rotork®

REDEFINING FLOW CONTROL

annual report and accounts 2012

rotork®

EVERYDAY & EVERYWHERE

Rotork is recognised as the world's leading designer and manufacturer of industrial valve actuation and flow control equipment. Its products are used in every industry where there is a need to control the flow of liquids, gasses or powders. From power stations in the UK, to water treatment plants in China, oil pipelines in Russia, to solar power stations in Spain.

Divisions

The Group comprises four divisions:

- **Rotork Controls**
- **Rotork Fluid Systems**
- **Rotork Gears**
- **Rotork Instruments**

GEARS

3.45 PM
PARABIAGO/ITALY

24/7
EVERYDAY

Rotork is the only UK listed company dedicated to developing, selling and supporting the best flow control products around the world to improve efficiency, assure safety and protect the environment.

- **22 manufacturing centres**
- **146 offices**
- **Over 2,800 employees worldwide**

FLUID SYSTEMS

INSTRUMENTS

10.45 PM
SHANGHAI/
CHINA

7.45 AM
CALGARY/CANADA

rotork®
our results

The production of virtually everything that contributes to our modern, comfortable lifestyle and improved environment rely on Rotork actuators and flow control products somewhere in the process.

Since the earliest days of the business Rotork has focused on serving the industry and truly understands the challenges faced by companies wanting to control the flow of liquids, gasses and powders.

Rotork puts quality, innovation and customer service at the heart of everything it does.

Revenue

£**511.7**m **+14.3%**

Operating Profit*

£**131.9**m **+13.8%**

Profit Before Tax*

£**131.6**m **+13.0%**

Earnings Per Share*

109.3p **+13.6%**

Operational highlights

- Record order intake, revenue and profit
- Product launches
- Investment in infrastructure
- Acquisition integration
- Soldo and Schischek acquisition

* Before the amortisation of acquired intangible assets.

Controls

Rotork Controls manufactures electric valve actuators for heavy-duty valve applications, highly accurate process control actuators and network control systems. It has manufacturing facilities in the UK, USA, China, India and Malaysia.

Operating Profit 2012*

£94.8m

Fluid Systems

Rotork Fluid Systems specialises in the production of pneumatic and hydraulic actuators and control systems predominately based from the UK, USA, Italy, Germany and Sweden. There are also *'Centres of Excellence'* strategically located around the world.

Operating Profit 2012*

£24.6m

Site Services

In each of our divisions, Site Services staff are dedicated to providing customer service and support, carrying out new installations and delivering retrofit projects. These teams are based out of service centres around the world and are complemented by factory-trained agents.

Gears

Facilities in the UK, Netherlands, Italy, China, USA and India manufacture complete gearbox assemblies as well as a wide range of switch boxes, valve position monitors and adaption accessories for use with actuators and as direct valve operators.

Operating Profit 2012*

£12.1m

Instruments

Rotork Instruments are experts in flow control, pressure control, flow measurement and pressure measurement. The production facilities in the USA and Italy are complemented by a large network of distribution and support centres.

Operating Profit 2012*

£5.1m

rotork® at a glance

rotork Controls | **rotork Fluid Systems** | **rotork Gears** | **rotork Instruments**

↗ Committed to innovation

Innovation is at the core of the business and in 2012 there were a number of product launches including the introduction of the third generation of our flagship IQ range of intelligent actuators.

Innovation is embedded in Rotork's culture and all employees are encouraged to bring new ideas, both in terms of product and service offering to the customer.

The Group has a custom-built facility, Rotork Innovation and Design Engineering Centre (RIDEC), that is a dedicated centre for research and development work serving all of Rotork's products and global activity.

↗ Serving the world

Rotork has always been committed to a global customer base supporting operations in some of the most remote and challenging environments.

We align our network of offices and manufacturing plants to support new and existing customers' activities around the world and will continue to do this.

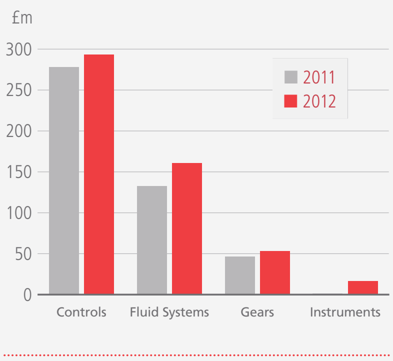
Rotork has 22 established manufacturing facilities, a global network of national and local offices and agents who can truly provide a worldwide service. Customers can locally source Rotork's products, supported by life-of-plant maintenance, repair and upgrade services.

EVERYDAY EVERYWHERE

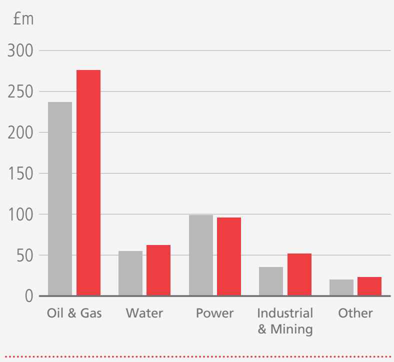
- *A truly global company offering a local service.*
- *Rotork has over 320 service engineers globally.*
- *Nearly 100,000 actuators under preventative maintenance contracts.*

Rotork operates 24/7 in 94 countries, with direct presence in 33.

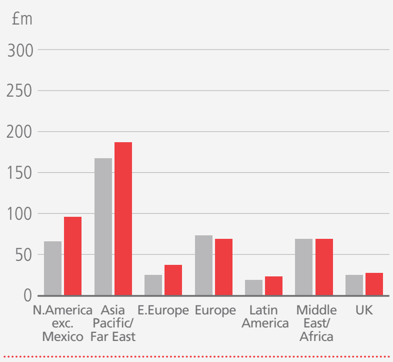
Group Revenue by Division



Group Revenue by End-user Market



Group Revenue by End-user Destination



6.45 AM CALIFORNIA/USA

Americas

We have seven manufacturing facilities and 14 offices in this region. In 2012 we opened an office in Brazil and plan to move to a new office in Mexico during 2013.

2.45 PM SOUTHAMPTON/UK

Europe, Africa & Middle East

There are currently 11 manufacturing facilities with one opening in 2013. This region has 18 offices with a further four due to be opened or expanded during 2013.

1.45 AM NEW SOUTH WALES/AUSTRALIA

Asia Pacific

This region opened a new manufacturing facility in 2012 taking the number of sites to four. There are 29 offices with three new and two expansions due in 2013.

rotork® our markets

Market Drivers

Oil & Gas

- Growth in global energy demand.
- Deep water exploration & production.
- Unconventional oil & gas.
- Global LNG trade.
- Strategic storage and reserves.
- Geographic reallocation of refining capacity.

Power

- Urbanisation & population growth.
- Industrialisation in developing countries.
- Need for emissions reductions and increased efficiency.
- Long term energy security – investment in renewables.

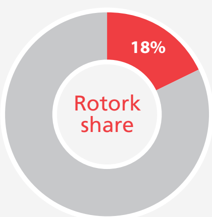
Water & Sewage

- Population growth.
- Water scarcity and urbanisation.
- Industrialisation: water re-use and desalination.
- Ageing assets in developed economies.

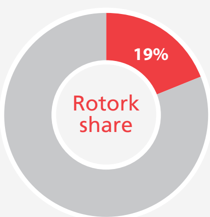
Industrial, Mining & Other

- Demand for metals, minerals and processed goods from developing countries.
- Increased demand for vehicles from both commercial and consumer sectors.
- Improved standards of living: demand for heating, ventilation and air conditioning (HVAC), processed food & drink.

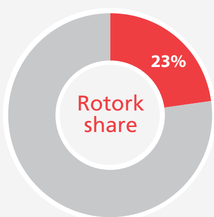
Controls Market
£1.7bn



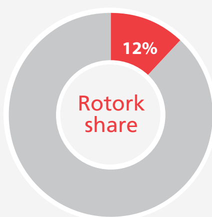
Fluid Systems Market
£850m



Gears Market
£180m



Instruments Market
£180m



Water - Birmingham - UK

On Severn Trent Water's Minworth sewage treatment works Rotork has supplied over 250 Profibus network-enabled IQ Pro electric actuators.

In all areas actuators operate penstocks to control the flow through the works and on the air flow activated sludge plant actuators are also installed on the air flow control.

Opportunities for growth

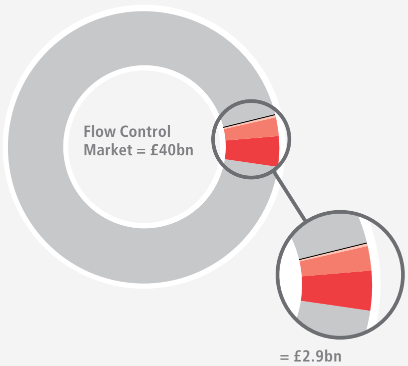
Controls
- Expansion of footprint
- Integration of Schischek
- New product introductions

Fluid Systems
- New *Centres of Excellence*
- Product releases
- Current and new markets

Gears
- Relocation of Leeds factory
- New product ranges
- Rotork Valvekits

Instruments
- International expansion
- Acquisitions

Addressable market



Product Group	Market Size	Rotork Share
Instruments	£0.18bn	12%
Gears	£0.18bn	23%
Fluid Systems	£0.85bn	19%
Controls	£1.70bn	18%

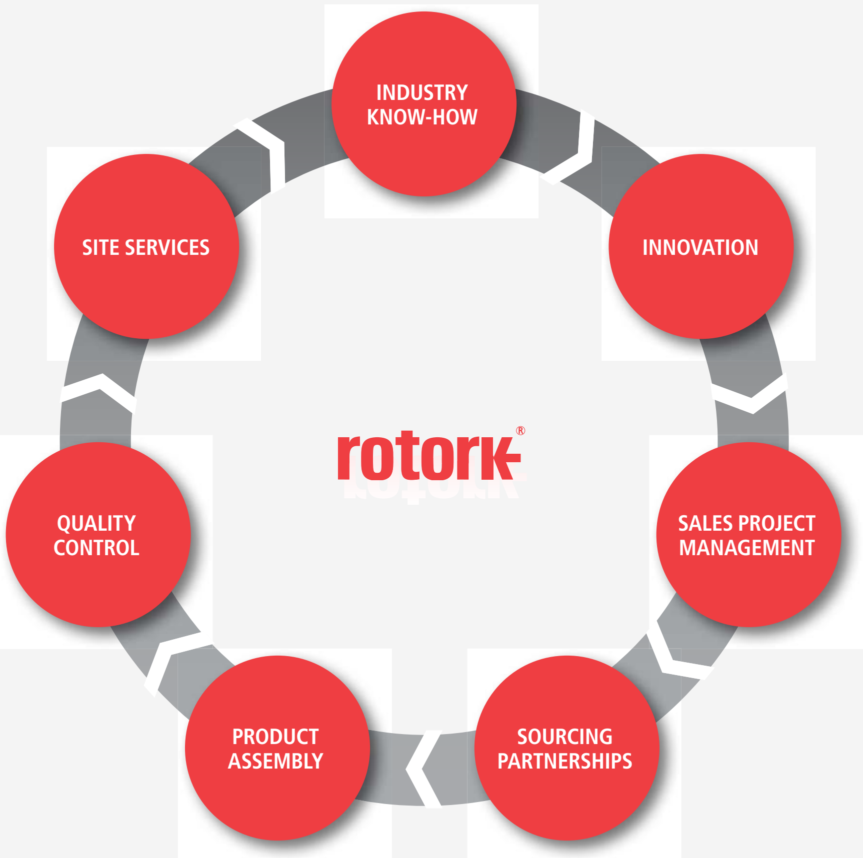
Source: Rotork Internal Data, BFPA, NFPA.

rotork® business model

To maintain a market-leading position, we aim to provide high quality, technically advanced, innovative products coupled with a superior level of service that supports our customers' activities around the world.

Business model

Our global network of offices and manufacturing sites expands each year to ensure that support is local to the customer. The same Rotork culture is found at all of our sites and it is something we strive to bring to new offices and acquired businesses so that customers get consistently high-quality service throughout the world. We operate an asset-light business model, with most of our manufacturing sites purchasing components in a finished form and then assembling to order.



ASSET-LIGHT

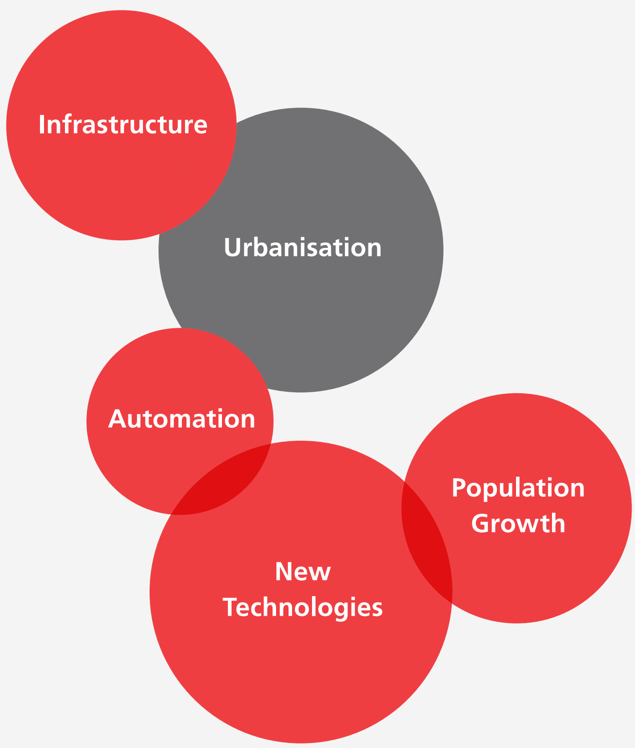
8.15 PM
CHENNAI/INDIA

Competitive strengths

- **Technological leadership** – Understanding our customers and the markets we serve allows us to continue to develop new products and lead the evolution of actuator and flow control products.
- **Global footprint** – Our offices around the world allow us to manage the complex global projects which account for the majority of sales and to support our customers in the field. Rotork Site Services work with our customers by installing and commissioning our actuators and by meeting their service requirements.
- **Diverse end market exposure** – Wherever liquids, gases or powders are being moved and the process needs to be automated or contain failsafe controls, actuators and flow control products are required. We highlight the oil & gas, power and water markets because they use actuators most intensively but we sell to many other markets. Some of these markets span many applications and our broad product portfolio enables us to address them.
- **Asset-light business model** – Over 90% of our products are built using an outsourced manufacturing model, with our workforce assembling components and configuring products to match customer orders. We have developed and call upon a global network of suppliers who manufacture the components for our products to our designs and who use our tooling.
- **Quality** – Our products are used in demanding environments where consistency of performance is often critical to a process. Customers expect Rotork products to be reliable and our quality control procedures, which extend to cover our supply chain, are central to delivering this.

Market drivers

Many of the markets we serve are recognised as structural growth markets. The growth may be driven by investment in new infrastructure to support urbanisation or industrialisation, automation or refurbishment of existing plants. Population growth, the exploitation of new technologies and the desire to extract natural resources from ever more challenging locations are also drivers in some of our markets.



rotork® strategy

Rotork's vision is to be the leader in our targeted segments of the global flow control market. The targeted segments comprise of the traditional electric, fluid power and manual actuators used to control the flow of liquids, gases or powders. These markets are addressed by our Controls, Fluid Systems and Gears divisions. In addition, the broader instrumentation, diagnostics and feedback devices used in pressure control and measurement or flow control and measurement, form the targeted segments for Rotork's new Instruments division.

We seek to deliver a high return on capital, strong and sustainable margins and consistent year on year growth in revenues and profit which, combined with the asset-light model, deliver strong cash generation. This cash is used to fund the growth of the business, both organic and through targeted acquisitions, and to fund sustainable and consistent growth in our core dividend.

To provide short term focus, we agree an annual set of key objectives. At the start of 2012 our objectives included two other items; the establishment of the Instruments division and expanding our nuclear product offering, which are no longer listed specifically below. The Instruments division is now established and its strategy understood and the acquisition of Soldo during the year was another step in its growth. We have continued to invest in development of the nuclear product range and certification of these products. In future, rather than consider this a separate objective, it has been included within the broader product development objective. The other achievements for 2012 and headline objectives for 2013 are shown below:

STRATEGIC PRIORITIES	ACHIEVEMENTS 2012	OBJECTIVES 2013
Sales growth – Grow our markets by increasing our international coverage, broadening our end-market exposure and continuing to integrate our new acquisitions.	Opened new sales offices in Brazil, Russia, Korea and Japan, restructured the UK sales operation and expanded service capabilities in other offices.	Open two new regional offices in Australia and larger premises in Mexico and Spain in response to particularly active markets in these areas. Continue to build knowledge of a number of less well developed end-markets and consider these opportunities.
Product development – Introduce and develop new products in each of the divisions.	There were a number of product launches during the year in all divisions, with IQ3 in the Controls division being the most significant.	A number of product launches are scheduled this year in line with the product roadmap established for each division. Development continues in other areas, including nuclear and within the recently acquired businesses.
Acquisitions – These are a core part of our growth strategy. Our criteria for acquisitions are that they bring Rotork a new product, a new geographical market or a new market sector. Often the target will satisfy two or even three of these criteria. We retain a rigorous and disciplined approach to acquisition pricing.	Acquired Soldo in November.	Acquired Schischek in January. We will continue to seek further suitable opportunities in 2013.

STRATEGIC PRIORITIES	ACHIEVEMENTS 2012	OBJECTIVES 2013
Manufacturing and facilities – Rotork has invested in a number of factories and sales offices to develop world-class facilities from which to work.	Completed the new Chennai factory which opened in June and opened five new sales and service offices.	Complete the fit-out and move into the new facilities in Bath and Leeds.
Procurement – Rotork's outsourced manufacturing model means that material costs are the most significant component of direct costs. We have always sought to control these costs and wherever possible leverage our global presence to source materials.	We continued to expand our sourcing team and as a result managed to mitigate inflationary price pressures through negotiation and finding new suppliers. Commodity costs were broadly neutral over the year.	Continue to look for opportunities to take costs out of all our products through sourcing or product development, including a focus on recently-acquired businesses. Our proven sourcing capabilities will be supported with increased resources.
Rotork Site Services (RSS) – We continue to invest in more service engineers and facilities to ensure we provide the level of local support our customers have come to expect from us.	Increased the number of service engineers by 8%, new RSS Director recruited and we invested in the service workshops in four locations.	Continue to expand the service team and establish new workshops where there is customer demand.
IT – Rollout our global system for the sales and service offices.	The new system is now operational at two sites. Development of the rollout template and additional functionality continued during the year.	Continue the rollout through the sales and service offices and start to consider development for smaller manufacturing sites.
Staff development – Highly trained and motivated people are key to delivering our strategy. We will invest in our people and encourage internal development to support our future growth plans. This will include recruiting increasing numbers of apprentices and graduates around the world and identifying training needs for all employees through their annual appraisal as well as developing talented individuals.	Increasing the Global HR team to improve consistency of approach across locations. The appointment of a Group Training Manager during the year, a new role, will facilitate a more coordinated global approach to training and the most effective use of existing resources.	The creation of training plans for each location and online training programmes covering a variety of areas are the first areas being developed.
Corporate Social Responsibility (CSR) – Our objectives for CSR are monitored by four separate committees covering health & safety, environment, ethics and social issues which report to the CSR Committee chaired by the Chief Executive. Our approach in these areas is to communicate best practice throughout the Group, training those responsible and, where appropriate, verifying adoption in each subsidiary.	Health and safety audit scores improved slightly in the year and the associated KPI (Accident Frequency Rate) was slightly higher than the previous year. Our environmental KPI, waste recycling, showed a modest improvement in the year. The ethics committee continued to communicate the provisions of the UK Bribery Act to directors and managers worldwide and provide further training where required. Our employees gave their time and energy to support a wide variety of good causes around the world.	Continue to communicate best practice to all locations and provide the necessary training to support local teams. Focus on carbon emissions and our targeted 1% reduction in CO_2 per £ of revenue in 2013. Encourage our employees to continue in their efforts for our global charities, WaterAid and Send a Cow, as well as other local charities in 18 countries benefiting over 150 charities.

rotork chairman's statement

I am pleased to report another year of record order intake, revenue and profit. Our strategy remains to grow both organically and through acquisitions and again this year we have extended our geographic reach.

Roger Lockwood
Chairman

The six acquisitions we completed in 2011 were successfully integrated and have all made positive contributions during the year. Rotork Instruments, the division we created in 2011 to address the wider flow control market, performed well and will benefit from the addition of Soldo which we acquired in November 2012. Following the year end, in January 2013, we acquired the Schischek group of companies which will form part of the Controls division and provides us a presence in a new market, heating, ventilation and air conditioning (HVAC).

Rotork has a reputation for innovation and during the year we maintained our focus on bringing new products to market which incorporate additional features and provide new benefits to our customers. 2012 saw the launch of IQ3, the latest generation of our flagship electric actuator range, as well as new products in each of the other divisions.

Financial Highlights
Revenue grew 14% to £512m despite a 3% currency headwind. The currency impact was more than offset by the benefit of a full year contribution from the six businesses acquired in 2011, meaning growth on an organic constant currency basis was 12%. Adjusted operating profit* increased by 14% to £132m, resulting in a broadly similar operating margin of 25.8% compared with 25.9% the prior year. The rapid growth of Fluid Systems had a dilutive effect on Group margins even though this division generated adjusted operating margins in excess of its 15% target at 15.3% for the full year. Earnings per share increased 11% to 103.1 pence, or based on adjusted profit*, 14% to 109.3 pence. Net cash balances grew £11m in the year to end at £60m.

Board Composition
In May 2012 we welcomed Sally James as a non-executive director, broadening the range of skills and experience within the Board. Sally currently holds a number of other non-executive positions and previously held senior legal roles in investment banks in London and Chicago. Following Sally's appointment the Company is now compliant with the Corporate Governance Code in that half the Board, excluding myself as Chairman, are independent non-executives. We have also met our stated aim that 25% of our independent non-executives will be women by the end of 2012.

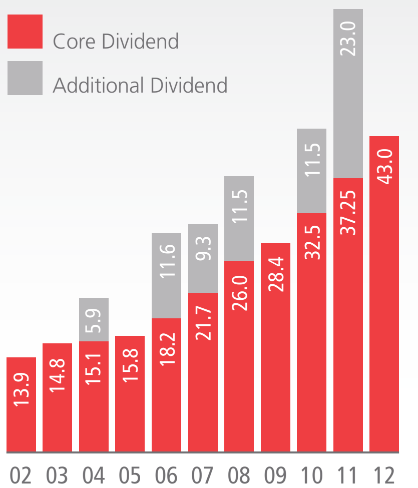
Board Performance
Once again this year we used external consultants to conduct an independent appraisal of Board effectiveness. The results of the review were positive and Directors were unanimously of the view that the Board operates effectively as a unit. It is clear that the breadth of experience and skills represented on the Board is a key factor in this. During the review it was noted that a number of improvements had been made following last year's review including the appointment of a new non-executive director and a strengthening of the approach to risk management and to acquisitions within the broader flow control strategy. The review recognised that many of the challenges facing the Board relate to managing the continued growth of the Group whilst preserving the strengths of

This project involved the installation of 330 IQ and IQT ATEX certified explosionproof intelligent electric valve actuators at an underground natural gas storage plant in the Baltic country of Latvia.

the business. Overall, I remain satisfied that the composition of the Board enables it to fulfil its expected role.

Corporate Governance
As a Board, we are responsible to the Company's shareholders for increasing shareholder value over the long term through effective management and good governance. The Board considers all the aspects of the business necessary to provide good governance including strategy, acquisitions, current performance, risk management and the internal control framework. Discussions include the Rotork Management Board on occasions and at least once a year the Board meeting takes place at one of the subsidiary sites. I am pleased to be able to confirm that Rotork now complies with all aspects of the UK Corporate Governance Code.

Dividend History (p)



Dividend
The Board recommends a final dividend of 26.6p per share which, taken together with the 2012 interim dividend, gives a payment of 43.0p per share (2011 core dividend: 37.25p), representing a 15% increase in core dividends. This dividend will be payable on 21 May 2013 to shareholders on the register on 12 April 2013.

Outlook
The strong results across the Group reflect the progress we have made in executing our strategy, with each division achieving record results in terms of order intake, revenue and profit.

Our expanded product portfolio and extensive international reach position us for further growth. We will continue to invest in infrastructure, product development and sales channels both organically and by acquisition to strengthen our presence in the wider flow control market.

The markets that we serve remain active and whilst we recognise that we are likely to see weakness within some regions due to economic conditions, the Board remains confident of achieving further progress in the coming year.

Roger Lockwood
Chairman
4 March 2013

* 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.

rotork® chief executive's review

2012 was a year of good progress. We delivered strong organic growth and successfully integrated the acquisitions made during 2011. The investments in our international sales channels and the expansion of our product portfolio helped each of the divisions achieve record results.

Peter France
Chief Executive

We continue to expand our international presence and currently have 22 manufacturing sites, 61 offices and a further 63 regional locations in 33 countries meaning we now have sales channels in 94 countries in total. Our customers continue to demand operational and product excellence. We provide this through focused attention on customer satisfaction and investment in our people and facilities.

I am pleased to report that our strategy for growth has delivered record results. Order intake for the year was £539.3m, up 16.8% on the previous year. On an organic constant currency basis order intake was 14.4% ahead of 2011.

Revenue was again weighted to the fourth quarter and we enjoyed a particularly strong end to the year. Revenue for the full year was £511.7m, 14.3% up on the prior year. Adjusted* operating profit margin was 25.8%, slightly lower than the 25.9% achieved last year but, excluding the impact of acquisitions and currency, the adjusted margin was 26.0%.

The Company benefits from a diverse product portfolio and an extensive geographical reach. The industries that we serve often have high barriers to entry: for example, actuators usually require certification and approvals before they can be used. They are also mission critical to the operations of our customers and, as such, investment in the quality and reliability of equipment and service is an area of acute focus for them.

In 2012 we have seen an increase in orders in the oil & gas market, which has been driven in part by activity related to shale gas discoveries and the subsequent investment in liquefied natural gas (LNG) projects. The power market has been impacted by a slowdown in China and a lack of spend in India, although the long term need for power generation in these countries remains. The water market showed signs of growth, such that, even in countries such as China, which saw a decline in the power market in 2012, Rotork was still able to record year-on-year growth.

Through the establishment of Rotork Instruments, we have increasingly been addressing industry sectors outside of oil & gas, power and water. The acquisitions of Fairchild in 2011 and Soldo, a switch box manufacturer based in Italy, in November 2012, provide the division with a solid platform to build on and we look forward to growing the division over time.

We have continued to invest in the infrastructure of the business. During 2012 we opened our new Chennai factory in India and in Russia we expanded our facility in Moscow and opened a new office in St Petersburg. We also opened new facilities in São Paulo, Brazil, Jebel Ali, UAE and Edmonton, Canada amongst others. We have acquired another site in Bath to accommodate the growth of the Controls division and we will be moving to a new facility in Leeds which will house Rotork Gears and Rotork UK. Both sites will be fully operational by the end of 2013.

During the past decade, several thousand Rotork IQ intelligent electric valve actuators have been installed on the West-East Gas Pipeline project, a pipeline network running through 66 counties in China.

Research and Development
All divisions launched new products during 2012. We introduced the third generation of our flagship IQ range to build on Rotork's position as the premium brand in our market by providing our customers with the very latest technology. In Controls we also launched the complementary Compact Modulating Actuator (CMA), which has strengthened the Rotork Process Control portfolio of electric actuators.

In Rotork Fluid Systems, the investments we have made in recent years have resulted in the introduction of a number of new products, including the latest Gas-over-Oil actuator range.

Our spend on R&D increased once again this year, up 27% to £7.4m. We continue to increase our engineering resources and to work on other initiatives which will support product launches in 2013 and beyond.

Rotork Site Services (RSS)
Rotork Site Services operates mainly within the Rotork Controls and Rotork Fluid Systems divisions and focuses mostly on preventative maintenance contracts, onsite and workshop service and retrofit solutions. This business continues to grow and provides us with the ability to work closely with our existing customer base and develop relationships which enhance the sales opportunities for the full range of Rotork products.

We measure RSS's performance against a number of key metrics and the number of service engineers is one of these. In the year we have increased the number of service engineers by 8% and we now have over 320 service personnel globally. Our products are often used in environmentally challenging locations and the need for certainty of operation means that the customer is looking for local service and, increasingly, preventative maintenance contracts. Rotork now has close to 100,000 actuators under some form of maintenance contract, an increase of 6% over last year.

Our people
One of our aims is for the Company to be a great place to work. At the end of November we conducted our annual Employee Satisfaction Survey and saw the response rate increase from 73% to 77%. The overall satisfaction score also improved to 3.6 from 3.5. All individual questions showed an improvement over the prior year, reflecting the continued effort being made throughout the organisation.

2012 was another year of strong growth and we welcomed 228 people into the Rotork family, 29 joining with the Soldo acquisition. With the acquisition of Schischek in January we have added a further 100 employees and this means that we now have approximately 2,800 staff in 33 countries.

In January 2013 Alan Paine was appointed as the first Divisional Managing Director of Rotork Instruments and we also welcomed him to the Rotork Management Board.

Rotork's success is due to the dedication and hard work of our staff. I would like to take this opportunity to thank them for making Rotork the world-class business that it is.

