Rotork p.l.c.

2011 Full Year Results

	2011	2010	% change	% change (organic constant currency)
Revenue	**£447.8m**	**£380.6m**	**+17.7%**	**+15.9%**
Adjusted* operating profit	**£115.9m**	**£99.4m**	**+16.6%**	**+16.0%**
Adjusted* profit before tax	**£116.5m**	**£99.6m**	**+17.0%**	**+16.4%**
Adjusted* return on sales	**26.0%**	**26.2%**	**-20bps**	**+10bps**
Basic earnings per share	**93.0p**	**80.5p**	**+15.5%**	
Adjusted* basic earnings per share	**96.2p**	**81.9p**	**+17.5%**	
Final dividend	**22.75p**	**19.75p**	**+15.2%**	

* Adjusted figures are before the amortisation of acquired intangible assets

Key Points

- Record revenue, profit and order intake in each division
- Order intake up 20.9% (18.1% organic constant currency)
- Year end order book of £157m, up 13.2%
- Completion of six acquisitions in the year, including Fairchild
- New Rotork Instruments division to address wider flow control market
- Final dividend increased by 15.2%

Peter France, Chief Executive, commenting on the results, said:
“I am pleased to report another successful year, with each division achieving record results in terms of order intake, revenue and profit.

Rotork is well positioned in growth markets and the execution of our long-term strategy of expanding into the wider flow control market will provide further opportunities for growth. This year will see the introduction of several new products and we will also continue to look for suitable acquisition targets.

We continue to invest in our infrastructure, product development and sales coverage to support the growth projections of the business. Whilst mindful of the uncertain economic environment, the indications we are receiving from our customers are positive. The markets that we serve, combined with our extensive product portfolio, international presence and end-market exposure, provide the Board with confidence of achieving further progress in the coming year.”

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Chairman's statement

I am pleased to report another year of strong growth for Rotork, with our order intake, revenue and profit all at record levels. During the year we completed six acquisitions and announced the formation of a new division, Rotork Instruments. Rotork Instruments will provide a platform for our expansion into the wider flow control market. While economic uncertainty affected activity levels in some countries in which we operate, the continued broadening of our geographic spread and end-market exposure limited the overall impact on the Group.

In addition to our increased spend on acquisitions, which amounted to £64.2m in the year, we continued to invest in our facilities and people in the locations and sectors where we see growth opportunities. Investment in product development was also higher in the year at £5.8m, an increase of 35% on 2010. This investment will result in an increased number of product launches in 2012, including the next generation of our IQ actuator range. We aim to extend our industry leadership position and consolidate Rotork's reputation for world-class innovation.

The Rotork brand continues to strengthen and customers who demand high quality products and services recognise that Rotork provides a superior solution to their automation needs, improving the reliability and operation of their plant.

Our continued success is due to the dedication of our people, whether in customer facing, operational or support roles. Their hard work has allowed Rotork to capitalise on the available opportunities and continue to provide excellent customer service.

Financial Highlights

Revenue of £447.8m was 17.7% higher than the previous year, with organic growth on a constant currency basis of 15.9%. Adjusted profit before tax* increased by 17.0% to £116.5m resulting in a return on sales on this basis of 26.0%, similar to the prior year. In aggregate, acquisitions reported a lower return on sales than the Group average, so when taken with a modest currency headwind, return on sales restated on an organic constant currency basis was 26.3%, slightly above 2010. Cash generation from operations was good and after returning £49.5m to shareholders in dividends and spending £64.2m on acquisitions, we finished the year with net cash of £48.5m.

Board Composition

The Board supports Lord Davies' recent report regarding 'Women on Boards' and has a stated aim that 25% of its non-executive directors will be women by the end of 2012. We have always believed that good corporate governance stems from a quality Board which has a wide range of experience and skills. We are actively recruiting a suitable member of the Board using our established formal appointment process. The successful candidate will bring the necessary level of expertise, questioning and debate and provide the required level of support to the executive team.

Board Performance

For a number of years we have appointed external consultants to conduct an independent appraisal of Board effectiveness and this year we repeated the process. Overall, the feedback from the review was positive and, having been discussed by the Board, this has led to a number of changes. The primary changes are: increasing the membership of the Management Board to cover Human Resources and Business Development roles; altering the format of Board meetings to allow more time for debate and discussion; and providing greater opportunities for non-executive directors to participate in discussion of the Group's strategic direction. It is clear that the breadth of experience and skills represented on the Board is an important factor in the Board's effectiveness. The open and inclusive discussions we enjoy ensure consideration is given to all points of view. Overall, I remain satisfied that the composition of the Board enables it to fulfill its expected role. The non-executive directors also reviewed my performance as Chairman and provided feedback via the senior independent director.

Corporate Governance

The Board sets the tone for the way in which Rotork operates and we remain committed to running the business in a responsible way. The Board considers current performance, strategy and acquisitions, risk management, the internal control framework and the other aspects of corporate governance throughout the year. Some of the discussions involve the wider Rotork Management Board. The executive management are then able to disseminate the values and standards of the Board throughout the Group and ensure these are embedded at all levels.

In response to the UK Corporate Governance Code 2010, all directors stood for re-election at the last Annual General Meeting and we intend to continue this practice in the future.

Dividend

The Board recommends a final dividend of 22.75p per share which, taken together with the 2011 interim dividend, gives a payment of 37.25p per share (2010: 32.50p), representing a 14.6% increase. This dividend will be payable on 21 May 2012 to shareholders on the register on 13 April 2012.

Outlook

Rotork is well positioned in growth markets and the execution of our long-term strategy of expanding into the wider flow control market will provide further opportunities for growth. This year will see the introduction of several new products and we will also continue to look for suitable acquisition targets.

We continue to invest in our infrastructure, product development and sales coverage to support the growth projections of the business. Whilst mindful of the uncertain economic environment, the indications we are receiving from our customers are positive. The markets that we serve, combined with our extensive product portfolio, international presence and end-market exposure, provide the Board with confidence of achieving further progress in the coming year.

Roger Lockwood
Chairman
27 February 2012

*References to adjusted profit throughout this document are defined as the IFRS profit, whether profit before tax or operating profit, with the amortisation of acquired intangibles added back.

Business Review

Our strategy for growth and value creation for our shareholders continues to deliver positive results. The momentum we experienced in 2010 continued into 2011, with each division achieving record results. The focus on developing our international sales channels, expanding our product portfolio and carefully managing our cost base provides a strong platform for further growth.

We are a global company with 19 manufacturing sites, 104 offices, direct employees in 31 countries, and sales channels in 89 countries. Our customers demand first-class after-sales support and our dedicated teams around the world are equipped to provide the local support they require.

This year we established a new division, Rotork Instruments, to strengthen our presence in the wider flow control market. The acquisition of Fairchild Industrial Products Company (Fairchild) forms the basis of this new business, and is the first step in developing another Rotork division with market leading products.

Rotork has a strong brand identity, international presence and technical capabilities that support our objective of providing our customers with high quality, technically advanced, innovative products and services.

