. No employee's entitlement under the Employee Share Ownership Plan is subject to performance conditions. This is because the aim is to encourage increased shareholding in the Company by all eligible UK employees.

There are no other long term incentives provided to directors.

Pensions

The UK executive directors are members of a HMRC approved non-contributory defined benefit pension scheme based on 1/60th of pensionable salary, for each year of pensionable service. The maximum pension is two-thirds of pensionable salary. Messrs. M. J. D. Steel, A. D. H. Black, N. Daws, D. J. Meredith and P. A. Smith accrue pro-rata additional service at a rate which gives a further two and a half years of service at age 62½ although their normal retirement age is now 65. This additional service does not apply to Messrs. A. J. Scrivin and M. Vernon who also have a normal retirement age of 65. As previously reported for the UK executive directors the bonus payments were no longer pensionable after 31st December 2005. For Mr. A. J. Scrivin, appointed in 2005, bonus payments were never pensionable. Mr. M. Vernon, in addition to membership of the Spirax Sarco Inc. defined benefit scheme, has additional defined contributions as set out on page 43 including payments at the rate of 15% into a separate defined contributions plan in relation to his qualifying pay above the US regulatory cap. For pension purposes his pay includes bonus in accordance with normal practice for US based management.

The UK scheme provides lump sum death in service benefit of four times pensionable salary and spouses' pensions are payable where death occurs in service or in retirement. There are no unapproved pension arrangements in respect of UK directors.

Non-Executive Directors

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

Service Contracts

The Committee applies a policy on directors' contracts reflecting established practice and reviews the content from time to time on professional advice. The executive directors have service contracts which are subject to 12 months' notice.

	Date of Contract	Notice Period
M.J.D. Steel	30.12.92	12 months
A.D.H. Black	18.10.98	12 months
N.H. Daws	28.05.03	12 months
D.J. Meredith	30.12.92	12 months
A.J. Scrivin	15.03.05	12 months
P.A. Smith	24.12.92	12 months
M. Vernon	12.04.06	12 months

Termination payments will reflect the circumstances leading to termination of employment. Excessive compensation will not be paid. Professional advice will be obtained by the Committee to ensure legal obligations and good practice are followed.

The Company's policy on termination payments under executive directors' contracts is that these may be terminated without notice and without payment of compensation on the occurrence of certain events, such as gross misconduct. If the Company terminates an executive director's contract without cause and in breach of the notice requirement, it will pay the appropriate value of the contract. Any rights to pensions would be dealt with under the rules of the pension scheme applicable to the director and any rights under the Company's share plans would be dealt with in accordance with the rules of each plan.

The non-executive directors, including the Chairman, Mr. M. Townsend, do not have service contracts. They have appointment letters, normally for three year periods, and re-appointment is not automatic.

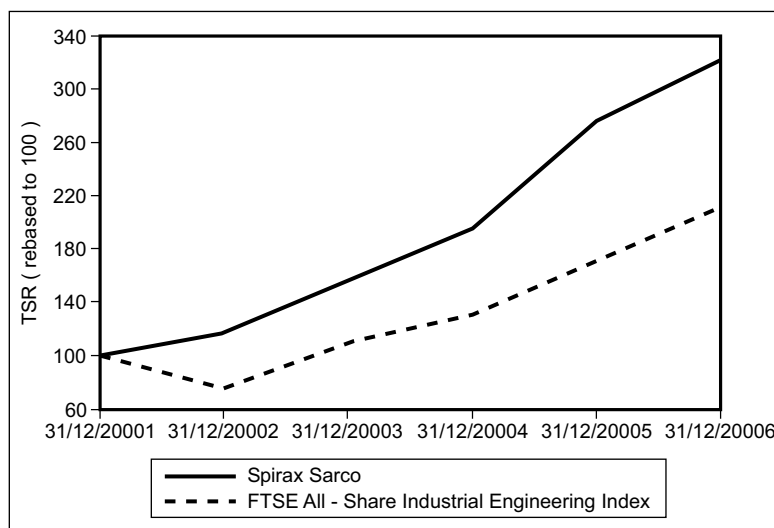
	Date of Appointment Letter	Notice Period
M. Townsend	11.04.06	1 month
G. Bullock	03.05.05	1 month
E. Lindh	06.04.06	1 month
W.H. Whiteley	06.04.06	1 month

POLICY ON SENIOR EXECUTIVE REMUNERATION

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

TOTAL SHAREHOLDER RETURN

The performance graph illustrated shows the Company's total cumulative shareholder return for the five year period ended 31st December 2006 compared with the total cumulative shareholder return for the FTSE All-Share Industrial Engineering Index. This comparison is selected as being the most appropriate sector for the Company's operations as the comparison automatically takes account of the impact on the Company's shares of the market's view of the engineering industry generally.