Corporate Social Responsibility
The Rotork Corporate Social Responsibility (CSR) framework is embedded in many aspects of the way we do business, the way we interact with our people and the communities in which we are based and it is an integral part of our culture. The four Sub-Committees of the CSR Committee provide the necessary focus on the key areas of environment, health and safety, ethics and social issues and recognise the different disciplines best placed to drive these different aspects of CSR. The Sub-Committees communicate to teams throughout the Group and monitor progress against their respective objectives. More information regarding the CSR Committee and its work is set out on pages 32 to 39.

* 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.

rotork® controls

Grant Wood MD Rotork Controls

Botlek Tank Terminal (BTT) at Rotterdam relies on Rotork's latest electric valve actuation technologies for automated flow control and vital safety related duties associated with the import, export and storage of a varied range of liquid bulk products.

The launch of the third generation of our flagship IQ actuator was the key event of 2012 for the Controls division. The advances in diagnostics and asset management and improved local access to that information in this latest generation of products keeps the IQ range at the forefront of the industry. We also launched the Compact Modulating Actuator (CMA), a new process control actuator range, and a larger size CVA, both of which expand our already market leading product portfolio.

Revenue grew by 5.5% in the year to £293.3m and, with order intake growth of 8.7%, the year end order book grew by 12.8%. Removing the contribution from acquisitions and restating 2012 at 2011 exchange rates, revenue growth was 6.8% and order intake growth was 9.3%. A 7% weaker euro is the main factor behind the currency adjustment with the US dollar rate against sterling being similar for both years. Adjusted operating profit of £94.8m was 2.9% higher than 2011 and the resulting margin of 32.3% compares with the 33.1% in the prior year. On an organic constant currency basis, the increase in adjusted operating profit would have been 5.0% and the margin 32.6%. Whilst material costs reduced slightly as a proportion of revenue due to our focus on sourcing, labour and overhead cost increases were ahead of the rate of revenue increase. Some of the increased costs were directly related to product launches but others were due to investment in facilities and people to support growth.

2012 saw contrasting activity levels in our end-markets. Whilst oil & gas generally has been active and we have seen growth, the power market was slower. This slowdown in power has been most noticeable in India and China, where it is our biggest sector, and has been influenced by raw material supply and governmental factors. We anticipate this to be a relatively short term effect as the longer term demand in both these countries continues to outstrip current supply levels. Despite the softer power market, both India and China delivered growth as our sales forces focused on other end-market opportunities. In oil & gas, growth came through a range of countries and in different applications: for example, the offshore sector in Norway; transmission and storage in Russia; and unconventional gas fields in Australia. The Australian projects represent a milestone for our CVA range. The product's low power requirements, fail-to-position capability and accuracy have ensured that they are specified on these remote installations. The increase in order book through the year was also partially driven by these Australian projects as the deliveries are phased over many months. In the Americas, our growth has been broad-based and we benefited from a number of projects in Latin America, an active valvemaker base in the US Gulf Coast region which is predominantly serving export markets, and some activity in US water and oil & gas projects.

3.45 PM
ROTTERDAM/
NETHERLANDS

Controls opportunities

- Expansion of footprint
- Integration of Schischek
- New product introductions

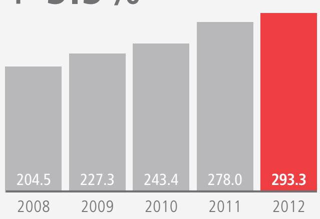
Proximity to our customers is important to Rotork's business model and we continue to look for locations where we can increase our presence. This proximity ensures that we are able to work more closely with customers as they develop their investment plans and provide them with better after-sales service and support. During the year we opened five new sales offices and expanded our offices and workshop facilities in seven others. We also opened our new factory in Chennai, India, having completely rebuilt the facility to provide a modern factory capable of supporting our growth in this important market for many years to come. Many of our production facilities serve more than one division, with sales forces often cross-selling products from all divisions. We plan to open a number of new offices in 2013, including a presence in north east Australia where the market is very active.

The launch of any new product range requires significant work not only in designing it but also then sourcing the new components. Typically there are costs associated with introducing new products and at the point of product launch the components are also at their most expensive. We continually review our supply base, and as volumes grow and the product matures, we have historically been able to deliver savings through improvements in sourcing.

The IQ3 has been positively received by our customers. Initially we are manufacturing the product in Bath and we will systematically rollout production to our other electric actuator manufacturing sites during 2013.

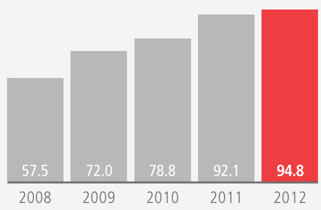
Revenue £m

+ 5.5%



Adjusted Operating Profit £m

+ 2.9%



rotork fluid systems

Alex Busby MD Rotork Fluid Systems

Rotork Fluid Systems (RFS) was our fastest growing division in 2012. The division exceeded our medium term target of achieving an adjusted operating margin of 15% and our objective is now to sustain that performance in future years. RFS manufactures a wide range of pneumatic and hydraulic emergency shutdown actuators mainly for the oil & gas market. Oil & gas covers a wide variety of applications and RFS benefited from strong demand from LNG, gas and liquids pipelines, gas storage and offshore projects during the year. The integration and development of recent acquisitions also played a part in this growth – notably in Mexico, where we began to deliver actuators on the large pipeline project won at the end of 2011, and where we also won some significant service contracts during the year.

Revenue grew 21.4% to a record £160.9m, with the second half contribution of £89.5m being 12.5% higher than the second half of 2011, which had been a record. Revenue was less second half weighted this year, representing 56% of the annual total compared with 60% in 2011. Removing the incremental benefit of acquisitions and restating revenue at 2011 exchange rates, revenue growth would have been 22.6% higher. With two key factories based in the eurozone and euro weakness being the most significant driver behind the currency headwind in 2012, RFS is the division most affected by the currency restatement this year in percentage terms. Order intake increased by 22.4%, 22.9% on an organic constant currency basis, and the order book rose 16.5% to £66.5m.

Adjusted operating profit was a record at £24.6m, 44.2% higher than the prior year, and would have been £25.8m at 2011 exchange rates and without the contribution from acquisitions. Adjusted operating margins were 15.3% and would have been 15.9% on an organic constant currency basis.

Our target margin was achieved through growth in revenue, which has been driven by our recent investment in infrastructure. This investment has enabled us to ensure that as volumes increased, we maintained our quality and met our customers' delivery expectations. Our factories in Leeds, UK, and Rochester, USA, recorded a strong performance, supported by growth of our electro-hydraulic products. Our factories in Melle, Germany – which mainly supplies the German and Russian markets – Lucca, Italy, and Flowquip, based in Tulsa, USA, all achieved record results. Flowquip serves the liquids pipeline market, as well as operating as a *Centre of Excellence* (CoE) for that region in the USA. Our CoEs buy actuators from our factories and add control systems in their local workshops, and these also performed well. Our subsidiaries in Australia and Russia made the greatest progress in the year, with the Middle East, Norway and Mexico also growing strongly, albeit from a lower base. During the year we opened CoEs in Brazil and the Middle East and expanded our site in Edmonton, Canada.

1.45 AM
NEW SOUTH WALES/
AUSTRALIA

Rotork has supplied Skilmatic Pro actuators to the Mount Thorley Warkworth (MTW) coal mine. The pipework delivers water to the north and south coal processing (washing) plants from a new dam source.

Fluid systems opportunities

- New *Centres of Excellence*
- Product releases
- Current and new markets

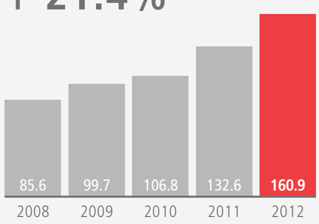
These investments will support our growth in the coming years. In 2013 we plan to extend four facilities and open three new ones, including a new office in north east Australia, from where we will be able to serve the active local market and our growing installed base of electro-hydraulic actuators.

We introduced a number of new products during 2012, the most significant of which was the launch of an updated Gas-over-Oil product range that offers a more compact design than its predecessor. The R&D team was restructured during the year to ensure that dedicated resource is allocated to new product development and kept separate from day-to-day applications engineering. Both parts of the team are supported by RIDEC (Rotork Innovation Design and Engineering Centre) in Chennai, India, which works closely with the R&D teams in our factories around the world.

Managing the cost of components, both through engineering change and sourcing initiatives, is a continual drive and we were successful in generating savings through this process during the year. Using our factories in lower cost areas as a base for sourcing local expertise has proved beneficial and we will extend this initiative to additional product ranges in 2013.

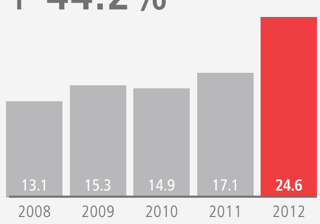
Revenue £m

+ 21.4%



Adjusted Operating Profit £m

+ 44.2%



rotork® gears

David Littlejohns MD Rotork Gears

Rotork Gears manufactures and sells manual and motorised gearboxes and accessories. The gearboxes can be used in conjunction with actuators and we sell to both the Controls and Fluid Systems divisions, as well as selling directly to third parties. We have been working to increase the level of our third-party sales and in 2012 we have made further progress in this regard, with around three quarters of revenue 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 effectively a component of the valve and, with the majority of valves still being manually operated, most require a gearbox to provide the necessary mechanical advantage 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 provide high quality, reliable gearboxes and, by virtue of our scale and buying power through our global supply chain, we can provide the valve industry with an outsourced solution.

Revenue grew 13.5% in the year to £52.9m whilst order intake increased 18.9%, resulting in a 25.2% increase in order book to £9.9m. Each of these is a record for Gears. The Prokits acquisition in December 2011 made a full contribution in the year, nearly offsetting the currency headwind for the division, with revenue growth on an organic constant currency basis of 13.6%.

Adjusted operating profit for the year was £12.1m, 17.0% higher than the prior year, delivering an operating margin of 22.9% compared with 22.2% last year. Restating adjusted operating profit at last year's exchange rates and removing the effect of the acquisition increases the operating profit to £12.5m and the margin to 23.7%. The margin increase derives mainly from higher volumes, successful sourcing initiatives and a beneficial product mix.

We saw fastest growth in the Chinese and US markets, the two territories in which we have focused our investment in recent years. In China we continued to grow our business with existing customers and win new accounts so that our Shanghai factory is now the largest within the division. The increase in Chinese output has helped to improve the efficiency of our facility and has also increased our buying power with our supply base in China. In Houston, USA, our customisation centre started to gain traction and towards the end of the year we leased additional space in the facility. The workshop area, shared with Controls and Fluid Systems, has been doubled to provide a platform for further growth. We also increased our sales of subsea gearboxes, with our plant in Italy the driving force behind this particular market.

3.45 PM
ROTTERDAM/
NETHERLANDS

EuroLoop is one of the world's largest flow metering calibration facility for the oil & gas industry. IQ actuators are fitted with Rotork Gears IW worm gearboxes for theoperation of the larger ball valves.

Gears opportunities

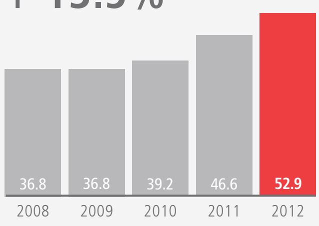
- Relocation of Leeds factory
- New product ranges
- Rotork Valvekits

Amongst our other locations, development of the local supply chain in India has proved slower than hoped, which meant that, whilst revenue grew strongly, albeit from a low base, it was not at the margins anticipated. Work on indigenisation of the supply base is an important step for the Indian factory and will also provide a source of components to export to other Gears factories. In Russia and Japan we have begun to consolidate our relationships with local valvemakers and we are now adopting a similar approach in Spain, where we continue to make progress. In the UK, our main Gears factory will relocate to a larger facility in Leeds during 2013 which will be far better suited to its requirements.

The pace of product development has accelerated and is one of the reasons behind our creation of a dedicated new product introduction team. We launched two completely new manual gearbox ranges and expect further new ranges to be introduced during 2013. The Prokits acquisition has provided fresh impetus to our UK valve adaption business and delivered good growth in the year.

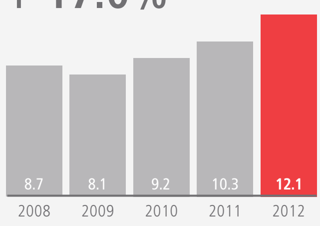
Revenue £m

+ 13.5%



Adjusted Operating Profit £m

+ 17.0%



rotork® instruments


Alan Paine MD Rotork Instruments

Rotork Instruments was formed in November 2011 with the purchase of Fairchild Industrial Products and will ultimately contain a number of businesses targeted at the wider flow control market. The division will be built, at least initially, via acquisitions as we look for businesses which have products that measure and control flow and pressure. These devices may work in conjunction with actuators, be sold into the same end-markets as actuators, or utilise some of the same technology as actuators but they will also take us into new end-markets. As with our approach in actuators, we intend to focus on the high quality, high specification part of the instruments market where certification is often required and margins are generally higher.

Fairchild is headquartered in Winston-Salem, USA, has sales offices in China, India, Brazil and Mexico and sells precision pneumatic and electro-pneumatic control products. A network of distributors is supported from each of these offices, although there are a number of different routes to market and a broad range of end-markets. In 2012 the Gulf Coast area of the USA performed particularly well, supported by an active oil & gas sector, which is the division's largest end-market. Despite an unfavourable economic backdrop, India and Europe were also strong.

In November 2012, we acquired Soldo, an Italian based switchbox manufacturer, adding a second high quality business to the Instruments division. Soldo's switchboxes are used to indicate valve positions, sometimes in conjunction with a pneumatic or hydraulic actuator, often in hazardous environments. They are highly engineered products which require certification for many of the applications and end-markets in which they are used.

This was Fairchild's first full year as part of Rotork and, as such, we focused heavily on integration at all levels. During the year we combined the Rotork and Fairchild offices in Chengdu, China, and although now sharing a common location, they will continue to be run as separate businesses. We also plan to relocate Soldo's USA operation into the Winston-Salem facilities during 2013.

3.45 PM
MELLE/GERMANY

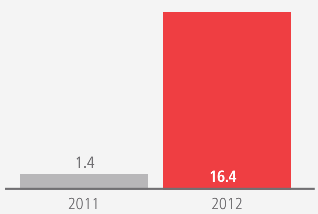
The Melle factory in Germany mounted Soldo switchboxes to Rotork's GP pneumatic range of scotch yoke actuators. The Atex certified SIF series switchboxes provide a visual and remote electrical indication of quarter-turn valve/actuator position.

Instruments opportunities

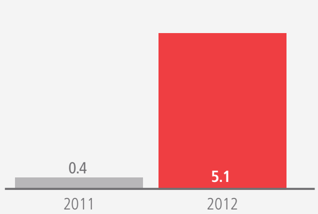
- International expansion
- Acquisitions

Revenue in the year was £16.4m, including a small contribution from Soldo, compared with £1.4m in the prior year, which represented only six weeks of Fairchild's results. The adjusted operating margins were 31.1% for the year in total, with both businesses generating similar returns. These businesses operate on much shorter lead times than the other Rotork divisions and an order book representing less than one month's sales is typical.

Revenue £m



Adjusted Operating Profit £m



rotork® financial review

2012 set new records in order intake, revenue and profit, with revenue growth of 14.3% which was broadly in line with the 14.4% compound annual growth rate of the last ten years.

Jonathan Davis
Finance Director

The revenue of £511.7m was reduced by a £13.4m currency headwind and on a constant currency basis revenue would have been £525.1m. This includes a £0.7m contribution from Soldo, purchased in November this year, and a full year from the six acquisitions we made in 2011. Revenue on an organic constant currency basis would have been £503.0m, a 12.3% increase compared with 2011.

Adjusted operating profit (stated before the amortisation of acquired intangibles) grew 13.8% to £131.9m, an adjusted operating margin of 25.8% compared with the 25.9% in 2011. Removing the impact of currency and acquisitions only has a small net impact, giving adjusted operating profit of £131.0m and a margin of 26.0%, the same as the prior year.

Financial items have reversed from a net income of £0.6m last year to a net expense of £0.3m this year. The most significant element of this change is the £0.7m reduction in the expected return on the assets of the defined benefit pension schemes. Adjusted return on sales, which is based on profit before tax, has therefore reduced from 26.0% to 25.7% but on an organic constant currency basis would be the same as last year.

One of the key influences on the Group margins was the growth of Rotork Fluid Systems (RFS). Notwithstanding its improvement in margins this year, RFS still reports the lowest margins and as the fastest growing division this resulted in a change in the divisional mix which had a negative impact on Group margins. Had the Group's revenue been in the same divisional proportions as 2011, Group operating margins would have been 50 basis points higher.

Acquisitions

Our screening criteria for an acquisition are that it must bring to Rotork a product we do not have, improve our access to a geographic or end-user market or ideally a combination of these. Soldo, now part of our Instruments division, was purchased in the year for total consideration of £23.1m, of which £9.7m has been attributed to intangible assets and £14.0m is goodwill. Subsequent to the year end, we announced the acquisition of the Schischek group of companies for £34.3m. Headquartered in Germany, Schischek manufactures explosion-proof actuators for the heating, ventilation and air-conditioning market, where Rotork has historically had few direct sales.

As a result of the higher number and value of acquisitions this year and last, the amortisation charge related to acquired intangible assets rose from £3.9m last year to £7.4m this year. With the acquisitions taking place throughout last year and Soldo acquired in November 2012, in order to adjust the income statement to show a like-for-like period for each acquisition, 2012 revenue has to be reduced by £22.1m and operating profit by £5.1m. Acquisitions have been only slightly dilutive in the year with an aggregate adjusted operating margin of 23.1%.

Currency
Currency was a stronger headwind in 2012 and reduced revenue by £13.4m, with the weaker euro being the most significant element. Whilst the average euro rate was 7% weaker than the comparative period, the US dollar average rate was almost identical to 2011. The other currencies which affect the Group were also marginally weaker. The currency impact is a mix of translation and transaction and the £4.2m reduction in operating profit is net of any benefits gained from the sourcing of components from within the eurozone. Whilst we manufacture and sell from offices based in 33 countries, with 19 different currencies, and source components from a wide geographic footprint, the Group is still a net seller of euros and US dollars. 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.

Return on capital employed (ROCE)
Whilst ROCE remains high due to our asset-light business model and high profit margins, it has reduced from 74.1% in 2011 to 62.0% in 2012. The calculation is based on the average balance sheet position, taking the opening and closing balance sheet, so the impact of the acquisition of Fairchild and the five other companies in 2011 is only now fully reflected in the capital employed. The intangible assets capitalised in accounting for these acquisitions, together with the Soldo acquisition in 2012, has led to an increase in average capital employed from £156.5m in 2011 to £212.8m this year end.

Taxation
The Group's effective tax rate fell from 28.6% to 28.1%. This is a blended rate from the 25 countries in which we currently pay tax and is affected by the mix of where our taxable profits are generated, as well as changes to the tax rates within those jurisdictions. 2011 was the last year to benefit from a favourable tax agreement for our factory in China but the increase in tax there was more than offset by reductions elsewhere. The general rate of corporation tax in a number of jurisdictions where we operate, including the UK, has continued to decline. Our philosophy with tax continues to be to operate on the basis of full disclosure and co-operation with all tax authorities and, where possible, mitigate the burden of tax within the local legislation.

Organic business growth

£m		2012 as reported	Constant currency adjustment		2012 at 2011 exchange rates	Remove acquisitions		Organic business at 2011 exchange rates		2011 as reported
Revenue		511.7	13.4		525.1	(22.1)		503.0		447.8
Cost of sales		(272.2)	(7.7)		(279.9)	11.5		(268.4)		(236.3)
Gross profit	**46.8%**	239.5	5.7	**46.7%**	245.2	(10.6)	**46.6%**	234.6	**47.2%**	211.5
Overheads	**21.0%**	(107.6)	(1.5)	**20.8%**	(109.1)	5.5	**20.6%**	(103.6)	**21.3%**	(95.6)
Adjusted operating profit*	**25.8%**	131.9	4.2	**25.9%**	136.1	(5.1)	**26.0%**	131.0	**25.9%**	115.9
Financial income/expenses		(0.3)	–		(0.3)	–		(0.3)		0.6
Adjusted profit before tax*	**25.7%**	131.6	4.2	**25.9%**	135.8	(5.1)	**26.0%**	130.7	**26.0%**	116.5

* Adjusted is before the amortisation of acquired intangible assets.

rotork financial review continued

Cash generation

At the end of the year, net cash was £59.9m, an increase of £11.3m during the year. The largest cash outflow this year was the £37.6m of tax. Whilst the effective tax rate in the income statement may be lower, the higher profits in 2011 and then again in 2012, combined with a change in the phasing of payments, led to the higher rate of increase in tax paid. No additional dividends were paid this year so total dividends paid in the year are lower than 2011 at £33.9m compared with £49.5m, which included £19.9m of additional dividends. Acquisition spend of £20.9m was predominantly the Soldo purchase in November but also includes deferred consideration on some of the 2011 acquisitions.

Our cash generation KPI improved from 89.6% last year to 95.4%. Management of working capital has the greatest influence on this KPI and in 2012 it improved. Working capital as a function of revenue was 25.5% compared with 27.0% in 2011. Inventory and trade receivables both increased at a slower rate than revenue and debtor days reduced by one to 56 days' sales outstanding.

Credit management

The Group's credit risk is primarily attributable to trade receivables, with the risk spread over a large number of countries and customers, and no significant concentration of risk. Credit worthiness checks are undertaken before entering into contracts or commencing trade with new customers. The majority of our trade receivables are insured, so the authorisation process operates in conjunction with the insurer, taking advantage of their market intelligence. Where appropriate, we will use trade finance instruments such as letters of credit to mitigate any identified risk.

Treasury

The Group operates a centralised treasury function managed by a Treasury Committee comprising the Chief Executive, Finance Director, Group Legal Director, Group Financial Controller and Group Treasurer. The Committee meets regularly to consider foreign currency exposure, control over deposits and cash management. The Group Treasurer monitors compliance with the treasury policies and is responsible for overseeing all the Group's banking relationships. A Subsidiary Treasury Policy restricts the actions subsidiaries can take and the Group Treasury Policy and Terms of Reference define the responsibilities of the Group Treasurer and Treasury Committee.

The Group uses financial instruments where appropriate to hedge significant currency transactions, principally forward exchange contracts and swaps. These financial instruments are used to reduce volatility which might affect the Group's cash or income statement. In assessing the level of cash flows to hedge with forward exchange contracts, the maximum cover taken is 75% of forecast flows. The Board receives monthly treasury reports which summarise the Group's foreign currency hedging position, distribution of cash balances and significant changes to any banking relationships.

In January 2013 we established a £15m one year committed facility in order to part-finance the acquisition of Schischek. Whilst the Group as a whole will remain in a net cash position, this facility provides flexibility regarding the location of cash deposits and timing of receipts, and is in addition to uncommitted overdraft facilities the Group has in a number of countries.

Dividends

The directors are proposing a 16.9% increase in the final dividend to 26.6p per share. When taken together with the 16.4p interim dividend paid in September, this represents a 15.4% increase in core dividends over the prior year. This gives core dividend cover of 2.4 times (2011: 2.5 times). Our dividend policy is to grow the core dividends generally inline with earnings and supplement core dividends with additional dividends when the Board consider it appropriate to do so.

Retirement benefits
The Group accounts for post-retirement benefits in accordance with IAS19, Employee Benefits. The balance sheet reflects the net deficit on these schemes at 31 December based on the market value of the assets at that date, and the valuation of liabilities using year end AA corporate bond yields. We have closed both the main defined benefit pension schemes to new entrants; the UK scheme in 2003 and the US one in 2009, in order to reduce the risk of volatility of the Group's liabilities.

Following agreement of the March 2010 actuarial valuation for the UK scheme, a deficit funding plan was agreed which would eliminate the shortfall by March 2015. This plan included the payment of £3.3m of past deficit contributions during 2011, £7.3m in 2012 and £1.7m in 2013.

The next triennial actuarial valuation is due in March 2013. Despite these higher UK contributions, the funding level of the schemes remained at 81% at the year end, the same as it had been at December 2011 which now equates to a £28.7m shortfall. Whilst the return on assets exceeded expectations, discount rates have reduced once again, driving up the current value of future liabilities. The mortality assumptions were updated in 2010 to reflect the latest data from occupational pension schemes and these tables are again applied this year.

The amendment to IAS19 Employee benefits will impact the Group's 2013 financial statements. The principal change relates to the requirement to use the schemes' discount rate to calculate the return on assets rather than using a rate of return appropriate to the various asset classes. This change is expected to reduce the income generated by the schemes' assets by around £0.8m in 2013.

Dividends

↗ Up 15.4% to 43.0p

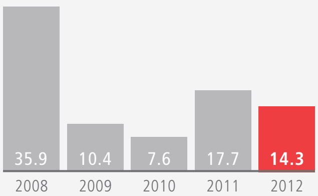
key performance indicators

Financial KPIs

Growth of the business, quality of earnings and efficient use of resources are crucial target areas for Rotork and we have a number of measures of performance used throughout Rotork aimed at monitoring this. The KPIs used to monitor the financial performance of the business are set out below.

Sales Revenue Growth %

14.3%



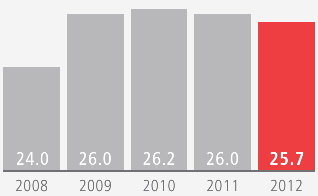
Reasons for choice
This is reported in detail for operating segments and is a key driver in the business.
This measure enables us to track our overall success in specific project activity and our progress in increasing our market share by products and region.

How we calculate
Increase in sales revenue year on year divided by the earlier year sales revenue.

Comments on results
We grew revenue by 14.3% despite some markets and some important geographies growing at a slower rate. The positive impact of acquisitions was partially offset by a currency headwind, organic constant currency growth being 12.3%.

Return on Sales %

25.7%



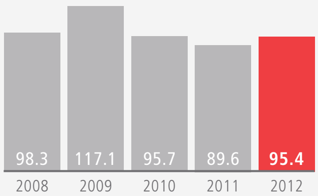
Reasons for choice
This measure brings together the combined effects of procurement costs and pricing as well as the leverage of our operating assets. It is also a check on the quality of revenue growth but is heavily influenced by divisional mix.

How we calculate
Adjusted profit before tax* (after financing and interest) shown as a percentage of sales revenue.

Comments on results
The reduction is a result of lower returns on pension scheme assets and the faster growth in the divisions with lower return on sales being offset by the improvements made in the Fluid System and Gears divisions return on sales.

Cash Generation %

95.4%



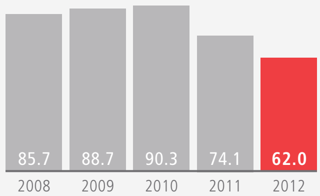
Reasons for choice
This is used as a measure of performance where a target of 85% is regarded as a base level of achievement.
Cash generation is also one of the constituent parts of the senior management reward system.

How we calculate
Cash flow from operating activities before tax outflows and the pension charge to cash adjustment as a percentage of adjusted operating profit*.

Comments on results
Cash generation remains above target and working capital as a function of sales has reduced during the year from 27.0% to 25.5%.

Return on Capital Employed %

62.0%



Reasons for choice
Rotork has an asset-light business model by design and reporting this ratio internally helps management at Group level monitor our adherence to this philosophy.

How we calculate
Adjusted operating profit* as a percentage of average capital employed. Capital employed is defined as shareholders' funds less net cash held, with the pension fund deficit net of related deferred tax asset added back. The calculation is shown on page 105.

Comments on results
Average capital employed has risen by 36% because the 2011 acquisitions are now reflected in both the opening and closing balance sheets. This KPI remains at sector leading levels.

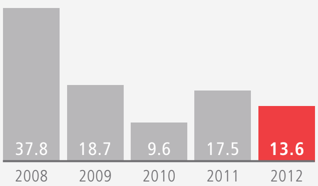
*Adjusted figures are before the amortisation of acquired intangible assets.

Non-financial KPIs

We monitor non-financial areas in our businesses particularly in the environmental, health and safety and quality control areas and put strong emphasis within our organisation on improving our performance here.

Earnings per Share Growth %

13.6%



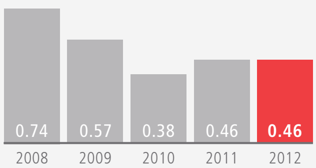
Reasons for choice
The measurement of earnings per share (EPS) reflects all aspects of the income statement including management of the Group's tax rate.

How we calculate
Increase in adjusted basic EPS (based on adjusted profit after tax*) year on year divided by the earlier year adjusted basic EPS.

Comments on results
Adjusted basic EPS has increased ahead of profit before tax due to a reduced effective tax rate arising from a lower tax rate in the UK and the international mix of where our profits were generated.

Accident Frequency Rate

0.46



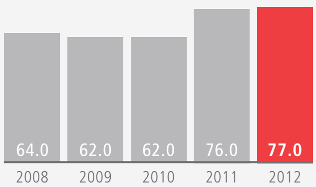
Reasons for choice
The Accident Frequency Rate (AFR) is used as one measure of the effectiveness of our health and safety procedures.

How we calculate
The formula we have used for calculating our AFR is the number of reportable injuries divided by the number of hours worked multiplied by 100,000.