Highlights

I am pleased to report another successful year. Customer orders were weighted towards the end of 2011, and with the receipt of our largest ever order in December, a £8.9m pipeline project in Mexico, the fourth quarter was particularly strong. Overall, order intake for the year was £461.8m, up 20.9% compared with 2010. Removing the contribution from acquisitions and a small currency headwind, order intake was 18.1% ahead of the prior year.

Rotork offices benefit from both local business and international projects where the orders are often placed through valvemakers in their area. This means that our offices in mature markets can still experience significant growth due to export activity. This was evident during the year with strong export-led performances from countries such as the UK, USA, Korea and Italy. There was also strong domestic growth in countries such as Australia, China and India. Overall, Europe, Asia and the Americas all posted results higher than the prior year. Revenue was strong at £447.8m, 17.7% up on the prior year. Adjusted profit before tax margin was 26.0%, fractionally below the 26.2% achieved last year, but with the impact of acquisitions and currency reversed the adjusted margin was 26.3%.

The creation of a new division reflects the wider market ambitions of the Group in flow control, an area identified by the Board during our strategy discussions as having significant growth potential. The acquisition of Fairchild provides a strong foundation on which Rotork Instruments can build a product portfolio and access new end-markets as well as strengthening our presence in existing markets. Fairchild will also continue as a supplier to other parts of the Group and we will look to capitalise on this opportunity.

In addition to Fairchild, we completed a further five acquisitions in the year:

- Rotork Servo Controles de Mexico S.A. de C.V. (RSCM) and Valco Valves & Automation AS, (VVA), based in Mexico and Norway respectively, strengthened our geographic coverage with their strong sales and service organisations. Both these new sales offices will focus mainly on Rotork Controls and Rotork Fluid Systems products.

- Controls International Inc (K-Tork) a company based in the USA and Centork Valve Control S.L. (Centork) from Spain, provide product as well as sales channels to Rotork Fluid System and Rotork Controls respectively.

- Prokits Limited (Prokits), a UK based valve adaption company, will be integrated into the Rotork Gears business.

Our growth strategy is focused on both organic and acquisition-led growth. The acquisitions completed in 2011 are all aligned with our acquisition criteria of expanding the product portfolio, strengthening or entering a new geography and strengthening or entering a new market. Integration of the new companies is going to plan and all of them are contributing to the Group in-line with the acquisition case.

To support the continued organic growth of the Group, we have also been investing in the infrastructure of the business. The most significant investments include a new factory in Chennai, India, that will be operational by

April 2012 and a new facility very close to the existing Bath site that will provide room for expansion. In January 2011, we also inaugurated an additional plant in China for our Gears business.

Rotork Controls

£m	2011	2010	Change	OCC change
Revenue	278.0	243.4	+14.2%	+13.8%
Adjusted operating profit	92.1	78.8	+16.9%	+17.5%
Adjusted operating margin	33.1%	32.4%	+70bps	+100bps

Rotork Controls had an excellent year, reporting record revenue and operating profit, with double-digit growth in both. We also achieved record adjusted operating margins of 33.1%. The growth was broad based, with our offices in each region – the Americas, the Far East and Europe – all making progress in aggregate. We have continued to invest in our sales channels and have benefited from increased activity in a number of our end-markets. Downstream and midstream project activity in the oil & gas sector was particularly strong and in certain countries we benefited from increased investment in infrastructure, mainly power generation and water treatment plants. We continued to make progress with our Rotork Process Controls (RPC) products and the growth of these actuators, which include the CVA, exceeded the growth rate for the division as a whole.

Divisional revenue grew 14.2% in the year to £278.0m and with order intake increasing by 17.4%, the year end order book grew by 6.4%. Removing the contribution from acquisitions and restating this year at 2010 exchange rates, revenue growth was 13.8% and order intake growth 15.9%. Currency was a modest headwind for the division, principally driven by the weaker average US dollar rate in 2011, offset by a slight tailwind from the euro and other currencies. Adjusted operating profit increased 16.9% in the year to £92.1m, which represents a 33.1% margin compared with 32.4% in 2010. Cost pressures arising from commodity price increases during the year were successfully mitigated, with material costs remaining a near-constant proportion of sales compared with the prior year. At the same time, labour and overheads costs increased at a lower rate than revenue growth.

Three of this year's acquisitions benefited the division, albeit their contributions to profit in the year were modest. Centork brings a new actuator range which will allow us to better target certain segments of the electric actuator market, whilst the acquisitions in both Norway and Mexico enhance our geographic coverage. Both these countries already have a large installed base of Rotork actuators and the acquisitions provide an opportunity to strengthen our direct relationship with the end-users and grow our after-market service offering through Rotork Site Services (RSS). As well as increased acquisition activity we continue to invest in product development. We have significantly grown our engineering resource and the Rotork innovation and design centre (RIDEC), in India, is now operational and contributing to our development programme. The increased investment will benefit the business in 2012 and beyond as new products are introduced.

Rotork Fluid Systems

£m	2011	2010	Change	OCC change
Revenue	132.6	106.8	+24.1%	+20.4%
Adjusted operating profit	17.1	14.9	+14.5%	+12.8%
Adjusted operating margin	12.9%	14.0%	-110bps	-90bps

This year Rotork Fluid Systems (RFS) was once again the fastest growing division, with particularly strong trading in the second half of the year. Acquisitions have played a significant part in the growth of the division over the last ten years and this year we completed the acquisition of K-Tork in Dallas, USA, which brought a new product range and increased the exposure of RFS to the power and water markets. The acquisition of the businesses in Norway and Mexico also contributed to the results of the division. More importantly, they increase the future opportunities for RFS as we continue to grow our global aftermarket offering. The acquisition of Rotork Mexico and the development of our own service team in Mexico were instrumental in winning the largest ever single order for Rotork in December. The project is to supply the complete actuator solution for 47 pipelines in Mexico, with deliveries scheduled between now and 2014.

The integration and development of these acquisitions, and those completed in earlier years, remains key to our strategy. K-Tork's products have a very good reputation and, although predominantly focused on the US market, they are well suited to being sold through Rotork's worldwide sales offices. The education process to deliver increased sales outside of the USA is now underway. The scope for development of the Hiller product range remains significant, and our focus for the business in 2012 is to deliver an enhanced and fully certified solution for the next generation of nuclear power station projects. Development of our core product lines is also important, and this year we launched SI Pro, the latest generation of electro-hydraulic actuators. These specifiable emergency shutdown actuators are very much in demand in safety critical applications, and where increased diagnostics are required.

Order intake increased by 30.1% and the order book rose 24.3%, 8.4% of which was due to order book taken on with acquired businesses. On an organic constant currency basis, order intake was 25.0% higher. Annual revenue grew 24.1% to a record £132.6m, with the second half of £79.6m being 49.9% higher than the first half of the year. Revenue is often greater in the second half year in RFS but this year saw a higher than usual increase driven purely by customer delivery requirements. Removing the benefit of acquisitions and restating revenue at 2010 exchange rates, revenue growth would have been 20.4%. Adjusted operating profit was a record at £17.1m, 14.5% higher than the prior year with the second half representing 71% of the full year's profit. Adjusted operating margins, which, affected by the lower revenue, had been disappointing in the first half of the year at 9.2%, met the division's target in the second half at 15.3%, giving a full year average of 12.9%. On an organic constant currency basis full year margins were 13.1%.