INFORMATION SUBJECT TO AUDIT

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

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DETAILS OF INDIVIDUAL EMOLUMENTS

	Basic Salary/ Fees	Benefits ⁽¹⁾	Annual performance related bonus	Total emoluments excluding pension	
	£	£	£	2006 Total £	2005 Total £
M. Townsend ⁽²⁾	80,000	-	-	80,000	62,480
M.J.D. Steel	350,000	15,444	114,030	479,474	468,336
A.D.H. Black	200,000	11,598	65,160	276,758	270,673
N.H. Daws	182,000	12,408	59,296	253,704	241,903
G.P. Marchand ⁽³⁾	100,000	9,599	32,580	142,179	280,937
D.J. Meredith	224,000	12,736	72,979	309,715	302,564
A.J. Scrivin	164,000	7,729	53,431	225,160	145,880
P.A. Smith	160,000	7,452	52,128	219,580	214,387
M. Vernon ⁽⁴⁾	94,595	12,076	30,819	137,490	-
G. Bullock ⁽²⁾	30,000	-	-	30,000	19,000
E. Lindh ⁽²⁾	30,000	-	-	30,000	27,000
W.H. Whiteley ⁽²⁾	40,000	-	-	40,000	33,223
	1,654,595	89,042	480,423	2,224,060	2,066,383*

* Additionally Messrs. T. B. Fortune's and C. J. Ball's total emoluments excluding pension for 2005 amounted to £28,485 and £92,675 respectively. They retired from the Board on 12th May 2005 and 29th April 2005 respectively and therefore were not directors in 2006.

- (1) Benefits arising from employment by the Company relate mainly to the provision of a company car and in the case of Mr. M. Vernon, also for the provision of medical insurance cover in the USA.
- (2) Non-executive director.
- (3) Mr. G. P. Marchand retired from the Board on 30th June 2006.
- (4) Mr. M. Vernon was appointed to the Board on 1st July 2006 and his emoluments in the above table are calculated from this date. Total emoluments for the full year 2006 were £253,351.

Long Term Incentives

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

The interests of directors are set out below:-

		31.12.05 (or date of appointment if later)	Exercised in year ⁽⁴⁾	31.12.06 (or date of retirement if earlier)	Average exercise price per share ⁽⁵⁾	Date from which exercisable ⁽⁶⁾	Expiry date ⁽⁶⁾
		⁽³⁾ No.	No.	No.	pence		
M.J.D. Steel	A	185,000	-	185,000	437.2	12.10.02	08.04.08
		185,000	-	185,000			
A.D.H. Black	A	40,000	20,000	20,000	541.9	25.03.07	25.03.14
		40,000	20,000	20,000			
N.H. Daws	A	20,000	-	20,000	394.5	14.03.06	14.03.13
		52,000	37,000	15,000			
		72,000	37,000	35,000			
G.P. Marchand ^{(1) (7)}	A	70,000	20,000	50,000	639.2	24.09.99	30.04.07
		70,000	20,000	50,000			
D.J. Meredith	A	102,500	15,000	87,500	505.9	16.09.00	25.03.14
		102,500	15,000	87,500			
A.J. Scrivin	B	20,000	3,500	16,500	498.6	16.09.00	16.06.12
		20,000	3,500	16,500			
P.A. Smith	A	40,000	-	40,000	468.2	14.03.06	18.08.10
		40,000	-	40,000			
M. Vernon ⁽²⁾	B	20,400	-	20,400	601.2	25.03.07	21.04.15
		20,400	-	20,400			

(1) Mr. G. P. Marchand retired from the Board on 30th June 2006. (See note 7).

(2) Mr. M. Vernon was appointed to the Board on 1st July 2006.

(3) Options shown on line A relate to options granted to members of the Board, whereas options shown on line B relate to options granted to individuals prior to their appointment to the Board.

