Business

Market spread - in breadth and depth

The Group's steam and peristaltic pumping markets are very well spread geographically with no industry sector accounting for more than 10% of sales and no customer accounting for more than 1% of sales.

Applications - Steam

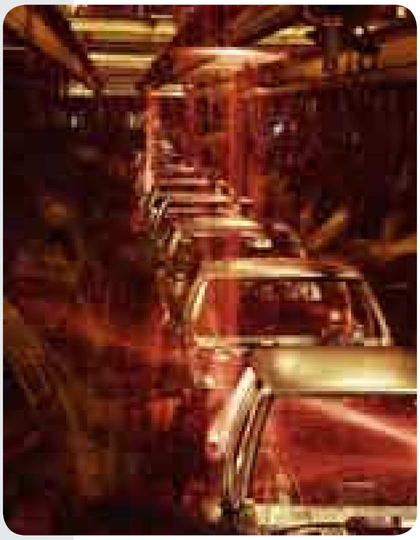
- Feedwater conditioning
- Steam generation
- Steam distribution
- Steam heat exchange
- Condensate recovery
- Condensate return
- Heat recovery
- Clean steam
- Humidification
- Sterilisers, autoclaves
- Tanks and vats
- Rotating cylinders
- Tracing

Applications - Peristaltic pumps

- Fermenter and bioreactor feed
- Chromatography column feed
- Filling and dispensing
- Chemical metering
- Potable water sampling
- Ink and varnish transfer
- pH control
- Vending of juices and flavours
- Surgical irrigation
- Tablet coating
- Abrasive slurry handling
- Concrete pumping
- Sludge transfer

Industries

- Combined heat and power
- Oil refining and processing
- Industrial and agricultural chemicals
- Fine chemical, pharmaceutical and biotechnology
- HVAC
- Hospitals and clinics, medical devices
- Government and commercial institutions
- Dairy
- Cars and aircrafts
- Shipbuilding
- Boilers
- Electronics
- Textiles, fibres and leather
- Tobacco
- Food and beverages
- Brewing and distilling
- Sugar
- Pulp and paper
- Rubber and plastics
- Water and waste water treatment
- Print and packaging, paints and pigments
- Mining
- Science and research
- Ceramics and glass



Business drivers - creating growth

Our business is well spread geographically across the product range and over a diverse range of industries. The following factors all have an influence on the underlying demand in our markets.

- Economic growth
- Industrial investment
- Globalisation
- Regulation (e.g. food hygiene, emissions and climate change)
- Energy costs
- Outsourcing
- Capital projects
- Technological changes
- Growing peristaltic pump usage

review
market overview

Strategy

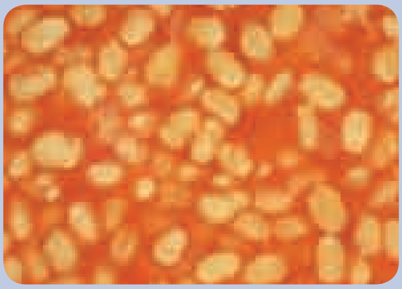
The Group remains focused on the development of its two market-leading businesses. The Spirax Sarco business aims to be the steam users' first choice provider worldwide of efficient solutions in the use of steam and related industrial fluids. Watson-Marlow Bredel aims to strengthen its position as the world's largest manufacturer of peristaltic pumps, with capacities from micro litres to tonnes, providing problem-solving knowledge, constant innovation and lifetime value to process industries around the globe. The position of our two businesses as world leaders is founded on our long held strategy of investing for growth both organically and, where appropriate, by acquisition.

The Group's prime financial objective is to provide enhanced value to shareholders through consistent growth in earnings per share and dividends per share. Both the Spirax Sarco and Watson-Marlow Bredel businesses are based on the philosophy of understanding in detail the customers' processes and being able to apply the product and engineered solutions in order to give a benefit to the customer. We are clear that by investing in sales and marketing resources, in product development, in improved efficiencies and in training our people, we expect to continue to grow sales, profits and dividends in the long term.

Trends

In 2007 we continued to develop and promote our two businesses and, as a result, we grew sales and profits and again increased the operating profit margin despite an adverse exchange transaction effect. Both Spirax Sarco and Watson-Marlow Bredel supply a very broad base of customers in a wide range of industries and we concentrated on developing our ability to improve customers' processes through our highly trained technical sales force.