Rotork Gears

£m	2011	2010	Change	OCC change
Revenue	46.6	39.2	+18.8%	+17.5%
Adjusted operating profit	10.3	9.2	+12.8%	+8.3%
Adjusted operating margin	22.2%	23.4%	-120bps	-190bps

Rotork Gears manufactures and sells manual and motorised gearboxes. We continue to increase our third party sales to the valve industry as a strategic objective and reduce our dependence on intercompany transactions. Around three quarters of revenue is now generated from sales to third party valve manufacturers. Whilst the sales to Rotork offices are often driven by project activity, the sales to valvemakers are very different in nature. The gearbox is seen as a component of the valve and with the majority of valves still being manually operated, most require a gearbox to provide the mechanical advantage necessary to operate the valve. All valvemakers therefore need a supply of gearboxes and although some make their own, our sales proposition is very attractive. We can provide a high quality, reliable gearbox and by virtue of our scale and buying power through our global supply chain, offer our gearboxes at a better rate than internally manufactured products.

Revenue in the year was £46.6m, an increase of 18.8% over 2010, order intake rose 15.6%, and our order book increased by 8.6%, all of which set new records for Gears. The acquisition of Prokits came too close to the end of the year to have a significant effect on the results, and the overall currency impact on revenue was negligible. Adjusted operating profit for the year was £10.3m, 12.8% higher than the prior year. There had been some margin pressure in the first half of the year, reducing operating margin to 21.7%. However during the second half the benefit of July price increases and higher revenue increased margins to 22.6%, resulting in a full year average of 22.2%. Gears has a very different currency exposure to the rest of the Group and purchases a greater proportion of its components in US dollars, such that, with a weaker US dollar this year, operating profit benefited from a currency tailwind. Restating adjusted operating profit at last year's exchange rates reduces the operating profit to £9.9m and the margin to 21.5%, compared with 23.4% in 2010.

Rotork Instruments

This newly formed division will ultimately contain a range of products which address the wider flow control market. Many of the products are sold into the same end-markets as actuators and are often used as part of the actuator control system but they are also used in areas not associated directly with actuation. We will retain our focus on high quality, high accuracy, high specification products, rather than on the commoditised end of this market where margins are generally lower.

Fairchild, which manufactures precision pneumatic and electro-pneumatic control products, was acquired in November. Fairchild's customers are spread across many end-markets, with the largest being oil & gas. Other important markets include tyre manufacture, automation, paper, chemicals and a wide variety of industrial applications. The 2011 divisional revenue of £1.4m and adjusted operating profit of £0.4m represent the six weeks of trading post acquisition. For the twelve months to December 2011, Fairchild's revenue was £15.1m with an adjusted operating profit of £4.8m, giving an operating margin of 31.6%. The lead times for sales in Fairchild are far shorter than the other divisions and the £1m order book at the end of the year is at a typical level.

Rotork Site Services

Rotork Site Services (RSS) is our after-sales and support activity which operates mainly within the Controls and Fluid Systems divisions. It is embedded within the divisions and as such is reported within the divisions' results. The development of RSS is a key part of our Group strategy and this year there has been progress on a number of fronts. In terms of geographic coverage, we have either opened new service workshops or expanded them in six locations around the world. The acquisitions in Mexico and Norway were important to RSS, as both former agents were responsible for servicing and maintaining the large installed base of actuators in their countries. Bringing this capability in-house will allow us to promote the full range of RSS activities and leverage this closer relationship to generate new sales for the full range of Rotork products.

We measure RSS performance against a number of key metrics to assess the rate of growth. The best measure of growth is the number of service engineers we employ, which has grown a further 18% in the year. Over the last three years, service engineer numbers have risen 44% whilst consistently high utilisation levels have been maintained. Our actuators are often required to work in arduous environments and customers demand a high level of certainty that they will operate when required. To this end we provide preventative maintenance contracts for our end customers and during the year we have seen the number of actuators under contract grow to 86,000 units, an increase of 21%. This still represents a very small proportion of the installed base and provides us with a substantial opportunity as we continue to grow our capability.

Research & Development

During 2011 we completed the development of our next generation, multi-turn electric actuator. The product will be launched in the second quarter of 2012 and will be the successor to the current flagship IQ series. This replacement product will introduce a number of new features that will help us to retain a market leading position.

Within the Process Controls product line-up we have extended the capability of the CVA series through the introduction of a larger linear unit and development is now underway of a larger quarter turn version that will complete the current family. Further development of the complementary Compact Modulating Actuator (CMA) series was undertaken during the year and this product family is also due to be introduced to the market in the second quarter of 2012.

During the year, the Fluid Systems division established an R&D team and test capability within our Leeds facility. The test facility will serve the needs of both the Gears and Fluid Systems divisions. The new R&D team will be focused on the development of our Skilmatic range of electro-hydraulic actuators. Elsewhere within the Fluid Systems division we have begun development of a range of rotary nuclear actuators qualified to the latest standard. These actuators are based upon our successful CP and GH series and will complement the electric, multi-turn, nuclear qualified designs currently under development within the Controls division. The design team in Lucca is undertaking development of a second generation of "gas over oil" actuators that are optimised for international markets and should herald a number of productivity improvements. The design of this range has also been facilitated by our increased investment in 3D CAD tools.

The Gears division has had another successful year with the introduction of the declutchable ILGD family and the FB series of small manual operators. The division has a strong pipeline of product introductions scheduled for 2012 and in common with the other divisions is actively working on a nuclear qualified range of products.

RIDEC, the Group's centralised development resource, based in Chennai, India, has continued to grow during 2011 and was engaged in joint developments with all divisions. We are planning to double its size during 2012 following the move to the new building which will also include a dedicated test facility.

During the year the Group has also begun a project to evaluate computer based Product Lifecycle Management tools that together with our other CAD investments should bring improvements in efficiency and aid both cross-divisional and multi-site working.

Acquisitions

This year was a record for Rotork in terms of the number and value of acquisitions completed. Fairchild, acquired in November for £49.5m, was by far the largest, and forms the basis of the new Rotork Instruments division. With an asset-light business model similar to Rotork's, this acquisition generated £28.3m of goodwill and £25.8m of intangible assets, which together account for the majority of the increase in capital employed during the year. The five other acquisitions cost £14.7m in total. The acquired intangible assets for all this year's acquisitions were valued at £33.4m and gave rise to goodwill of £32.5m.

As a result of these acquisitions the amortisation charge - the writing down of acquired intangible assets of this and previous years' acquisitions - rose from £1.7m last year to £3.9m this year. With a full year effect of this year's acquisitions the charge is expected to rise to £7.1m next year. The income statement also includes acquisition-related costs of £0.8m, compared with £0.2m in 2010. With the acquisitions taking place throughout the year, the contribution to this year's results added £9.6m to revenue and £1.0m to adjusted operating profit. Had these businesses all contributed for the whole of 2011, they would have added £31.6m to revenue and £6.1m to adjusted operating profit.