Comments on results
The investment in training to create a number of specialists and the improvements arising through the audit process have helped raise awareness of safe working practices. Training will continue as we aim to reduce this KPI further.

Waste Recycling %

77.0%



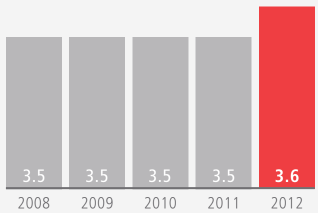
Reasons for choice
This KPI measures the proportion of total waste produced which is recycled.

How we calculate
This information is collected through regular submissions into our main UK site in Bath.

Comments on results
Further improvements are becoming harder to achieve but the results this year are just ahead of the previous year. Focus remains on those locations where recycling is yet to be as fully adopted.

Employee Satisfaction

3.6



Reasons for choice
The survey as a whole enabled the Group to get feedback from across the businesses on how we relate to our staff and what we can do better.

How we calculate
Employees scored their responses directly into a prepared survey with 1 being very dissatisfied and 5 being very satisfied.

Comments on results
We had a record number of respondents this year and the response rate rose to 77%. The scores relating to satisfaction with the bonus scheme, effective supervision and feedback and that Rotork values its employees showed the greatest improvement.

rotork®

statement of principal risks and uncertainties

The assessment and management of risk is the responsibility of the Board, and the development and execution of a comprehensive and robust system of risk management is a high priority in Rotork. This is based on an established process for the identification and management of risk, first at divisional board level, and then for the Group as a whole. Rotork works within the governance framework set out in our corporate governance statement, see page 46.

The Board's role in risk management involves promoting a culture that emphasises integrity at all levels of business operations. This includes ensuring that risk management is embedded within the core processes of the Group, determining the principle risks, (and ensuring that these are communicated effectively across the businesses) and setting the overall policies for risk management and control.

The Group Finance Director is responsible for risk management within the Group and leads the development of the risk management process and the tools used. The Board approves appetite for risk at both Group and divisional level and the consequential actions in terms of mitigation where possible and appropriate.

The processes of risk management within the businesses involve:

- Identification and regular assessment of individual risks at both subsidiary and divisional level;
- Reviewing previously identified risks and the effectiveness of mitigation where appropriate;
- Design of controls to mitigate identified risks;
- Testing the controls through management review and internal audit; and
- Forming a conclusion on the effectiveness of the control environment in place.

The major risks affecting the Group are first identified and considered by the divisional boards during their regular meetings. Once a risk has been identified, it is allocated to one of the directors to ensure the risk is appropriately considered and the risk is managed. Risks are categorised by likelihood and potential impact on the business, and once the assessment matrix is completed by each division, the risks are then aggregated and re-evaluated in relation to the Group as a whole. Identified risks are discussed and the progress reviewed at both Rotork Management Board and divisional board meetings during the year. Senior management, in association with the full Board of Directors, meets twice a year to consider the Group risk matrix and progress with mitigating actions. The external Auditor is invited to attend one of the meetings each year.

This is an ongoing process involving regular assessment of the risks, with clear and consistent procedures for monitoring, updating and implementing appropriate controls to manage the identified risks. We are therefore confident that we have a methodology for ensuring that the Group's approach to dealing with individual risks is robust and timely.

We identify three main risk areas:
Strategic – Risks that potentially could affect the strategic aims of the business, or those issues that could affect the strategic objectives that the Group is addressing;

Operational – Risks arising out of the operational activities of the Group relating to areas such as logistics, procurement, product development and interaction with commercial partners; and

Financial – Issues that could affect the finances of the business both externally from matters initially outside of our control, and from the perspective of internal controls and processes.

The risks considered during the process cover all aspects of the Group's activities and include environmental and ethical risks as well as product, competitor, reputational or financial risks but not all of these areas are represented in the top 10 risks which are listed opposite. These are categorised by the three main risk areas identified above. Mitigation, where possible, is shown for each risk area identified.

STRATEGIC RISKS

Description	Potential Impact	Mitigation
Competition on price as a result of an existing competitor moving to manufacture in a lower cost area of the world.	Where a competitor decides to use cost savings to reduce their selling prices, this could lead to a reduction in the general market price. Rotork might need to respond to a change in market price levels whilst still maintaining the price premium currently enjoyed for some products.	Rotork already has a direct presence, in terms of production, sales and service support, in the major low cost locations. There is a constant drive to maintain differentiation from the competition both in terms of the quality of our products and of the service we provide.
Not having the appropriate products, either in terms of features or costs.	In order to be able to compete on a project, our products must meet both the necessary specification and pricing level. A failure on either count could harm our competitive position.	Development of products to meet required specifications is an ongoing activity as is the drive to take cost out of our products to meet target pricing levels.
Lower investment in Rotork's traditional market sectors.	A reduction in capital or maintenance expenditure in one of Rotork's key market sectors would result in a smaller addressable market, which in turn could lead to a reduction in revenue from that sector.	Identification of new markets takes place in each location and is coordinated at divisional level. This is supported by product development and innovation to address new markets and new applications in existing markets. At a Group level our geographic and end-market diversification provides resilience to a reduction in any one area or market.

OPERATIONAL RISKS

Description	Potential Impact	Mitigation
Major in field product failure arising from a component defect or warranty issue which might require a product recall.	Replacement of defective components or complete units would give rise to a direct financial cost but there would also be a reputational risk.	A comprehensive set of quality control procedures operates over suppliers. These include supplier visits, audits and a scorecard system to measure their performance. In some markets legislation determines that this risk is entirely passed to the end-user.
Failure of a key supplier or a tooling failure at a supplier causing disruption to planned manufacturing.	Where customer delivery expectations are not met, this could lead to financial penalties and damage customer relationships.	Dual sourcing for key components wherever possible with regular monitoring and replacement of tooling at all suppliers. Maintaining inventory levels sufficient to protect against short term disruption.
Failure of an acquisition to deliver the growth or synergies anticipated, due to incorrect assumptions or changing market conditions, or failure to integrate an acquisition to ensure compliance with Rotork's policies and procedures.	Whilst growth opportunities, cost savings and synergies are identified prior to completion, these may not always be delivered at the levels anticipated or to the timetable expected.	During the due diligence process and preparation of the 100 day plan, consideration is given to the composition and skills of the management team. Training and support is provided by a variety of Rotork personnel to ensure effective integration and communication of Rotork's policies and procedures, whilst monitoring delivery of the financial plan.
Failure of the centralised IT environment, or other loss or theft of data.	Commercially sensitive data is stored and transmitted electronically. The Group is therefore exposed to the risk of data loss, either maliciously or unintentionally. The Group has one centrally hosted Enterprise Resource Planning (ERP) system covering the manufacturing sites and is in the process of rolling out a new ERP system which will ultimately be used worldwide.	A wide range of security, back up and contingency measures are in place to protect against these risks. With the increased centralisation of IT, a more robust disaster recovery environment is under development and will be in place before a material number of companies utilise the new ERP system.

FINANCIAL RISKS

Description	Potential Impact	Mitigation
Volatility of exchange rates.	Significant fluctuations in exchange rates could have an adverse impact on Rotork's reported results.	A clear treasury hedging policy addresses short term risk and this works together with the natural hedging provided by the geographical spread of operations, sourcing and customers.
Political instability in a key end-market.	Disruption of normal business activity would impact our sales in that country and might ultimately leads to loss of any assets located in that country as well.	The wide geographic spread of Rotork's operations and customers diminishes the impact of any one market.
Defined benefit pension scheme deficit.	The amount of the deficit may be adversely affected by a number of factors including investment returns, long term interest rates, price inflation and members' longevity. This in turn might lead to a requirement for the Company to increase cash contributions to the schemes.	Both defined benefit schemes are closed to new members, with the UK scheme closed in January 2003. The Group and Trustees monitor the performance of the scheme regularly, taking actuarial and investment advice as appropriate. The results of these reviews are discussed by the Board.

rotork corporate social responsibility

The Group believes that responsible business is the best business. It can benefit our operational effectiveness, develop our industry leading products, grow our business and build on the trust of our stakeholders.

WHY DOES CORPORATE SOCIAL RESPONSIBILITY MATTER TO ROTORK?

Sustainability lies at the heart of the Group's commitment to corporate social responsibility (CSR) and it represents a valuable opportunity to ensure that the Group continues to be successful in the long term. For these reasons, the Group endeavours to entrench CSR across all its processes and ways of working.

The Group's approach to CSR is focused around four main themes:

The Environment

The environmental programme, described in more detail on pages 32 to 35, benefits the Group in a number of ways including ensuring compliance with legal requirements in all territories in which the Group operates, achieving cost savings by reducing waste and resource consumption, and reducing emissions which contributes to sustaining the environments in which the Group operates.

Ethics and Values

The Group looks to conduct business in an honest and ethical manner at all times. High standards of ethics and values are important to the Group because they help to foster an open and honest culture which contributes to the effectiveness of our people, allowing us to attract, motivate and retain talent, build on the trust of our stakeholders and to enhance and protect our reputation. Furthermore, behaving ethically and honestly, for example by taking a zero tolerance approach to bribery and corruption, contributes to improving standards in markets around the world which will help nurture and grow these markets. More details of the Group's ethics and values can be found on pages 35 to 37.

Health and Safety

The Group's employees are essential to the success of its business. Providing a safe working environment is paramount and by ensuring our people are safe we enhance the effectiveness of our workforce by mitigating the risk of injury and reducing costs associated with employee illness or injury. The Group's approach to health and safety can be found on pages 37 to 38.

Community Involvement

The Group's asset-light, assembly only manufacturing model means that we do not significantly disrupt local communities where we are based. Nevertheless, we recognise that we operate in a wide number of territories around the world and that our operations have some impact on the communities within these territories. Furthermore, the Group's employees, customers and suppliers are often members of these communities and often these businesses are run by local people. An outcome of this engagement is to ensure that the Group continues to be welcomed in the communities it works in and this contributes to the sustainability of its operations. Local causes are supported through each location having its own charity committee focused on its local community. More details on community involvement can be found on pages 38 to 39.

The Group recognises that shareholders are becoming increasingly focused on CSR issues and take into account the Guidelines on Social Responsibility issued by the Association of British Insurers. The Group has been a member of the UN Global Compact since 2003 and continues to be included in the FTSE4Good index where we maintain an above average score in the global rankings, UK rankings and industry sector rankings.

The Group believes that the approach it takes to CSR, as set out in this report, helps to meet the expectations of our stakeholders and contributes to the success of our corporate strategy by promoting an effective and sustainable business.

The Chief Executive reports to the Board on CSR progress. The Chief Executive chairs the CSR Committee, a management committee, which has four sub-committees with each representing one of the aspects of CSR described above. Presentations are given by the Chairmen of the four sub-committees to the Board on activity and progress in their areas of CSR during the year.

The diagram opposite sets out our CSR Committee structure:

PROGRESS, PERFORMANCE AND TARGETS

THE ENVIRONMENT

Overview

Policies, procedures and systems are in place to eliminate, reduce and control our operational impact on the environment and to ensure compliance with all relevant legislation. Audits, measurement and monitoring are carried out to ensure our policies and procedures are followed and systems are effective in managing the impact. Training is provided to enable employees to carry out their duties without risk to themselves, others or the environment.

The Group considers climate change and other environmental risks but given the Group's business model, it considers the overall risk to the environment from the Group's activities to be relatively low. The Group notes the following operational risks:

- EU Registration, Evaluation and Authorisation of Chemicals (REACH) legislation. As a downstream user the Group relies on the manufacturers of chemicals and preparations for the continuing availability of its products. We continuously monitor the chemicals and preparations used; and
- EU Restriction of Hazardous Substances in Electrical and Electronic Equipment Directive (RoHS 2). The Group's electronic products will need to comply with RoHS 2 by 2017. We are evaluating our products, systems and procedures in light of RoHS 2 and taking action as necessary to ensure compliance.

The Group's environmental legal compliance activities include:

- Waste Packaging (Producers Obligation) Regulations 2007 – Rotork is a member of the Clarity compliance scheme;
- Waste Electrical and Electronic Equipment Regulations 2006 (WEEE) – Rotork is a member of the Clarity-WEEE compliance scheme;
- Waste Battery and Accumulator Regulations 2009 – Rotork is registered as a small battery producer; and
- Where regulated use of licensed waste carriers for the removal of all types of waste from Rotork facilities – our waste goes to licensed treatment facilities.

Group Environmental Policy and Procedures

The Group's environmental policy applies to the Company and all its subsidiaries worldwide. The policy includes commitments to the prevention of pollution, compliance with all relevant legal and regulatory requirements and to the continuous improvement of environmental performance. The policy was revised in September 2012. The Group's environmental policy can be found at www.rotork.com in the investors section under Corporate Social Responsibility - Environment.

Separate policies define the Company's expectations on a number of environmental issues such as recycling and water use. Some Rotork businesses, which operate in regions that have fewer environmental facilities available (for example, recycling facilities), can present challenges but it is Rotork's expectation that our environmental policies are implemented consistently across the Group.

Operational control procedures are in place to manage a range of environmental activities such as the generation and disposal of hazardous waste, storage and use of oil and volatile organic compounds (VOC), and the maintenance of air conditioning equipment. Where appropriate, emergency plans are produced and communicated effectively to manage and control potential incidents which may pollute, such as oil spills.

Systems are in place to monitor environmental performance across the Group. This report sets out performance summaries of:

- Energy consumption;
- Waste generation and recycling (including hazardous waste); and
- Water consumption.

Data on VOC and refrigerants (HFC) is also recorded and reported in the Environmental Report, available from the investors section of the Rotork website under Corporate Social Responsibility - Environment. A full brief of Group environmental performance is given at quarterly CSR Committee meetings where actions are documented and progress reviewed at the next meeting.

This year's report encompasses more data than before as more locations, including recent acquisitions, report their environmental performance.

A more detailed report of environmental performance for the year ending 31 December 2012 will be given in the Environmental Report, to be published on the Rotork website in April 2013. A copy of our Environmental Report containing 2011 performance data can be found at www.rotork.com in the investors section under Corporate Social Responsibility - Environment.

Progress

Energy Consumption

Rotork operates an assembly only philosophy in all but four of our business units and we rely on specialist suppliers for most of our manufactured components and assemblies. In all facilities energy is used for IT systems, lighting, heating and cooling. Exceptions are the Group's operations in Losser, Netherlands, Falun, Sweden, Mansfield, UK and Winston-Salem, USA where some machine processes are in operation. In other locations test equipment is used to ensure the product meets customer operational requirements which can consume large amounts of energy for short periods of time when in use.

rotork® corporate social responsibility continued

Annually a team from K-Tork in Dallas, USA, helps children in Choluteca, Honduras, by giving them food and toys.

A team from Houston, USA, took part in the BP Multiple Sclerosis 150 Houston to Austin Bike Ride and raised $1950.

Consumption of electricity, gas and steam is calculated using utility invoices. Liquified petroleum gas (LPG) and oil is calculated using sales invoices.

2012 Energy Consumption Performance Summary and 2013 Targets

- On a like for like basis, energy consumption increased 10% compared with 2011, slightly below the rate of organic revenue increase. With the inclusion of new reporting companies this year, the overall increase was 24%;
- The expansion of the Group's facility in Shanghai, China and the new plant in Chennai, India contributed significantly to the increase in business activity with small fluctuations in climate conditions at some facilities also contributing to the increase.

Waste Generation and Recycling

Waste generation includes packaging waste (card, wood and plastic), metal waste (ferrous and non-ferrous), hazardous materials (paint waste, oils and adhesives), batteries and waste electrical electronic equipment.

The Group's policy is to recycle wherever possible. We have installed recycling equipment (such as balers and wood crushers) at a number of our high volume locations. To ensure suppliers also play their part we have introduced our own minimum packaging standards for suppliers.

As the number of reporting locations increases, the amount of waste recycled continues to rise.

2012 Waste Generation and Recycling Performance Summary

- Waste generation increased by 12% to 2,572 tonnes;
- Recycling increased by 13% to 1,981 tonnes;
- Waste recycling KPI (the percentage of recycled waste against total waste) was 77%, exceeding the 2012 target of 76%.

The 2012 Recycling & Waste Generation Performance figures include data from locations which operate in regions where recycling facilities are in their infancy or not available.

Waste recycling has been one of the Group's published KPIs since they were introduced in 2008. We have made considerable progress over this time and whilst the drive to maintain these high levels of recycling will continue and will be reported in the Environmental Report, this KPI will be replaced by a carbon emissions KPI in the Group KPIs for 2013.

Water Consumption

Water consumption is measured across the Group. For the majority of Rotork locations water consumption derives from normal operation and sanitary use. The exception to this is Winston-Salem, USA, where processes involving higher volumes of water are in operation.

2012 Water Consumption Performance Summary

- Water consumption in 2012 increased by 55% against 2011 results;
- The Winston-Salem site in the USA, a recent acquisition, accounts for 61% of the increase;
- Chennai, India, where the Group has opened a new manufacturing and research facility, accounts for 20% of the increase;
- Bath, UK, where there has been an increase in product testing, accounts for 8% of the increase;
- Lucca, Italy, where there has been an increase in product testing, accounts for 6% of the increase.

The balance of the increase is a result of fluctuations in normal usage and the inclusion of performance data from new acquisitions. Water consumption in Winston-Salem is under review and the results of that review will be published in the 2012 Environmental Report.

Three teams from Rotork climbed the Pen-y-Fan Horseshoe in the Brecon Beacons for WaterAid.

Tom Whittingham from Rotork Bath, UK, took part in the Cardiff half marathon and raised over £1,300 for ME Research with a further £250 from Rotork's Charity Committee.

Business Travel

Systems and procedures are in place to measure business travel by road, coach, rail and air, and the transport of products by company owned vehicles covering operations of many of the Group's sites. The Group uses video conferencing at all of its manufacturing facilities to reduce business travel.

Business travel data for 2011 was incomplete as systems were being established to capture the data in some locations. Therefore the 2012 data will be used as the baseline year for business travel data. More detailed information on business travel will be published in the Group's 2012 Environmental Report which will be available to download from the Rotork website.

Carbon Emissions

The Group measures and calculates Scope 1, 2 and 3 Greenhouse Gas Emissions (GHG) and publishes the results through the Carbon Disclosure Project and in the Environmental Report.

- The Group's Scope 1 GHG emissions derive from the consumption of gas, liquified petroleum gas, oil and through business travel and the transport of goods via Rotork owned vehicles;
- The Group's Scope 2 GHG emissions derive from the consumption of electricity and steam;
- The Group's Scope 3 GHG emissions derive from the materials used in: the product; supply chain emissions; travel between the supply chain and Rotork; and other business travel not included in Scope 1 emissions. The project to calculate 'cradle to gate' emissions, that is emissions from the extraction of minerals in the ground (cradle) to when the products leave the Group's manufacturing facilities (gate), for all current products is 80% complete. However, further work on electronic components across all products is needed before the publication of any results.

The Group calculates GHG emissions in accordance with the Greenhouse Gas Protocol (GHG Protocol) developed jointly by the World Business Council for Sustainable Development and the World Resource Institute.

Scope 1 and Scope 2 GHG emissions are calculated in accordance with the GHG Protocol using conversion factors published by the US Environmental Protection Agency (EPA), The Department for Environment, Food and Rural Affairs (DEFRA) and the International Energy Agency (IEA).

All Scope 2 GHG emissions have been calculated using the relevant conversion factor for the territory where energy was used or consumed based on the mix of coal, oil, gas, hydroelectric or nuclear generation.

All Scope 3 GHG emissions relating to travel are calculated using conversion factors published by DEFRA in August 2011.

2012 Carbon Emissions Performance Summary and 2013 Targets

The following summary excludes supply chain emissions.

- Operational emissions for 2012 increased by 16% on a like for like basis or 29% in total when acquisitions are included:
- Scope 1 emissions increased by 14%;
- Scope 2 emissions increased by 37%.

New acquisitions accounted for 46% of the increase in emissions with the balance of the increase resulting from increased business activity.

Energy efficiency is an area in which the Group intends to focus greater attention. For 2013, the Group will introduce a new carbon emissions KPI as one of the Group's reported non-financial KPIs. Our target is to reduce our carbon emissions as a function of revenue by 10% between now and 2017. Work will start this year and include completing studies at our larger sites and whilst the measured progress may be modest in 2013, momentum will build over the five year time period.

ETHICS AND VALUES

Overview

Ethics and values are central to the way we do business. The Group's Ethics and Values Statement can be viewed on our website in a number of languages. Ethics and values can be split into four strands:

- **Human rights and ethical business:**
  The Group is fully committed to respecting internationally proclaimed human rights as defined in the International Declaration of Human Rights and the International Labour Organisation's standards. The Group does not accept any form of child or forced labour and embracing the UN Global Compact principles throughout the business is a demonstration of this commitment.

  The Group recognises that an open and honest culture is key to understanding concerns within the business and to uncover and investigate any potential wrongdoing. In 2012, the Group substantively approved a refreshed and updated whistleblowing policy and an independent external whistleblowing hotline, both of which will be introduced in 2013.

- **Employees:**
  We have a firm commitment to all our employees regarding safety and development. Rotork has an objective and fair recruitment process, which promotes equal opportunities across the Group inline with the global 'Respect at Work and Equality of Opportunity' policy. The Group's offices in Bath, UK, and Parabiago, Italy, have employee forums where employees can raise issues to be dealt with by management.

rotork®

corporate social responsibility
continued

Markus Scheider from Rotork Melle, Germany, took part in the 25th IPA Niedersachsen Tour 2012 and Rotork kindly donated €600 in aid of a German Children's Cancer Charity.

Staff and their families contributed $1,612 to Run Ballarat, a charity race that takes place in Australia.

The Group supports apprenticeship schemes for young men and women which help to increase access into all aspects of the Group's business. (www.rotork.com/en/investors/index/ethicsvalues)

- Bribery and corruption:
  The Group has a zero tolerance policy on bribery and corruption worldwide, irrespective of country or business culture. The Group's Ethics and Values statement states that our employees will never offer, pay or solicit bribes in any form and is published on the Group's website in a number of languages: The Group does not make political contributions in cash or kind anywhere in the world.

  The Group's whistleblowing policy gives whistleblowers a platform to alert senior management to any suspected bribery or corruption, which is available to download from the Rotork website.

  The Group also makes use of detailed background checks provided by specialist bribery and corruption due diligence consultants before it deals with unknown third parties (including agents, prospective acquisitions and suppliers) which are operating in higher risk jurisdictions or market sectors. The Group makes use of objective guidance on country risk, such as the Corruption Perception Index by Transparency International, to help assess potential risks in this area. When working with the unknown third party, and after the initial detailed background checks, the Group also continually screens these third parties against a large number of international sources which could detect unethical behaviour including watchlists, sanctions lists and the media using its due diligence consultants' proprietary database. This database is also used in situations where enhanced due diligence would be disproportionate, such as where the third party is known to the Group and located in a low risk jurisdiction and market sector. These third parties are also subject to continual screening.

  During 2012, an exercise was undertaken to send new agency agreements to all of the Group's agents. These agreements incorporate the Group's Ethics and Values Statement and oblige the agent to read, understand and comply with the same ethical standards as the Group's employees, including an absolute prohibition on bribery and corruption. The new agency agreements all contain a consistent contractual limit on the maximum commission payable and how it can be earned, inline with the Group policy on commission.

- Suppliers:
  The Group has continued to invest in its outsourcing model, selecting suppliers with sound reputations in the marketplace. Many of the suppliers have a long term working relationship with the Company, ensuring ingrained product knowledge within the supply chain. Suppliers are also subject to continuous automated online monitoring as described above and the Company is alerted where any derogatory information is uncovered.

  In the past year, the supplier assessment programme has been extended to include more detailed CSR themed questions. Questions associated with equal rights and equal pay, anti-bribery and corruption policies, charitable giving, environmental impact and anti compulsory labour or child labour practices have been included in these surveys. Current and established suppliers have been considered under this re-evaluation. These assessments are discussed directly with the suppliers. Any corrective action plan is agreed between Rotork and the supplier. A programme is in place to continue these assessments throughout 2013, looking at both existing and potentially new suppliers.

The Group's UK trading companies, Rotork Controls Limited and Rotork UK Limited, are both signatories to the Prompt Payment Code which ensures that suppliers are paid according to the terms agreed and encourages good practice be passed down supply chains.

Progress

- An updated and refreshed Group whistleblowing policy was substantively approved which incorporates the use of an independent external whistleblowing hotline as an alternative method to raising whistleblowing concerns internally;
- Following on from a revision of the supplier audit questionnaire in 2011 to include questions centred around CSR, 25 of the top 50 suppliers and all new suppliers to Rotork's Bath, UK, manufacturing plant were retrospectively audited and no remedial action was required;
- A FTSE4Good score of 3.8 was maintained. This is in excess of UK, global and industry averages;
- An employee satisfaction survey score of 3.6 was achieved, a small increase on the previous year with record numbers of employees participating;
- Regular communications sent from the Group Legal Department to General Managers and International Sales Managers regarding relevant bribery and corruption related events in the business environment and the whistleblowing policy was communicated to all employees in every edition of the company newsletter;
- Ongoing automatic bribery and corruption screening introduced.

2013 Targets

- Use improved ethical supplier auditing to retrospectively audit a further 20 major suppliers;
- Deliver bribery and corruption training to relevant non-managerial employees;
- Continue to reference anti-bribery and corruption in each company newsletter;
- Rollout the updated whistleblowing policy and independent external whistleblowing hotline to the Group.

HEALTH AND SAFETY

Overview

The safety of Group employees, customers and visitors is of paramount importance to the Group. It is our policy to provide a safe working environment for all employees and visitors to any of the Group's sites and ensure employees work safely. For these reasons, policies and procedures are in place and help to eliminate, reduce or control our operational risks and ensure compliance with health and safety legislation.

The Group undertakes health and safety audits at all of its locations. A schedule of audits is established and approved by the CSR Committee. Each Rotork location is audited against a checklist which has been developed to ensure each location meets the Group's standards for health and safety. Each item on the checklist is assessed against pre-determined criteria and scored. A calculation of the overall score gives the location a rating and any location not achieving the baseline rating is given limited time to improve.

All audits are reviewed by the Group's Health and Safety Officer and all actions resulting from audits are recorded and monitored for correct and timely rectification.

A full report of our Group health and safety performance is given at quarterly CSR Committee meetings and all actions are recorded and progress reviewed at the next meeting. The results of audits, the rating of locations and the status of audit actions are reviewed by the Health and Safety Committee and any actions identified are acted upon.

Training is provided to enable employees to carry out their duties without risk to themselves or to others.

The Group health and safety policy is endorsed by the Chief Executive and sets out the Group's requirement to 'meet or exceed legislative and other requirements in the countries in which Rotork operates'. The policy can be viewed on the Group's website under Corporate Social Responsibility – Health and Safety in the investors' section.

Effective management of the Group's health and safety programme enables us to:

- Minimise the risk of injury to our employees, customers and suppliers and damage to property;
- Reduce costs associated with employee illness, injury and loss of physical assets;
- Continually improve the Group's health and safety practices.

The Group operates a behaviour-based safety programme. This requires managers and supervisors to encourage safe working practices by:

- Promoting regular safety observations by all staff;
- Regularly asking employees for their suggestions for improving safety at their facility;
- Holding employees accountable for observing these practices;
- Providing managing safety courses for line management; and
- Regular health and safety training to employees on subjects such as manual handling and confined spaces.

The Group's health and safety policy and arrangement document sets out the Company's policies for all of its activities. Rotork employees are engaged in activities which include manual handling of heavy objects, mechanical lifting, operating machinery and driving to suppliers, and customers' locations. In addition to working in the Group's facilities, employees also work on customer sites, which are often more hazardous. To reduce the risks associated with these activities, additional safe working practices are in place and include:

- Site surveys, to establish requirements, measurements and an assessment of the potential work area;
- Design assessments to identify risks, hazards and necessary controls to eliminate, reduce or control the risk to a reasonable level;
- Method statements, detailing the work that is to be done, the control and equipment that are to be used;

rotork® corporate social responsibility continued

Rotork's charity committee in Sweden donated 15,700 SEK to the Swedish Cancer Society.

- Point of work risk assessments, before work starts, which must also be reviewed after any period away from the work area;
- The use of permits-to-work when working in hazardous environments such as confined space work; and
- Unannounced internal audits of employees when working on a customer site.

Five performance indicators are monitored across the Group and performance against these indicates is reported to the Audit Committee:

- Accident frequency rate (which is a reported Group KPI);
- Lost time rate;
- Incident frequency rate;
- Health and safety audit rating; and
- On time completion of health and safety audit actions.

By monitoring the results of these performance indicators, we are able to identify areas of strong performance, which can be shared across the Group and areas of weakness which may require additional resources and training.

Progress
One of the Group's non-financial KPIs is Accident Frequency Rate (AFR). It is calculated as an average of the past three years' AFR performance. In 2012 the Group achieved an AFR of 0.46, surpassing the 2012 target of 0.47.

Details of the Group's AFR over the past five years and how it is calculated is shown on page 29.