The industrial and commercial steam-using market that is served by the Spirax Sarco business is fragmented and, although Spirax Sarco is market leader, we still have significant growth opportunities. We are adding to our range of solutions and are improving product designs and performance. There is good growth potential, whether in newer less developed economies or in the large longer established markets such as the USA, Japan and Germany. We will continue to increase the number of trained sales and service engineers across the world. This will also allow us to increase revenue from providing a range of services and pre-packaged solutions which incorporate our specialist technical expertise and our assurance of performance.



Heinz

Energy savings have enabled the largest food factory in Europe to realise a payback of less than nine months, after investing in a Spirax Sarco steam trap survey and undertaking the resulting remedial work.

Adimmune

Investment in Spirax UltraPure's new vapour compressor technology will not only simplify this pharmaceutical customer's water system, but reduce pure water generation costs by as much as 40%, with less work in maintenance and validation.

Ajinomoto Betagro Frozen Foods (Thailand) Co., Ltd.

A modern steam system has been supplied to this Thai food company, to maximise efficiency and minimise their steam losses. The closed loop steam system solution has improved plant start-up and performance.

market overview continued...

Trends continued...

Our Watson-Marlow Bredel business is the world leader in providing and applying peristaltic pumps for industrial use. One of our major tasks is to educate customers about the intrinsic advantages of peristaltic pumps so that they will increasingly be used to solve difficult pumping problems. These intrinsic advantages make peristaltics one of the fastest growing sectors of the global pumping market. The product range is being steadily widened and developed, making use of improved electronics and materials to broaden the addressable market by taking business from other pump types. As we widen the possible applications for our pumps, so we are seeing increasing opportunities including hygienic applications in pharmaceuticals, biotechnology and the food industries. The acquisition of Flexicon A/S in Denmark in February 2008 will increase our presence in the important pharmaceutical and biotechnology markets.

Current environment

Market conditions in 2007 remained generally positive throughout the year. Although there has been increasing speculation as to the future impact of the global credit problems, our markets remained firm and were underpinned by an increasing need to improve plant efficiency and reduce energy consumption, due in part to high oil prices, increasing emphasis on climate change and requirement for reduction in CO_2 emissions. The markets in Continental Europe were helpful through 2007 following the pick up in 2006. Although we increased sales in the UK domestic market in 2007, our underlying market in the industrial sectors of the economy continued to be subdued, not helped by the strength of sterling. The markets in North America remained positive with good levels of demand despite increasing general worries about a slow-down in 2008. The economies in South America, Australasia and South Africa were positive, although with some degree of fragility, particularly in South America. In Asia, market activity has continued to be good and the economic fundamentals have, in most cases, been strong.

Not surprisingly, exchange rate movements, on average, have had a noticeable effect on the 2007 results, particularly as the Group's business is so geographically diverse. The US dollar and dollar-related currencies were substantially weaker against sterling than in 2006, which has held back the reported results - especially in North America. By contrast, the euro and related currencies were roughly unchanged against sterling in 2007 as against 2006; this area accounts for roughly a third of the Group's sales. The currencies in Asia tended to move with the US dollar.

Investment in marketing resources

Improved website

A new Group website has improved usability and experience, whilst maximising interaction with customers, and prospects. Intuitive navigation has encouraged repeat visits, to access the extensive information available and has raised our profile in search engine results.

The Steam and Condensate Loop book

'The Steam and Condensate Loop' book, is a unique culmination of 100 years of steam application knowledge. This indispensable full-colour reference guide arms engineers with practical application knowledge to improve productivity, minimise maintenance and deliver energy saving solutions.

Group Marketing

Group Marketing provides us with the information, identity and direction for long-term sustainable business growth. To achieve these core responsibilities, the department is divided into three coordinated teams: Group Strategic Marketing, Group Industrial Marketing and Group Media Services.

performance review

Total Group sales increased by 9% in 2007 to £417.3 million (2006: £384.2 million). This increase was after an exchange hit and, at constant currency, the sales increase was a strong 11%. While some of this growth arose from the generally positive economic conditions, we continued to develop the product range and to implement a series of global and local sales plans, and, as a result, have increased our market share. There has been good organic growth in all regions, with the strongest increases in Asia and the Rest of the World and solid growth in UK, Continental Europe and North America.