Currency

A £2.7m revenue headwind was the result of a 5 cent weakening of the average US dollar rate, offset by modest strengthening of the euro and basket of other currencies. This was a combination of the translation of overseas companies' results and restating transactions within our businesses, as many sales are not denominated in the reporting currency of our operations making the sale. The net currency impact on operating profit was a headwind of £0.4m. The mix of currencies in which we source components is very different from the mix of currencies in which we sell, and the impact on the different divisions also varies. With a greater proportion of US dollar denominated purchases, the Gears division actually benefited from the weakening US dollar, which improved operating profit by £0.4m relative to last year.

There is an element of natural hedging from trading within the Group but we generate surplus euros and US dollars and are net sellers of both these currencies. It is the net sale of these currencies which we principally address through our hedging policy, covering up to 75% of trading transactions in the next 12 months and up to 50% between 12 and 24 months. In order to estimate the impact of currency, at the current exchange rates we consider the effect of a 1 cent movement versus sterling. For both euro and US dollar a 1 cent movement now results in a £350,000 adjustment to profit. The growth in both euro and US dollar denominated revenues saw this adjustment increase from £250,000 and £300,000 respectively last year.

Return on capital employed

Rotork's asset-light manufacturing model and high profit margins have meant that our return on capital employed (ROCE) is high. Basing the calculation on adjusted operating profit and taking an average balance sheet position (using the opening and closing balance sheet), ROCE reduced from 90.3% in 2010 to 74.1% this year. The reduction in the metric was largely caused by the acquisition of Fairchild taking place so close to the year end.

Cash generation

Net cash at the end of the year was £48.5m, having reduced by £49.4m during the year. Our biggest cash outflows are always tax, dividends and acquisitions. The aggregate spend across these headings increased from £67.7m in 2010 to £137.2m this year, which accounts for the overall net cash outflow. Operating cash generation relative to adjusted operating profit was 89.6% this year compared with 95.7% in 2010.

Working capital as a function of annual sales increased from 23.2% to 27.0% but this is affected by the timing of sales and acquisitions. Fourth quarter revenue was 33% higher than the final quarter of 2010 and working capital was still only 22.4% of revenue calculated from this base. Capital expenditure in the year was £10.0m as expected with the factory in India, new building in Bath and new subsidiary IT system accounting for the majority of the increased spend over the prior year.

Peter France
Chief Executive
27 February 2012

Consolidated Income Statement
for the year ended 31 December 2011

	Notes	**2011** **£000**	2010 £000
Revenue	2	**447,833**	380,560
Cost of sales		**(236,359)**	(199,742)
Gross profit		**211,474**	180,818
Other income		**194**	83
Distribution costs		**(4,020)**	(3,604)
Administrative expenses		**(95,589)**	(79,513)
Other expenses		**(59)**	(60)
Adjusted operating profit		**115,921**	99,442
Amortisation of acquired intangible assets		**(3,921)**	(1,718)
Operating profit	2	**112,000**	97,724
Financial income	4	**7,590**	6,931
Financial expenses	4	**(7,040)**	(6,800)
Profit before tax		**112,550**	97,855
Income tax expense	5	**(32,149)**	(28,334)
Profit for the year		**80,401**	69,521
		=====	=====

		Pence	Pence
Basic earnings per share	11	**93.0**	80.5
Adjusted basic earnings per share	11	**96.2**	81.9
Diluted earnings per share	11	**92.6**	80.2

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2011

	2011 **£000**	2010 £000
Profit for the year	**80,401**	69,521
Other comprehensive income		
Foreign exchange translation differences	**(2,484)**	1,119
Actuarial (loss) / gain in pension scheme	**(8,499)**	1,095
Effective portion of changes in fair value of cash flow hedges	**207**	674
Income and expenses recognised directly in equity	**(10,776)**	2,888
Total comprehensive income for the year	**69,625**	72,409
	=====	=====

Consolidated Balance Sheet
at 31 December 2011

	Notes	**2011 £000**	2010 £000
Non-current assets			
Property, plant and equipment		**31,954**	25,780
Intangible assets	6	**106,784**	43,990
Deferred tax assets		**13,244**	11,480
Derivative financial instruments		**315**	-
Other receivables	8	**1,556**	1,290
Total non-current assets		**153,853**	82,540
Current assets			
Inventories	7	**62,928**	48,241
Trade receivables	8	**96,734**	70,362
Current tax	8	**988**	2,398
Derivative financial instruments		**677**	918
Other receivables	8	**8,461**	6,684
Cash and cash equivalents	9	**48,557**	97,881
Total current assets		**218,345**	226,484
Total assets		**372,198**	309,024
Equity			
Issued equity capital	10	**4,338**	4,334
Share premium		**7,835**	7,389
Reserves		**13,924**	16,201
Retained earnings		**198,072**	175,927
Total equity		**224,169**	203,851
Non-current liabilities			
Interest bearing loans and borrowings		**229**	127
Employee benefits		**28,142**	19,752
Deferred tax liabilities		**12,782**	3,165
Provisions	12	**2,218**	1,968
Total non-current liabilities		**43,371**	25,012
Current liabilities			
Bank overdraft		**38**	-
Interest bearing loans and borrowings		**85**	49
Trade payables	13	**38,742**	30,447
Employee benefits		**9,624**	8,220
Current tax	13	**13,225**	10,821
Derivative financial instruments		**614**	294
Other payables	13	**38,360**	26,334
Provisions	12	**3,970**	3,996
Total current liabilities		**104,658**	80,161
Total liabilities		**148,029**	105,173
Total equity and liabilities		**372,198**	309,024

Consolidated Statement of Changes in Equity

	Issued equity capital	Share premium	Translation reserve	Capital redemption reserve	Hedging reserve	Retained earnings	Total
Balance at 31 December 2009	4,330	7,033	12,981	1,642	(217)	140,402	166,171
Profit for the year	-	-	-	-	-	69,521	69,521
Other comprehensive income							
Foreign exchange translation differences	-	-	1,119	-	-	-	1,119
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	674	-	674
Actuarial gain on defined benefit pension plans net of tax	-	-	-	-	-	1,095	1,095
Total other comprehensive income	-	-	1,119	-	674	1,095	2,888
Total comprehensive income	-	-	1,119	-	674	70,616	72,409
Transactions with owners, recorded directly in equity							
Equity settled share-based payment transactions net of tax	-	-	-	-	-	195	195
Share options exercised by employees	4	356	-	-	-	-	360
Own ordinary shares acquired	-	-	-	-	-	(2,876)	(2,876)
Own ordinary shares awarded under share schemes	-	-	-	-	-	3,506	3,506
Preference shares redeemed	-	-	-	2	-	(4)	(2)
Dividends	-	-	-	-	-	(35,912)	(35,912)
Balance at 31 December 2010	4,334	7,389	14,100	1,644	457	175,927	203,851
Profit for the year	**-**	**-**	**-**	**-**	**-**	**80,401**	**80,401**
Other comprehensive income							
Foreign exchange translation differences	**-**	**-**	**(2,484)**	**-**	**-**	**-**	**(2,484)**
Effective portion of changes in fair value of cash flow hedges	**-**	**-**	**-**	**-**	**207**	**-**	**207**
Actuarial loss on defined benefit pension plans net of tax	**-**	**-**	**-**	**-**	**-**	**(8,499)**	**(8,499)**
Total other comprehensive income	**-**	**-**	**(2,484)**	**-**	**207**	**(8,499)**	**(10,776)**
Total comprehensive income	**-**	**-**	**(2,484)**	**-**	**207**	**71,902**	**69,625**
Transactions with owners, recorded directly in equity							
Equity settled share-based payment transactions net of tax	**-**	**-**	**-**	**-**	**-**	**(196)**	**(196)**
Share options exercised by employees	**4**	**446**	**-**	**-**	**-**	**-**	**450**
Own ordinary shares acquired	**-**	**-**	**-**	**-**	**-**	**(3,185)**	**(3,185)**
Own ordinary shares awarded under share schemes	**-**	**-**	**-**	**-**	**-**	**3,158**	**3,158**
Dividends	**-**	**-**	**-**	**-**	**-**	**(49,534)**	**(49,534)**
Balance at 31 December 2011	**4,338**	**7,835**	**11,616**	**1,644**	**664**	**198,072**	**224,169**