2013 Targets
- Achieve an AFR of 0.43.

COMMUNITY INVOLVEMENT
Overview
The Group considers it important to contribute to and engage positively with stakeholders in the communities in which it operates and to be a good community neighbour around the world. We regard this as part of our ongoing responsibilities as a corporate entity. The Group seeks to be regarded as a good corporate citizen. This links into our corporate values which include producing a positive and beneficial impact in the areas in which we operate. One of the ways the Group does this is by having local charity committees at each of our sites which donate to local charitable causes. This empowers local employees to decide how to distribute the funds in their local communities. The Group aims to contribute 0.1% of profits to local charitable causes.

Local community involvement highlights from the year include:

- A Rotork Germany employee based in Melle speaking at a local high school about job applications;
- Various locations running apprenticeships, work placement and internship programmes;
- Rotork Fairchild employees donating to a local food bank;
- Rotork Shanghai employees supporting a local primary school; and
- Rotork India employees donating clothes to local causes.

The Group has forged links with local universities, colleges and schools in a number of the locations where we operate and sponsors students to go into higher education in India in addition to sponsoring a school there. The Group is the industry member of the Bath Educational Trust, which aims to advance education in Bath schools and promote community cohesion.

A Group representative is a member of the Industrial Advisory Board for the Mechanical Engineering Department of Bath University. The Group is also a member of an initiative of the Engineering Development Trust and sponsors a science project currently being undertaken by pupils in the sixth form of a local Bath school.

Photographer credit: WaterAid/James McCauley.

WaterAid Jeldu Woreda Project that Rotork funds.

The Group has supported two international charities in 2012, WaterAid and Send a Cow. Specific projects of these charities are supported and the Group receives updates throughout the year on the progress of the projects.

WaterAid uses the Group's support to help fund the Jeldu Woreda Project in Ethiopia, which aims to deliver safe and adequate water, sanitation and hygiene facilities to 16,000 villagers across three villages in Ethiopia by using alternative energy sources to provide a sustainable water pumping system. WaterAid also use Rotork's support to promote good sanitation and hygiene practices in the village by providing adequate facilities such as hand washing basins. The project benefits include a reduction in the prevalence of water borne diseases, a reduction in the distance travelled to reach fresh water, improved access to sanitation facilities and improved environmental cleanliness. The Group has supported this project since 2011, when it was in its first phase, and will continue to support it until this project is completed in 2013.

Send a Cow uses the Group's contributions to support its Building Futures project. Building Futures provides families in Eastern Uganda with training, resources and knowledge to equip them with vital farming skills to improve agricultural productivity and allow families to work their way out of poverty by being able to generate a regular income. The Group funds several communities and Send a Cow provides livestock, practical training in sustainable agricultural practices and training on building strong and harmonious communities so that the families can work together and become self-reliant. Training is also provided on other issues such as home hygiene practices and HIV/AIDS prevention and care.

Progress

- £50,000 contributed by the Group to WaterAid plus a further £6,378 contributed to WaterAid through employee fundraising activities;
- £41,000 contributed to Send a Cow; and
- £110,000 contributed to local charitable causes.

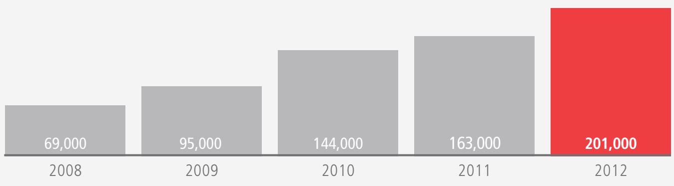
2013 Targets

- To increase donations to charitable causes. The Group will endeavour to:
  - Donate 0.1% of Group profits to Rotork's nominated international charities; and
  - Donate 0.1% of Group profits to charitable causes local to Rotork's operating sites.

Contacts and Feedback

The Group welcomes and values feedback. If you have any comments regarding this CSR report or any aspect of the Group's CSR programme, please contact Stephen Jones, Company Secretary, by writing to him at the Rotork plc registered office, full details of which can be found in the corporate directory on page 117.

Charitable Donations over the last five years £



rotork® board of directors




	Peter France Chief Executive	**Jonathan Davis** Finance Director	**Graham Ogden** Research & Development Director	**Bob Arnold** President of Rotork Controls Inc
Biography	Peter was appointed as Chief Executive of Rotork plc in 2008. He joined Rotork in 1989 as an Inside Sales Engineer. In 1998, he was appointed Director and General Manager at Rotork Singapore before becoming Managing Director of the Fluid Systems Division and then Chief Operating Officer.	Jonathan joined Rotork in 2002 after holding a number of finance positions in listed companies. He gained experience of the Rotork business initially as Group Financial Controller and then as Finance Director of the Rotork Controls Division and in 2010 was appointed Group Finance Director.	Graham has been with Rotork since 1985 and has been closely involved in product development including our award winning IQ series. He was appointed to the Rotork Controls Divisional board in 1997 as Research & Development Director.	Bob was appointed President of Rotork Controls Inc in 1988 and has responsibility for all Rotork's interests in the Americas. He joined Rotork Controls Inc. in 1978 as Engineering Manager subsequently becoming Vice President, Engineering. Prior to joining Rotork Bob worked in the USA as a Design Engineer in the Nuclear Valve Group.
Appointed to the Board	2006	2010	2005	2001
External appointments	Director of the Bath Education Trust			
Committee membership	Nomination			

				
Roger Lockwood Chairman	**Ian King** Senior Independent Non-executive Director	**John Nicholas** Non-executive Director	**Gary Bullard** Non-executive Director	**Sally James** Non-executive Director
Roger has been a non-executive director of Rotork since joining the Board and became non-executive Chairman in November 1998. He previously held CEO roles in automotive and engineering businesses.	Ian has been a member of the Executive Committee and plc Board of BAE Systems since 2007, following his appointment as COO, UK & Rest of World. Previously Ian has held a number of Executive General Management roles across BAE and Marconi.	John was previously Group Finance Director of Tate & Lyle plc and Kidde plc.	Gary previously held senior management positions, including sales and marketing roles, at IBM and BT Group plc and was a non-executive director of Chloride Group plc. Gary most recently held the position of President Logica UK until October 2012 and was a member of the Executive Committee of Logica plc.	Sally previously held senior legal roles in investment banking in London and Chicago including Managing Director and regional General Counsel for UBS Investment Bank. She has also held the position of Bursar of Corpus Christi College, Cambridge.
1988	2005	2008	2010	2012
Chairman of Hydro International plc	Chief Executive of BAE Systems plc	Non-executive director of Mondi plc Non-executive director of Hunting plc Member of the Financial Reporting Review Panel of the Financial Reporting Council (FRC)	Founder and CEO of Catquin Ltd Non-executive director of The Smart Cube	Non-executive director of UBS Limited Non-executive director of Towry Limited Non-executive director of Barts Health NHS Trust Trustee of Legal Education Foundation Independent Member of Council of the University of Sussex
Nomination (Chairman)	Audit, Nomination and Remuneration	Audit (Chairman), Nomination and Remuneration	Remuneration (Chairman), Audit and Nomination	Audit, Remuneration and Nomination

rotork®

the rotork management board

Peter France
Chief Executive

Jonathan Davis
Finance Director

Graham Ogden
Research & Development Director

Bob Arnold
President of Rotork Controls Inc

Grant Wood
MD Rotork Controls

Alex Busby
MD Rotork Fluid Systems

David Littlejohns
MD Rotork Gears

Alan Paine
MD Rotork Instruments

	Grant Wood	Alex Busby	David Littlejohns	Alan Paine
Biography	Grant joined Rotork in 2006 as Director of Rotork Site Services (RSS) before being appointed as Managing Director of Rotork's Controls Division and joining the Rotork Management Board in March 2011. Before joining Rotork Grant gained considerable experience in the utility, financial and energy sectors.	Alex joined Rotork in 1985 and in 1989 he went to a company in the same industry holding various management roles in Asia and Europe. He re-joined Rotork in 2003 as Business Development Manager, and then was Business Development Director, before becoming Managing Director of Rotork Fluid Systems and joining the RMB in 2008.	David joined the engineering design department in 1985 and he moved to Rochester, USA in 1996 as an engineer. He moved into sales before becoming General Manager in California. In 2006 he was appointed Managing Director of the Gears Division and joined the RMB.	Alan joined Rotork in November 2011 as Managing Director for Rotork Fairchild. He was appointed as Managing Director of the Instruments Division and joined the RMB in January 2013. Before joining Rotork, Alan managed several international companies in the automotive and linear bearings industries.
Appointed to the Board	2011	2008	2006	2013

Carlos Elvira
Group Sales & Marketing Director

Carlos joined in 1981 as the first Graduate Trainee in International Sales. He became International Sales Manager in 1989. In 1999 he became Controls Sales & Marketing Director and joined the RMB. In January 2011, he was appointed Group Sales & Marketing Director.

1999

Alastair Spurr
Group Operations Director

Alastair joined Rotork in 2005 as Operations Director of the Controls Division. He is a member of the Rotork Management Board and in January 2011 he was appointed Group Operations Director. Before joining Rotork, Alastair held positions within the engineering, construction and retail industries.

2005

Stephen Jones
Group Legal Director

Stephen joined Rotork in 1999. He is Group Legal Director and Company Secretary and joined the RMB in 2007. He is a Solicitor and has held positions in the engineering and construction industries as well as in private practice.

2007

Mark Williams
Group HR Director

Mark joined Rotork in 2007 as Bath HR Manager before being promoted to Global HR Director in 2009. He joined the RMB as Group HR Director at the beginning of 2012. Prior to joining Rotork, Mark has held various HR positions in the automotive manufacturing sector and transport industries.

2012

Pamela Bingham
Group Business Development Director

Pamela joined Rotork as Group Business Development Director and the RMB in March 2012. She has gained a wealth of experience in legal, commercial and business development roles. Pamela has worked in the engineering, mining, renewable energy and oil & gas sectors.

2012

rotork® corporate governance

Roger Lockwood
Chairman

The continuing success of the Rotork Group, its reputation in its markets and its relationships with its stakeholders is dependent on and protected by the leadership provided by an effective board. Good corporate governance supports the effectiveness of your board and contributes towards the long term success of our Company.

Our corporate governance report is set out on pages 44 to 61 and describes the roles, accountabilities and expectations for our directors and Board structures. In the table opposite there is a summary of the business the Board considered in 2012. We are subject to the UK Corporate Governance Code (Code) and whilst ensuring we provide detailed reporting, we have sought to place emphasis on explaining how the principles of the Code are applied across our Group. I am pleased to report that for the year under review, following the appointment of an additional independent non-executive director, we now fully comply with the Code and have ensured an equal balance between executive directors and independent non-executive directors.

Corporate governance highlights for the year under review include acting on our commitment, as contained in our announcement in response to the Davies Report, to achieve 25% female representation in our independent non-executive directorate. We achieved this commitment with the appointment of Sally James in May 2012. Sally has joined the Audit, Remuneration and Nomination Committees and we look forward to her contribution in the future. We revised and updated the Terms of Reference of our Audit Committee in response to changes made to the Code and associated Guidance for Audit Committees which will apply from the next financial year. We also updated our policy on non-audit fees paid to the auditor and revised and updated our whistleblowing policy. Our revised whistleblowing policy and independent hotline to raise whistleblowing concerns are to be launched in early 2013.

I believe that good corporate governance, when properly applied, supports and protects our business and its long term success by creating a link, based on trust and engagement, between Rotork and its stakeholders. It is important for governance to focus on the entire organisation and at Rotork we seek to apply it across our activities worldwide in a consistent and unified way to create and maintain the right culture throughout our Group. I believe this allows us to produce a better business. Rotork's products and services are offered in many markets and territories and we recognise that our business activities affect a diverse range of stakeholders. With that in mind, we must ensure that we consistently do things the right way through a unified approach. Our corporate governance arrangements underpin this by ensuring that our people know not just what to do, but how to do it.

Roger Lockwood
Chairman

Summary of 2012 Board Business

February	– Performance and business review including a review of prospective acquisitions; – Investor relations report from Chief Executive; – Consideration of the Audit Committee recommendation to approve the 2011 financial statements for presentation to the shareholders for their approval at the Annual General Meeting (AGM); – Consideration of the 2011 financial statements and potential final dividend amount; – Receipt of a presentation from the Chief Executive and Finance Director of the preliminary announcement of the 2011 final financial results; – Review of 2011 corporate objectives; – Receipt of a presentation from Rotork Fluid Systems division’s senior management.
April	– Performance and business review including a review of prospective acquisitions; – Investor relations report from the Chief Executive; – Consideration of the AGM proxy returns and reports and consideration of the AGM arrangements; – Receipt of a presentation from Rotork Controls division’s senior management; – Consideration of the Audit Committee recommendation to approve the Interim Management Statement.
June (meeting held at Rotork’s Indian plant)	– Performance and business review including a review of prospective acquisitions; – Investor relations report from the Chief Executive; – Discussion of the half year interim dividend; – Group Risk Review; – Group strategy presentation by the Chief Executive; – Receipt of a presentation from Rotork India’s management.
July	– Performance and business review including a review of prospective acquisitions; – Investor relations report from the Chief Executive; – Receipt of a presentation from the Chief Executive and Finance Director of the half year results; – Strategy discussion; – Consideration of the draft 2013 Board timetable; – Receipt of presentations from Rotork Gears division’s senior management and Rotork’s USA senior management.
September	– Performance and business review including a review of prospective acquisitions; – Investor relations report from the Chief Executive; – Discussion of Board Evaluation findings; – Consideration of The Kay Review of UK Equity Markets and Long-Term Decision Making; – Approval of appointment of joint financial advisors and corporate brokers.
November	– Performance and business review including a review of prospective acquisitions; – Investor relations report from the Chief Executive; – Approval of the 2013 budget; – Consideration of proposed legislative changes relating to narrative reporting in Annual Reports and the revised UK Corporate Governance Code 2012, applying to Rotork from the next financial year; – Receipt of presentations from the Group Sales and Marketing Director and Rotork Site Services Director; – Consideration of the Audit Committee recommendation to approve the Interim Management Statement.
December	– Performance and business review including review of prospective acquisitions; – Investor relations report from the Chief Executive; – Discussion of potential 2012 final dividend amount; – Review of effectiveness of risk management and internal control systems; – Consideration of the 2012 ABI Report on Board Effectiveness and the Government’s response to the Kay Review; – Approval of revised Terms of Reference for the Nomination Committee and Audit Committee; – Approval of Directors’ situational conflicts of interests disclosures; – Discussion of 2012 corporate objectives; – Receipt of presentation from the Group Research & Development Director and Group IT Director.

Corporate Governance continued

UK CORPORATE GOVERNANCE CODE COMPLIANCE STATEMENT

The following section on pages 44 to 61 is a summary of the system of corporate governance adopted by Rotork. Following the appointment of an additional independent non-executive director in May 2012, Rotork plc complied fully with the UK Corporate Governance Code (Code). The Code is available to download at www.frc.org.uk.

THE BOARD OF DIRECTORS

The Board has a duty to promote the long term success of Rotork for its shareholders. Its role therefore includes approval of strategy, risk reviews, major contract approvals, finance matters and internal control and risk management.

The terms and conditions of appointment of directors are available for inspection during business hours at the registered office of Rotork plc and at the Annual General Meeting (AGM).

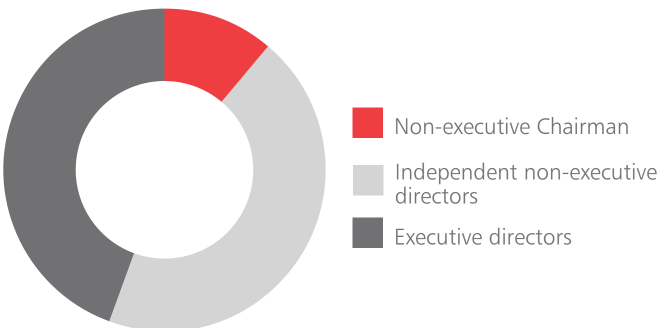
Board composition

Rotork is led by an effective Board which consists of nine members: the Chairman, four independent non-executive directors and four executive directors. Apart from the Chairman, all non-executive directors are considered to be independent from Rotork and are appointed for an initial term of three years. Upon the completion of this term, the appointment is reviewed and, if appropriate, extended for up to a further two three year terms following which the director normally retires.

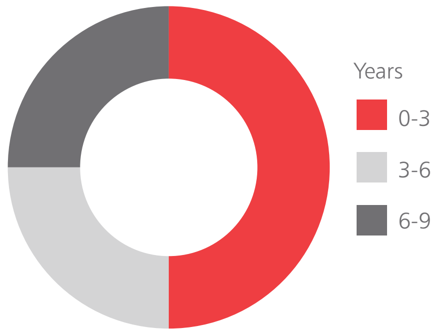
The biographies of the directors and details of Board committee membership is set out on pages 40 to 41.

During 2012, the Board's membership was expanded with the appointment of SA James as an additional independent non-executive director. This followed a recommendation from the Nomination Committee in 2011 to appoint an additional independent non-executive director and ensures the Board has the same number of executive directors and independent non-executive directors in line with the Code.

Balance of Independent Non-executive Directors and Executive Directors as at 31 December 2012



Length of tenure of Independent Non-executive Directors as at 31 December 2012



All directors are subject to annual re-election at the Annual General Meeting in line with the Code.

Directors' attendance at Board and Committee meetings during 2012:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee
No. of Meetings	**10**	**5**	**3**	**3**
RH Arnold	10	2[1]	n/a	n/a
JM Davis	10	5[1]	n/a	n/a
PI France	10	5[1]	3[1]	3
GM Ogden	10	2[1]	n/a	n/a
GB Bullard	10	5	3	3
SA James	6[2]	3[2]	2[2]	2[2]
IG King	9[3]	5	2	2
RC Lockwood	10	5[1]	3[1]	3
JE Nicholas	10	5	3	3

1. By invitation.
2. SA James attended all meetings following her appointment in May 2012.
3. IG King attended part of the April Board meeting which is included in his attendance figures above.

Roles and responsibilities

There is a documented clear division of responsibilities between the Chairman and the Chief Executive to ensure that there is a balance of power and authority between leadership of the Board and executive leadership.

All directors are entitled to seek independent, professional advice at the Company's expense in order to discharge their responsibilities as directors. Rotork maintains appropriate directors' and officers' insurance cover.

HOW THE BOARD OPERATES EFFECTIVELY

Board activities

As part of Rotork's Board effectiveness, day to day responsibility for the running of the Company is delegated to executive management. However, there are a number of matters where it is not considered appropriate to do this. The Board therefore has a formal and documented schedule of matters reserved for its decision which includes:

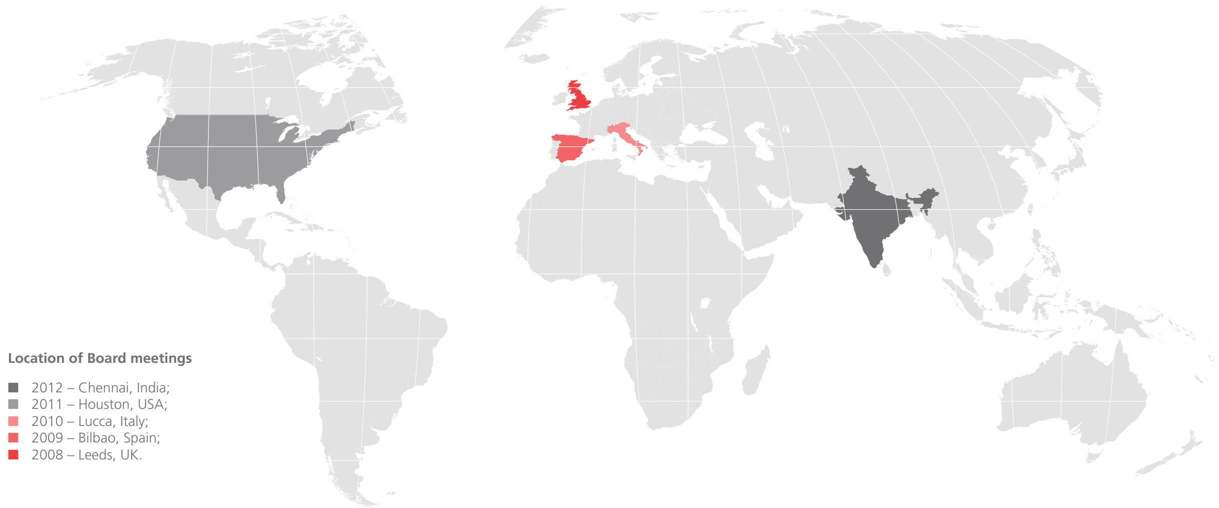
- Approval of Group strategy;
- Major capital projects and major contracts approval;

- Acquisition and disposal of any company, business or fixed asset in excess of agreed levels;
- Changes to Group corporate, capital, management or control structures or listing status;
- Approval of preliminary announcements and results, annual report, dividends, significant changes in accounting policies and procedures and treasury policy;
- Approval of bank borrowings exceeding a certain percentage of the relevant company's turnover;
- Undertaking an annual assessment of the Group risk control process;
- Making appointments and removals (following Nomination Committee recommendations) and changing the size and composition of the Board;
- Succession planning;
- Determining membership and chairmanship of Board Committees;
- Appointment, re-appointment or removal of the external auditor (following Audit Committee recommendation);
- Approval of all resolutions and corresponding documentation to be put to shareholders at a general meeting;
- Approval of the auditor, brokers and principal corporate finance adviser;
- Prosecution, defence or settlement of any material litigation; and
- Approval of overall levels of insurance for the Group.

In 2012, the Board met seven times at scheduled meetings and three times at additional meetings to consider other business including approval of Interim Management Statements. Key matters reserved for the Board decided at these meetings included: the appointment of SA James and approving the acquisitions of Soldo Srl and the operating companies of the Schischek Group.

The Chairman, through the Company Secretary, ensures that the Board agenda and all relevant information is circulated to the Board directors sufficiently in advance of meetings. The Chairman and the Company Secretary discuss the agenda in detail ahead of every meeting and the Chairman and Chief Executive always have a review meeting ahead of each Board meeting.

At least once annually, the Board meets at one of Rotork's locations other than its head office in Bath. This allows the Board, and in particular the non-executive directors, the opportunity to gain a deeper understanding of overseas businesses and their markets and to interact with local management and staff as well as to view new capital investments and acquisitions. In 2012, the Board visited Rotork's new manufacturing facility in Chennai, India, which incorporates the Rotork Innovation and Design Engineering Centre (RIDEC). The Board met and received presentations from local management.



All Board directors constructively challenge executive management at Board meetings and are entitled to unfettered access to information and management across the organisation should they require it. Rotork's executive directors understand the distinction between their roles as executive managers and as Board directors. The Chairman facilitates discussion by ensuring that all Board members have the opportunity to fully contribute to all agenda items at Board meetings and he always seeks to obtain unanimous decisions while allowing sufficient time for discussion and then drawing discussions to a close in an orderly manner. This means that a range of views are offered by both executive and non-executive directors, when the Board discusses any particular issue or topic. Rotork Board members come from a variety of professional backgrounds including engineering, legal, accountancy and international sales and collectively possess significant managerial experience as well as experience of being company directors of other public limited companies.

At each Board meeting, the Board receives presentations from senior management and has the opportunity to ask questions following the presentations. The Chief Executive and Finance Director present to the Board the content of preliminary and half year results announcements and the Board is invited to comment on and approve those announcements.

Corporate Governance continued

The performance of the Board is enhanced by the good working relationship between the Chief Executive and the Chairman who continue to work together to ensure that the best use of the time and talents of the Board are applied at Board meetings.

Induction and development

New Board members receive a suitable and tailored induction. This is facilitated by the Company Secretary under the direction of the Chairman.

In 2012, SA James was appointed as a new independent non-executive director. Her ongoing induction programme has included:

- Meetings with members of the Rotork Management Board and other senior divisional management;
- A tour of Rotork's Bath head office and manufacturing plant and of Rotork's India plant;
- A Rotork Controls product training course including demonstrations of various Rotork products and apparatus; and
- Receipt of statutory and corporate documentation, Board policies and Board Committee minutes and resolutions from the last two years.

During 2013, SA James' continuing induction will include:

- Visits to the Rotork Fluid Systems plant in Lucca, Italy and the Rotork Gears plant in Leeds, UK; and
- Attendance at a general Rotork product training course with the majority of the other non-executive directors covering all Rotork products.

Directors are also encouraged to continually update their professional skills and knowledge. During 2012 the non-executive directors had the opportunity to attend workshops provided by PwC. The Chairman of the Remuneration Committee attended an Association of British Insurers Investment Conference which included presentations and discussions on executive remuneration. The Chairman is responsible for reviewing the level and nature of training given to the Board of Directors at least annually.

Performance evaluations

During 2012 the Board undertook a detailed review of its performance, based on a written questionnaire which was designed by Vivienne Cassley, an external consultant, who also provides an analysis on the responses.

The review included revisiting matters raised in 2011, and also focused on the approach to risk, and the way in which the Board currently believes it is operating as a unit and is unified with each member listening to and respecting the opinions of the others. Responses indicated that the Board is proactive in looking for ways to improve its performance, and that there has been continued progress in all areas considered during the year under review. For example, in a year which saw the addition of a new operating division to the business, the Board also recruited a female, non-executive director to the Board, which was identified in previous reviews as an objective. Some minor changes were also made to the scheduling of Board meetings which have increased the time available for discussion.

IG King is the current Senior Independent Director. As part of his role, he annually arranges a meeting of the non-executive directors to appraise the Chairman's performance. This feedback is used to discuss with the Chairman his performance.

Diversity on the Board

The Board carefully considered and responded to Lord Davies' 2011 report, *Women on Boards*. Rotork recognises the benefits that gender diversity can bring to the boardroom and has appointed a female non-executive director, SA James, in 2012. Consequently, Rotork has met its first published target of achieving 25% female representation in its independent non-executive directorate. More detail of the work of the Nomination Committee is provided on page 52.

Internal control and risk management

The Board is cognisant of its responsibility to present a fair, balanced and understandable assessment of the Company's position. The Board is responsible for Rotork's system of internal control and risk management and meets at least annually to review the effectiveness of it. Internal control can only provide reasonable, not absolute, assurance against material misstatement or loss, as it is designed to manage the risks rather than remove them altogether.

The system covers controls which enable Rotork to respond appropriately to financial, operational, compliance and any other risks. The system accords with the Turnbull Guidance, *Internal Control – Guidance for Directors on the Combined Code*, and key elements include:

- Robust assurance processes and controls over financial reporting procedures;
- A formal schedule of reserved matters for the Board including responsibility for reviewing Group strategy;
- Clearly defined levels of authority and a division of responsibilities throughout the Group;
- Formal documentation procedures;
- A formal whistleblowing policy (with an external whistleblowing hotline to be introduced in early 2013); and
- An internal audit function made up of accountants from head office and across subsidiaries supported by regular training in internal audit, best practice and control procedures to monitor and identify weaknesses in internal controls.

The Audit Committee reviews the effectiveness of the system of internal control annually and reports its findings to the Board. The Board then carries out its review of the system of internal control. There is a continuous process for identifying, evaluating and managing the significant risks faced by Rotork, details of which can be found on pages 30 to 31. In the year under review, the annual review of the system of internal control identified no significant internal control failings or weaknesses.

The Group's key risks, changes during the year under review and details of processes to manage these risks can be found on pages 30 to 31.

RELATIONS WITH SHAREHOLDERS

Communication with shareholders is a priority for the Board and it maintains a regular dialogue with its major shareholders. Rotork recognises the value of the UK Stewardship Code 2010. In 2012 the Board, and in particular the Chief Executive and Finance Director met with shareholders in a number of ways including:

- Hosting conference calls;
- Hosting webcasts;
- Attending shareholder events;
- Hosting investor site visits;
- Attending conferences and symposiums;
- Hosting and participating in roadshows; and
- Arranging ad hoc meetings with shareholders.

Through the Chief Executive, the Chairman ensures that all directors are made aware of major shareholder issues and concerns and accordingly the Chief Executive reports to the Board at each board meeting on meetings with analysts, fund managers and shareholders.

Rotork makes constructive use of the AGM as an opportunity to communicate with and answer questions from those shareholders who attend in person. The entire board is available during the meeting and for lunch following the meeting to allow direct interaction between its directors and the shareholders.

Rotork also maintains a comprehensive investor relations section on its website which provides a variety of resources for investors including current webcasts, presentations and press releases. The investors section of the website can be accessed at www.rotork.com/en/investors/index.

Electronic communications are also used by Rotork to communicate with its shareholders. All shareholders have been asked whether they would like to receive the Annual Report and Accounts in electronic form rather than in hard copy form. Any shareholders wishing to receive corporate documents electronically can do this by registering for the service at www.shareview.co.uk and clicking on 'Register' under the 'Portfolio' section. At the AGM Rotork will also introduce electronic proxy appointment.

BOARD COMMITTEES

The Board has Audit, Nomination and Remuneration Committees. Each Committee has formal, written terms of reference which are available to download from the Rotork website at www.rotork.com/en/investors/index/committees. Following the appointment of SA James, all Board committees include four independent non-executive directors in their composition. The Company Secretary advises and acts as Secretary to the Committees.

All Committees have authority to take external, independent professional advice at Rotork's expense for matters relating to the discharge of their duties.

