

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 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. 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. Further, the total remuneration package is designed in a way which 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. The bonus is paid as a percentage of salary. For 2007 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 9% in the year ended 31st December 2007;
- (ii) two thirds of the percentage increase in Earnings per Share ("EPS") for the year over the average EPS for the previous three years - this element contributed 20% in the year ended 31st December 2007;
- (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 - this element contributed 6% in the year ended 31st December 2007; 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 bonus is not pensionable.

For the current financial year, the Committee wishes to focus on just two key elements of Company performance, operating profit and Return on Capital Employed ("ROCE"). The maximum bonus will remain at 100% of salary and will not be pensionable. It will be determined as follows:-

- (i) up to 65% of salary will be based on the operating profit of the Group plus the Associated Companies in India and Mexico. Under the scale set for 2008 a bonus of 10% will be payable if operating profits are equal to the previous year's profits; it will rise to 39% if operating profits are equal to the planned profit for the year and to the maximum of 65% if operating profit exceeds plan by 6%, with the bonus being calculated on a sliding scale for achievement of operating profit between these figures; and
- (ii) up to 35% of salary will be based on ROCE; for 2008, a bonus of 5% will be payable if ROCE equals 29% rising to 35% if a ROCE of 39% is achieved, again with the bonus being calculated on a pro-rata basis for the achievement of a ROCE between these figures.

The Committee will review the measurement of the elements of the bonus each year.

The Committee offered to executive directors in a UK defined benefit scheme 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. The level of 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 has not been adopted by any of the executive directors in the scheme.

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 1997 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 1997, only if a specified performance condition is satisfied. In line with the then established market practice, the performance condition for options granted from 1997 up to 2001 requires an increase in EPS 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 EPS 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 EPS 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 outstanding 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. The plan allows for awards to be made each year with a market value of up to 150% of base salary. In practice the awards made to executive directors in each of the three years since the plan was introduced have generally been limited to 60% of base salary. 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 vesting of an award will 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 vest on a pro-rata straight line basis between median and upper quartile performance. For the awards granted in 2005, the comparator group consisted of the same companies comprising that sector immediately before the start of the performance period. No awards will vest under the 2005 grant. TSR was chosen as the measure of performance as the Committee felt that this achieved an appropriate alignment of the interests of the directors with those of the shareholders of the Company.

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Awards made in 2006 and 2007 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. This is the sector in which the Company is now included, the Engineering and Manufacturing Sector Index having been discontinued at the end of 2005.

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.

Following a review of the operation of the plan and the market competitiveness of awards, the Committee has decided to make awards to executive directors in 2008 with a market value of 100% of base salary. Although relative TSR will be retained as one of the measures to determine the vesting of part of the award, a second, separate element of the award will be based upon EPS growth. The decision to adopt EPS as a specific measure to determine the vesting of part of the future awards is a reflection of the importance the Company gives to continuing growth in earnings.

Specifically for awards made after 1st January 2008, the award will be split into two separate parts amounting to 60% and 40% of salary respectively.

The vesting of each part of the overall award will be subject to the satisfaction of separate performance targets as follows:-

- (i) vesting of the first part, amounting to 60% of salary, will be based on the existing TSR measure; and
- (ii) vesting of the second part, amounting to 40% of salary, will be subject to achievement of a target based on cumulative growth in EPS over the whole of the three year performance period with growth measured relative to EPS in the year prior to that in which the award is made. For the awards made in 2008, 25% will vest if the compound annual growth in EPS over the three year period 2008 to 2010 is equal to 5% and 100% of the award will vest if the compound annual growth in EPS is equal to or exceeds 11%; there will be pro-rata vesting for actual growth between these two rates.

The Committee will review the measures annually.

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.

Share Ownership Policy

It is the policy of the Board of Spirax-Sarco Engineering plc that the executive directors have a significant shareholding in the Company. The Board expects that executive directors will accumulate following appointment to the Board, a shareholding equivalent to at least 100% of basic salary and should retain a shareholding of at least this amount whilst remaining on the Board.

It is the policy of the Board to operate share based incentive schemes and the Board expects that executive directors will retain shares acquired under such schemes (after sales of such shares as are needed to settle relevant tax and national insurance charges) until the required level of shareholding is achieved. Any shares held in trust for an executive director or in the name of a connected person, e.g. spouse, will be considered as part of an executive director's shareholding.

The Board will exercise discretion in implementing this policy where the personal circumstances of an individual executive director make that appropriate.

The policy does not require any shareholdings by non-executive directors.