Detailed explanations for equity capital, translation reserve, capital redemption reserve and hedging reserve can be seen in note 10.

Consolidated Statement of Cash Flows
for the year ended 31 December 2011

	Notes	**2011 £000**	**2011 £000**	2010 £000	2010 £000
Cash flows from operating activities					
Profit for the year		**80,401**		69,521	
Adjustments for:					
Amortisation of intangibles		**3,921**		1,718	
Amortisation of development costs		**732**		639	
Depreciation		**4,479**		3,972	
Equity settled share-based payment expense		**1,251**		1,086	
Profit on sale of property, plant and equipment		**(129)**		(12)	
Financial income		**(7,590)**		(6,931)	
Financial expenses		**7,040**		6,800	
Income tax expense		**32,149**		28,334	
		122,254		105,127	
(Increase) / decrease in inventories		**(11,402)**		489	
Increase in trade and other receivables		**(26,791)**		(14,503)	
Increase in trade and other payables		**18,537**		3,189	
Difference between pension charge and cash contribution		**(2,929)**		(844)	
(Decrease) / increase in provisions		**(436)**		385	
Increase in other employee benefits		**1,692**		507	
		100,925		94,350	
Income taxes paid		**(27,754)**		(26,186)	
Cash flows from operating activities			**73,171**		68,164
Investing activities					
Purchase of property, plant and equipment		**(10,143)**		(5,034)	
Development costs capitalised		**(1,328)**		(1,018)	
Sale of property, plant and equipment		**274**		154	
Acquisition of businesses, net of cash acquired	3	**(59,876)**		(5,621)	
Contingent consideration paid		**(41)**		-	
Interest received		**694**		483	
Cash flows from investing activities			**(70,420)**		(11,036)
Financing activities					
Issue of ordinary share capital		**450**		360	
Purchase of ordinary share capital		**(3,185)**		(2,876)	
Purchase of preference shares treated as debt		**-**		(4)	
Interest paid		**(117)**		(88)	
Repayment of amounts borrowed		**(421)**		(464)	
Repayment of finance lease liabilities		**(54)**		(102)	
Dividends paid on ordinary shares		**(49,534)**		(35,912)	
Cash flows from financing activities			**(52,861)**		(39,086)
Increase in cash and cash equivalents			**(50,110)**		18,042
Cash and cash equivalents at 1 January			**97,881**		78,676
Effect of exchange rate fluctuations on cash held			**748**		1,163
Cash and cash equivalents at 31 December	9		**48,519**		97,881
			=====		=====

Except where indicated, values in these notes are in £000.

Rotork p.l.c. is a company domiciled in England. The consolidated financial statements of the Company for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the 'Group').

1. Accounting policies

Basis of preparation

The consolidated financial statements of Rotork p.l.c. have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention subject to the items referred to in the derivative financial instruments accounting policy below.

New accounting standards and interpretations

The following amendments to standards or interpretations are mandatory for the first time for the financial year ending 31 December 2011:

- IAS 24 (Revised) - Related Party Disclosures
- IFRIC 14 (Amendment) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Application of these standards and interpretations has not had a material impact on the net assets or results of the Group.

Recent accounting developments

Standards, amendments or interpretations which have been issued by the International Accounting Standards Board or by the IFRIC, and application was not mandatory in the period are not expected to have a material impact on the Group. Subject to endorsement by the European Union, these standards, amendments or interpretations will be adopted in future periods.

Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In forming this view, the directors have considered trading and cash flow forecasts, financial commitments, the significant orderbook with customers spread across different geographic areas and industries and the significant net cash position.

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year to 31 December 2011. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. Intra-group balances and any unrealised gains or losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Status of this preliminary announcement

The financial information contained in this preliminary announcement does not constitute the Company's statutory accounts for the years ended 31 December 2011 or 2010. Statutory accounts for 2010, which were prepared under International Financial Reporting Standards as adopted by the EU, have been delivered to the registrar of companies, and those for 2011 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Full financial statements for the year ended 31 December 2011, will shortly be posted to shareholders, and after adoption at the Annual General Meeting on 20 April 2012 will be delivered to the registrar.

Notes to the Financial Statements

2. Operating segments

The Group has chosen to organise the management and financial structure by the grouping of related products. The four identifiable operating segments where the financial and operating performance is reviewed monthly by the chief operating decision maker are as follows:

Controls – the design, manufacture and sale of electric valve actuators
Fluid Systems – the design, manufacture and sale of pneumatic and hydraulic valve actuators
Gears – the design, manufacture and sale of gearboxes, adaption and ancillaries for the valve industry
Instruments – the manufacture of high precision pneumatic controls and power transmission products for a wide range of industries

Unallocated expenses comprise corporate expenses.

Geographic analysis
Rotork has a worldwide presence in all four operating segments through its subsidiary selling offices and through an agency network. A full list of locations can be found at www.rotork.com.

Analysis by Operating Segment:

	Controls 2011	**Fluid Systems 2011**	**Gears 2011**	**Instruments 2011**	**Elimination 2011**	**Unallocated 2011**	**Group 2011**
Revenue from external customers	**277,957**	**132,624**	**35,816**	**1,436**	**-**	**-**	**447,833**
Inter segment revenue	**-**	**-**	**10,777**	**-**	**(10,777)**	**-**	**-**
Total Revenue	**277,957**	**132,624**	**46,593**	**1,436**	**(10,777)**	**-**	**447,833**
Adjusted operating profit	**92,085**	**17,077**	**10,336**	**394**	**-**	**(3,971)**	**115,921**
Amortisation of acquired intangibles	**(890)**	**(2,277)**	**(18)**	**(736)**	**-**	**-**	**(3,921)**
Operating profit	**91,195**	**14,800**	**10,318**	**(342)**	**-**	**(3,971)**	**112,000**
Net financing income							**550**
Income tax expense							**(32,149)**
Profit for year							**80,401**