AUDIT COMMITTEE

John Nicholas
Chairman of the Audit Committee
Members: GB Bullard, SA James, IG King

JE Nicholas is the Chairman of the Audit Committee and has recent and relevant financial experience having served as the Finance Director of Tate and Lyle plc and previously Kidde plc. He is also a member of the Financial Reporting Review Panel of the Financial Reporting Council. The Finance Director, Chief Executive, Chairman and the external auditor also regularly attend meetings by invitation.

The Audit Committee is responsible for and reviews, reports and makes recommendations to the Board on:

- The integrity of financial reporting;
- Internal control and risk management systems including monitoring the effectiveness of internal audit;
- The appointment, independence and effectiveness of the external auditor, including the policy relating to non-audit work and policy relating to employment of former staff of the external auditor;
- The external auditor's remuneration; and
- The whistleblowing policy.

Corporate Governance continued

Activities of the Audit Committee during the year
The Audit Committee met five times during the year, a summary of principal activities is set out below.

Month	*Principal activities*
February 2012	– Financial reporting review including material judgements and estimates, the draft Annual Report 2011, governance reports and draft annual results announcement; – Internal control and risk management review including consideration of processes and procedures for risk management, effectiveness of internal controls and fraud risk; – Review of the internal audit programme, its resourcing and effectiveness and the need for a separate internal audit function; – Consideration of the external auditor's activities and effectiveness including the annual audit, its views on the control environment and fraud risk management; and reappointment of the external auditor; – Review of the Representation Letter and the external auditor's objectivity and independence; – Meeting with the external auditor by members of the Committee only; and – Consideration of accounting and corporate governance developments.
April 2012	– Interim Management Statement review.
July 2012	– Financial reporting review including consideration of material judgements and estimates, the going concern assumption and draft interim results announcements; – Internal control and risk management review including reviewing policies and procedures for preventing bribery and corruption and consideration of matters arising from internal audit reports; – Review of external auditor's review of the half year report and the proposed external audit scope, key risks and year end issues; – Meeting with the external auditor by members of the Committee only; and – Consideration of accounting and corporate governance developments.
November 2012	– Interim Management Statement review; – Financial reporting review including reviewing accounting policies; – Internal control and risk management review including key risks and mitigating controls; processes and procedures for risk management and consideration of matters arising from internal audit reports; – Review of the policy on employment of former audit staff and policy on and extent of non-audit services provided by the external auditor; – Consideration of the external auditor's fees, engagement letter and risk of them leaving the market; – Substantive approval of a revised whistleblowing policy and external hotline use; – Annual review of the Audit Committee's effectiveness and Terms of Reference; and – Consideration of accounting and corporate governance developments.

Audit Committee work in 2012 covered the following matters:

Financial Reporting
- Review of the appropriateness of Rotork's financial statements including considering significant financial reporting judgements and estimates made by management taking into account reports received from the Finance Director and the external auditor to ensure compliance with International Financial Reporting Standards and UK company law;
- Review of: the annual financial statements including statements on corporate governance; internal control and risk management; the half year and interim management statements; followed by a recommendation to the Board to approve these; and
- Review of the going concern statement, followed by a recommendation to the Board to approve this.

External Auditor
- Review of the independence and objectivity of the external auditor and the external audit process. The Committee oversaw the Company's relationship with the external auditor, including reviewing the engagement letter, audit fee and re-appointment of the external auditor, and made recommendations to the Board to submit these matters for shareholder approval at the AGM;
- Meeting with representatives from the external auditor to receive reports on independence and objectivity of the external auditor and to ensure adequate mechanisms are in place to ensure this is maintained;
- Determining whether the external auditor had been effective in meeting the agreed audit plan during the year including any work undertaken to address any changes in perceived risks; the robustness and perceptiveness of the auditor's handling of key accounting judgements; responses to questions from the Audit Committee; and feedback about the conduct of the external auditor from key finance personnel within Rotork;
- The Committee considered whether to put the external audit contract out to tender as the incumbent partner was retiring by rotation. The Committee's assessment was that auditor independence and objectivity would be maintained by the appointment of a new partner who would also bring a fresh perspective. The Committee did however note the pending revisions to the Code in this regard, which will apply to Rotork from next year;
- Review of the representation letter;
- Review and revision of the non-audit work policy setting out approval procedures and levels. Review of non-audit work undertaken. The split between audit and non-audit fees can be found in note 8 on page 83;
- Review of the policy regarding the employment of former employees of the external auditor;
- Consideration of the risk of KPMG Audit plc, as external auditor, leaving the market;
- Review of external audit findings;
- Discussion with the external auditor on:
  - The appropriateness of accounting policies, estimates and judgements;
  - The control environment, including fraud risk management;
- Meeting twice with the external auditor, without executive management present to permit an additional opportunity for an open exchange of views and feedback.

Internal Control and Risk Management
- Review of the effectiveness of Rotork's system of internal control and risk management including fraud risk management;
- Monitoring and reviewing the effectiveness of internal audit activities, including:
  - internal audits carried out and their results;
  - management's responses to those results;
  - the internal audit programme and resourcing for 2012 and 2013;
- Reviewing the method of internal audit and considering the need for a separate internal audit function. The Committee concluded that the current makeup of the internal audit function being individuals from the Group's finance departments who all have distinct posts, supplemented by external resource where particular skills are needed, is appropriate;
- Review of Rotork's procedures for preventing bribery and corruption; and
- Monitoring health and safety performance data and receiving reports from the Rotork Management Board member responsible for health and safety practice and procedures.

Other Issues
- Noting the changes in the Code and associated Guidance for Audit Committees which will apply to Rotork from next financial year and updating its Terms of Reference for Board approval and making consequent revisions to its annual schedule of work; and
- Review, update and the approval of a new whistleblowing policy including approval of the use of an independent, external whistleblowing hotline.

Policy on non-audit fees

Rotork recognises that certain areas or levels of work may cause conflicts with the objectivity and independence of the external auditor. Rotork therefore applies a policy on non-audit services provided by the external auditor which includes a general rule of approval from the Finance Director for engagements outside the scope of the external audit to incur fees less than £10,000; or from the Audit Committee Chairman for engagements outside the scope of the external audit to incur fees exceeding £10,000 or where the aggregate approvals by the Finance Director exceed £40,000 in any financial year. Engagements relating to tax planning to incur fees exceeding £50,000 must be approved by the Audit Committee and engagements relating to mergers and acquisitions to incur fees exceeding £10,000 must be approved by the Audit Committee.

The policy also specifies certain activities which the external auditor may not undertake such as work relating to financial statements which may be subject to external audits; or the management or significant involvement with internal audit services.

Corporate Governance continued

NOMINATION COMMITTEE

Roger Lockwood
Chairman of the Nomination Committee
Members: GB Bullard, PI France, SA James, IG King, JE Nicholas

The Nomination Committee is responsible for leading the process for Board appointments and making recommendations to the Board; ensuring succession planning is in place; reviewing the balance of skills and experience on the Board; regularly reviewing the structure, size and composition of the Board, including its balance of skills, knowledge and experience and making recommendations as appropriate.

Activities of the Nomination Committee during the year

The Nomination Committee met three times during the year.

Month	*Principal activities*
April 2012	– Recommending to the Board that SA James be appointed as a non-executive director.
September 2012	– Review of the Board Evaluation Report concerning matters relevant to the Nomination Committee; – Recommending to the Board approval of revised Terms of Reference for the Nomination Committee; and – Ongoing succession planning discussions.
December 2012	– Approval of a revised procedure for Nomination Committee recommendations to the Board for the appointment of new non-executive directors; and – Ongoing succession planning discussions.

During the year under review, the Board appointed SA James as an additional independent non-executive director, following a recommendation from the Nomination Committee. The appointment process began with the Board determining that it would be in the best interests of the Company to appoint an independent female non-executive director taking into account the benefits of having a balance of skills, experience and diversity, including gender. The Nomination Committee instructed an executive search consultancy, Egon Zehnder, to search for suitable candidates in conjunction with a Sub-Committee of the Nomination Committee composed of the Chairman and Chief Executive. A shortlist of candidates was drawn up and the Nomination Committee arranged for the shortlisted candidates to be interviewed. Following the interviews, the Nomination Committee recommended to the Board that SA James be appointed and the Board approved this recommendation.

The appointment of SA James has the effect of balancing the Board's composition so that at least half of the Board are independent non-executive directors.

In 2011, Rotork announced a short term objective of ensuring at least 25% female representation in its independent non-executive directorate by the end of 2012 and this was achieved in the year under review.

During the year, the Nomination Committee also recommended that the Board should approve a revised process for the recommendation of appointments of new non-executive directors following constructive feedback given by the non-executive directors on the process.

Remuneration Report

REMUNERATION COMMITTEE ROLE AND RESPONSIBILITIES

Gary Bullard
Chairman of the Remuneration Committee
Members: SA James, IG King, JE Nicholas

The principal role of the Remuneration Committee is to determine the framework and policy for remuneration of the executive directors and the Chairman, ensuring that remuneration levels are sufficient but not excessive in order to attract, retain and motivate directors of the quality required to run the Company.

The full terms of reference of the Committee can be found on the Company's website at www.rotork.com/en/investors/index/committees. Key responsibilities include:

- Within the agreed policy, determining individual remuneration packages for the Chairman and executive directors, including the terms of any discretionary share schemes in which executive directors may be invited to participate, taking account of the level of remuneration for other Rotork Management Board members and being aware of remuneration conditions throughout the Group;
- Agreeing the terms and conditions to be included in service agreements for executive directors, including termination payments; and
- Selecting, appointing and setting terms of reference with any remuneration consultants who may advise the Committee.

During the year under review the Committee sought the advice of PricewaterhouseCoopers (PwC) and Towers Watson. PwC's other connections with the Company are limited to the provision of actuarial advice for the Sharesave and Long Term Incentive Plan (LTIP) calculations, associated LTIP accounting advice and other corporate advice including UK tax computation and tax advice, due diligence work on certain acquisitions and in the year under review an audit of the Group treasury function.

The Committee also invited the Group HR Director to inform the Committee of pay awards throughout the Group when setting executive director remuneration. The Chairman and Chief Executive are also invited to attend meetings except when their own remuneration is considered. Both attended all Committee meetings in the year under review.

During 2012, the Remuneration Committee closely monitored developments relating to remuneration and in particular, the consultation by the Department of Business, Innovation and Skills on Directors' pay and the revised remuneration and reporting regulations. The Committee also considered updates on best practice from providers of guidance to institutional investors including the Association of British Insurers and the National Association of Pension Funds. The Committee supports the continued emphasis on improvement of best practice and for greater focus on transparency, moderation, simplicity and a closer alignment of the interests of the directors with those of the shareholders.

This remuneration report is presented to shareholders by the Board at the AGM for their approval. The auditor is required to report on the information concerning directors' emoluments, LTIP and other share awards and pension disclosures.

Activities of the Remuneration Committee during the year

The Remuneration Committee met three times during the year.

Month	*Principal activities*
February 2012	– Approval of LTIP award levels for 2012, for executive directors and other members of senior management; – Revision of the comparator group used for LTIP awards; and – Approval of the Remuneration Report 2011.
June 2012	– Consideration of revisions to environmental non-financial executive bonus targets; and – Consideration of an executive director remuneration benchmarking report prepared for the Committee by Towers Watson.
December 2012	– Approval of the Committee's schedule of work for 2013; – Consideration of current investor guidance from the Association of British Insurers and ISS/RREV on remuneration; – Setting of basic salary for executive directors; and – Consideration of the Department for Business, Innovation and Skills consultation paper on new remuneration reporting guidelines.

Remuneration Report continued

REMUNERATION POLICY

For the year under review, the Board continued to consider that it was critical that the Company had remuneration policies that enabled it to motivate, retain and, when required, recruit high quality management. Levels of remuneration are set to be sufficient to meet these objectives but should not be excessive. There should be strong alignment with attainment of performance objectives and the delivery of shareholder value.

The Committee considers it important that a significant proportion of executive directors' potential total remuneration is dependent on attainment of demanding performance related short and longer term targets. This is demonstrated by the percentage of basic salary potentially payable as cash or share awards under the annual cash bonus scheme and LTIPs respectively.

EXECUTIVE REMUNERATION

Key elements of executive remuneration

Element	How this supports the strategy	Performance period	Opportunity 2012	Performance measure
		Fixed remuneration		
Base Salary	Reflects the role and the sustained value of the individual in terms of skills, experience and personal contribution.	Not applicable	Not applicable	Benchmarked against companies of a similar size and complexity and other companies in the same industry sector. Reviewed annually in December and effective from 1 January.
Benefits	Reflects the role and the sustained value of the individual in terms of skills, experience and personal contribution.	Not applicable	Benefits in kind: car and fuel, or car and fuel allowance, and private medical insurance cover for the individual only. Membership of the employee Rotork Share Incentive Plan (SIP) or Overseas Profit Linked Share Scheme (OPLSS). Offer of participation in a Rotork Group pension scheme.	Benchmarked against companies of a similar size and complexity and other companies in the same industry sector. Aligned to employee remuneration conditions.
		Variable remuneration		
Annual Cash Bonus	Drives and rewards performance against annual financial and operational goals which are consistent with the medium to long term strategic needs of the business.	One year	125% of base salary of the Chief Executive and 100% for other executive directors.	For 2012, annual targets were based on annual and three year increases in profit, earnings per share (EPS) growth, cash generation and certain non-financial targets.
Long Term Incentive Plan (LTIP)	Incentivise long term value creation and alignment with shareholder interests. Drive and reward delivery of sustained long term EPS and total shareholder return (TSR) performance.	Three years	100% of base salary for the Chief Executive and other executive directors.	One-half on EPS growth over the period compared with Retail Price Index (RPI) growth. One-half on relative TSR compared with a comparator group or index (from 2012).

In recommending the level of remuneration for executive directors, the Committee took account of the size and nature of the Company, including its international scope, using peer group comparators identified using total revenue and market capitalisation data supplied by its independent remuneration consultants.

Expected value of executive remuneration

Base Salary

Fixed elements of remuneration including base salary are designed to be competitive but not excessive. This avoids building unnecessary current and future costs into the business.

Executive Bonus

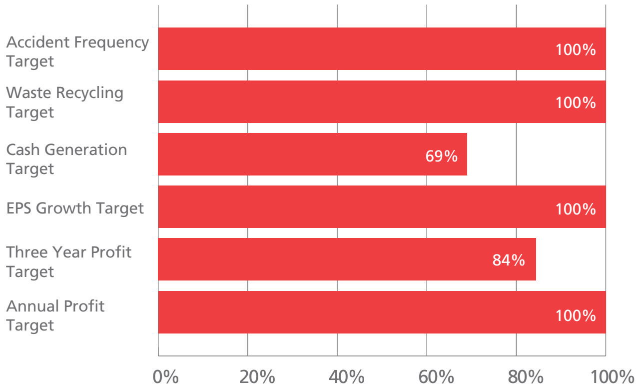
The executive annual cash bonus is focused on delivery of strategically important performance measures. These include demanding financial and non-financial business related objectives.

The bonus rewards increases in profit, in two parts. One half is based on the average profit over the three immediately preceding years and the other half is based on performance against an annual profit target.

The plan additionally rewards high levels of free cash generation and growth in EPS. The final element of bonus payable is based on non-financial targets where objectives will be set annually.

During the year under review the bonus payment for directors other than the Chief Executive was limited to 100% of basic salary. The Chief Executive's bonus was limited to 125% of basic salary.

2012 Bonus payout as proportion of maximum



The bonus is calculated according to targets totalling 80% and allocated to directors according to their limits as shown in the table on page 54. The 80% is split as follows:

- Accident Frequency Rate (5%);
- Waste Recycling (5%);
- Cash Generation (10%);
- EPS growth (10%);
- Three Year Profit growth (25%); and
- Annual Profit target (25%).

Rotork Long Term Incentive Plan ▲

Rotork's Long Term Incentive Plan (LTIP) rewards the creation of shareholder value which is a strategic priority. Performance is measured over a three year period using a combination of earnings per share growth and relative total shareholder return (TSR) compared to a comparator group. The performance criteria are summarised in the table on page 56.

In the year under review awards of 100% of basic salary were made to directors under the Rotork Long Term Share Incentive Plan 2010 (the 2010 Plan). The maximum award under the 2010 Plan is 150% of basic salary per annum. This maximum was introduced taking account of current market practice and the 10 year life of the Plan to include flexibility, although the Committee has no current plans to utilise this increased headroom.

Remuneration Report continued

Rotork Long Term Share Incentive Plan 2010 ▲

In 2010 shareholders approved the Rotork Long Term Share Incentive Plan. Awards under the 2010 Plan were subject to a three year performance period. Prior to any vesting, the Remuneration Committee needs to be satisfied that the recorded TSR performance is a genuine reflection of the Company's overall underlying financial performance.

The LTIP award conditions are summarised in the table below:

		Vesting requirements		
Performance measure	Percentage of award	0%	25%[1]	100%[1]
TSR ranking in peer group	50%	Below 50th percentile	50th percentile	Above 75th percentile
EPS growth	50%	Below RPI + 10%	RPI + 10%	RPI + 25%

1. Proportionate vesting between these points.

It is the intention of the Committee, when considering whether to make awards under the LTIP each year, to review both the size of awards and the performance conditions to ensure that, at the time of an award, they are appropriate and challenging taking into account any guidelines issued by organisations representing the interests of institutional shareholders or any other relevant guidelines issued from time to time. The maximum award permitted is 150% of the basic annual salary, however there is currently no intention to exceed 100% of basic annual salary for any participant.

The LTIP grant comparator group of companies applying to the 2010 and 2011 LTIP awards are as set out below. From the 2012 LTIP award, the Committee decided to replace the TSR comparator group with a larger group made up of the FTSE 250 (excluding all financial services, insurance companies and investment trusts). The original comparator group for the awards granted in 2012 consisted of 172 companies (including Rotork plc). As at 31 December 2012, 172 companies (including Rotork plc) remain in the comparator group. Vesting requirements remain unchanged and are described in the table above. The Committee made this change as the number of companies within the original TSR group was diminishing and suitable replacement within a narrow grouping of industrial stocks was becoming increasingly challenging.

Comparator group of companies for 2010 and 2011 LTIP awards

Bodycote plc	Meggitt plc	Spirax-Sarco Engineering plc
Brammer plc	Morgan Crucible Company plc	TT Electronics plc
Halma plc	Renishaw plc	Vesuvius plc[1]
IMI plc	Senior plc	Volex plc
Invensys plc	Smiths Group plc	Weir Group plc
Laird plc	Spectris plc	

1. Vesuvius plc replaced Cookson Group plc following the de-merger of Alent plc and the renaming of Cookson Group plc to Vesuvius plc in December 2012.

▲ Denotes Audited information

LTIP awards still outstanding at the time of publication of this report made to executive directors under the Plan are set out below.

Rotork Long Term Incentive Plan ▲

Director	Outstanding share awards made to 1 January 2012	Share awards made during 2012[1]	Share awards vesting in 2012[2]	Lapsed in 2012	Outstanding share awards at 31 December 2012
RH Arnold	60,604	11,114	(9,459)	(22,071)	40,188
JM Davis	33,005	12,654	(1,353)	(3,158)	41,148
PI France	93,845	19,314	(13,833)	(32,280)	67,046
GM Ogden	46,815	9,412	(6,917)	(16,140)	33,170

1. All awards were granted on 1 March 2012. The market price of shares in the Company used to calculate the award was £20.65.
2. Of the 2009 LTIP awards 30.0% vested.

Directors' Emoluments (£000) for Directors in office at 31 December 2012 ▲

	Salary and fees	Bonus	Benefits*	Pension Supplement	**2012 Total**	2011* Total
Executive directors						
RH Arnold[1]	228	205	17	–	**450**	435
JM Davis[2]	262	235	17	23	**537**	490
PI France[2]	400	449	17	60	**926**	850
GM Ogden[3]	195	175	17	64	**451**	368
Non-executive directors						
GB Bullard	46	–	–	–	**46**	42
SA James[4]	26	–	–	–	**26**	–
IG King	47	–	–	–	**47**	44
RC Lockwood	115	–	–	–	**115**	113
JE Nicholas	47	–	–	–	**47**	42
	1,366	1,064	68	147	**2,645**	2,384

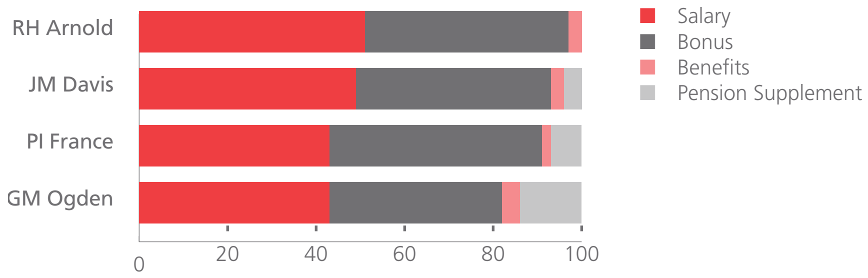
1. RH Arnold is paid in US dollars.
2. PI France and JM Davis are subject to the Rotork plc Pension and Life Assurance Scheme specific salary cap. In consideration of this limitation on their benefits under the scheme they receive a monthly cash sum equal to 22.5% and 18.0% respectively of that part of their basic salary above the scheme's specific cap on an annualised basis.
3. GM Ogden became a preserved member of the Rotork Pension and Life Assurance Scheme on 5 April 2012. The pension supplement stated is the amount payable from 6 April 2012.
4. SA James was appointed on 11 May 2012.

* These columns include the cash value on allocation of Share Incentive Plan (SIP) and Overseas Profit Linked Share Scheme (OPLSS) share awards as appropriate.

▲ Denotes Audited information

Remuneration Report continued

Emoluments for Executive Directors in office at 31 December 2012



Free SIP and OPLSS Share Awards to Executive Directors ▲

	Awards in		Total awards held	
Director	2012	2011	2012	2011
RH Arnold	145	169	324	394
JM Davis	145	169	2,348	2,203
PI France	145	169	4,114	3,969
GM Ogden	145	169	4,294	4,149

Employee Share Awards to Executive Directors ▲

In common with all eligible employees, UK based executive directors receive an entitlement to ordinary shares under the SIP which is approved by Her Majesty's Revenue and Customs (HMRC). Under the SIP and the OPLSS an aggregate total of up to 5% of profits are distributed to employees each year in the form of ordinary shares. The distribution is calculated by reference to years of service and basic salary. Details of total free share awards under the SIP and OPLSS and awards made to executive directors in 2012 and the prior year are set out above. Free shares awarded to all three UK executive directors under the SIP are subject to the HMRC upper limit of £3,000 by value. This limit also applies to the OPLSS for the year under review.

RH Arnold, in common with other eligible overseas employees, participates in the OPLSS. The scheme Trustee is based in Jersey, Channel Islands. The figure shown for RH Arnold relates solely to OPLSS.

UK based executive directors, in common with other eligible UK employees, have the opportunity to invest in the HMRC approved Rotork Sharesave Scheme. JM Davis, PI France and GM Ogden participate in the Scheme. Once the options mature, the exercise period is six months after which the options lapse. The grants made in the year under review are summarised in the table below:

Sharesave Option Grants to Executive Directors

Director	Date of grant	Option price	Duration	No. of shares under option
JM Davis	6 October 2008	£7.72	5 Years	1,301
PI France	5 October 2010	£13.10	5 Years	1,179
GM Ogden	28 September 2007	£8.11	5 Years	2,071

The only other changes in the directors' interest post year end relate to shares purchased by the UK based directors monthly under the Rotork SIP partnership plan to a maximum £125 per month.

Save as disclosed, no director or his family had any interest in the shares of the Company at 31 December 2012.

▲ Denotes Audited Information

Executive Directors' Contracts of Employment
RH Arnold, JM Davis, PI France and GM Ogden all have rolling service contracts with a one year notice period.

The most recent executive director service contracts contain provisions which limit payments on termination to basic salary with employer rights to require phased payments. For future executive director appointments, the Board's intention will be to continue to limit service contracts to one year on a rolling basis.

None of the executive directors have any external directorships with the exception of PI France who is a director of Bath Education Trust for which he receives no fee.

Director	Date of service contract	Notice period from Company	Notice period from director	Contractual retirement date
RH Arnold	28 May 2002	1 year	1 year	18 August 2016
JM Davis	1 April 2010	1 year	1 year	8 March 2031
PI France	2 May 2008	1 year	1 year	6 April 2033
GM Ogden	1 January 2005	1 year	1 year	9 January 2017

Non-executive Directors Letters of Appointment
Non-executive directors are offered engagement agreements of usually three years duration, subject to earlier termination by either party on three months' notice, with no provision for any compensation payment on termination.

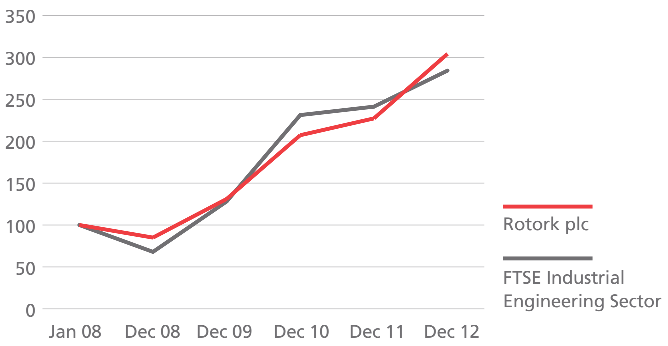
Director	Date of letter of appointment	Notice period from Company	Notice period from non-executive director
GB Bullard	16 June 2010	3 months	3 months
SA James	11 May 2012	3 months	3 months
IG King	31 January 2011	3 months	3 months
RC Lockwood	1 January 2011	3 months	3 months
JE Nicholas	21 February 2011	3 months	3 months

The fees of the non-executive directors, other than the Chairman, are determined by a Board Committee of the Chief Executive and the Chairman. The fees of the Chairman are determined by the Remuneration Committee.

Remuneration Report continued

Total Shareholder Return

Total Shareholder Return – Rotork plc vs FTSE Industrial Engineering Sector (rebased at 100 at 1 January 2008)



The graph above shows the value, on 31 December 2012, of £100 invested in Rotork plc on 1 January 2008 compared with the value of £100 invested in the FTSE Industrial Engineering Sector Index. The other points plotted show values at intervening financial year ends. The graph measures the Company's performance against other companies in the FTSE Industrial Engineering sector by showing the TSR on a holding of ordinary shares in the Company compared with the average total shareholder return of other companies in its sector being the sector within which the Company is quoted on the London Stock Exchange and which is therefore considered the most appropriate index over the five year period to 31 December 2012.

Interests in Shares

The interests of the directors in the ordinary share capital of the Company, at 31 December 2012 were as follows:

	2012	2011
Executive directors		
RH Arnold	**25,357**	19,074
JM Davis	**13,911**	13,047
PI France	**56,223**	52,688
GM Ogden	**36,559**	36,414
Non-executive directors		
GB Bullard	**2,797**	2,790
SA James[1]	**–**	–
IG King	**7,013**	5,000
RC Lockwood	**500**	2,000
JE Nicholas	**500**	500

1. SA James was appointed on 11 May 2012.

All interests were beneficial and include directors' directly held and family share interests. In total it represents less than 1% (2011: less than 1%) of voting shares of the Company.

Share Retention Policy

The Committee recommended and the Board approved an executive share retention policy which supports the accumulation of significant shareholdings in the Company by executive directors and other senior executives. The policy requires executive directors to achieve a minimum holding of ordinary shares in the Company equivalent to 150% of basic salary for executive directors. Executive directors are required to make use of vesting LTIP shares to meet this minimum target.

Pension disclosures required under the Listing Rules of the UK Listing Authority ▲

The following table shows the executive directors' entitlements earned during the year (net of Retail Price Index (RPI) inflation) and the accumulated entitlement at the year end.

Director	Age at 31 December 2012	Increase in accrued pension over the year[1] £	Accumulated accrued pension at 31 December 2012[2] £
RH Arnold	61	**(2,071)**	116,692
JM Davis	46	**3,696**	19,390
PI France	44	**2,379**	52,138
GM Ogden	55	**908**	93,353

1. The figures shown for the increase in accrued pension over the year exclude any increase for RPI inflation.
2. The accumulated accrued pension is that which would be paid annually on retirement from normal pension age, based on service to 31 December 2012, except for GM Odgen who became a preserved member of the Rotork Pension and Life Assurance Scheme on 5 April 2012.
3. A lump sum death benefit of four times basic annual salary is payable on death in service.
4. A dependant's pension of one-half of prospective pension is payable on death in service, and of one-half of pre-commutation pension on death in retirement.
5. Post-retirement increases are applied at RPI up to a maximum of 5% per annum, except that for pension benefits in respect of pensionable service up to 15 May 2000 the minimum inflationary increase is 4.5% per annum.
6. The Pensionable Salary used to calculate benefits in the defined benefit scheme for JM Davis and PI France is restricted to a Scheme specific earnings cap which is currently £129,600.
7. The figures shown for RH Arnold are in respect of his membership of the Rotork Controls Inc. pension scheme and a supplemental executive retirement plan so that, in aggregate, the pension arrangements for RH Arnold will provide a pension of at least 60% of uncapped basic salary at age 65.

Pension disclosures required under the Directors' Remuneration Report Regulations 2002 ▲

The following table shows the executive directors' entitlements earned during the year and their value at the start and end of the year.