Pensions

The UK executive directors, other than Mr. M. E. Vernon, are members of an HMRC registered 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. E. Vernon who also have a normal retirement age of 65. As previously reported for the then 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. E. Vernon, in addition to membership of the Spirax Sarco Inc. defined benefit scheme, has defined contributions as set out on page 43. In total pension contributions at the rate of 25% of pensionable pay were payable from 12th June 2007 (previously at the rate of 15%). From 12th June 2007 Mr. M. E. Vernon's pensionable pay does not include bonus payments. Mr. M. E. Vernon also has provision of a lump sum death in service benefit of four times salary.

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. For 2007 there are no unapproved pension arrangements in the UK in respect of UK executive 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 |
| M.E. Vernon | 12.12.07 | 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 |

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 contracts 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.

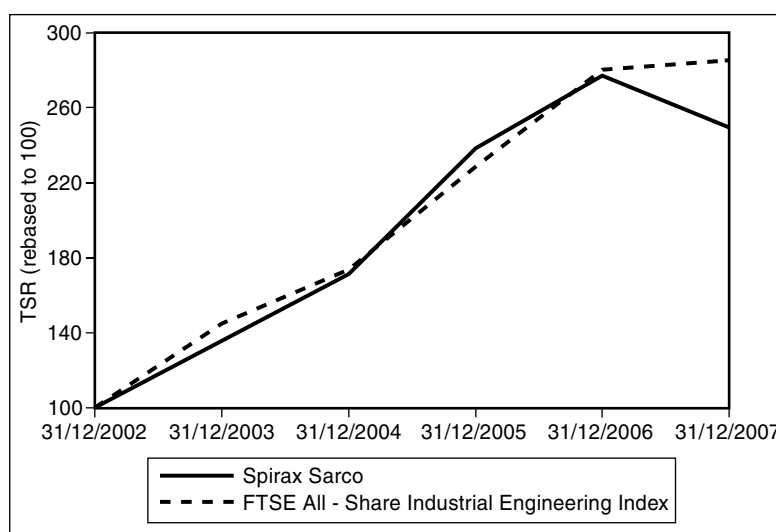
| | Date of Appointment Letter | Notice Period |
|---------------|-----------------------------------|----------------------|
| M. Townsend | 11.04.06 | 1 month |
| G. Bullock | 03.05.05 | 1 month |
| E. Lindh | 06.04.06 | 1 month |
| W.H. Whiteley | 06.04.06 | 1 month |

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 2007 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 | |
|------------------------------|-----------------------|-------------------------|----------------------------------|------------------------------------|------------|
| | £ | £ | £ | 2007 Total | 2006 Total |
| | £ | £ | £ | £ | £ |
| M. Townsend ⁽²⁾ | 90,000 | - | - | 90,000 | 80,000 |
| M.J.D. Steel | 383,000 | 19,818 | 134,625 | 537,443 | 479,474 |
| M.E. Vernon ⁽³⁾ | 242,012 | 100,258 | 85,067 | 427,337 | 253,351 |
| A.D.H. Black | 211,000 | 13,566 | 74,167 | 298,733 | 276,758 |
| N.H. Daws | 202,000 | 12,279 | 71,003 | 285,282 | 253,704 |
| D.J. Meredith | 236,000 | 16,236 | 82,954 | 335,190 | 309,715 |
| A.J. Scrivin | 185,000 | 7,721 | 65,028 | 257,749 | 225,160 |
| P.A. Smith | 175,000 | 7,992 | 61,513 | 244,505 | 219,580 |
| G. Bullock ⁽²⁾ | 33,000 | - | - | 33,000 | 30,000 |
| E. Lindh ⁽²⁾ | 33,000 | - | - | 33,000 | 30,000 |
| W.H. Whiteley ⁽²⁾ | 46,000 | - | - | 46,000 | 40,000 |
| | 1,836,012 | 177,870 | 574,357 | 2,588,239 | 2,197,742 |

(1) Benefits arising from employment by the Company relate mainly to the provision of a company car and in the case of Mr. M. E. Vernon, also for the provision of medical insurance cover in the USA and relocation costs.

Following Mr. M. E. Vernon's appointment as Chief Operating Officer and his transfer to the UK to carry out his duties, the Group, through Spirax Sarco Inc., has paid to Mr. M. E. Vernon the independently assessed market value of £390,250 for the purchase of his residence in South Carolina.

(2) Non-executive director.

(3) Mr. M. E. Vernon was appointed to the Board on 1st July 2006 and the figure of £253,351 is the total emoluments for the full year 2006. Of the bonus of £85,067, £5,799 was paid in the form of a 401(k) contribution in the USA.