	Controls 2010	Fluid Systems 2010	Gears 2010	Instruments 2010	Elimination 2010	Unallocated 2010	Group 2010
Revenue from external customers	243,361	106,838	30,361	-	-	-	380,560
Inter segment revenue	-	-	8,844	-	(8,844)	-	-
Total Revenue	243,361	106,838	39,205	-	(8,844)	-	380,560
Adjusted operating profit	78,786	14,911	9,161	-	-	(3,416)	99,442
Amortisation of acquired intangibles	-	(1,659)	(59)	-	-	-	(1,718)
Operating profit	78,786	13,252	9,102	-	-	(3,416)	97,724
Net financing income							131
Income tax expense							(28,334)
Profit for year							69,521

	Controls 2011	Fluid Systems 2011	Gears 2011	Instruments 2011	Unallocated 2011	Consolidated 2011
Depreciation	**3,026**	**1,205**	**229**	**19**	**-**	**4,479**
Amortisation:						
Other intangibles	**890**	**2,277**	**18**	**736**	**-**	**3,921**
Development costs	**732**	**-**	**-**	**-**	**-**	**732**
Non-cash items : equity settled share-based payments	**543**	**205**	**129**	**-**	**374**	**1,251**
Net financing income	**-**	**-**	**-**	**-**	**550**	**550**
Intangible assets acquired as part of a business combination	**5,674**	**5,461**	**668**	**54,101**	**-**	**65,904**
Capital expenditure	**7,947**	**1,512**	**455**	**88**	**-**	**10,002**

	Controls 2010	Fluid Systems 2010	Gears 2010	Instruments 2010	Unallocated 2010	Consolidated 2010
Depreciation	2,634	1,124	214	-	-	3,972
Amortisation:						
Other intangibles	-	1,659	59	-	-	1,718
Development costs	639	-	-	-	-	639
Non-cash items : equity settled share-based payments	609	129	111	-	237	1,086
Net financing expense	-	-	-	-	131	131
Intangible assets acquired as part of a business combination	-	4,102	-	-	-	4,102
Capital expenditure	3,953	940	179	-	-	5,072

Balance sheets are reviewed by operating subsidiary and operating segment balance sheets are not prepared, as such no further analysis of operating segments assets and liabilities are presented.

Geographical analysis:	**UK 2011**	**Rest of Europe 2011**	**USA 2011**	**Other Americas 2011**	**Rest of the World 2011**	**Consolidated 2011**
Revenue from external customers by location of customer	**25,703**	**148,513**	**87,144**	**38,256**	**148,217**	**447,833**
Non-current assets						
- Intangible assets	**8,704**	**20,315**	**71,960**	**1,756**	**4,049**	**106,784**
- Property, plant and equipment	**9,027**	**10,323**	**6,271**	**310**	**6,023**	**31,954**

	UK 2010	Rest of Europe 2010	USA 2010	Other Americas 2010	Rest of the World 2010	Consolidated 2010
Revenue from external customers by location of customer	24,277	121,595	71,036	39,488	124,164	380,560
Non-current assets						
- Intangible assets	7,248	18,621	13,564	213	4,344	43,990
- Property, plant and equipment	6,423	10,618	4,363	230	4,146	25,780

3. Acquisitions

(i) Fairchild

On 15 November 2011 the Group acquired 100% of the share capital of Fairchild Inc. (Fairchild) for £49,532,000. Fairchild is a manufacturer of high precision pneumatic controls and power transmission products for a wide range of industries, based in Winston Salem, North Carolina, United States. The acquired business will be reported as a new division called Rotork Instruments. In the six weeks to 31 December 2011 Fairchild contributed £1,436,000 to Group revenue and £394,000 to consolidated operating profit before amortisation. The amortisation charge in the six week period from the acquired intangible assets was £736,000.

If the acquisition had occurred on 1 January 2011 the business would have contributed £15,132,000 to Group revenue and £4,777,000 to Group operating profit. It is not practicable to disclose profit before tax or profit attributable to equity shareholders as the Group manages its Treasury function on a Group basis.

(ii) Other acquisitions

On 25 July 2011 the Group acquired 100% of the share capital of K-Tork International Inc. (K-Tork) for £6,518,000. K-Tork is a manufacturer of pneumatic valve actuators based in Dallas, Texas, United States. The acquired business will be reported within the Rotork Fluid System division.

On 15 July 2011 the Group acquired 100% of the share capital of Centork Valve Control S.L. (Centork) for £3,147,000. Centork is a manufacturer of electric actuators based near San Sebastian in Spain. The acquired business will be reported within the Rotork Controls division.

The Group also acquired 100% of the share capital of Rotork Servo Controles de Mexico S.A. de C.V. in Mexico (RSCM), Valco Valves & Automation AS in Norway (VVA), and Prokits Limited (Prokits) based in Mansfield, UK for a combined consideration of £4,991,000. RSCM and VVA were Rotork agents and the results of the acquired business will be reported in each of the divisions. Prokits designs and manufactures valve adaptor kits and accessories for the valve industry and will reported as part of the Gears Division.

In the period from acquisition to 31 December 2011 the businesses contributed £8,170,000 to Group revenue and £563,000 to consolidated operating profit before amortisation. The amortisation charge in respect of these acquisitions during the year was £1,464,000.

If these other acquisitions had occurred on 1 January 2011 the businesses would have contributed £16,488,000 to Group revenue and £1,309,000 to Group operating profit. It is not practicable to disclose profit before tax or profit attributable to equity shareholders as the Group manages its Treasury function on a Group basis.

(iii) Acquisitions fair value table

The six acquisitions had the following effect on the Group's assets and liabilities.

		Fairchild			**Other acquisitions**		**Total**
	Book value	Adjustments	**Fair value**	Book value	Adjustments	**Fair value**	**Fair value**
Non-current assets							
Property, plant and equipment	638	-	**638**	668	(140)	**528**	**1,166**
Intangible assets	-	25,811	**25,811**	-	7,545	**7,545**	**33,356**
Deferred tax assets	97	106	**203**	-	360	**360**	**563**
Current assets							
Inventory	1,821	(77)	**1,744**	2,745	(637)	**2,108**	**3,852**
Trade and other receivables	1,832	(26)	**1,806**	1,883	(148)	**1,735**	**3,541**
Cash	1,415	-	**1,415**	2,347	-	**2,347**	**3,762**
Current liabilities							
Trade and other payables	(1,106)	(63)	**(1,169)**	(1,701)	(730)	**(2,431)**	**(3,600)**
Warranty provision	(35)	(136)	**(171)**	-	(198)	**(198)**	**(369)**
Loans and other borrowings	-	-	**-**	(205)	-	**(205)**	**(205)**
Non-current							
Deferred tax liability	-	(9,034)	**(9,034)**	(131)	(850)	**(981)**	**(10,015)**
Loans and other borrowings	-	-	**-**	(411)	-	**(411)**	**(411)**
Total net assets	**4,662**	**16,581**	**21,243**	**5,195**	**5,202**	**10,397**	**31,640**
Goodwill			**28,289**			**4,259**	**32,548**
Purchase consideration			**49,532**			**14,656**	**64,188**
Paid in Cash			**49,532**			**14,106**	**63,638**
Contingent consideration			**-**			**550**	**550**
			49,532			**14,656**	**64,188**
Purchase consideration			**49,532**			**14,106**	**63,638**
Cash held in subsidiary			**(1,415)**			**(2,347)**	**(3,762)**
Cash outflow on acquisition			**48,117**			**11,759**	**59,876**

The adjustments shown in the table above represent the alignment of accounting policies of the acquired businesses to Rotork Group policies and the fair value adjustments of the assets and liabilities at the acquisition date of each of the businesses.