Director	Increase in accrued pension during the year[1] £	Transfer value of accrued pension 31 December 2011 £000	Transfer value of accrued pension 31 December 2012 £000	Increase in transfer value over the year £000
RH Arnold	**1,387**	1,610	**1,631**	21
JM Davis	**4,153**	214	**265**	51
PI France	**3,828**	934	**969**	35
GM Ogden[2]	**3,601**	2,471	**2,570**	99

1. The figures shown for the increase in accrued pension over the year incorporate the increase for RPI inflation.
2. GM Ogden became a preserved member of the Rotork Pension and Life Assurance Scheme on 5 April 2012 and therefore these figures are based on service up to this date.
3. The transfer values have been calculated in accordance with the relevant Technical Actuarial Standards (TASs) published by the Board for Actuarial Standards.
4. The increase in accrued pension and the increase in transfer value over the year for RH Arnold are affected by movements in the US dollar relative to sterling. In US dollars, the accrued pension for RH Arnold increased from $179,195 pa at 31 December 2011 to $189,555 pa at 31 December 2012 and the transfer value increased from $2,503,000 at 31 December 2011 to $2,649,000 at 31 December 2012. The transfer value of accrued pension for RH Arnold reflects the benefits provided by the US scheme together with a US valuation of these benefits and is therefore not directly comparable with the transfer values for directors in the UK scheme.

▲ Denotes Audited information

Report of the Directors

The directors submit their report which incorporates the management report required under the Disclosure and Transparency Rules for listed companies and the audited accounts for the year ended 31 December 2012 as set out on pages 66 to 114. In compiling this report, the directors have consulted with the management of the Group.

Principal Activities

Rotork plc is a holding company. The principal activities of the Group are the design, manufacture and support of products within the global flow control markets. In particular, the Group provides a range of products, systems and services within the global flow control markets including those for the motorisation and manual operation of industrial valves and dampers for isolation duty and process control applications and other products associated with flow and pressure control and diagnostics and gathering of information. This is managed under four divisions: Controls, Gears, Fluid Systems and Instruments. Actuated valves are major control elements in refineries, pipelines, power stations, water distribution systems and effluent treatment plants and in all industries in which liquids, gases or powders are transported through pipes.

A summary of the principal subsidiaries of the Group are set out on page 112.

The Business Review of the Group is set out on pages 12 to 39. It provides a balanced and comprehensive analysis of the development and performance of the business during the year under review and the position at the end of the year. It includes future development of the business and information about environmental matters, the Group's employees and social and community issues. The review contains analysis using financial and non-financial key performance indicators.

The principal risks and uncertainties facing the Group and the Group's approach to mitigating those risks are set out on pages 30 to 31.

Acquisitions

In November 2012, the Group acquired 100% of the share capital of Soldo srl, a switch box manufacturer, now within our Instruments division for £23.1m.

Post year end, in January 2013, the Group acquired the entire share capital of the operating companies of the Schischek group of companies (Schischek) for £34.3m. Schischek is a leader in the design, manufacture and sale of explosion-proof electric actuators, principally for the heating, ventilation, and air conditioning (HVAC) market place.

Dividends

The directors recommend a final dividend of 26.6p per ordinary share (2011: 22.75p) for the year, payable on 21 May 2013 to shareholders on the register on 12 April 2013. An interim dividend for 2012 of 16.4p per ordinary share (2011: 14.5p) was paid on 28 September 2012.

Share Capital

Details of the Company's share capital including rights and obligations attached to each class of share and the ordinary shares issued during 2012 are set out in note 17 of the financial statements. 5p ordinary shares represent over 99.9% of the Company's total share capital and £1 preference shares represent less than 0.1% of the Company's total share capital.

The Company's Articles of Association contain customary restrictions on the transfer of shares as applicable only in certain limited circumstances (e.g. in relation to transfers to a minor). Save for those provisions there are no restrictions on the transfer of ordinary shares in the capital of the Company other than certain restrictions which may be required from time to time by law, for example, insider trading law. In accordance with the Model Code which forms part of the Listing Rules of the Financial Services Authority (as adopted by the Company) certain directors and employees are required to seek the prior approval of the Company to deal in its shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights. The Company's Articles of Association contain limited restrictions on the exercise of voting rights (e.g. in relation to disenfranchised shares following the issue of a notice to shareholders under section 793 Companies Act 2006).

The Company's Articles of Association may only be amended by special resolution at a general meeting of the shareholders.

The Company is not aware of any significant agreements to which it is party that take effect, alter or terminate upon a change of control of the Company following a takeover.

Employee Share Schemes

Shares in the Company's share schemes all contain provisions providing voting rights to the scheme trustee.

Notification of Major Interest's in Shares

Since the 2011 Directors' Report the Company has been notified of major interests and voting rights (held directly and/or indirectly) by the following:

Name	% of Voting Rights
Kames Capital	3%

Research & Development

Total Group expenditure on Research & Development in the year was £7,404,000 (2011: £5,823,000) further details of which are contained in the Business Review on page 15.

Donations

During the year the Company made charitable donations of £91,420 (2011: £94,000) which is part of the total Group contribution of £201,000 (2011: £163,000). There were no political donations made in the year or the prior year.

Directors
The names of the directors in office during the year and their biographies and other details including the other significant commitments of the Chairman are as shown on pages 40 to 41.

The interests of the directors in office at the end of the financial year in the shares of the Company are as shown in the Remuneration Report on pages 53 to 61.

RH Arnold, JM Davis, PI France and GM Ogden have service agreements and details of these are contained in the Remuneration Report on page 59.

The Company's procedure with regard to the appointment and replacement of directors and those matters reserved for the Board are described in the Corporate Governance Report on pages 44 to 52.

At the AGM, SA James will offer herself for election, it being the first opportunity since her appointment as a director on 11 May 2012. All other directors will offer themselves for re-election.

Financial Instruments
An explanation of the Group policies on the use of financial instruments and financial risk management objectives are contained in note 26 to the accounts.

Statement of Directors' Responsibility for Preparing the Annual Report and the Financial Statements
The following statement, which should be read in conjunction with the auditors' Statement of Auditors' Responsibilities, included in the audit report, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are responsible for preparing the Annual Report & Accounts and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law and have elected to prepare the Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company for that period. In preparing each of the Group and Company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- For the Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

Directors Statement Pursuant to the Disclosure and Transparency Rules
Each of the directors, whose names and functions are listed on pages 40 and 41 confirm that, to the best of each person's knowledge and belief:

- The financial statements, prepared in accordance with the applicable set of the accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- The Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 order book with customers spread across different geographic areas and industries and the significant net cash position.

For further information regarding the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk, see note 26.

Report of the Directors continued

Creditor Payment Policy

Whilst there is no formal code or standard, it is Company and Group policy to agree payment terms with its creditors, when negotiating general contract terms for each transaction and to abide by those payment terms, provided that the supplier is also complying with its obligations under those terms. There are no creditors subject to special arrangements outside suppliers' terms and conditions. The Company does not have any trade suppliers so that a creditor day payment period is not appropriate.

Directors' and Officers' Indemnity Insurance

Subject to the provisions of the Companies Acts, the Company's Articles of Association provide for the directors and officers of the Company to be appropriately indemnified. The Company purchases and maintains insurance for the directors and officers of the Company in undertaking their duties, as permitted by section 233 Companies Act 2006.

Disclosure of Information to Auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Resolutions to re-appoint KPMG Audit Plc as auditors and to authorise the directors to determine their remuneration are to be proposed at the forthcoming AGM.

Annual General Meeting

The AGM of the Company will be held at the Company's office at Rotork House, Brassmill Lane, Bath, BA1 3JQ on Friday 26 April 2013 at 12 noon. A separate circular containing the Notice of the Meeting is sent to shareholders with this Annual Report & Accounts.

On behalf of the Board

Stephen Rhys Jones
Company Secretary
4 March 2013

Independent auditor's report to the members of Rotork plc

We have audited the financial statements of Rotork plc for the year ended 31 December 2012 set out on pages 66 to 114. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 63, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 44 to 52 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit;
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 63, in relation to going concern;
- the part of the Corporate Governance Statement on page 46 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Philip Cotton
(Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol BS1 6AG
4 March 2013

Consolidated income statement
For the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Revenue	2	**511,747**	447,833
Cost of sales		**(272,199)**	(236,359)
Gross profit		**239,548**	211,474
Other income	4	**908**	194
Distribution costs		**(4,214)**	(4,020)
Administrative expenses		**(111,743)**	(95,589)
Other expenses	5	**(32)**	(59)
Adjusted operating profit		**131,866**	115,921
Amortisation of acquired intangible assets		**(7,399)**	(3,921)
Operating profit	2	**124,467**	112,000
Financial income	7	**6,656**	7,590
Financial expenses	7	**(6,929)**	(7,040)
Profit before tax	8	**124,194**	112,550
Income tax expense	9	**(34,879)**	(32,149)
Profit for the year		**89,315**	80,401
Basic earnings per share	18	**103.1p**	93.0p
Adjusted basic earnings per share	18	**109.3p**	96.2p
Diluted earnings per share	18	**102.6p**	92.6p

Consolidated statement of comprehensive income
For the year ended 31 December 2012

	2012 £000	2011 £000
Profit for the year	**89,315**	80,401
Other comprehensive income		
Foreign exchange translation differences	**(3,967)**	(2,484)
Actuarial loss in pension scheme	**(8,598)**	(8,499)
Effective portion of changes in fair value of cash flow hedges	**399**	207
Income and expenses recognised directly in equity	**(12,166)**	(10,776)
Total comprehensive income for the year	**77,149**	69,625

Consolidated balance sheet
At 31 December 2012

	Notes	2012 £000	2011 £000
Non-current assets			
Property, plant and equipment	10	**38,445**	31,954
Goodwill	11	**80,729**	68,459
Intangible assets	12	**40,743**	38,325
Deferred tax assets	13	**12,984**	13,244
Derivative financial instruments	23	**–**	315
Other receivables	15	**1,674**	1,556
Total non-current assets		**174,575**	153,853
Current assets			
Inventories	14	**71,100**	62,928
Trade receivables	15	**95,822**	96,734
Current tax	15	**1,946**	988
Derivative financial instruments	23	**2,254**	677
Other receivables	15	**9,662**	8,461
Cash and cash equivalents	16	**59,868**	48,557
Total current assets		**240,652**	218,345
Total assets		**415,227**	372,198
Equity			
Issued equity capital	17	**4,340**	4,338
Share premium		**8,258**	7,835
Reserves		**10,356**	13,924
Retained earnings		**246,369**	198,072
Total equity		**269,323**	224,169
Non-current liabilities			
Interest bearing loans and borrowings	19	**116**	229
Employee benefits	20	**32,060**	28,142
Deferred tax liabilities	13	**13,488**	12,782
Provisions	21	**2,701**	2,218
Total non-current liabilities		**48,365**	43,371
Current liabilities			
Bank overdraft	19	**–**	38
Interest bearing loans and borrowings	19	**56**	85
Trade payables	22	**36,355**	38,742
Employee benefits	20	**10,742**	9,624
Current tax	22	**11,143**	13,225
Derivative financial instruments	23	**96**	614
Other payables	22	**35,212**	38,360
Provisions	21	**3,935**	3,970
Total current liabilities		**97,539**	104,658
Total liabilities		**145,904**	148,029
Total equity and liabilities		**415,227**	372,198

These financial statements were approved by the Board of Directors on 4 March 2013 and were signed on its behalf by:

PI France and **JM Davis**, Directors.

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 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
Profit for the year	**–**	**–**	**–**	**–**	**–**	**89,315**	**89,315**
Other comprehensive income							
Foreign exchange translation differences	**–**	**–**	**(3,967)**	**–**	**–**	**–**	**(3,967)**
Effective portion of changes in fair value of cash flow hedges	**–**	**–**	**–**	**–**	**399**	**–**	**399**
Actuarial loss on defined benefit pension plans net of tax	**–**	**–**	**–**	**–**	**–**	**(8,598)**	**(8,598)**
Total other comprehensive income	**–**	**–**	**(3,967)**	**–**	**399**	**(8,598)**	**(12,166)**
Total comprehensive income	**–**	**–**	**(3,967)**	**–**	**399**	**80,717**	**77,149**
Transactions with owners, recorded directly in equity							
Equity settled share-based payment transactions net of tax	**–**	**–**	**–**	**–**	**–**	**1,219**	**1,219**
Share options exercised by employees	**2**	**423**	**–**	**–**	**–**	**–**	**425**
Own ordinary shares acquired	**–**	**–**	**–**	**–**	**–**	**(2,850)**	**(2,850)**
Own ordinary shares awarded under share schemes	**–**	**–**	**–**	**–**	**–**	**3,135**	**3,135**
Dividends	**–**	**–**	**–**	**–**	**–**	**(33,924)**	**(33,924)**
Balance at 31 December 2012	**4,340**	**8,258**	**7,649**	**1,644**	**1,063**	**246,369**	**269,323**

Detailed explanations for equity capital, the translation reserve, capital redemption reserve and hedging reserve can be seen in note 17.

Consolidated statement of cash flows
For the year ended 31 December 2012

	Notes	2012 £000	2012 £000	2011 £000	2011 £000
Cash flows from operating activities					
Profit for the year		**89,315**		80,401	
Adjustments for:					
Amortisation of intangibles		**7,399**		3,921	
Amortisation of development costs		**924**		732	
Depreciation		**5,452**		4,479	
Equity settled share-based payment expense		**2,030**		1,251	
Profit on sale of property, plant and equipment		**(859)**		(129)	
Financial income		**(6,656)**		(7,590)	
Financial expenses		**6,929**		7,040	
Income tax expense		**34,879**		32,149	
		139,413		122,254	
Increase in inventories		**(9,474)**		(11,402)	
Increase in trade and other receivables		**(2,220)**		(26,791)	
(Decrease)/increase in trade and other payables		**(3,341)**		18,537	
Difference between pension charge and cash contribution		**(7,211)**		(2,929)	
Decrease in provisions		**(264)**		(436)	
Increase in other employee benefits		**1,711**		1,692	
		118,614		100,925	
Income taxes paid		**(37,641)**		(27,754)	
Cash flows from operating activities			**80,973**		73,171
Investing activities					
Purchase of property, plant and equipment		**(12,564)**		(10,143)	
Development costs capitalised		**(2,075)**		(1,328)	
Sale of property, plant and equipment		**1,007**		274	
Acquisition of businesses, net of cash acquired	3	**(20,674)**		(59,876)	
Contingent consideration paid		**(200)**		(41)	
Interest received		**623**		694	
Cash flows from investing activities			**(33,883)**		(70,420)
Financing activities					
Issue of ordinary share capital		**425**		450	
Purchase of ordinary share capital		**(2,850)**		(3,185)	
Interest paid		**(163)**		(117)	
Repayment of amounts borrowed		**(64)**		(421)	
Repayment of finance lease liabilities		**(68)**		(54)	
Dividends paid on ordinary shares		**(33,924)**		(49,534)	
Cash flows from financing activities			**(36,644)**		(52,861)
Increase/(decrease) in cash and cash equivalents			**10,446**		(50,110)
Cash and cash equivalents at 1 January			**48,519**		97,881
Effect of exchange rate fluctuations on cash held			**903**		748
Cash and cash equivalents at 31 December	16		**59,868**		48,519

Notes to the Group Financial Statements
For the year ended 31 December 2012

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

Rotork plc is a company domiciled in England. The consolidated financial statements of the Company for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the Group). The accounting policies contained below in note 1 and the disclosures in notes 2 to 31 all relate to the Group financial statements. The Company balance sheet can be found following note 31. As the Company has elected to continue reporting under UK GAAP, the applicable accounting policies are contained in note a, and notes b to k relate to the Company's financial statements.

1. ACCOUNTING POLICIES
The accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

Basis of preparation
The consolidated financial statements of Rotork plc 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 amendments to IFRS 7 Financial Instruments: disclosures are applicable for the financial year ending 31 December 2012. Application of this standard has not had any material impact on the disclosures, net assets or results of the Group.

Recent accounting developments
The amendments to IAS19 Employee Benefits will be applied from 1 January 2013. The principal change relates to the requirement to use the schemes' discount rate to calculate the return on assets rather than using a rate of return appropriate to the various asset classes.

The application of the standard in 2012 would have reduced the pre-tax profit by £702,000 increasing the net pension interest cost to £1,092,000. The impact on basic earnings per share would be a reduction of 0.6p to 102.5p. In 2013, the net pension interest cost is estimated to be £1,150,000 under the amended standard. The impact on shareholders' equity will be negligible.

The following standards and interpretations were issued but are not yet effective and have not been adopted as application was not mandatory for the year (and in some cases not yet endorsed for use in the EU):
- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 1 Financial Statement Presentation (amendments)

The directors anticipate that the adoption of these standards and amendments will not have a material impact on the net assets or results of the Group.

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 order book 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 2012. 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.

1. ACCOUNTING POLICIES CONTINUED

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to sterling at foreign exchange rates at the dates the values were determined.

Assets and liabilities of foreign subsidiaries, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at rates of exchange ruling at the balance sheet date. The revenues and expenses of foreign subsidiaries are translated to sterling at rates approximating those ruling at the date of the transactions. Differences on exchange arising from the retranslation of the opening net investment in subsidiaries, and from the translation of the results of those subsidiaries at average rate, are reported as an item of other comprehensive income and accumulated in the translation reserve.

Any differences that have arisen since 1 January 2004, the date of transition to IFRS, are presented as a separate component of equity. Translation differences that arose before the date of transition to IFRS in respect of all foreign entities are not presented as a separate component.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities.

Revenue from the sale of valve actuators, gearboxes and flow control products is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer in accordance with the contracted shipping terms.

Revenue from service work is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated completion costs, the possible return of goods or continuing management involvement with the goods.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

For acquisitions between 1 January 2004 and 31 December 2009, goodwill represents the difference between the cost of the acquisition, including acquisition costs and the fair value of the net identifiable assets acquired.

Notes to the Group Financial Statements continued
For the year ended 31 December 2012

1. ACCOUNTING POLICIES CONTINUED
In respect of acquisitions prior to 1 January 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under UK GAAP on transition to IFRS.

Goodwill is stated at cost or deemed cost less any impairment losses. The carrying value of goodwill is reviewed at each balance sheet date and is allocated to cash-generating units (CGU). An impairment loss is recognised whenever the carrying value of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Intangible assets
i) Research & development
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred. Development costs incurred after the point at which the commercial and technical feasibility of the product have been proven, and the decision to complete the development has been taken and resources made available, are capitalised. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Development expenditure has an estimated useful life of five years and is written off on a straight-line basis.

ii) Other intangible assets
Other intangible assets that are acquired by the Group as part of a business combination are stated at cost less accumulated amortisation and impairment losses. The useful life of each of these assets is assessed based on discussions with the management of the acquired business and takes account of the differing natures of each of the intangibles acquired. The assessed useful lives of intangibles acquired are as follows:

Brands and trademarks	4 to 10 years
Customer relationships	2 to 5 years
Product design patents	5 to 8 years
Order backlog	6 months to 1 year

Amortisation is charged on a straight-line basis over the estimated useful life of the assets.

Property, plant and equipment
Freehold land is not depreciated. Long leasehold buildings are amortised over 50 years or the expected useful life of the building where less than 50 years. Other assets are depreciated in equal annual instalments by reference to their estimated useful lives and residual values at the following annual rates:

Freehold buildings	2% to 4%
Short leasehold buildings	period of lease
Plant and equipment	10% to 33%

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation. Certain items of property that had been revalued to fair value on or prior to 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Leases
Where fixed assets are financed by leasing agreements, which give rights approximating to ownership, the assets are treated as if they had been purchased and the capital element of the leasing commitments are shown as obligations under finance leases. Assets acquired under finance leases are initially recognised at the present value of the minimum lease payments. The rentals payable are apportioned between interest, which is charged to the income statement, and liability, which reduces the outstanding obligation so as to give a constant rate of charge on the outstanding lease obligations. Costs in respect of operating leases are charged on a straight-line basis over the term of the lease in arriving at the operating profit.

1. ACCOUNTING POLICIES CONTINUED

Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profits. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventory and work in progress

Inventory and work in progress is valued at the lower of cost, on a 'first in, first out' basis, and net realisable value. In respect of work in progress and finished goods, cost includes all production overheads and the attributable proportion of indirect overhead expenses which are required to bring inventories to their present location and condition. The net realisable value in respect of old and slow moving inventory is assessed by reference to historic usage patterns and forecast future usage.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term (with an original maturity less than three months) deposits. Bank overdrafts that are repayable on demand form part of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Equity

Equity comprises issued equity capital, share premium, reserves and retained earnings.

When issued equity capital is repurchased, the amount paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are debited direct to equity and shown as a deduction from retained earnings.

Provisions

i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty cost data, known issues and management expectations of future costs.

ii) Contingent consideration

The terms of an acquisition may provide that the value of the purchase consideration, which may be payable in cash at a future date, depends on uncertain future events. Where it is not possible to estimate the amounts payable with any degree of certainty, the amounts recognised in the financial statements represent a fair value estimate at the balance sheet date of the amounts expected to be paid.

Employee benefits

i) Pension plans

The Group operates a number of defined benefit pension schemes and contributes to these schemes in accordance with qualified actuaries' recommendations. In respect of all actuarial gains and losses that arise in calculating the Group's obligation in respect of the plans, these are recognised in equity. Interest on pension scheme liabilities has been recognised within financing expenses and the expected return on scheme assets within financing income in the income statement.

The Group also operates a number of defined contribution pension schemes. The costs for these schemes are recognised in the income statement as incurred.

Notes to the Group Financial Statements continued
For the year ended 31 December 2012

1. ACCOUNTING POLICIES CONTINUED

ii) Share-based payment transactions

The Rotork Sharesave Plan, introduced in 2004, offers certain employees the opportunity to purchase shares in Rotork plc at a discounted price compared with the market price at the time of grant. Details of the scheme are given in note 25. The fair value of the right / option is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period between grant and maturity. The right / option reaches maturity when the employee becomes unconditionally entitled. The fair value of the grant is measured using a Black-Scholes model, taking into account the terms and conditions upon which the rights were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

The Rotork Long Term Incentive Plan grants awards of shares to executive directors and senior managers. These awards may vest after a period of three years dependent upon both market and non-market performance conditions being met. Details of the grants are given in note 25. The fair value of the award is measured at grant date, using a Monte Carlo simulation model which takes into account the market based performance criteria, and spread over the vesting period. The fair value of the award is recognised as an employee expense with a corresponding increase in equity for the share settled award. The amount recognised as an expense is adjusted to exclude options that do not vest as a result of non-market performance conditions not being met.

iii) Long term service leave

The Group's net obligation in respect of long term service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

iv) Other employee benefits

In addition to the above schemes the Group offers a number of discretionary bonus schemes to employees around the world. The costs of these schemes are recognised in the income statement as incurred. This includes the Share Incentive Plan and Overseas Profit Linked Share Scheme both of which are a known liability at the year end.

Derivative financial instruments

The Group uses forward exchange contracts and swaps to hedge its exposure to foreign exchange risk arising from operational and financing activities. These are the only derivative financial instruments used by the Group. In accordance with its Treasury Policy, the Group does not hold or issue contracts for trading purposes. Forward exchange contracts that do not qualify for hedge accounting are accounted for as trading instruments.

Forward exchange contracts are recognised initially at fair value. Where a forward exchange contract is designated as a hedge of the variability in cash flows of a recognised liability, a firm commitment or a highly probable forecasted transaction, the effective part of any gain or loss on the forward contract is recognised directly in equity. Any effective cumulative gain or loss is removed from equity and recognised in the income statement at the same time as the hedged transaction. The ineffective part of any gain or loss is recognised in the income statement immediately.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss held in equity is recognised in the income statement immediately.

Dividends

Interim dividends are recorded in the financial statements when they are paid. Final dividends are recorded in the financial statements in the period which they are approved by the Company's shareholders.

1. ACCOUNTING POLICIES CONTINUED

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year are listed below.

i) Impairment of goodwill

Determining whether Goodwill is impaired requires an estimation of the value in use of CGUs to which Goodwill has been allocated. The value in use calculation involves an estimation of the future cash flows of CGUs and also the selection of appropriate discount rates, which involves judgement, to calculate present values. Explanations of the estimates, judgements and sensitivities in respect of the current year impairment review are detailed in note 11.

ii) Valuation of acquired intangible assets

Acquisitions may result in customer relationships, brands and trademarks, product design patents and order backlogs being recognised. These are valued using discounted cash flows and relief from royalty methods. In applying these methodologies certain key judgements and estimates are required to be made in respect of future cash flows. Details of the accounting policies are shown earlier in this note and the carrying value of the acquired intangible assets are shown in note 12.

iii) Defined benefit pension scheme liabilities

Determining the value of the future defined benefit obligation requires judgement in respect of the assumptions used to calculate present values. These include future mortality, discount rate, inflation and salary increases. Management makes these judgements in consultation with an independent actuary. Details of the estimates and judgements in respect of the current year are in note 24.

Notes to the Group Financial Statements continued

For the year ended 31 December 2012

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 2012	Fluid Systems 2012	Gears 2012	Instruments 2012	Elimination 2012	Unallocated 2012	Group 2012
Revenue from external customers	**293,342**	**160,946**	**41,039**	**16,420**	–	–	**511,747**
Inter segment revenue	–	–	**11,844**	–	**(11,844)**	–	–
Total revenue	**293,342**	**160,946**	**52,883**	**16,420**	**(11,844)**	–	**511,747**
Adjusted operating profit	**94,773**	**24,628**	**12,088**	**5,103**	–	**(4,726)**	**131,866**
Amortisation of acquired intangibles	**(733)**	**(2,249)**	**(218)**	**(4,199)**	–	–	**(7,399)**
Operating profit	**94,040**	**22,379**	**11,870**	**904**	–	**(4,726)**	**124,467**
Net financing expense							**(273)**
Income tax expense							**(34,879)**
Profit for the year							**89,315**

	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 the year							80,401

2. OPERATING SEGMENTS CONTINUED

	Controls 2012	Fluid Systems 2012	Gears 2012	Instruments 2012	Unallocated 2012	Group 2012
Depreciation	**3,708**	**1,258**	**251**	**235**	**–**	**5,452**
Amortisation:						
– Other intangibles	**733**	**2,249**	**218**	**4,199**	**–**	**7,399**
– Development costs	**924**	**–**	**–**	**–**	**–**	**924**
Non-cash items : equity settled share-based payments	**698**	**396**	**271**	**–**	**665**	**2,030**
Net financing income	**–**	**–**	**–**	**–**	**(273)**	**(273)**
Acquired as part of business combinations:						
– Goodwill	**–**	**–**	**–**	**13,952**	**–**	**13,952**
– Intangible assets	**–**	**–**	**–**	**9,668**	**–**	**9,668**
Capital expenditure	**8,656**	**2,113**	**1,295**	**372**	**–**	**12,436**

	Controls 2011	Fluid Systems 2011	Gears 2011	Instruments 2011	Unallocated 2011	Group 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 expense	–	–	–	–	550	550
Acquired as part of business combinations:						
– Goodwill	1,920	2,106	233	28,289	–	32,548
– Intangible assets	2,595	4,514	435	25,812	–	33,356
Capital expenditure	7,947	1,512	455	88	–	10,002

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 2012	Rest of Europe 2012	USA 2012	Other Americas 2012	Rest of World 2012	Group 2012
Revenue from external customers by location of customer	**28,448**	**156,525**	**106,027**	**53,323**	**167,424**	**511,747**
Non-current assets:						
– Goodwill	**5,009**	**31,925**	**39,603**	**776**	**3,416**	**80,729**
– Intangible assets	**4,496**	**11,107**	**24,288**	**506**	**346**	**40,743**
– Property, plant and equipment	**13,944**	**10,529**	**6,005**	**622**	**7,345**	**38,445**

	UK 2011	Rest of Europe 2011	USA 2011	Other Americas 2011	Rest of World 2011	Group 2011
Revenue from external customers by location of customer	25,703	148,513	87,144	38,256	148,217	447,833
Non-current assets:						
– Goodwill	5,009	17,814	41,447	770	3,419	68,459
– Intangible assets	3,695	2,501	30,513	986	630	38,325
– Property, plant and equipment	9,027	10,323	6,271	310	6,023	31,954

Notes to the Group Financial Statements continued
For the year ended 31 December 2012

3. ACQUISITIONS
2012
On 9 November 2012 the Group acquired 100% of the share capital of Soldo srl. (Soldo) for £23,112,000. Soldo designs and manufactures control accessories for valve automation and is headquartered near Verona in Northern Italy. The acquired business will be reported within the Instruments division. In the period since acquisition Soldo contributed £802,000 to Group revenue and £248,000 to consolidated operating profit before amortisation. The amortisation charge in the period since acquisition from the acquired intangible assets was £313,000.

If the acquisition had occurred on 1 January 2012 the business would have contributed £6,284,000 to Group revenue and £1,909,000 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.