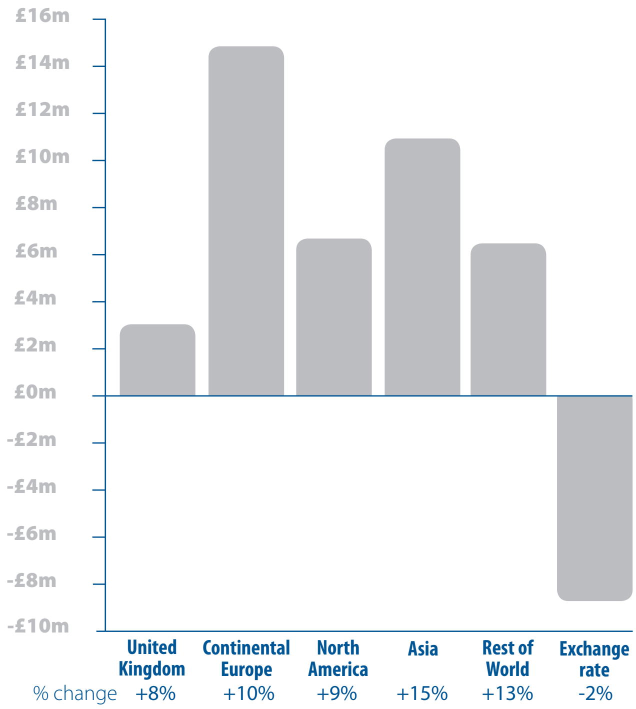
In the Spirax Sarco steam business, sales increases were achieved in controls, heat exchange solutions, clean steam products and steam system services; the latter also contributed to good growth in sales of traditional products. In Watson-Marlow Bredel, there were good increases in business into the environmental and sanitary applications in both developed and developing markets.

The Group's operating profit was £68.7 million (2006: £62.3 million), an increase of 10% in sterling and 16% at constant currency - a strong result. The profit was the highest ever achieved by the Group. The increase in operating profit arose mainly from the organic sales growth and improved efficiency, partially offset by higher material costs and the impact of exchange rate movements. The operating profit margin improved again from 16.2% in 2006 to 16.5% in 2007. The improvement was held back by exchange transaction effects and the impact of slow sales development at UltraPure as reported at the half year.

Geographical analysis of sales (based on sales by location of customer in 2007)

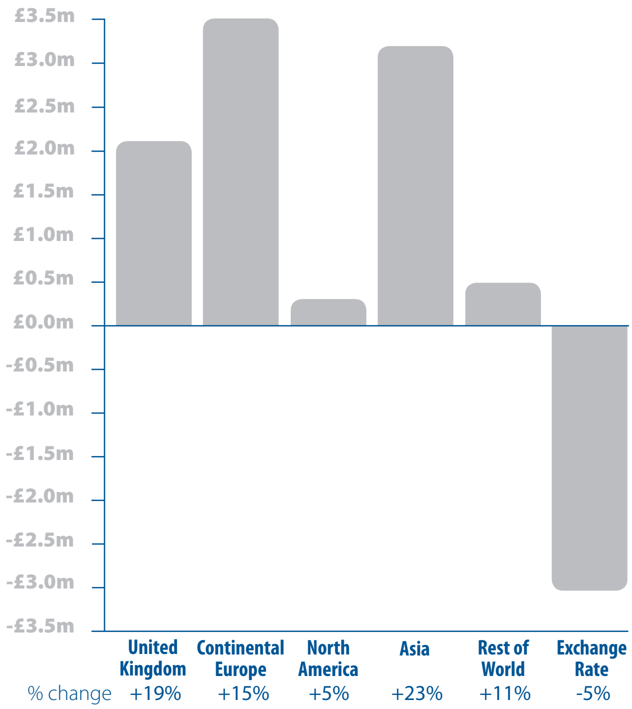
Geographical analysis of trading profit* (based on location of operation in 2007)

Change in sales
2007 versus 2006 £m



Change in sales is shown at constant exchange rates.
Based on sales by location of customer.