Goodwill has arisen on these acquisitions as a result of the value attributed to staff expertise and the assembled workforce, which did not meet the recognition criteria for an intangible asset.

The intangible assets identified comprise customer relationships, brands, product design patents and acquired order books.

4. Net financing income

Recognised in the income statement	2011	2010
Interest income	**746**	540
Expected return on assets in the pension schemes	**6,739**	6,141
Foreign exchange gains	**105**	250
	7,590	6,931
Interest expense	**116**	79
Interest charge on pension scheme liabilities	**6,468**	6,289
Foreign exchange losses	**456**	432
	7,040	6,800

Recognised in equity		
Effective portion of changes in fair value of cash flow hedges	**664**	457
Fair value of cash flow hedges transferred to income statement	**(457)**	217
Foreign currency translation differences for foreign operations	**(2,484)**	1,119
	(2,277)	1,793
Recognised in:		
Hedging reserve	**207**	674
Translation reserve	**(2,484)**	1,119
	(2,277)	1,793

5. Income tax expense

	2011	2011	2010	2010
Current tax:				
UK corporation tax on profits for the year	**9,737**		8,645	
Adjustment in respect of prior years	**(120)**		(417)	
		9,617		8,228
Overseas tax on profits for the year	**23,086**		18,787	
Adjustment in respect of prior years	**(210)**		42	
		22,876		18,829
Total current tax		**32,493**		27,057
Deferred tax:				
Origination and reversal of other temporary differences	**57**		1,477	
Adjustment in respect of prior years	**(401)**		(200)	
Total deferred tax		**(344)**		1,277
Total tax charge for year		**32,149**		28,334
		=====		=====
Effective tax rate (based on profit before tax)		**28.6%**		29.0%
Profit before tax		**112,550**		97,855
Profit before tax multiplied by standard rate of corporation tax in the UK of 26.5% (2010: 28.0%)		**29,826**		27,399
Effects of:				
Non deductible items		**863**		785
Utilisation of overseas tax holidays		**(1,171)**		(1,127)
Different tax rates on overseas earnings		**3,362**		1,852
Adjustments to tax charge in respect of prior years		**(731)**		(575)
Total tax charge for year		**32,149**		28,334
		=====		=====

A tax charge of £168,000 (2010: credit £926,000) in respect of share-based payments has been recognised directly in equity in the year.

The Group continues to expect its effective rate of corporation tax to be higher than the standard UK rate due to higher rates of tax in the US, Canada, France, Germany, Italy, Japan and India.

There is an unrecognised deferred tax liability for temporary differences associated with investments in subsidiaries. Rotork p.l.c. controls the dividend policies of its subsidiaries and subsequently the timing of the reversal of the temporary differences. It is not practical to quantify the unprovided temporary differences as acknowledged within paragraph 40 of IAS 12.

6. Intangible assets

	Goodwill	**Develop ment costs**	**Other intangibles**	**Total**	Goodwill	Develop ment costs	Other intangibles	Total
	2011	**2011**	**2011**	**2011**	2010	2010	2010	2010
Cost								
Balance at 1 January	**35,907**	**5,666**	**10,505**	**52,078**	33,204	4,647	8,409	46,260
Exchange differences	**4**	**-**	**199**	**203**	230	-	468	698
Internally developed during the year	**-**	**1,328**	**-**	**1,328**	-	1,018	-	1,018
Acquisition through business combinations	**32,548**	**-**	**33,356**	**65,904**	2,473	-	1,629	4,102
Balance at 31 December	**68,459**	**6,994**	**44,060**	**119,513**	35,907	5,665	10,506	52,078
Amortisation								
Balance at 1 January	**-**	**3,194**	**4,894**	**8,088**	-	2,555	2,925	5,480
Exchange differences	**-**	**-**	**(12)**	**(12)**	-	-	251	251
Amortisation for the year	**-**	**732**	**3,921**	**4,653**	-	639	1,718	2,357
Balance at 31 December	**-**	**3,926**	**8,803**	**12,729**	-	3,194	4,894	8,088
Net book value at 31 December	**68,459**	**3,068**	**35,257**	**106,784**	35,907	2,471	5,612	43,990
	=====	**=====**	**=====**	**=====**	=====	=====	=====	=====
Net book value at 31 December 2009					33,204	2,092	5,484	40,780

The amortisation charge in both years is recognised within administrative expenses in the income statement. Other intangibles include customer relationships, order books, intellectual property and brand names of acquired companies.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to business segment. A segment level summary of goodwill allocation is presented below.

	2011	2010
Controls	**8,967**	6,828
Fluid Systems	**23,020**	21,436
Gears	**7,793**	7,643
Instruments	**28,679**	-
	68,459	35,907
	=====	=====

The recoverable amounts of all CGUs are based on value in use calculations. These calculations use cash flow projections and are based on actual operating results and the latest Group three year plan. The three year plan is based on management's view of the future and experience of past performance. Cash flows for the remainder of the next twenty years are extrapolated using a 2% growth rate which reflects the long-term nature of many of the markets the Group serves. This rate has been consistently bettered in the past so is believed to represent a prudent estimate.

The discount rate used is 9.8% (2010: 12.1%), this represents a reasonable rate for a market participant in this sector. The majority of the discount rate reduction is due to the movement in 10 year bond yields on which the risk free rate is based. The discount rate of each business segment is not materially different to 9.8%. For the Goodwill to become impaired in the CGU with the minimum headroom, the discount rate would have to increase to 25.8%. On this basis each business segment has sufficient headroom and therefore no impairment write downs are required.

7. Inventories

	2011	2010
Raw materials and consumables	**40,609**	30,345
Work in progress	**13,209**	11,411
Finished goods	**9,110**	6,485
	62,928	48,241
	=====	=====

Included in cost of sales was £175,352,000 (2010: £147,651,000) in respect of inventories consumed in the year.

8. Trade and other receivables

	2011	2010
Non-current assets:		
Insurance policy	**1,298**	1,158
Other	**258**	132
Other receivables	**1,556**	1,290
	=====	=====
Current assets:		
Trade receivables	**98,779**	72,208
Less provision for impairment of receivables	**(2,045)**	(1,846)
Trade receivables – net	**96,734**	70,362
	=====	=====
Corporation tax	**988**	2,398
Current tax	**988**	2,398
	=====	=====
Other non-trade receivables	**4,357**	3,943
Prepayments and accrued income	**4,104**	2,741
Other receivables	**8,461**	6,684
	=====	=====

9. Cash and cash equivalents

	2011	2010
Bank balances	**33,790**	40,865
Cash in hand	**82**	95
Short-term deposits	**14,685**	56,921
Cash and cash equivalents	**48,557**	97,881
Bank overdraft	**(38)**	-
Cash and cash equivalents in the Consolidated Statement of Cash Flows	**48,519**	97,881
	=====	=====

10. Capital and reserves

Share capital and share premium

	5p Ordinary shares Issued and fully paid up 2011	**£1 Non-redeemable preference shares 2011**	5p Ordinary shares Issued and fully paid up 2010	£1 Non-redeemable preference shares 2010
At 1 January	**4,334**	**40**	4,330	42
Preference shares redeemed	**-**	**-**	-	(2)
Issued under employee share schemes	**4**	**-**	4	-
At 31 December	**4,338**	**40**	4,334	40
Number of shares (000)	**86,750**		86,682	

The ordinary shareholders are entitled to receive dividends as declared and are entitled to vote at meetings of the Company.