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

	Book value	Provisional adjustments	Provisional fair values
Current assets			
Inventory	1,044	(320)	**724**
Trade and other receivables	1,474	(17)	**1,457**
Cash	1,640	–	**1,640**
Current liabilities			
Trade and other payables	(983)	(52)	**(1,035)**
Warranty provision	–	(54)	**(54)**
Corporation tax	(486)	–	**(486)**
Non-current assets/liabilities			
Property, plant and equipment	361	–	**361**
Intangible assets	–	9,668	**9,668**
Deferred tax	3	(3,118)	**(3,115)**
Total net assets	**3,053**	**6,107**	**9,160**
Goodwill			**13,952**
Purchase consideration			**23,112**
Paid in cash			**22,314**
Contingent consideration			**798**
Purchase consideration			**23,112**
Purchase consideration paid in cash			**22,314**
Cash held in subsidiary			**(1,640)**
Cash outflow on acquisition			**20,674**

3. ACQUISITIONS CONTINUED

2012 CONTINUED

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

The contingent consideration is based on a 2013 profit target and will be payable in early 2014.

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

The intangible assets identified are customer relationships, the Soldo brand and the acquired order book.

2011

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, USA. 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, USA. 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 businesses 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.

Notes to the Group Financial Statements continued
For the year ended 31 December 2012

3. ACQUISITIONS CONTINUED
2011 CONTINUED
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 liabilities							
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
Purchase consideration			49,532			14,656	64,188
Purchase consideration paid in cash			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. OTHER INCOME

	2012	2011
Gain on disposal of property, plant and equipment	**877**	175
Other	**31**	19
	908	194

5. OTHER EXPENSES

	2012	2011
Loss on disposal of property, plant and equipment	**18**	46
Other	**14**	13
	32	59

6. PERSONNEL EXPENSES

	2012	2011
Wages and salaries (including bonus and incentive plans)	**95,942**	81,649
Social security costs	**11,343**	9,190
Pension costs (note 24)	**4,995**	5,003
Share-based payments (note 25)	**2,030**	1,251
Increase in liability for long term service leave	**19**	40
	114,329	97,133

A total of £2,030,000 (2011: £1,251,000) of the above share-based payments are equity settled, comprising £248,000 (2011: £194,000) for the Sharesave plan and £1,782,000 (2011: £1,057,000) for the Long Term Incentive Plan (LTIP).

	2012 Number	2011 Number
During the year, the average weekly number of employees, analysed by business segment was:		
Controls	**1,576**	1,383
Fluid Systems	**627**	560
Gears	**272**	241
Instruments	**106**	8
	2,581	2,192
UK	**567**	522
Overseas	**2,014**	1,670
	2,581	2,192

Notes to the Group Financial Statements continued
For the year ended 31 December 2012

7. NET FINANCING INCOME

Recognised in the income statement	2012	2011
Interest income	**616**	746
Expected return on assets in the pension schemes	**6,010**	6,739
Foreign exchange gains	**30**	105
	6,656	7,590

Interest expense	**162**	116
Interest charge on pension scheme liabilities	**6,400**	6,468
Foreign exchange losses	**367**	456
	6,929	7,040

Recognised in equity	2012	2011
Effective portion of changes in fair value of cash flow hedges	**1,063**	664
Fair value of cash flow hedges transferred to income statement	**(664)**	(457)
Foreign currency translation differences for foreign operations	**(3,967)**	(2,484)
	(3,568)	(2,277)
Recognised in:		
Hedging reserve	**399**	207
Translation reserve	**(3,967)**	(2,484)
	(3,568)	(2,277)

8. PROFIT BEFORE TAX

Profit before tax is stated after charging the following:

	Notes	2012	2011
Depreciation of property, plant and equipment:			
– Owned assets	i	**5,416**	4,408
– Assets held under finance lease contracts	i	**36**	71
Amortisation:			
– Other intangibles	i	**7,399**	3,921
– Development costs	i	**924**	732
Inventory write downs recognised in the year	i	**1,095**	1,230
Hire of plant and machinery	i	**932**	957
Other operating lease rentals	i	**1,918**	1,460
Research & development expenditure	ii	**5,328**	4,495
Exchange differences realised	iii	**336**	351
Audit fees and expenses paid to KPMG Audit Plc:			
– Audit of these financial statements		**302**	280
– Audit of financial statements of subsidiaries of the Company		**86**	98
		388	378
Other auditors of Group reporting subsidiaries		**138**	128
Total audit fees and expenses		**526**	506
Amounts paid to KPMG Audit Plc and its associates in respect of:			
– Taxation compliance services		**73**	83
– Other assurance services		**23**	60
		96	143

These costs can be found under the following headings in the income statement:
i) Both within cost of sales and administrative expenses;
ii) Within administrative expenses;
iii) Within financing income and expenses.

Notes to the Group Financial Statements continued
For the year ended 31 December 2012

9. INCOME TAX EXPENSE

	2012	2012	2011	2011
Current tax:				
UK corporation tax on profits for the year	**9,017**		9,737	
Adjustment in respect of prior years	**(295)**		(120)	
		8,722		9,617
Overseas tax on profits for the year	**27,892**		23,086	
Adjustment in respect of prior years	**480**		(210)	
		28,372		22,876
Total current tax		**37,094**		32,493
Deferred tax:				
Origination and reversal of other temporary differences	**(2,531)**		57	
Adjustment in respect of prior years	**316**		(401)	
Total deferred tax		**(2,215)**		(344)
Total tax charge for year		**34,879**		32,149
Effective tax rate (based on profit before tax)		**28.1%**		28.6%
Profit before tax		**124,194**		112,550
Profit before tax multiplied by standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)		**30,428**		29,826
Effects of:				
Permanent differences		**14**		863
Utilisation of overseas tax holidays		**(6)**		(1,171)
Different tax rates on overseas earnings		**3,942**		3,362
Adjustments to tax charge in respect of prior years		**501**		(731)
Total tax charge for year		**34,879**		32,149

A tax charge of £102,000 (2011: charge £168,000) 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 USA, Canada, France, Germany, Italy, Japan and India.

There is an unrecognised deferred tax liability for temporary differences associated with investments in subsidiaries. Rotork plc 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.

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Total
Cost			
1 January 2011	20,990	38,532	59,522
Additions	3,255	6,747	10,002
Disposals	(39)	(584)	(623)
Acquisition through business combinations	–	1,166	1,166
Exchange adjustments	(288)	(263)	(551)
31 December 2011	23,918	45,598	69,516
Additions	4,403	8,033	12,436
Disposals	(67)	(1,258)	(1,325)
Acquisition through business combinations	–	361	361
Exchange adjustments	(487)	(929)	(1,416)
31 December 2012	**27,767**	**51,805**	**79,572**
Depreciation			
1 January 2011	6,716	27,026	33,742
Charge for the year	589	3,890	4,479
Disposals	(13)	(440)	(453)
Exchange adjustments	(74)	(132)	(206)
31 December 2011	7,218	30,344	37,562
Charge for the year	646	4,806	5,452
Disposals	(26)	(1,154)	(1,180)
Exchange adjustments	(88)	(619)	(707)
31 December 2012	**7,750**	**33,377**	**41,127**
Net Book Value			
31 December 2011	16,700	15,254	31,954
31 December 2012	**20,017**	**18,428**	**38,445**

The net book value of the Group's plant and equipment includes £28,000 (2011: £64,000) in respect of assets held under finance leases.

Net book value of land and buildings can be analysed between:

	2012	2011
Land	**2,262**	2,121
Buildings	**17,755**	14,579
Net book value at 31 December	**20,017**	16,700

It is the Group's policy to test assets for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Notes to the Group Financial Statements continued

For the year ended 31 December 2012

11. GOODWILL

	2012	2011
Cost		
At 1 January	**68,459**	35,907
Acquisition through business combinations	**13,952**	32,548
Exchange adjustments	**(1,682)**	4
At 31 December	**80,729**	68,459
Provision for impairment		
At 1 January and 31 December	**–**	–
Carrying amounts	**80,729**	68,459

Cash generating units

Goodwill acquired through business combinations have been allocated to the lowest level of cash generating unit (CGU) and to the division in which it is reported. Where the acquired entities' growth into new markets is through the Group's existing sales network the lowest level of CGU is considered to be at the divisional level.

The carrying value of goodwill is allocated as follows:

	2012	2011
Fluid Systems		
Rotork Fluid Systems	**7,422**	7,624
Rotork Sweden	**6,837**	6,786
Other cash generating units	**8,611**	8,610
	22,870	23,020
Instruments		
Fairchild	**27,247**	28,679
Soldo	**14,196**	–
	41,443	28,679
Controls		
Other cash generating units	**8,707**	8,967
	8,707	8,967
Gears		
Other cash generating units	**7,709**	7,793
	7,709	7,793
Total Group	**80,729**	68,459

Impairment testing

Goodwill is not amortised but is tested annually for impairment. The Goodwill arising on the acquisition of Soldo has not been impairment tested due it being acquired in late 2012 and there being no indication of impairment.

Value in use calculations are used to determine the recoverable amount of goodwill allocated to each of the CGUs. These calculations use cash flow projections on actual operating results and management forecasts.

11. GOODWILL CONTINUED
The key assumptions in the annual impairment review are set out below:

i) Management forecasts
The three year plan is a bottom up process which takes place as part of the annual budget process. The three year plan is prepared by each reporting entities' management reflecting their view of the local market, known projects and experience of past performance. The annual budget and the three year plan are approved by the Board each year.

ii) Long term growth rates
In the period after the three year plan growth rates are forecast at 2% per annum for each CGU (2011: 2%). A rate of 2% is considered to be prudent considering the significant organic growth of the business over the last 10 years.

iii) Discount rates
Rotork divisions operate in all the same industry sectors and markets around the world. Therefore discount rates for each of the CGUs are considered to be 10.4% (2011: 9.8%) which represents a reasonable rate for a market participant in this sector.

Sensitivity analysis
Base case forecasts have significant headroom above the carrying value of each CGU with the exception of Fairchild. Sensitivity analysis has been undertaken for each CGU to assess the impact of any reasonable change in assumptions. With the exception of Fairchild, there is no reasonable change that would cause the carrying values to exceed the recoverable amount.

With regard to Fairchild, which has only been part of the Group for 14 months downside sensitivities have been assessed. An increase in the discount rate to 12.8% would result in the goodwill being impaired. If the long term growth rate was 3%, the discount rate would need to increase to 13.6% for the goodwill to become impaired. It is anticipated as Fairchild becomes more established within the Group and leverages the sales network opportunities the long term growth rate should comfortably exceed the 2.0% growth rate assumed in the base case forecast.

Notes to the Group Financial Statements continued
For the year ended 31 December 2012

12. INTANGIBLE ASSETS

	Research & development costs	Business combinations acquired intangible assets: Brands	Customer relationships	Other	Total
Cost					
1 January 2011	5,666	4,298	4,018	2,189	16,171
Acquisition through business combinations	–	13,152	18,618	1,586	33,356
Internally developed	1,328	–	–	–	1,328
Exchange adjustments	–	228	(43)	14	199
31 December 2011	6,994	17,678	22,593	3,789	51,054
Acquisition through business combinations	–	4,808	4,706	154	9,668
Internally developed	2,075	–	–	–	2,075
Exchange adjustments	–	(532)	(577)	(101)	(1,210)
31 December 2012	**9,069**	**21,954**	**26,722**	**3,842**	**61,587**
Amortisation					
1 January 2011	3,194	1,042	2,249	1,603	8,088
Charge for the year	732	875	1,973	1,073	4,653
Exchange adjustments	–	(5)	(19)	12	(12)
31 December 2011	3,926	1,912	4,203	2,688	12,729
Charge for the year	924	2,256	4,669	474	8,323
Exchange adjustments	–	(58)	(80)	(70)	(208)
31 December 2012	**4,850**	**4,110**	**8,792**	**3,092**	**20,844**
Net Book Value					
31 December 2011	3,068	15,766	18,390	1,101	38,325
31 December 2012	**4,219**	**17,844**	**17,930**	**750**	**40,743**

Other acquired intangible assets represent order books and intellectual property.

The amortisation charge is recognised within administrative expenses in the income statement.

13. RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

	Assets 2012	Liabilities 2012	Net 2012	Assets 2011	Liabilities 2011	Net 2011
Property, plant and equipment	**384**	**(1,238)**	**(854)**	189	(1,053)	(864)
Intangible assets	**–**	**(11,455)**	**(11,455)**	–	(11,450)	(11,450)
Employee benefits	**8,004**	**–**	**8,004**	8,590	–	8,590
Provisions	**4,701**	**–**	**4,701**	4,620	–	4,620
Other items	**1,267**	**(2,167)**	**(900)**	1,435	(1,869)	(434)
Net tax assets/(liabilities)	**14,356**	**(14,860)**	**(504)**	14,834	(14,372)	462
Set off of tax	**(1,372)**	**1,372**	**–**	(1,590)	1,590	–
	12,984	**(13,488)**	**(504)**	13,244	(12,782)	462

Movements in the net deferred tax balance during the year are as follows:

	2012	2011
Balance at 1 January	**462**	8,315
Credited to the income statement	**2,215**	344
Charged directly to equity in respect of share-based payments	**(116)**	(539)
Acquired as part of business combinations	**(3,115)**	(9,452)
Credited directly to equity in respect of pension schemes	**286**	1,934
Charged directly to hedging reserves in respect of cash flow hedges	**(140)**	(65)
Exchange differences	**(96)**	(75)
Balance at 31 December	**(504)**	462

A deferred tax asset of £12,984,000 (2011: £13,244,000) has been recognised at 31 December 2012. The directors are of the opinion, based on recent and forecast trading, that the level of profits in the current and future years make it more likely than not that these assets will be recovered.

A deferred tax asset of £1,807,000 (2011: £1,958,000) has not been recognised in relation to capital losses and certain tax credits, tax losses and other temporary differences. These assets may be recovered if sufficient taxable or capital profits are made in future in the companies concerned.

14. INVENTORIES

	2012	2011
Raw materials and consumables	**48,279**	40,609
Work in progress	**11,474**	13,209
Finished goods	**11,347**	9,110
	71,100	62,928

Included in cost of sales was £199,710,000 (2011: £175,352,000) in respect of inventories consumed in the year.

Notes to the Group Financial Statements continued

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15. TRADE AND OTHER RECEIVABLES

	2012	2011
Non-current assets:		
Insurance policy	**1,368**	1,298
Other	**306**	258
Other receivables	**1,674**	1,556
Current assets:		
Trade receivables	**97,635**	98,779
Less provision for impairment of receivables	**(1,813)**	(2,045)
Trade receivables – net	**95,822**	96,734
Corporation tax	**1,946**	988
Current tax	**1,946**	988
Other non-trade receivables	**5,196**	4,357
Prepayments and accrued income	**4,466**	4,104
Other receivables	**9,662**	8,461

16. CASH AND CASH EQUIVALENTS

	2012	2011
Bank balances	**42,746**	33,790
Cash in hand	**101**	82
Short term deposits	**17,021**	14,685
Cash and cash equivalents	**59,868**	48,557
Bank overdraft	**–**	(38)
Cash and cash equivalents in the Consolidated Statement of Cash Flows	**59,868**	48,519

17. CAPITAL AND RESERVES

Share capital and share premium

	5p Ordinary shares Issued and fully paid up 2012	£1 Non-redeemable preference shares 2012	5p Ordinary shares Issued and fully paid up 2011	£1 Non-redeemable preference shares 2011
At 1 January	**4,338**	**40**	4,334	40
Preference shares redeemed	**–**	**–**	–	–
Issued under employee share schemes	**2**	**–**	4	–
At 31 December	**4,340**	**40**	4,338	40
Number of shares (000)	**86,808**		86,750	

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

17. CAPITAL AND RESERVES CONTINUED

The Group received proceeds of £425,000 (2011: £450,000) in respect of the 57,481 (2011: 68,264) ordinary shares issued during the year: £2,000 (2011: £4,000) was credited to share capital and £423,000 (2011: £446,000) to share premium. Further details of the share awards are shown in note 25.

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 169,511 (2011: 227,575) 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:

	2012 Payment date	2012	2011
22.75p final dividend (2011: 19.75p)	**21 May**	**19,718**	17,097
16.4p interim dividend (2011: 14.5p)	**28 September**	**14,206**	12,543
2011 additional interim dividend of 11.5p paid		–	9,948
2011 additional interim dividend of 11.5p paid		–	9,946
		33,924	49,534

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.

	2012	2011
Final proposed dividend per qualifying ordinary share		
26.6p	**23,091**	
22.75p		19,736

Notes to the Group Financial Statements continued
For the year ended 31 December 2012

18. 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 86.6m shares (2011: 86.5m shares) being the weighted average number of ordinary shares in issue (net of own ordinary shares held) for the year.

	2012	2011
Net profit attributable to ordinary shareholders	**89,315**	80,401
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**86,523**	86,419
Effect of own shares held	**55**	55
Effect of shares issued under Share option schemes / Sharesave plans	**14**	12
Weighted average number of ordinary shares during the year	**86,592**	86,486
Basic earnings per share	**103.1p**	93.0p

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.

	2012	2011
Net profit attributable to ordinary shareholders	**89,315**	80,401
Amortisation	**7,399**	3,921
Tax effect on amortisation at effective rate	**(2,078)**	(1,120)
Adjusted net profit attributable to ordinary shareholders	**94,636**	83,202
Weighted average number of ordinary shares during the year	**86,592**	86,486
Adjusted basic earnings per share	**109.3p**	96.2p

Diluted earnings per share

Diluted earnings per share is based on the profit for the year attributable to the ordinary shareholders and 87.0m shares (2011: 86.8m 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).

	2012	2011
Net profit attributable to ordinary shareholders	**89,315**	80,401
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares for the year	**86,592**	86,486
Effect of share options in issue	**–**	5
Effect of Sharesave options in issue	**106**	101
Effect of LTIP shares in issue	**343**	254
Weighted average number of ordinary shares (diluted) during the year	**87,041**	86,846
Diluted earnings per share	**102.6p**	92.6p

19. INTEREST BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings. For more information about the Group's exposure to interest rate and currency risk, see note 26.

	2012	2011
Non-current liabilities		
Preference shares classified as debt	**40**	40
Bank loans	**62**	129
Finance lease liabilities	**14**	60
	116	229
Current liabilities		
Bank overdraft	**–**	38
Bank loans	**30**	31
Finance lease liabilities	**26**	54
	56	123

Terms and debt repayment schedule

The terms and conditions of outstanding loans were as follows:

	Currency	Interest rates	Year of maturity	**Face value 2012**	**Carrying amount 2012**	Face value 2011	Carrying amount 2011
Non-redeemable preference shares	Sterling	9.5%	-	**40**	**40**	40	40
Bank loans and overdrafts	Euro	0%	2013-15	**92**	**92**	198	198
Finance lease liabilities	Euro & Yen	1.5% - 6.7%	2013-15	**42**	**40**	122	114
				174	**172**	360	352

Repayment profile

Finance leases and bank loans and overdrafts are payable as follows:

	Minimum payments 2012	**Interest 2012**	**Principal 2012**	Minimum payments 2011	Interest 2011	Principal 2011
Bank loans less than one year	**30**	**–**	**30**	69	–	69
Bank loans more than one and less than five years	**62**	**–**	**62**	129	–	129
Finance leases less than one year	**27**	**1**	**26**	58	4	54
Finance leases more than one and less than five years	**15**	**1**	**14**	64	4	60
	134	**2**	**132**	320	8	312

Notes to the Group Financial Statements continued
For the year ended 31 December 2012

20. EMPLOYEE BENEFITS

	2012	2011
Recognised liability for defined benefit obligations:		
- Present value of funded obligations	**151,501**	132,804
- Fair value of plan assets	**(122,802)**	(107,429)
	28,699	25,375
Defined contribution scheme liabilities	**1,291**	1,204
Employee bonus and incentive plan	**10,468**	9,513
Long term incentive plan	**620**	305
Employee indemnity provision	**1,329**	993
Liability for long term service leave	**395**	376
	42,802	37,766
Non-current	**32,060**	28,142
Current	**10,742**	9,624
	42,802	37,766

Defined benefit pension scheme disclosures are detailed in note 24.

21. PROVISIONS

	Contingent consideration	Warranty provision	Total
Balance at 1 January 2012	509	5,679	6,188
Exchange differences	15	(130)	(115)
Increase as a result of business combinations	798	54	852
Provisions used during the year	(200)	(1,319)	(1,519)
Charged in the year	–	1,230	1,230
Balance at 31 December 2012	**1,122**	**5,514**	6,636
Maturity at 31 December 2012			
Non-current	**863**	**1,838**	**2,701**
Current	**259**	**3,676**	**3,935**
	1,122	**5,514**	**6,636**
Maturity at 31 December 2011			
Non-current	300	1,918	2,218
Current	209	3,761	3,970
	509	5,679	6,188

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 acquisitions of Rotork Servo Controles de Mexico S.A. de C.V., Prokits Limited and Soldo srl. It is anticipated that £863,000 of the non-current balance will be settled in 2014.

22. TRADE AND OTHER PAYABLES

	2012	2011
Trade payables	**36,355**	38,502
Bills of exchange	**–**	240
Trade payables	**36,355**	38,742

	2012	2011
Corporation tax	**11,143**	13,225
Current tax	**11,143**	13,225

	2012	2011
Other taxes and social security	**5,795**	5,524
Payments on account	**9,108**	12,847
Non-trade payables and accrued expenses	**20,309**	19,989
Other payables	**35,212**	38,360

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2012 Assets	**2012 Liabilities**	2011 Assets	2011 Liabilities
Forward foreign exchange contracts – cash flow hedges	**1,507**	**70**	992	95
Foreign exchange swaps – cash flow hedges	**747**	**26**	–	519
Total	**2,254**	**96**	992	614
Less non-current portion:				
Forward foreign exchange contracts – cash flow hedges	**–**	**–**	(315)	–
Current portion	**2,254**	**96**	677	614

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

There was no ineffectiveness to be recorded from the use of foreign exchange contracts.

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates. Gains and losses in respect of these derivatives recognised in the hedging reserve in equity (note 17) at 31 December 2012 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement.

Notes to the Group Financial Statements continued
For the year ended 31 December 2012

24. PENSION SCHEMES

i) Defined benefit pension schemes

The Group makes a contribution to three defined benefit plans to provide benefits for employees in the UK, USA and the Netherlands upon retirement.

Movements in the present value of defined benefit obligations

	2012	2011
Liabilities at 1 January	**132,804**	117,737
Current service costs	**2,622**	2,438
Member contributions	**487**	467
Interest cost	**6,400**	6,468
Benefits paid	**(3,639)**	(3,637)
Actuarial loss	**13,524**	9,407
Currency gain	**(697)**	(76)
Liabilities at 31 December	**151,501**	132,804

Movements in fair value of plan assets

	2012	2011
Assets at 1 January	**107,429**	100,466
Expected return on scheme assets	**6,010**	6,739
Employer contributions	**9,263**	5,287
Member contributions	**487**	467
Benefits paid	**(3,639)**	(3,637)
Actuarial gain / (loss)	**3,612**	(1,858)
Currency loss	**(360)**	(35)
Assets at 31 December	**122,802**	107,429

Expense recognised in the income statement

	2012	2011
Current service costs	**2,622**	2,438
Interest on obligation	**6,400**	6,468
Expected return on plan assets	**(6,010)**	(6,739)
	3,012	2,167

The expense is recognised in the following line items in the income statement

	2012	2011
Cost of sales	**435**	595
Administrative expenses	**2,187**	1,843
Net financing expense / (income)	**390**	(271)
	3,012	2,167

24. PENSION SCHEMES CONTINUED

Amounts recognised in the Consolidated Statement of Comprehensive Income

	2012	2011
Actuarial gain / (loss) on plan assets	**3,612**	(1,858)
Actuarial loss from liabilities	**(13,524)**	(9,407)
	(9,912)	(11,265)
Currency gain	**337**	41
Net loss	**(9,575)**	(11,224)
Cumulative losses recognised in the Consolidated Statement of Comprehensive Income	**(41,128)**	(31,553)

Experience adjustments

	2012	2011	2010	2009	2008
Defined benefit obligation	**(151,501)**	(132,804)	(117,737)	(108,514)	(81,994)
Scheme assets	**122,802**	107,429	100,466	88,906	76,277
Deficit	**(28,699)**	(25,375)	(17,271)	(19,608)	(5,717)
Experience adjustments on liabilities	**(20)**	121	(177)	(2,760)	(2,006)
Experience adjustments on assets	**3,612**	(1,858)	4,487	7,020	(17,843)
Experience adjustments on currency	**337**	41	(206)	397	(607)

Liability for defined benefit obligations

The principal actuarial assumptions at 31 December 2012 (expressed as weighted averages):

	UK scheme (% per annum)		US scheme (% per annum)		Average (% per annum)	
	2012	2011	2012	2011	2012	2011
Discount rate	**4.3**	4.8	**4.1**	4.6	**4.3**	4.8
Rate of increase in salaries	**3.4**	3.5	**4.5**	4.5	**3.5**	3.6
Rate of increase in pensions (post May 2000)	**2.8**	2.9	**0.0**	0.0	**2.5**	2.6
Rate of increase in pensions (pre May 2000)	**4.5**	4.5	**0.0**	0.0	**4.0**	4.0
Rate of inflation	**2.9**	3.0	**3.5**	3.5	**3.0**	3.0

The Retail Price Index is used as the rate of inflation as it is a requirement of the pension scheme rules.

The split of the schemes' assets and expected rates of return were:

	%	2012 Fair value	%	2011 Fair value
Equities	**6.4**	**58,809**	6.5	48,787
Bonds	**3.5**	**47,480**	3.8	43,288
Property	**7.5**	**6,883**	7.5	6,845
Cash	**3.4**	**1,663**	3.4	2,109
US deposit administration contract	**6.0**	**7,967**	6.0	6,400
Total		**122,802**		107,429
Actual return on the schemes' assets		**9,262**		4,846

Notes to the Group Financial Statements continued
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24. PENSION SCHEMES CONTINUED
The individual return assumptions for each asset class are based on market conditions at 31 December 2012 and represent a best estimate of future returns for that class allowing for risk premiums where appropriate. No scheme assets are invested in the Group's own equity.

The Group estimates that cash contributions to the Group's defined benefit pension schemes during 2013 will be £3,476,000 for regular payments and additional payments of £1,700,000 in relation to past service (2012: £7,300,000).

The mortality assumptions used are the S1NXA year of birth tables with future improvements in mortality based on the CMI_2009 projections with a long term rate of improvement of 1.5% per annum (2011: 1.5%).

By way of example the respective mortality tables indicate the following life expectancy:

	2012 Life Expectancy at age 65		2011 Life Expectancy at age 65	
Current Age	Male	Female	Male	Female
65	**22.5**	**24.8**	22.4	24.7
45	**24.8**	**27.2**	24.7	27.1

ii) Other pension plans
The Group makes a contribution to a number of defined contribution plans around the world to provide benefits for employees upon retirement. Total expense relating to these plans in the year was £2,558,000 (2011: 2,565,000).

25. SHARE-BASED PAYMENTS
The Group awards shares under the Long Term Incentive Plan (LTIP) and under the Save As You Earn scheme. The share-based payment expense included in the income statement for each of the plans can be analysed as follows:

	2012	2011
LTIP - equity settled	**1,782**	1,057
Sharesave plan	**248**	194
Total expense recognised as employee costs (note 6)	**2,030**	1,251

Volatility assumptions for equity-based payments
The expected volatility of all equity compensation benefits is based on the historic volatility (calculated based on the weighted average remaining life of each benefit), adjusted for any expected changes to future volatility due to publicly available information.

a) Share option scheme
At 1 January 1995 the Group established a share option programme for employees. The allocation of options was linked to the completion of service. In accordance with the programme, once vested the options grant the right to purchase shares at the market price at the date of grant. Options vested after three years and expire 10 years after being granted. No new grants have been made under the scheme since 2004.

Options over 6,480 shares were outstanding at the beginning of the year. During 2012 all remaining options (2011: 5,332) were exercised and the Group received proceeds of £25,000 (2011: £17,000) at a weighted average exercise price of £3.87 (2011: £3.14).

25. SHARE-BASED PAYMENTS CONTINUED

b) Sharesave plan

UK employees are invited to join the Sharesave plan when an offer is made each year. All the offers to date were made at a 20% discount to market price at the time. There are no performance criteria for the Sharesave plan. Employees are given the option of joining either the 3 year or the 5 year scheme.

	3 year scheme		5 year scheme	
	2012	2011	**2012**	2011
Grant date	**1 December**	1 December	**1 December**	1 December
Share price at grant date	**£24.80**	£18.08	**£24.80**	£18.08
Exercise price	**£17.62**	£13.32	**£17.62**	£13.32
Shares granted under scheme	**27,772**	29,655	**25,939**	28,868
Vesting period	**3 years**	3 years	**5 years**	5 years
Expected volatility	**26.3%**	31.0%	**33.4%**	34.0%
Risk free rate	**0.4%**	0.7%	**0.8%**	1.3%
Expected dividends expressed as a dividend yield	**1.6%**	1.9%	**1.6%**	1.9%
Probability of ceasing employment before vesting	**20%**	20%	**20%**	20%
Fair value	**£7.62**	£5.59	**£9.25**	£6.53

Movements in the number of share options outstanding and their weighted average exercise prices are as follows:

	2012		2011	
	Average exercise price in £ per share	**Options**	Average exercise price in £ per share	Options
At 1 January	**10.17**	**247,588**	8.62	258,411
Granted	**17.62**	**53,711**	13.32	58,523
Exercised	**7.45**	**(51,174)**	6.82	(62,932)
Lapsed	**12.18**	**(7,295)**	10.33	(6,414)
At 31 December	**12.24**	**242,830**	10.17	247,588

Of the 242,830 outstanding options (2011: 247,588), 5,760 are exercisable (2011: 7,045).