The exercise prices for all options shown are lower than the mid market price of the Company's ordinary shares on 29th December 2006 (being the last trading day of the financial year).

(4)	2006 Options exercised	Option exercise price	Mid market price on the date options exercised	2006 Gain arising on exercise	2005 Gain arising on exercise
	No.	pence	pence	£	£
M.J.D. Steel					187,900.00
A.D.H. Black	20,000	394.50000	970.5	115,200.00	348,016.67
N.H. Daws	5,000 10,000 10,000 7,000 5,000	436.00000 } 739.00000 } 669.00000 } 397.66666 } 319.16666 }	924.5	135,670.00	32,605.00
G.P. Marchand ⁽⁷⁾	20,000 15,000 15,000	394.50000 739.00000 669.00000	913.0 906.0 994.5	103,700.00 25,050.00 48,825.00	269,279.17
D.J. Meredith	15,000	739.00000	906.0	25,050.00	254,591.67
A.J. Scrivin	3,500	739.00000	908.5	5,932.50	131,480.00
P.A. Smith					261,491.67
Aggregate of gains arising on exercise				459,427.50	1,485,364.18

(5) These are the weighted averages of the exercise prices for ordinary shares under option at 31st December 2006.

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

(7) Mr. G. P. Marchand retired from the Board on 30th June 2006. Prior to his retirement he exercised 20,000 options realising a gain of £103,700. At the date of retirement Mr. G. P. Marchand held 50,000 options. Following his retirement, but in accordance with the rules of the option schemes, he exercised 30,000 options realising a gain of £73,875. At 31st December 2006 Mr. G. P. Marchand held 20,000 options.

The mid market price of the ordinary shares on 29th December 2006 was 1000p. During the period from 1st January 2006 to 31st December 2006 the ordinary mid market share price ranged between 1027p and 816p.

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

There have been no changes in the number of share options as shown on pages 40 and 41 since 31st December 2006.

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(ii) Performance Share Plan

The interests of directors are set out below:-

	31.12.05 (or date of appointment if later)	End of period over which performance conditions measured ⁽³⁾	Awarded during year to 31.12.06	End of period over which performance conditions measured ⁽³⁾	Total awards as at 31.12.06
M.J.D. Steel	27,268	31.12.07	21,875	31.12.08	49,143
A.D.H. Black	15,412	31.12.07	12,500	31.12.08	27,912
N.H. Daws	13,803	31.12.07	11,375	31.12.08	25,178
G.P. Marchand ⁽¹⁾	16,090	30.06.06	-	-	-
D.J. Meredith	17,445	31.12.07	14,000	31.12.08	31,445
A.J. Scrivin	12,702	31.12.07	10,250	31.12.08	22,952
P.A. Smith	12,448	31.12.07	10,000	31.12.08	22,448
M. Vernon ⁽²⁾	-	-	12,567	31.12.08	12,567

(1) Mr. G. P. Marchand retired from the Board on 30th June 2006. The performance conditions for the 18 month period to 30th June 2006 were not met and therefore no award of shares from the 2005 Performance Share Plan was made.

(2) Mr. M. Vernon was appointed to the Board on 1st July 2006.

(3) The performance conditions are described on page 38.

The mid market share price on 23rd March 2006 was 960.0p. This was applied in determining the award of shares on 24th March 2006. In relation to the 2005 award the price of shares applied was 708.5p.

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

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

	Interest at 31.12.05	Vested ⁽²⁾	Interest at 31.12.06 (or date of retirement if earlier)	Period of qualifying conditions
M.J.D. Steel	3,029	465	3,494	3 years
A.D.H. Black	2,926	463	3,389	3 years
N.H. Daws	3,029	465	3,494	3 years
G.P. Marchand ⁽¹⁾	3,029	56	3,085	3 years
D.J. Meredith	3,029	465	3,494	3 years
A.J. Scrivin	504	398	902	3 years
P.A. Smith	3,029	465	3,494	3 years

(1) Mr. G. P. Marchand retired from the Board on 30th June 2006.

(2) Awards vested on 6th October 2006 and the purchase price was 785.666p.

DIRECTORS' PENSIONS

The UK executive directors are members of defined benefit pension arrangements. Mr. M. Vernon is a member of a defined benefit scheme provided by Spirax Sarco Inc. The information below is consistent with the presentation used last year and sets out the disclosures under the Stock Exchange Listing Rules and the Companies Act 1985.