Change in operating profit *
2007 versus 2006 £m



Change in operating profit is shown at constant exchange rates.
Based on the location of operations.

performance review continued...

Trading continued.....

United Kingdom and Republic of Ireland

Sales into the domestic market increased by 8% in 2007 to £44.0 million from £40.7 million in 2006. The underlying market remains quiet due to the continuing pressure on the manufacturing base. In Spirax Sarco, we focused on our technical support for customers in helping to improve their plant operations and energy conservation, which resulted in good growth in sales of steam system services and prefabricated packages. Watson-Marlow Bredel's sales included a good increase in demand for Bredel pumps but was held back by a lower level of projects.

Our UK factories continued to be busy satisfying demand for both the domestic and overseas markets and benefiting from the increased throughput and tight control of costs.

Operating profit of £13.4 million was well ahead of the £11.0 million achieved in 2006, with good gains in both the sales companies and the manufacturing operations - with the latter helped by the overseas demand.

New products

Clean Steam product range extended

To enhance our capabilities as a solutions provider to the biopharmaceutical industry we have expanded our range of high purity products, designed and manufactured to the latest industry standards.

Generation

With an extensive range of FDA and cGMP approved pure steam generators, and water for injection distillation units, our products are at the heart of any critical utility service.

Controls and instrumentation

Our range of direct acting and pneumatically actuated control valves are amongst the most advanced in the market place, providing accurate control to ensure successful process operation.

Steam trapping

After developing the first true clean steam trap we have evolved the design to improve operation, helping to ensure effective system sterilisation.

Ancillary products

We now have a comprehensive range of ancillary products, including check valves, pressure gauges, sight glasses, ball valves and sample coolers. The introduction of a unique clean steam separator helps customers overcome steam quality problems and complies with the standard HTM2010.

Continental Europe

The good levels of activity that built up in 2006 continued through 2007, with sales increasing to £153.7 million from £138.3 million, an increase of 11%. Exchange movements had little effect on the sterling figures as the average euro rates were similar in both years. In 2007, levels of economic and industrial activity were positive with increases in GDP growth and industrial production. The higher sales were reflected across both the Spirax Sarco and Watson-Marlow Bredel ranges. In particular, there was good progress in sales of controls, heat exchangers, steam system services and tubing. Sales to OEMs, pharmaceutical, biotech, food and pulp & paper did well.

Geographically, the growth was also widespread with increases for the Spirax Sarco business in nearly all the operating companies, including in France, Germany, Scandinavia, Spain and Russia. In Watson-Marlow Bredel, there was good progress in all companies and the new direct selling company in Denmark, acquired in January 2007, started well.

Operating profits increased 17% from £22.4 million in 2006 to £26.3 million in 2007, driven mainly by the organic growth. The operating margin in 2007 was slightly ahead at 13.8%.

performance review continued...

North America

Sales in North America increased in sterling by only 1% in 2007 to £80.8 million from £80.0 million. The substantial devaluation (average year on year) of the US dollar in 2007 as against 2006 has masked an underlying growth in sales of 9%, which is mainly organic growth. In the USA, the markets remained positive and sales in the Spirax Sarco business grew well with increased sales of energy services, controls and traditional products. The Watson-Marlow Bredel business saw good growth in water/wastewater and sanitary applications.

Our Canadian company produced a strong performance in 2007. Our Mexican operation also generated a significant increase in sales and profits, although it is accounted for separately as an Associate.

The operating profit in North America was down 18% at £7.3 million, which compares with £8.9 million in 2006; at constant currency, the operating profit was up 5%. The operating profit margin was lower at 9.0% as against 11.0% in 2006. The reduction in margin arises from unfavourable exchange rate movements, particularly in Watson-Marlow Bredel, and, to a lesser extent, the impact of slow sales development at UltraPure. Excluding these, the operating profit margin in North America would have increased slightly over 2006.

Asia

Sales growth in our Asian territories was 11% in sterling to £85.3 million (2006: £77.1 million) and at constant exchange was ahead 15%. The markets in most of the Asian countries continued to be buoyant, the main exceptions being Taiwan and Thailand. In Malaysia and South East Asia, our sales and profits increased nicely and our operations in China and Korea turned in excellent performances with good increases in profits. We increased sales coverage in the growing markets and increased sales of traditional products as well as heat exchange packages, boilerhouse products and clean steam products. The new factory in China and offices in Korea were delayed for some months for technical reasons and the projects will now run into 2009. Our Indian operation, which is treated as an Associate, grew sales well and is strongly profitable.