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:-

| | | 31.12.06 | Exercised in year ⁽²⁾ | 31.12.07 | Average exercise price per share ⁽³⁾ | Date from which exercisable ⁽⁴⁾ | Expiry date ⁽⁴⁾ |
|---------------|----------------|----------|----------------------------------|----------|---|--|----------------------------|
| | ⁽¹⁾ | No. | No. | No. | pence | | |
| M.J.D. Steel | A | 185,000 | - | 185,000 | 437.2 | 12.10.02 | 31.03.09 |
| | | 185,000 | - | 185,000 | | | |
| M.E. Vernon | B | 20,400 | 12,000 | 8,400 | 686.0 | 21.04.08 | 21.04.15 |
| | | 20,400 | 12,000 | 8,400 | | | |
| A.D.H. Black | A | 20,000 | 20,000 | 0 | - | - | - |
| | | 20,000 | 20,000 | 0 | | | |
| N.H. Daws | A | 20,000 | - | 20,000 | 541.9 | 25.03.07 | 25.03.14 |
| | | 15,000 | - | 15,000 | | | |
| | | 35,000 | - | 35,000 | | | |
| D.J. Meredith | A | 87,500 | 15,000 | 72,500 | 472.2 | 12.10.02 | 25.03.14 |
| | | 87,500 | 15,000 | 72,500 | | | |
| A.J. Scrivin | B | 16,500 | 2,500 | 14,000 | 468.2 | 14.03.06 | 16.06.12 |
| | | 16,500 | 2,500 | 14,000 | | | |
| P.A. Smith | A | 40,000 | - | 40,000 | 468.2 | 14.03.06 | 31.03.09 |
| | | 40,000 | - | 40,000 | | | |

(1) 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 31st December 2007 (being the last trading day of the financial year).

| | 2007 Options exercised | Option exercise price | Mid market price on the date options exercised | 2007 Gain arising on exercise | 2006 Gain arising on exercise |
|---|---------------------------------------|--------------------------------------|---|--|--|
| | No. | pence | pence | £ | £ |
| M.E. Vernon | 12,000 | 541.9 | 1016.0 | 56,892 | - |
| A.D.H. Black | 20,000 | 541.9 | 1040.5 | 99,720 | 115,200 |
| N.H. Daws | - | - | - | - | 135,670 |
| D.J. Meredith | 15,000 | 669.0 | 1023.0 | 53,100 | 25,050 |
| A.J. Scrivin | 2,500 | 669.0 | 1013.0 | 8,600 | 5,932 |
| Aggregate of gains arising on exercise | | | | 218,312 | 281,853 |

(3) These are the weighted averages of the exercise prices for ordinary shares under option at 31st December 2007.

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

No options were granted to directors during the year and no options held by directors lapsed during the year.

The mid market price of the ordinary shares on 31st December 2007 was 878.0p. During the period from 1st January 2007 to 31st December 2007 the ordinary mid market share price ranged between 1081.0p and 870.0p.

Options granted from 1997 are subject to the performance conditions described on page 37.

There have been no changes in the number of share options as shown on pages 40 and 41 since 31st December 2007.

(ii) Performance Share Plan

The interests of directors are set out below:-

| | Awarded during year ended | | | Total awards | |
|-----------------------------|----------------------------------|-------------------------------|-------------------------------|-----------------------|-----------------------|
| | 31.12.05⁽¹⁾ | 31.12.06⁽²⁾ | 31.12.07⁽³⁾ | as at 31.12.07 | as at 29.02.08 |
| M.J.D. Steel ⁽⁴⁾ | 27,268 | 21,875 | 22,538 | 71,681 | 44,413 |
| M.E. Vernon | - | 12,567 | 28,826 | 41,393 | 41,393 |
| A.D.H. Black | 15,412 | 12,500 | 12,416 | 40,328 | 24,916 |
| N.H. Daws | 13,803 | 11,375 | 11,887 | 37,065 | 23,262 |
| D.J. Meredith | 17,445 | 14,000 | 13,887 | 45,332 | 27,887 |
| A.J. Scrivin | 12,702 | 10,250 | 10,886 | 33,838 | 21,136 |
| P.A. Smith ⁽⁴⁾ | 12,448 | 10,000 | 10,298 | 32,746 | 20,298 |

(1) The performance conditions as at 31st December 2007 were not met and therefore those shares awarded during the year ending 31st December 2005 lapsed.

End of period over which performance conditions measured:-

(2) 31st December 2008;

(3) 31st December 2009;

(4) 31st March 2008 (retirement date).

The performance conditions are described on pages 37 and 38.

The average mid market price on the five days from 19th to 23rd March 2007 was 1019.6p. This was applied in determining the number of shares subject to awards granted on 26th March 2007. The mid market price of the shares on that date was 1020.0p.

The mid market price on 7th September 2007 was 975.0p. This was applied in determining the 17,538 shares subject to the additional award granted to Mr. M. E. Vernon on 10th September 2007. The mid market price of the shares on that date was 1013.0p.

