

# Notes to the accounts

## 1 BASIS OF PREPARATION

The half year consolidated financial statements of Spirax-Sarco Engineering plc and its subsidiaries (the 'Group') have been prepared on the basis of the accounting policies set out in the 2006 Spirax-Sarco Engineering plc Annual Report.

The comparative figures for the year ended 31st December 2006 do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The consolidated statutory accounts for Spirax-Sarco Engineering plc in respect of the year ended 31st December 2006 have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985. The financial statements for the six months ended 30th June 2007, which were unaudited, were authorised for issue by the Board on 6th September 2007.

## 2 SEGMENTAL REPORTING

Primary segment	Six months to 30th June 2007 £000	Six months to 30th June 2006 £000	Year ended 31st December 2006 £000	Six months to 30th June 2007 £000	Six months to 30th June 2006 £000	Year ended 31st December 2006 £000
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Analysis by operation	Revenue			Profit from operations		
UK & Republic of Ireland	58,574	53,484	107,922	7,546	5,721	10,957
Continental Europe	93,616	85,197	172,382	12,093	10,179	22,435
North America	38,766	37,743	80,610	2,680	3,578	8,732
Asia	36,228	34,198	72,208	6,669	6,496	15,120
Rest of the world	24,319	24,228	48,273	2,421	2,238	4,697
Intra-Group sales	(51,383)	(48,995)	(97,146)	-	-	-
	<b>200,120</b>	<b>185,855</b>	<b>384,249</b>	<b>31,409</b>	<b>28,212</b>	<b>61,941</b>

	Six months to 30th June 2007 £000	Six months to 30th June 2006 £000	Year ended 31st December 2006 £000
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### Revenue by geographical location of customers

UK & Republic of Ireland	22,414	20,468	40,695
Continental Europe	75,703	68,529	138,299
North America	38,393	37,647	79,956
Asia	39,345	36,305	77,138
Rest of the world	24,265	22,906	48,161
	<b>200,120</b>	<b>185,855</b>	<b>384,249</b>

Secondary segment	Six months to 30th June 2007 £000	Six months to 30th June 2006 £000	Year ended 31st December 2006 £000
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### Revenue by business operation

Spirax Sarco	174,056	161,225	332,655
Watson-Marlow Bredel	26,064	24,630	51,594
Group revenue	<b>200,120</b>	<b>185,855</b>	<b>384,249</b>

# Notes to the accounts continued

## 3 NET FINANCING INCOME

	Six months to 30th June 2007 £000	Six months to 30th June 2006 £000	Year ended 31st December 2006 £000
Financial expenses			
Bank and other borrowing interest payable	(880)	(398)	(1,137)
Interest on pension scheme liabilities	(5,842)	(5,400)	(10,585)
	<b>(6,722)</b>	<b>(5,798)</b>	<b>(11,722)</b>
Financial income			
Bank interest receivable	264	635	1,038
Expected return on pension scheme assets	7,403	6,332	12,719
	<b>7,667</b>	<b>6,967</b>	<b>13,757</b>
<b>Net financing income</b>	<b>945</b>	<b>1,169</b>	<b>2,035</b>
Net pension scheme financial income	1,561	932	2,134
Net bank interest	(616)	237	(99)
<b>Net financing income</b>	<b>945</b>	<b>1,169</b>	<b>2,035</b>

## 4 TAXATION

Taxation has been estimated at the rate expected to be incurred in the full year.

	Six months to 30th June 2007 £000	Six months to 30th June 2006 £000	Year ended 31st December 2006 £000
United Kingdom corporation tax	-	1,196	141
Overseas taxation	8,884	7,939	16,482
Deferred taxation	2,205	669	4,655
	<b>11,089</b>	<b>9,804</b>	<b>21,278</b>

## 5 EARNINGS PER SHARE

	Six months to 30th June 2007 £000	Six months to 30th June 2006 £000	Year ended 31st December 2006 £000
Earnings	<b>21,837</b>	20,099	43,919
Weighted average shares in issue	<b>75,760,224</b>	76,669,026	76,161,612
Dilution	<b>687,007</b>	772,879	733,050
Diluted weighted average shares in issue	<b>76,447,231</b>	77,441,905	76,894,662
Basic earnings per share	<b>28.8p</b>	26.2p	57.7p
Diluted earnings per share	<b>28.6p</b>	26.0p	57.1p

The dilution is in respect of unexercised share options and the performance share plan.

## 6 ANALYSIS OF CHANGES IN NET BORROWINGS

	At 1st January 2007 £000	Cash flow £000	Exchange movement £000	At 30th June 2007 £000
Current portion of long term borrowings	(4,669)			(65)
Non-current portion of long term borrowings	(14,050)			(18,145)
Short term borrowing	(5,934)			(7,133)
<b>Total borrowings</b>	<b>(24,653)</b>			<b>(25,343)</b>
Comprising:				
Borrowings	(24,300)	(1,264)	598	(24,966)
Finance Leases	(353)	(26)	2	(377)
	(24,653)	(1,290)	600	(25,343)
Cash and cash equivalents	22,085	1,175	11	23,271
Bank overdrafts	(3,986)	(1,260)	92	(5,154)
Net cash and cash equivalents	18,099	(85)	103	18,117
<b>Net borrowings</b>	<b>(6,554)</b>	<b>(1,375)</b>	<b>703</b>	<b>(7,226)</b>

## 7 GROUP STATEMENT OF CHANGES IN EQUITY

	Six months to 30th June 2007 £000	Six months to 30th June 2006 £000	Year ended 31st December 2006 £000
Shareholders' funds at beginning of period	198,509	197,618	197,618
Total recognised income and expense for the period	35,479	23,975	32,718
Dividends paid	(14,413)	(13,047)	(18,715)
Increased investment in associated company	2,705	-	-
Equity settled share plans net of tax	711	664	1,142
Proceeds of issue of share capital	42	1,611	1,132
Treasury shares purchased	-	(13,721)	(18,082)
Treasury shares reissued	2,852	-	3,777
Loss on the reissue of treasury shares	(1,157)	-	(1,081)
<b>Equity attributable to equity holders of parent at end of period</b>	<b>224,728</b>	<b>197,100</b>	<b>198,509</b>

# Notes to the accounts continued

## 8 CAPITAL EMPLOYED

An analysis of the components of capital employed is as follows:

	<b>30th June 2007 £000</b>	30th June 2006 £000	31st December 2006 £000
Property, plant and equipment	<b>88,185</b>	85,349	88,802
Prepayments	<b>316</b>	443	352
Inventories	<b>71,823</b>	68,512	67,707
Trade receivables	<b>87,394</b>	81,623	90,023
Other current assets	<b>11,477</b>	10,212	8,382
Tax recoverable	<b>1,363</b>	869	1,746
Trade and other payables	<b>(50,192)</b>	(45,050)	(50,372)
Current tax payable	<b>(6,565)</b>	(6,423)	(7,445)
	<b>203,801</b>	195,535	199,195