	Age attained at 31.12.06	Accrued pension at 31.12.05 £pa	Accrued pension at 31.12.06 £pa ⁽³⁾	Change in accrued pension during the year £pa	Change in accrued pension during the year ⁽¹⁾ £pa	Transfer value of change in accrued pension ⁽¹⁾ £	Transfer value of accrued pension at 31.12.05 £	Transfer value of accrued pension at 31.12.06 ⁽³⁾ £	Change in total transfer value £
M.J.D. Steel	61	227,651	246,287	18,636	10,384	188,000	3,677,000	4,451,000	774,000
A.D.H. Black ⁽²⁾	49	67,637	76,471	8,834	6,382	57,000	536,000	653,000	117,000
N.H. Daws	44	72,696	82,715	10,019	7,384	49,000	466,000	569,000	103,000
G.P. Marchand ⁽³⁾	61	137,698	147,132	9,434	6,955	124,000	2,360,000	2,615,000	255,000
D.J. Meredith	47	86,419	95,171	8,752	5,619	46,000	636,000	764,000	128,000
A.J. Scrivin	59	93,791	105,233	11,442	9,042	125,000	1,177,000	1,465,000	288,000
P.A. Smith	58	97,336	105,571	8,235	4,707	83,000	1,445,000	1,746,000	301,000

- (1) Net of deferred pension revaluation at a rate of 3.6% per annum.
(2) Benefits shown net of pension sharing order, currently worth £26,560 per annum.
(3) Mr. G. P. Marchand, who retired on 30th June 2006, elected to take a transfer of his pension entitlements from the defined benefit scheme. His accrued pension and the transfer value in 2006 are calculated at 30th June 2006.

The following is additional information relating to UK executive directors' pensions:

(i) Dependant's pension

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

(ii) Early retirement rights

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

(iii) Pension increases

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

(iv) Other discretionary benefits

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

Mr. M. Vernon's defined benefit pension arrangements are as follows:-

	Age attained at 31.12.06	Accrued pension at 01.07.06 £pa	Accrued pension at 31.12.06 £pa	Change in accrued pension during the year £pa	Change in accrued pension during the year⁽¹⁾ £pa	Transfer value of change in accrued pension⁽¹⁾ £	Transfer value of accrued pension at 01.07.06 £	Transfer value of accrued pension at 31.12.06 £	Change in total transfer value⁽²⁾ £
M. Vernon	53	4,900	4,990	90	39	259	33,022	32,773	(249)

(1) Net of inflation at a rate of 2.1% per annum (reduced accordingly for the half year Mr. M. Vernon was a director).

(2) The reduction in transfer value reflects exchange rate change. The US dollar value showed an increase.

Mr. M. Vernon became a director on 1st July 2006. The transfer value at the start of the year relates to the value at 1st July 2006. The figures shown are after applying the pay limit for the defined benefit scheme.

The following is additional information relating to Mr. M. Vernon's pension:

(i) Dependant's pension

On the death of a director in service, a spouse's pension equal to one-half of the director's pension based on pensionable service to the date of death is payable. After payment of the pension commences the accrued pension shown has no attaching spouse's pension, however at retirement the director has the option to reduce the director's own pension to provide for a spouse's pension after death.

(ii) Early retirement rights

After leaving the service of the Company, a director has the right to draw his accrued pension at any time after his 65th birthday with no reduction.

Mr. M. Vernon will be able to commence his pension upon retirement after five years' of service (projected to be 6th January 2008), with the pension being reduced. The annual reductions for early retirement are 3.0% from age 65 to age 60 and 5.0% from age 60 to earliest retirement age.

(iii) Pension increases

The pension has no guaranteed increases. The Company has the discretion to provide increases.

(iv) Other discretionary benefits

There are no discretionary practices which are taken into account in the calculations.

Defined Contribution Arrangements

Additionally, Mr. M. Vernon benefited from contributions to defined contribution schemes through the Spirax Sarco Inc. Section 401(k) bonus and matching contributions and by a supplementary defined contribution scheme on his salary and bonus earnings above the pay limit for the defined benefit scheme. The total contributions made by the Group for these arrangements in 2006 were £21,949 of which £20,763 related to the half year following Mr. M. Vernon's appointment as an executive director.

Signed by
M. Townsend *Chairman*
on behalf of the Board