The Asian currencies tended to weaken with the US dollar, particularly the Yen, Won and Taiwanese dollar, thus adversely affecting the Asian results when reported in sterling. The operating profit in 2007 was £16.6 million, which compares with £15.1 million in 2006, an increase of 10%; at constant currencies, the operating profit increase was 23%. The overall operating profit margin in Asia was unchanged at 20.9%, despite the exchange transaction impact.

Rest of the World (South America, Africa, Australasia)

We also increased sales well in the Rest of the World to £53.6 million in 2007 (2006: £48.2 million), an increase of 11%. Here too, net exchange rate movements adversely affected the sterling numbers and, at constant exchange rates, the sales increased by 13% in 2007. Although the South American economies remain somewhat fragile, they were buoyant and our company in Argentina, particularly, produced strong increases in local currency sales and profits. The Spirax Sarco and Watson-Marlow Bredel operations in Brazil also provided good growth. In South Africa, the Watson-Marlow Bredel business produced an excellent result, but the Spirax Sarco business performed poorly and a management reorganisation is being implemented. In Australasia, our New Zealand company continued to produce strong results, but in Australia sales were flat and profits were slightly down.

Operating profits in the Rest of the World were £5.1 million, up 6% from £4.8 million in 2006; at constant exchange, the operating profit increase was 11%. The profit increase was reduced by the results in Spirax Sarco South Africa and Australia. The margin in the region therefore came down slightly from 10.0% in 2006 to 9.5% in 2007.

BASF Catalyst

A Watson-Marlow Bredel SPX50 peristaltic pump has transferred hundreds of gallons of aggressive and hot (50-60°C), particulate-laden caustic liquid from a plastics scrubber. The pump has offered this electronics recycling company uninterrupted production and maintenance-free operation.

Canadian Natural Resources Limited

To combat freezing temperatures, three technologically advanced steam heat exchange solutions have been delivered to Canadian Natural Resources Limited's Horizon project. These were made in line with the high specifications demanded by the oil industry for a steam to glycol system.

The Max Planck Institute

Pure steam is used in the biotechnology and pharmaceutical industries for sterilisation and for air humidification in critical air conditioning systems. This institute for vascular biology had a complete pure steam generating unit developed by Spirax Sarco.

Interest

Net finance income was £2.4 million which compares with £2.0 million in 2006. The increase was due to improved net finance income in respect of defined benefit pension funds. This arose because the higher value of the assets of the funds, following the special pension contributions in 2006 and early 2007, improved the return on assets by more than the interest on the schemes' liabilities. Net bank interest payable increased by £0.7 million in 2007 due to the share buy-back in 2006, the special pension contributions in late 2006 and early 2007, and the acquisition of UltraPure.

Associates

We have minority shareholdings in our operations in India and Mexico, which are reported as Associates outside the operating profit. They are nevertheless an integral part of the Group and both produced good performances in 2007. During 2007, we increased our shareholding in the Indian operation from 40% to nearly 50%. The Group's share of after tax profits of Associates increased to £1.6 million (2006: £1.4 million).

Profits before taxation*

The Group's pre-tax profit increased by 11% to £72.8 million (2006: £65.7 million).

Taxation

The tax charge at 31.6% compares with 32.4% in 2006. More than 80% of the Group's profits are earned outside the UK and the majority of the overseas tax rates are effectively higher than UK rates. We expect that the tax rate for 2008 will be broadly in line with 2007.

performance review continued...

Awards

SP200 wins award

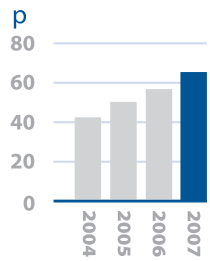
The SP200 electropneumatic control valve positioner was amongst winners at *Flow Control* magazine's annual Product Innovation Awards. This program is designed to recognise industry's most compelling advances in fluid handling technology. The improved SP200 marks a new standard in ease of use with simpler installation and commissioning, adaptive valve control, and smarter functions.