The Group received proceeds of £450,000 (2010: £360,000) in respect of the 68,264 (2010: 68,955) ordinary shares issued during the year: £4,000 (2010: £4,000) was credited to share capital and £446,000 (2010: £356,000) to share premium.

The preference shareholders take priority over the ordinary shareholders when there is a distribution upon winding up the Company or on a reduction of equity involving a return of capital. The holders of preference shares are entitled to vote at a general meeting of the Company if a preference dividend is in arrears for six months or the business of the meeting includes the consideration of a resolution for winding up the Company or the alteration of the preference shareholders' rights.

Within the retained earnings reserve are own shares held. The investment in own shares represents 227,575 (2010: 262,528) ordinary shares of the Company held in trust for the benefit of directors and employees for future payments under the Share Incentive Plan and Long Term Incentive Plan. The dividends on these shares have been waived.

Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Capital redemption reserve
The capital redemption reserve arises when the Company redeems shares wholly out of distributable profits.

Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments that are determined to be an effective hedge.

Dividends
The following dividends were paid in the year per qualifying ordinary share:

	2011 Payment date	**2011**	2010
19.75p final dividend (2010: 17.25p)	*6 May*	**17,097**	14,928
14.5p interim dividend (2010: 12.75p)	*23 September*	**12,543**	11,033
2010 additional interim dividend of 11.5p paid	-	**-**	9,951
2011 additional interim dividend of 11.5p paid	*24 June*	**9,948**	-
2011 additional interim dividend of 11.5p paid	*16 December*	**9,946**	-
		49,534	35,912

After the balance sheet date the following dividends per qualifying ordinary share were proposed by the directors. The dividends have not been provided for and there are no corporation tax consequences.

	2011	2010
Final proposed dividend per qualifying ordinary share		
22.75p	**19,736**	
	=====	
19.75p		17,120
		=====
Additional interim dividend of 11.5p per qualifying ordinary share proposed for 2011		10,000
		=====

11. Earnings per share

Basic earnings per share

Earnings per share is calculated for both the current and previous years using the profit attributable to the ordinary shareholders for the year. The earnings per share calculation is based on 86.5m shares (2010: 86.4m shares) being the weighted average number of ordinary shares in issue (net of own ordinary shares held) for the year.

	2011	2010
Net profit attributable to ordinary shareholders	**80,401**	69,521
	=====	=====
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**86,419**	86,250
Effect of own shares held	**55**	131
Effect of shares issued under Share option schemes / Sharesave plans	**12**	24
Weighted average number of ordinary shares during the year	**86,486**	86,405
	=====	=====
Basic earnings per share	**93.0p**	80.5p

Adjusted basic earnings per share

Adjusted basic earnings per share is calculated for both the current and previous years using the profit attributable to the ordinary shareholders for the year after adding back the after tax amortisation charge.

	2011	2010
Net profit attributable to ordinary shareholders	**80,401**	69,521
Amortisation	**3,921**	1,718
Tax effect on amortisation at effective rate	**(1,120)**	(497)
Adjusted net profit attributable to ordinary shareholders	**83,202**	70,742
	=====	=====
Weighted average number of ordinary shares during the year	**86,486**	86,405
	=====	=====
Adjusted basic earnings per share	**96.2p**	81.9p

Diluted earnings per share

Diluted earnings per share is based on the profit for the year attributable to the ordinary shareholders and 86.8m shares (2010: 86.7m shares). The number of shares is equal to the weighted average number of ordinary shares in issue (net of own ordinary shares held) adjusted to assume conversion of all potentially dilutive ordinary shares. The Company has three categories of potentially dilutive ordinary shares: those share options granted to employees under the Share option scheme and Sharesave plan where the exercise price is less than the average market price of the Company's ordinary shares during the year and contingently issuable shares awarded under the Long Term Incentive Plan (LTIP).

	2011	2010
Net profit attributable to ordinary shareholders	**80,401**	69,521
	=====	=====
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares for the year	**86,486**	86,405
Effect of share options in issue	**5**	9
Effect of Sharesave options in issue	**101**	108
Effect of LTIP shares in issue	**254**	145
Weighted average number of ordinary shares (diluted) during the year	**86,846**	86,667
	=====	=====
Diluted earnings per share	**92.6p**	80.2p

12. Provisions

	Contingent Consideration	**Warranty Provision**	**Total**
Balance at 1 January 2011	-	5,964	5,964
Exchange differences	-	(49)	(49)
Increase as a result of business combinations	550	369	919
Provisions used during the year	(41)	(1,215)	(1,256)
Charged in the year	-	610	610
Balance at 31 December 2011	**509**	**5,679**	**6,188**
	=====	**=====**	**=====**
Maturity at 31 December 2011			
Non-current	**300**	**1,918**	**2,218**
Current	**209**	**3,761**	**3,970**
	509	**5,679**	**6,188**
	=====	**=====**	**=====**
Maturity at 31 December 2010			
Non-current	-	1,968	1,968
Current	-	3,996	3,996
	-	5,964	5,964
	=====	=====	=====

The warranty provision is based on estimates made from historical warranty data associated with similar products and services. The provision relates mainly to products sold during the last 12 months, the typical warranty period is now 18 months.

Contingent consideration relates to amounts outstanding in respect of the Rotork Servo Controles de Mexico S.A. de C.V. and Prokits Limited acquisitions. It is anticipated that £250,000 of the non-current balance will be settled in 2013 with the remaining £50,000 payable during 2014.

13. Trade and other payables

	2011	2010
Trade payables	**38,502**	30,447
Bills of exchange	**240**	-
Trade payables	**38,742**	30,447
	=====	=====
Corporation tax	**13,225**	10,821
Current tax	**13,225**	10,821
	=====	=====
Other taxes and social security	**5,524**	4,066
Payments on account	**12,847**	5,451
Non-trade payables and accrued expenses	**19,989**	16,817
Other payables	**38,360**	26,334
	=====	=====

14. Related parties

The Group has a related party relationship with its subsidiaries and with its directors and key management. Transactions between two subsidiaries for the sale and purchase of products or the subsidiary and parent Company for management charges are priced on an arms length basis.

Sales to subsidiaries and associates of BAE Systems plc, a related party by virtue of non-executive director IG King's directorship of that company, totalled £28,813 during the year (2010: £21,000) and no amount was outstanding at 31 December 2011 *(2010: £nil).*

Key management emoluments

The emoluments of those members of the management team, including directors, who are responsible for planning, directing and controlling the activities of the Group were:

	2011	2010
Emoluments including social security costs	**3,782**	2,990
Post employment benefits	**392**	370
Share-based payments	**844**	755
	5,018	4,115
	=====	=====