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(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. E. 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 trustee of the Plan provides a matching share for each share purchased under the Plan on behalf of the director which is the same basis as for other participating employees. Dividends paid on the partnership and matching shares are reinvested and held by the trustee as dividend shares. Matching shares and dividend shares may generally only be released three years after they were purchased by the trustee. In order to comply with the age discrimination legislation, the retirement age in the Plan was changed from 65 to 50.

| | Interest at 31.12.06 | Partnership shares purchased ⁽¹⁾ | Matching shares awarded ⁽¹⁾ | Dividend shares awarded ⁽²⁾ | Interest at 31.12.07 | Period of qualifying conditions ⁽³⁾ |
|---------------|-------------------------|---|--|--|-------------------------|--|
| M.J.D. Steel | 3,494 | 162 | 162 | 96 | 3,914 | 3 years |
| A.D.H. Black | 3,389 | 162 | 162 | 92 | 3,805 | 3 years |
| N.H. Daws | 3,494 | 162 | 162 | 96 | 3,914 | 3 years |
| D.J. Meredith | 3,494 | 162 | 162 | 96 | 3,914 | 3 years |
| A.J. Scrivin | 902 | 162 | 162 | 26 | 1,252 | 3 years |
| P.A. Smith | 3,494 | 162 | 162 | 96 | 3,914 | 3 years |

(1) Partnership shares were purchased, at a price of 923.333p, and matching shares were awarded on 5th October 2007. The mid market price of the shares on that date was 1040p.

(2) Dividend shares were awarded on 21st May 2007, on which date the mid market price of the shares was 1014.5p, and on 9th November 2007, on which date the mid market price of the shares was 1061p.

(3) Partnership shares are not subject to qualifying conditions.

No matching shares or dividend shares were released from the Plan or forfeited during the year.

DIRECTORS' PENSIONS

The UK executive directors, other than Mr. M. E. Vernon, are members of defined benefit pension arrangements. Mr. M. E. 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 31.12.07 | Accrued pension at 31.12.06 | Accrued pension at 31.12.07 | Change in accrued pension during the year | Change in accrued pension during the year ⁽¹⁾ | Transfer value of change in accrued pension ⁽¹⁾ | Transfer value of accrued pension at 31.12.06 | Transfer value of accrued pension at 31.12.07 | Change in total transfer value |
|-----------------------------|-----------------------------------|--------------------------------------|--------------------------------------|---|--|--|---|---|---|
| | | £pa | £pa | £pa | £pa | £ | £ | £ | £ |
| M.J.D. Steel | 62 | 246,287 | 262,139 | 15,852 | 6,128 | 122,300 | 4,451,000 | 5,120,000 | 669,000 |
| A.D.H. Black ⁽²⁾ | 50 | 76,471 | 79,410 | 2,939 | 0 | 0 | 653,000 | 690,000 | 37,000 |
| N.H. Daws | 45 | 82,715 | 90,829 | 8,114 | 4,849 | 35,300 | 569,000 | 639,000 | 70,000 |
| D.J. Meredith | 48 | 95,171 | 99,405 | 4,234 | 476 | 3,900 | 764,000 | 814,000 | 50,000 |
| A.J. Scrivin | 60 | 105,233 | 121,792 | 16,559 | 12,404 | 233,000 | 1,465,000 | 1,938,000 | 473,000 |
| P.A. Smith | 59 | 105,571 | 112,466 | 6,895 | 2,727 | 51,200 | 1,746,000 | 1,990,000 | 244,000 |

(1) Net of deferred pension revaluation at a rate of 3.9% per annum.

(2) Benefits shown net of pension sharing order, currently worth £27,700 per annum.

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

| | Age attained at 31.12.07 | Accrued pension at 31.12.06 £pa | Accrued pension at 31.12.07 £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 31.12.06 £ | Transfer value of accrued pension at 31.12.07 £ | Change in total transfer value £ |
|--------------|---|--|--|--|--|--|--|--|---|
| M. E. Vernon | 54 | 4,900 | 6,433 | 1,533 | 1,490 | 9,254 | 32,773 | 45,589 | 12,816 |

(1) Net of inflation at a rate of 2.8% per annum.

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

(iii) Pension increases

The pension has no guaranteed increases. Spirax Sarco Inc. has the discretion to provide increases.

(iv) Other discretionary benefits

Additionally, Mr. M. E. Vernon benefited from contributions to defined contribution schemes through the Spirax Sarco Inc. Section 401(k) payments and by supplementary payments to a defined contributions scheme in the USA on the qualifying earnings above the Internal Revenue Service pensionable salary limit for the defined benefit scheme. The total contributions made by the Group were £54,651.

Signed by

M. Townsend *Chairman*

on behalf of the Board