Eirdata wins Sustainable Energy Ireland award

As part of the Spirax Sarco Group of Companies, Eirdata is a provider of engineering and consultancy services in the areas of energy management and conservation. At the recent Sustainable Energy Ireland awards, Eirdata achieved first place in the Energy Service / Supply company category, placed above two major competitors in this field.

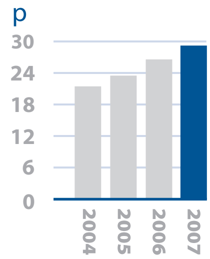
Earnings per share*

The Group's prime financial objective is to provide enhanced value to shareholders through consistent growth in earnings per share and dividends per share. Earnings per share rose to 65.5p from 58.1p, an increase of 13% including a small benefit resulting from the share buy-back in 2006.



Dividends per share

The proposed final dividend is increased by 14% to 21.6p per share. This gives a total dividend of 29.9p per share (2006: 26.5p), an increase of 13%, in line with our improved performance in 2007.



Capital employed

The continued growth in the business is reflected in a higher level of capital employed, although the overall increase is well below the increase in sales. Working capital was higher with increases in trade receivables and inventories but reflecting improvements in both debtor days and stock weeks as we continued to closely manage working capital levels.

Return on capital employed

	2007	**2006**
	£'000	£'000
Property, plant and equipment	93,933	88,802
Inventories	73,824	67,707
Trade receivables	98,067	90,023
Prepayments and other current assets / (liabilities)	(55,463)	(47,337)
Capital employed	**210,361**	**199,195**
Intangibles and investments in associates	36,297	30,197
Post-retirement benefits	(21,533)	(29,592)
Deferred tax	3,352	7,352
Provisions	(1,343)	(876)
Net cash / (borrowings)	15,831	(6,554)
Net assets	**242,965**	**199,722**
Return on capital employed		
Operating profit	68,336	61,941
Acquisition intangibles amortisation	384	350
Adjusted operating profit	**68,720**	**62,291**
Average capital employed	**204,778**	**193,691**
Return on capital employed	**33.6%**	**32.2%**

Return on capital employed (ROCE)*

ROCE improved in 2007 to 33.6% from 32.2% in 2006. Capital employed was carefully controlled and increased by 6% in 2007, whereas operating profit increased by 10%.

Capital expenditure

The value of tangible fixed assets increased by 2% at constant exchange rates to £93.9 million in 2007 as we continue investing in our businesses. There were investments in new or extended premises in Denmark, Germany and South Africa, together with on-going plant and machinery expenditure in our manufacturing plants to increase efficiency and expand capacity. The additions in 2007 exceeded the depreciation charge by 22%.

	2007	2006
	£'000	£'000
Capital expenditure**	16,052	19,153
Depreciation and amortisation**	13,147	12,151
Capital expenditure as a % of depreciation	122%	158%

** The numbers above exclude acquired intangible assets and capitalised development costs.

There have been delays in the expansion plans for our plant in China. During 2008 and 2009 there will be an investment of around £9 million in a new factory and offices to increase the volume of production in Shanghai and to accommodate the growth of the sales organisation of this successful company. We also intend to invest £6 million in expanding the Watson-Marlow tube and pump production plant.

performance review continued...

Energy solutions

Energy saving research

The Carbon Trust has awarded Spirax a grant to develop a range of energy saving devises. These products will contribute to a CO_2 reduction of about 1 million tonnes in the UK alone. This innovation will also help to support our global survey and service business.

The Carbon Trust is a private company set up by the government to accelerate the UK's move to a low carbon economy.

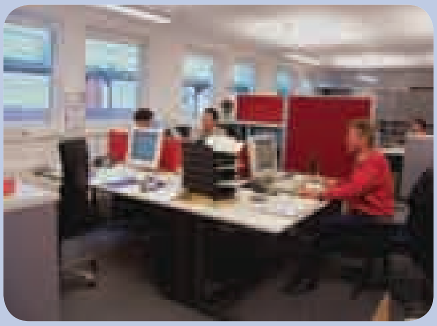
Intangible assets and investments in associates

Intangible assets include goodwill capitalised prior to 2004 under UK GAAP and goodwill and other intangible assets capitalised on acquisitions since the transition to IFRS. Goodwill is the subject of annual impairment testing and intangible assets are amortised over their expected useful lives. There was no impairment of goodwill during 2007, or 2006. Amortisation of acquired intangible assets was £0.6 million for the year (2006: £0.4 million). Of this £0.2m relates to Associates (2006: nil) following the increase in our shareholding in India from 40% to nearly 50%, which required the recognition of intangible assets in respect of our total shareholding. Product development costs capitalised and computer software are also included in intangible assets in accordance with IFRS. The Group balance sheet also includes the cost of investment in our Associate companies in India and Mexico and our share of post-acquisition profit, net of dividends received.

Post-retirement benefits

The post-retirement benefit liability shown in the balance sheet reduced to £21.5 million at 31st December 2007 from £29.6 million a year earlier. The improvement was due to the special pension contributions of £5.5 million made in early 2007 and to a reduction in pension liability values as bond yields rose both in the UK and overseas. These gains were partially offset by a shortfall in the return on assets for the year and to a lesser extent by increased liabilities due to pay and demographic factors.

Investment in sales & training



Office extension - Germany

In response to growth of the German business, which has seen an increase in the number of sales engineers, the offices have been extended by another floor.
This provides much needed space and brings together the sales department, to improve efficiency and teamwork, and to improve customer service.

New training centre

Bredel in the Netherlands has opened a new training facility, where technical training and practical experience is combined to give sales staff a better understanding of the behaviour of the peristaltic pump, especially at higher pressures. Since the first use of the training centre in early 2007, already people from many different countries have visited the facility.

performance review continued...

Cash flow

There was a good cash flow performance for the year. Free cash flow was £39.0 million (2006: £10.0 million) driven by the strong growth in operating profit and despite making the £5.5 million of special contributions into the Group's main defined benefit pension schemes. Working capital levels were well controlled and movements during the year absorbed only £3.6 million. Taxation payments at £18.2 million were reduced by tax relief on the special pension contributions, particularly in the UK. Capital expenditure (net of disposals) at £16.5 million was at a normal level but is expected to increase significantly in 2008 as previously explained.

Net dividend payments rose to £20.8 million and there was an outflow of £1.2 million in respect of acquisitions. Against this, there was an inflow of £3.2 million due to the operation of the Group's share-based payment schemes which were satisfied by the reissue of treasury shares. In February 2008, we acquired Flexicon A/S in Denmark for DKK141 million (£14.1 million) of which DKK113 million (£11.3 million) was paid on completion with the remainder to be paid in three equal annual instalments starting in February 2009.

The good cash flow and a small favourable exchange effect meant that we finished 2007 with net cash of £15.8 million compared with net debt of £6.6 million a year earlier.

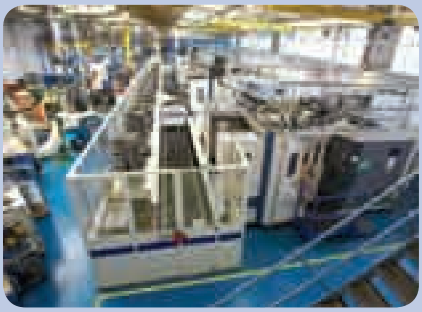
	2007	2006
	£'000	£'000
Operating profit*	68,720	62,291
Depreciation and amortisation	13,847	13,014
Equity settled share plans	1,259	860
Working capital changes	(3,572)	(13,726)
Additional contributions to defined benefits schemes	(5,726)	(15,887)
Net interest paid	(793)	(154)
Income taxes paid	(18,162)	(16,484)
Net capital expenditure, including development	(16,524)	(19,942)
Free cash flow	**39,049**	**9,972**
Net dividends	(20,271)	(18,366)
Acquisitions	(1,170)	(3,969)
Shares purchased, less proceeds from issues	3,157	(14,254)
Cash flow before exchange	20,765	(26,617)
Exchange movement	1,620	1,018
Opening net (borrowings) / cash	(6,554)	19,045
Closing net (debt) / cash at 31st December	**15,831**	**(6,554)**

Capital structure

Net cash of £15.8 million at 31st December 2007 comprised £37.9 million in cash and cash equivalents, and £22.1 million of borrowings. The Group had various borrowing facilities available to it and at the year-end undrawn, committed facilities were £35.1 million. The Group's objective is to maintain a balance between continuity of availability of funding and flexibility through the use of overdrafts, loans and finance leases as appropriate. The Group has operations around the globe and therefore its balance sheet can be significantly affected by movements in the rate of exchange between sterling and many other currencies, particularly the euro and US dollar. The Group seeks to mitigate the effect of this structural currency exposure by borrowing in local currency where appropriate, consistent with maintaining a low cost of debt.

Our policy is to maintain an appropriately strong balance sheet. The Group's good cash generation is used to invest in expanding the business both organically and through suitable acquisitions. The Group regularly considers the appropriateness of the structure of its balance sheet. Historically, excess capital has been returned to shareholders in addition to ordinary dividends.

Investment in manufacturing



Improvements made at BSA factory

Through the implementation of Demand Flow Technology principles, the BSA isolation unit has reduced lead times, and improved stock availability, which has improved customer service.

Growth at Engineered Systems

Since investment in 2004 the factory has supported growth from the UK and is prepared to support future growth in Europe. Offering a range of bespoke and standard packaged solutions, it now has the capabilities to manufacture factored products in-house.

New BP99 line

With its in-built quality control measures, this new line for the production of a critical component has meant an improvement in productivity and a decrease in costs.

performance review continued...

Risks and uncertainties

The Group has well established risk management processes, including insurance cover, which are an integral part of the operation of our business and which are outlined in the Corporate Governance Section on page 30 of this Annual Report. Whilst risk can never be eliminated, our processes allow us to identify and appropriately manage and mitigate risks and uncertainties. These mainly arise from the inherent risks of operating a worldwide business largely using our own local sales companies to sell in local currency direct to end-user customers, distributors, OEMs and contractors, a very wide range of products, mostly designed and manufactured in our own facilities in a number of different countries. The business is well spread geographically, across tens of thousands of customers and across most industrial and commercial sectors. This means that we do not rely excessively on any one customer, application or industrial sector.

The principal risks and uncertainties are strategic, commercial, operational and financial. Ultimately these affect our ability to deliver our prime financial objective, which is to provide enhanced value to shareholders through consistent growth in earnings per share and dividends per share as a result of maintaining our world leading position and investing in our businesses for growth.

Strategic risks and uncertainties include customer relationships, the competitive environment, political and economic upheaval, technological changes, the regulatory and legal environment, and investment in acquisitions. These relate to maintaining our market and technological leadership including branding and reputation.

Commercial risks and uncertainties include issues such as product design and performance, product liability, competitor activity, relations with customers and suppliers, pricing and profit margins. Our employees are key to managing and mitigating risks and uncertainties and we therefore invest significant resources in the training and development of our people.

Operational risks and uncertainties include health and safety and environmental issues, employee relations, mitigation of, and recovery from, major disasters, product quality and customer service. We have for many years complied with recognised quality, health and safety and environmental standards and regulations and have applied project management disciplines in our business. The Group's approach to the health and safety of employees is more fully described on pages 33 and 34. Appropriate measures are implemented locally, particularly in the manufacturing companies, and there were further improvements in health and safety in our operations in the year. The environmental benefits from the use of Group products are more fully described on pages 34 and 35. General Managers of operating companies are responsible for local compliance with the Group's policy and with local legislation, and are required to report regularly.

Financial risks and uncertainties include exchange rate exposures, interest rate movements, financial instruments, financial irregularities and protection of assets including pension fund assets. The Group has a comprehensive Treasury Policy covering many of these issues and defining our approach to minimise and mitigate such risks.

*All profit measures exclude the amortisation of acquisition-related intangible assets. The total in 2007 is £0.6 million (2006: £0.4 million) of which £0.2 million relates to Associates (2006: nil).

75th anniversary

Spirax-Sarco Limited in Cheltenham celebrates 75th anniversary

Spirax-Sarco Limited celebrated its 75th anniversary during 2007. The Company provides steam system solutions to UK customers in varied industries including pharmaceuticals, oil and petrochemical, food, drinks, electronics, textiles, paper and institutions. It also manufactures and supplies steam system products to fellow Group companies around the world for subsequent sale in their own markets. Spirax-Sarco Limited employs nearly 1,000 people in the UK who regularly demonstrate their ability to provide the best products and services.