The Group received proceeds of £400,000 in respect of the 51,174 options exercised during the year: £2,000 was credited to share capital and £398,000 to share premium. The weighted average share price at date of exercise was £24.40 (2011: £18.07).

The weighted average remaining life of 79,106 (2011: 91,455) awards outstanding under the 3 year plan is two years. The weighted average remaining life of 163,724 (2011: 156,133) awards outstanding under the 5 year plan is two years.

c) Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) is a performance share plan under which shares are conditionally allocated to selected members of senior management at the discretion of the Remuneration Committee on an annual basis. Following shareholder approval of the LTIP at the Company's AGM on 18 May 2000, awards over shares are made to executive directors and senior managers each year.

Notes to the Group Financial Statements continued
For the year ended 31 December 2012

25. SHARE-BASED PAYMENTS CONTINUED

2009 LTIP award
No shares or cash units will normally be released to participants unless they are still in the Group's service following completion of three year performance periods and the Company's relative total shareholder return (TSR) against a comparator group of companies places it in at least the 50th percentile position in the comparator group at the end of the relevant performance period.

TSR measures the change in value of a share and reinvested dividends over the period of measurement. The actual number of shares or cash units transferred will be determined by the number of shares or cash units initially allocated multiplied by a vesting percentage. The actual number of shares or cash units transferred will be 30% at the 50th percentile rising to 100% at the 75th percentile with each percentile position above the 50th adding 2.8% to the vesting percentage. The Company's earnings per share (EPS) is also monitored during the relevant performance period to ensure it meets a minimum average annual growth equal to the rise in the Retail Price Index (RPI) plus 2% per annum. Failure to meet the RPI requirement will result in nil vesting.

The performance period for the 2009 awards ended on 31 December 2011. Messrs. PricewaterhouseCoopers LLP as independent actuaries certified to the Remuneration Committee that there was a 30.0% vesting of this award as the Company was in the 50th percentile relative to the comparator group and the Group's EPS growth has exceeded the minimum average annual growth in the RPI plus 2% per annum. The awards vested during 2012.

2010 LTIP plan
Following shareholder approval of the 2010 LTIP plan at the Company's AGM on 23 April 2010, awards of shares have been made annually to executive and senior managers. Half of these awards vest under a TSR performance condition and half under an EPS performance condition.

TSR measures the change in value of a share and reinvested dividends over the period of measurement. The actual number of shares transferred will be determined by the number of shares initially allocated multiplied by a vesting percentage. The actual number of shares transferred will be 25% at the 50th percentile rising to 100% at the 75th percentile.

The EPS performance condition is satisfied with 15% of the awards vesting if the EPS growth is RPI + 10% over the vesting period up to a maximum of 100% vesting if EPS growth exceeds RPI +25%.

The performance period for the 2010 awards ended on 31 December 2012. Messrs. PricewaterhouseCoopers LLP as independent actuaries certified to the Remuneration Committee that there was a 75.5% vesting of these awards based on the performance criteria of the scheme. The awards will vest during 2013.

	2012	2011
Grant date	**1 March 2012**	4 March 2011
Share price at grant date	**£20.70**	£17.00
Shares granted under scheme	**124,275**	127,970
Vesting period	**3 years**	3 years
Expected volatility	**28%**	36%
Risk free rate	**0.5%**	1.8%
Expected dividends expressed as a dividend yield	**2.4%**	1.9%
Probability of ceasing employment before vesting	**5% p.a**	5% p.a
Fair value of awards under TSR performance conditions	**£12.49**	£9.88
Fair value of awards under EPS performance conditions	**£19.36**	£16.11

25. SHARE-BASED PAYMENTS CONTINUED

	Outstanding at start of year	Granted during year	Vested during year	Lapsed	**Outstanding at end of year**
2009 Award	186,832	–	(55,539)	(131,293)	**–**
2010 Award	135,494	–	–	(2,248)	**133,246**
2011 Award	126,826	–	–	(1,920)	**124,906**
2012 Award	–	124,275	–	(1,580)	**122,695**
	449,152	124,275	(55,539)	(137,041)	**380,847**

At the date of vesting the 2009 awards were valued at £20.65. The weighted average remaining life of awards outstanding at the year end is one year.

26. FINANCIAL INSTRUMENTS

Financial risk and treasury policies

The Treasury department maintains liquidity, identifies and manages foreign exchange risk, manages relations with the Group's bankers and provides a treasury service to the Group's businesses. Treasury dealings such as investments, borrowings and foreign exchange are conducted only to support underlying business transactions.

The Group has clearly defined policies for the management of credit, foreign exchange and interest rate risk. The Group Treasury department is not a profit centre and, therefore, does not undertake speculative foreign exchange dealings for which there is no underlying exposure. Exposures resulting from sales and purchases in foreign currency are matched where possible and the net exposure may be hedged.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash on deposit with financial institutions.

Management has a credit policy in place and exposure to credit risk is both monitored on an ongoing basis and reduced through the use of credit insurance covering 80% to 90% of trade receivables at any time. Credit evaluations are carried out on all customers requiring credit above a certain threshold, with varying approval levels set around this depending on the value of the sale. At the balance sheet date there were no significant concentrations of credit risk.

Goods are sold subject to retention of title clauses, so that in the event of non–payment the Group may have a secured claim.

The Group maintains an allowance for impairment in respect of non–insured receivables where recoverability is considered doubtful.

The Group Treasury Committee meets regularly and reviews the credit risk associated with institutions that hold a material cash balance. As well as credit ratings, counterparties and instruments are assessed for credit default swap pricing and liquidity of funds.

Notes to the Group Financial Statements continued
For the year ended 31 December 2012

26. FINANCIAL INSTRUMENTS CONTINUED

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2012	2011
Trade receivables	**95,822**	96,734
Other receivables	**11,336**	10,017
Cash and cash equivalents	**59,868**	48,557
Foreign exchange contracts	**2,254**	992
	169,280	156,300

The maximum exposure to credit risk for trade receivables at the reporting date by currency was:

	Carrying amount	
	2012	2011
Sterling	**9,273**	7,710
US dollar	**29,486**	24,259
Euro	**37,102**	43,249
Indian rupee	**3,744**	4,420
Other	**16,217**	17,096
	95,822	96,734

Provisions against trade receivables

The aging of trade receivables and the associated provision for impairment at the reporting date was:

	Gross 2012	**Provision 2012**	Gross 2011	Provision 2011
Not past due	**63,581**	**(102)**	70,003	(108)
Past due 0–30 days	**17,716**	**(16)**	15,125	(33)
Past due 31–60 days	**7,030**	**(50)**	6,178	(15)
Past due 61–90 days	**3,244**	**(123)**	2,891	(296)
Past due more than 91 days	**6,064**	**(1,522)**	4,582	(1,593)
	97,635	**(1,813)**	98,779	(2,045)

26. FINANCIAL INSTRUMENTS CONTINUED

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group is highly cash generative, and uses monthly cash flow forecasts to monitor cash requirements and to optimise its return on investments. Typically the Group ensures that it has sufficient cash on hand to meet foreseeable operational expenses; it also maintains a £7m overdraft facility (2011: £7m) on which interest would be payable at base rate plus 1.5%. In January 2013 the Group arranged a £15m committed loan facility with a tenor of one year. Interest is payable on this committed facility at LIBOR plus 1%.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

			Analysis of contractual cash flow maturities			
31 December 2012	**Carrying amount**	**Contractual cash flows**	**Less than 12 months**	**1–2 years**	**2–5 years**	**More than 5 years**
Bank loans and overdrafts	**92**	**92**	**30**	**30**	**32**	**–**
Finance lease liabilities	**40**	**42**	**28**	**11**	**3**	**–**
Trade and other payables	**71,567**	**71,567**	**71,567**	**–**	**–**	**–**
Foreign exchange contracts	**96**	**96**	**96**	**–**	**–**	**–**
Non-redeemable preference shares	**40**	**40**	**–**	**–**	**–**	**40**
	71,835	**71,837**	**71,721**	**41**	**35**	**40**

			Analysis of contractual cash flow maturities			
31 December 2011	Carrying amount	Contractual cash flows	Less than 12 months	1–2 years	2–5 years	More than 5 years
Bank loans and overdrafts	198	198	69	35	94	–
Finance lease liabilities	114	122	62	36	24	–
Trade and other payables	77,102	77,102	77,102	–	–	–
Forward exchange contracts	614	614	596	18	–	–
Non-redeemable preference shares	40	40	–	–	–	40
	78,068	78,076	77,829	89	118	40

Where a counterparty experiences credit stress then the foreign exchange contracts may be settled on a net basis but standard practice is to settle on a gross basis and the undiscounted gross outflow in respect of these contracts is £134,353,000 (2011: £116,580,000) and the gross inflow is £136,625,000 (2011: £117,216,000).

Notes to the Group Financial Statements continued
For the year ended 31 December 2012

26. FINANCIAL INSTRUMENTS CONTINUED

c) Market risk

Market risk arises from changes in market prices, such as currency rates and interest rates, and may affect the Group's results. The objective of market risk management is to manage and control market risk within suitable parameters.

i) Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the business unit's functional currency. The currencies primarily giving rise to this risk are the US dollar and related currencies and the euro. The Group hedges up to 75% of forecast US dollar or euro foreign currency exposures using forward exchange contracts. In respect of other non–sterling monetary assets and liabilities the exposures may also be hedged up to 75% where this is deemed appropriate.

As part of the Group's cash management some of the overseas subsidiaries have loan and deposit balances where their intra–group counterparty is in the UK. The balances are typically in local currency for the subsidiary so the UK holds a foreign currency current asset or liability which is usually hedged through the use of foreign exchange swaps. At the balance sheet date only the 'forward' part of the swap remains and this is designated as a cash flow hedge to match the currency exposure of the intercompany loan asset.

The Group classifies its forward exchange contracts (that hedge both the forecast sale and purchase transactions and the intercompany loan and deposit balances) as cash flow hedges and states them at fair value. The net fair value of foreign exchange contracts used as hedges at 31 December 2012 was a £2,158,000 asset (2011: £378,000 asset) comprising an asset of £2,254,000 (2011: £992,000) and a liability of £96,000 (2011: £614,000). Forward exchange contracts in place at 31 December 2012 mature in 2013 and 2014.

Changes in the fair value of foreign exchange contracts that economically hedge monetary assets and liabilities in foreign currencies, and for which no hedge accounting is applied, are recognised in the income statement.

Sensitivity analysis

It is estimated that, with all other variables held equal (in particular other exchange rates), a general change of one cent in the value of either the US dollar or euro against sterling would have had an impact on the Group's operating profit for the year ended 31 December 2012 of £350,000 (2011: £350,000). The method of estimation, which has been applied consistently, involves assessing the transaction impact of US dollar and euro cash flows and the translation impact of US dollar and euro profits.

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2012	2011	**2012**	2011
US dollar	**1.59**	1.59	**1.62**	1.55
Euro	**1.23**	1.15	**1.23**	1.20

ii) Interest rate risk

The Group does not undertake any hedging activity in this area. All cash deposits are made at prevailing interest rates and the majority is available with same day notice, though deposits are sometimes made with a maturity of no more than three months. The main element of interest rate risk concerns sterling, US dollar, euro and renminbi deposits, all of which are on a floating rate basis.

The interest rate profile of the Group's financial liabilities at 31 December was as follows:

	2012	2011
Fixed rate financial liabilities	**150**	269
Floating rate financial liabilities	**22**	83
	172	352

The fixed and floating rate financial liabilities comprise finance leases, preference shares and bank loans. The floating rate lease obligations bear interest at rates determined by reference to the relevant LIBOR or equivalent rate.

The weighted average interest rate of the fixed rate financial liabilities is 1.1%, or 6.3% excluding the zero rate debt (2011: 1.6% or 5.3%). The weighted average period for which (non zero) interest rates on the fixed rate financial liabilities are fixed is 1.7 years.

26. FINANCIAL INSTRUMENTS CONTINUED

The maturity profile of the Group's financial liabilities at 31 December was as follows:

	2012	2011
In one year or less	**56**	123
In more than one year but not more than two years	**41**	72
In more than two years but not more than five years	**35**	117
In more than five years	**40**	40
Total	**172**	352

d) Capital risk management

The primary objective of the Group's capital management is to ensure it maintains sufficient capital in order to support its business and maximise shareholder value. The group has an asset-light business model and uses cash generated from operations to either invest organically or by acquisition. The Group manages its capital structure and makes adjustments to it in light of changes in economic and market conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Group defines capital as net funds and equity attributable to shareholders (see note 17). There are no externally imposed restrictions on the Group's capital structure.

The Group monitors capital using the following indicators:

i) Group net funds

	2012	2011
Total borrowings	**(172)**	(352)
Cash and cash equivalents (note 16)	**59,868**	48,557
Group net funds	**59,696**	48,205

ii) Return on capital employed

	2012	2011
Adjusted operating profit		
Operating profit	**124,467**	112,000
Amortisation of acquired intangible assets	**7,399**	3,921
	131,866	115,921
Capital employed		
Shareholders funds	**269,323**	224,169
Cash and cash equivalents (note 16)	**(59,868)**	(48,519)
Pension deficit net of deferred tax	**21,811**	18,778
	231,266	194,428
Average capital employed	**212,847**	156,503
Return on capital employed	**62.0%**	74.1%

Notes to the Group Financial Statements continued
For the year ended 31 December 2012

26. FINANCIAL INSTRUMENTS CONTINUED
e) Fair values
The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, were as follows:

	Carrying Amount 2012	Fair Value 2012	Carrying Amount 2011	Fair Value 2011
Loans and receivables				
Trade receivables	**95,822**	**95,822**	96,734	96,734
Other receivables	**11,336**	**11,336**	10,017	10,017
Financial assets				
Cash and cash equivalents	**59,868**	**59,868**	48,557	48,557
Designated cash flow hedges				
Foreign exchange contracts:				
Financial assets	**2,254**	**2,254**	992	992
Financial liabilities	**(96)**	**(96)**	(614)	(614)
Financial liabilities at amortised cost				
Bank overdraft and borrowings	**(92)**	**(92)**	(198)	(198)
Trade and other payables	**(71,567)**	**(71,567)**	(77,102)	(77,102)
Contingent consideration	**(1,122)**	**(1,122)**	(509)	(509)
Preference shares	**(40)**	**(40)**	(40)	(40)
Finance lease liabilities	**(40)**	**(40)**	(114)	(114)
	96,323	**96,323**	77,723	77,723

Basis for determining fair values
The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

i) Designated cash flow hedges
Forward exchange contracts are valued at year end spot rates adjusted for the forward points to the appropriate value dates, and gains and losses are taken to equity.

ii) Trade and other receivables/payables
As the majority of receivables/payables have a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

iii) Contingent consideration
As all the contingent consideration is contractually due for payment within 15 months, the notional amount is deemed to reflect the fair value.

27. OPERATING LEASES
Non-cancellable operating lease rentals are payable as follows:

	2012	2011
Less than one year	**4,296**	3,255
Between one and five years	**8,916**	6,649
More than five years	**1,051**	1,347
	14,263	11,251

Of the £14,263,000 (2011: £11,251,000), £10,576,000 (2011: £8,657,000) relates to property and the balance to plant and equipment.

28. CAPITAL COMMITMENTS

Capital commitments at 31 December for which no provision has been made in these accounts were:

	2012	2011
Contracted	**2,175**	1,192

29. CONTINGENCIES

	2012	2011
Performance guarantees and indemnities	**5,246**	6,117

The performance guarantees and indemnities have been entered into in the normal course of business. A liability would only arise in the event of the Group failing to fulfil its contractual obligations.

30. RELATED PARTIES

The Group has a related party relationship with its subsidiaries and with its directors and key management. A list of subsidiaries is shown on page 112 of these financial statements. 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 £34,000 during the year (2011: £29,000) and £15,000 was outstanding at 31 December 2012 (2011: *£nil*).

UBS Investment Bank are a related party by virtue of non-executive director SA James' directorship of UBS Limited. UBS Investment Bank provides the Group financial advice and stockbroking services. The current arrangement with UBS Investment Limited is that out of pocket expenses will be reimbursed and no fees will be charged for their regular advisory or broking services. Expenses of £4,000 have been reimbursed in the year and no balance was outstanding at 31 December 2012.

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:

	2012	2011
Emoluments including social security costs	**4,510**	3,782
Post employment benefits	**457**	392
Share-based payments	**1,418**	844
	6,385	5,018

31. POST BALANCE SHEET EVENTS

On 17 January 2013 the Group acquired the entire share capital of the operating companies of the Schischek group for £34.3m. The consideration was paid in cash and the Group will be assuming Schischek's net debt of £1.1m. The operating profit of the acquired group in 2012 is expected to be £4.5m.

Rotork plc Company balance sheet
At 31 December 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Tangible assets	c	**1,152**	1,090
Investments	d	**43,205**	43,205
		44,357	44,295
Current assets			
Debtors	f	**63,754**	34,787
Cash at bank and in hand	e	**1,074**	312
		64,828	35,099
Creditors:			
Amounts falling due within one year	g	**5,070**	4,447
Net current assets		**59,758**	30,652
Total assets less current liabilities		**104,115**	74,947
Creditors:			
Amounts falling due after more than one year	h	**40**	40
Net assets		**104,075**	74,907
Capital and reserves			
Called up share capital	j	**4,340**	4,338
Share premium account	j	**8,258**	7,835
Capital redemption reserve	j	**1,644**	1,644
Profit and loss account	j	**89,833**	61,090
Equity shareholders' funds		**104,075**	74,907

These Company financial statements were approved by the Board of Directors on 4 March 2013 and were signed on its behalf by:

PI France and **JM Davis**, Directors.

Notes to the Company Financial Statements
For the year ended 31 December 2012

a. ACCOUNTING POLICIES
The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. Notes a to k relate to the Company rather than the Group.

Basis of preparation
The financial statements have been prepared under the historical cost convention and in accordance with applicable UK GAAP.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the Group includes the Company in its own published consolidated financial statements.

The Company has taken advantage of the exemption available under FRS 8 and has not disclosed transactions with entities which are subsidiaries of the Group.

The Group financial statements contain financial instruments disclosures which comply with FRS 29 'Financial Instruments: Disclosures'. Consequently, the Company has taken advantage of the exemption in FRS 29 not to present separate financial instrument disclosures for the Company.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee. The Company continues to account for intra–group cross guarantees under FRS 12.

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Investments
Investments are measured at cost less any provision for impairment and comprise investments in subsidiary companies.

Depreciation and amortisation
Freehold land is not depreciated. Long leasehold buildings are amortised over 50 years or the expected useful life of the building where less than 50 years. Other assets are depreciated by equal annual instalments by reference to their estimated useful lives and residual values at the following annual rates:

Freehold buildings	2% to 4%
Short leasehold buildings	period of lease
Plant and equipment	10% to 33%

Post-retirement benefits
The Company participates in a UK Group pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 Retirement benefits, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Classification of preference shares
Following the adoption of the presentation elements of FRS 25, Financial Instruments, the cumulative redeemable preference shares issued by the Company are classified as long term debt. The preference dividends are charged within interest payable.

Notes to the Company Financial Statements continued

For the year ended 31 December 2012

a. ACCOUNTING POLICIES CONTINUED

Share-based payments

The Company has adopted FRS 20 and the accounting policies followed are in all material respects the same as the Group's policy under IFRS 2. This policy is shown in note 1 to the Group financial statements. Costs in relation to share-based awards made to other Group company employees are recharged to each subsidiary company.

Deferred taxation

Deferred tax is provided in full, without discounting, on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on current tax rates and law, except for the items explained below. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the assets or on unremitted earnings of subsidiaries where there is no commitment to remit those earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Dividends

Interim dividends are recorded in the financial statements when they are paid. Final dividends are recorded in the financial statements in the period which they are approved by the Company's shareholders.

b. PERSONNEL EXPENSES IN THE COMPANY PROFIT AND LOSS ACCOUNT

	2012	2011
Wages and salaries (including bonus and incentive plans)	**2,731**	2,256
Social security costs	**345**	237
Pension costs	**337**	295
Share-based payments	**603**	376
	4,016	3,164

During the year there were 11 (2011: eight) employees of Rotork plc plus the four (2011: four) executive directors. The personnel costs accounted for within the Company include the full costs of the employees, the Group Finance Director, the Group Chief Executive from 1 April 2011, but not the full costs of the other two executive directors who are reported within the subsidiary where they are based.

Share-based payments

The share-based payment charge relates to employees of the Company participating in the Long Term Incentive Plan (LTIP). The disclosures required under FRS 20 can be found in note 25 to the Group Financial Statements. The table below sets out the movement of share options under the LTIP for employees of the Company.

	Outstanding at start of year	Granted during year	Vested during year	Lapsed during year	**Outstanding at end of year**
2009 Award	35,736	–	(10,720)	(25,016)	**–**
2010 Award	36,318	–	–	–	**36,318**
2011 Award	44,386	–	–	–	**44,386**
2012 Award	–	43,503	–	–	**43,503**
	116,440	43,503	(10,720)	(25,016)	**124,207**

At the date of vesting the 2009 awards were valued at £20.65. The weighted average remaining life of awards outstanding at the year end is one year.

c. TANGIBLE ASSETS IN THE COMPANY BALANCE SHEET

	Land and buildings	Plant and equipment	Total
Cost			
At 1 January 2012	1,468	13	1,481
Additions	–	90	90
At 31 December 2012	**1,468**	**103**	**1,571**
Depreciation			
At 1 January 2012	378	13	391
Charge for year	28	–	28
At 31 December 2012	**406**	**13**	**419**
Net book value at 31 December 2012	**1,062**	**90**	**1,152**
at 31 December 2011	1,090	–	1,090

	2012	2011
Net book value of land and buildings can be analysed between:		
Freehold land	**60**	60
Freehold buildings	**1,002**	1,030
Net book value at 31 December	**1,062**	1,090

d. INVESTMENTS IN THE COMPANY BALANCE SHEET

Shares in Group companies

	2012	2011
At 1 January	**43,205**	43,205
Increased investment in subsidiary undertakings	**–**	–
At 31 December	**43,205**	43,205

Notes to the Company Financial Statements continued
For the year ended 31 December 2012

d. INVESTMENTS IN THE COMPANY BALANCE SHEET CONTINUED
A listing of the principal subsidiaries of the Group, all of which are wholly owned, is set out below:

Company and country of incorporation	Nature of business
Rotork Overseas Ltd, England and Wales	Intermediate holding company for the following:
Rotork Inc, USA	Intermediate holding company.
[1]Rotork Controls Inc, USA	Manufacture and sale of valve actuators.
[1]Remote Control Inc, USA	" "
[1]Flow–Quip Inc, USA	Assemble and distribute fluid power solutions.
[1]Ralph A. Hiller Company, USA	Manufacture and sale of valve actuators.
[1]Rotork (Thailand) Ltd, Thailand	" "
[1]Ranger Acquisition Corp, USA	Intermediate holding company.
[2]Fairchild Industrial Products Company, USA	Manufacture of high precision pneumatic controls.
[2]K–Tork International Inc, USA	Intermediate holding company.
[3]Controls International Inc, USA	Manufacture and sale of vane actuators.
Rotork Controls (Iberia) SL, Spain	Sale of valve actuators.
[4]Centork Valve Control SL, Spain	Manufacture and sale of valve actuators.
Rotork (Actuation) Sdn Bhd, Malaysia	" "
Rotork Controls (Deutschland) GmbH, Germany	" "
Rotork Fluid Systems Srl, Italy	" "
Rotork Sweden AB, Sweden	" "
Rotork Controls (Canada) Ltd, Canada	Sale of valve actuators.
Rotork Motorisation SAS, France	" "
Rotork BV, Netherlands	" "
Rotork Controls (Singapore) Pte Ltd, Singapore	" "
Rotork Australia Pty Ltd, Australia	" "
Rotork Controls de Venezuela SA, Venezuela	" "
Rotork Ltd, Hong Kong	" "
Rotork (Malaysia) Sdn Bhd, Malaysia	" "
Rotork Controls (Korea) Co. Ltd, South Korea	" "
Rotork Africa (Pty) Limited, South Africa	" "
Rotork Japan Co. Ltd, Japan	" "
Rotork RUS Ltd, Russia	" "
Rotork Controls Comercio de Atuadores LTDA, Brazil	" "
Rotork Norge AS, Norway	" "
Rotork Middle East FZE, Jebel Ali, Dubai	" "
Rotork Servo Controles de Mexico SA de CV, Mexico	" "
Rotork Controls Italia Srl, Italy	" "
[5]Rotork Gears Srl, Italy	Manufacture and sale of gearboxes for valve actuators.
Rotork Gears BV, Netherlands	" "
Rotork Italy Holdings Srl, Italy	Intermediate holding company.
[6]Soldo Srl, Italy	Design & Manufactures control accessories for valve automation.
[7]Soldo Controls USA Inc, USA	" "
[7]Soldo Asia Pacific Pte Limited, Singapore	" "

[1]Owned by Rotork Inc, USA
[2]Owned by Ranger Acquisition Corp, USA
[3]Owned by K–Tork International Inc, USA
[4]Owned by Rotork Controls (Iberia) SL, Spain
[5]Owned by Rotork Controls Italia Srl, Italy
[6]Owned by Rotork Italy Holdings Srl, Italy
[7]Owned by Soldo Srl, Italy

Rotork Controls Ltd, England and Wales	Manufacture and sale of valve actuators, and Intermediate holding company for the following:
Rotork UK Ltd, England	Manufacture and sale of gearboxes and valve actuators.
Rotork Actuation (Shanghai) Co. Ltd, China	Manufacture and sale of gearboxes and valve actuators.
Rotork Trading (Shanghai) Co. Ltd, China	Sale of gearboxes and valve actuators.
Rotork Controls (India) Ltd, India	Manufacture and sale of valve actuators.

A full list of undertakings is attached to the Annual Return of the Company

e. CASH AT BANK AND IN HAND IN THE COMPANY BALANCE SHEET

	2012	2011
Bank balances	**1,074**	312
Cash at bank and in hand	**1,074**	312

f. DEBTORS DUE WITHIN ONE YEAR IN THE COMPANY BALANCE SHEET

	2012	2011
Amounts owed by Group undertakings	**62,660**	34,102
Other debtors	**58**	91
Prepayments and accrued income	**127**	81
Corporation tax	**660**	389
Deferred taxation	**249**	124
	63,754	34,787

A deferred tax asset of £249,000 (2011: £124,000) has been recognised. This asset principally relates to other timing differences in respect of share-based payments. The directors are of the opinion, based on recent and forecast trading that the level of future and current profits make it more likely than not that the asset will be recovered.

g. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR IN THE COMPANY BALANCE SHEET

	2012	2011
Trade creditors	**124**	227
Amounts owed to Group undertakings	**1,052**	1,153
Other taxes and social security	**24**	58
Other creditors	**3,183**	2,507
Accruals and deferred income	**687**	502
	5,070	4,447

The Company has a £20m gross overdraft facility and is part of a UK banking arrangement, see note i.

h. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR IN THE COMPANY BALANCE SHEET

	2012	2011
Preference shares classified as debt	**40**	40

This debt is not redeemable at any fixed future date.

Notes to the Company Financial Statements continued

For the year ended 31 December 2012

i. CONTINGENCIES IN THE COMPANY

The UK banking arrangements are subject to cross-guarantees between the Company and its UK subsidiaries. These accounts are subject to a right of set–off. The performance guarantees and indemnities have been entered into in the normal course of business. A liability would only arise in the event of the Group failing to fulfil its contractual obligations.

In January 2013 the Company arranged a £15m committed loan facility with a tenor of one year. Interest is payable on this facility at LIBOR plus 1%.

j. CAPITAL AND RESERVES IN THE COMPANY BALANCE SHEET

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Equity Shareholders' funds
Balance at 1 January 2012	4,338	7,835	1,644	61,090	74,907
Profit for the year	–	–	–	61,265	61,265
Equity settled share-based payment transactions net of tax	–	–	–	1,117	1,117
Share options exercised by employees	2	423	–	–	425
Own ordinary shares acquired	–	–	–	(2,850)	(2,850)
Own ordinary shares awarded under share schemes	–	–	–	3,135	3,135
Dividends	–	–	–	(33,924)	(33,924)
Balance at 31 December 2012	**4,340**	**8,258**	**1,644**	**89,833**	**104,075**

Details of the number of ordinary shares in issue and dividends paid in the year are given in note 17 to the Group Financial Statements.

Profit for the financial year in the accounts of the Company is £61,265,000 (2011: £28,774,000).

k. CAPITAL RISK MANAGEMENT IN THE COMPANY

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company's net funds at the balance sheet date were:

	2012	2011
Preference shares	**(40)**	(40)
Cash at bank and in hand	**1,074**	312
Company net funds	**1,034**	272

Ten year trading history

	2012 £000 IFRS	2011 £000 IFRS	2010 £000 IFRS	2009 £000 IFRS	2008 £000 IFRS	2007 £000 IFRS	2006 £000 IFRS	2005 £000 IFRS	2004 £000 IFRS	2003 £000 UK GAAP
Revenue	**511,747**	447,833	380,560	353,521	320,207	235,688	206,709	174,839	146,883	135,964
Cost of sales	**(272,199)**	(236,359)	(199,742)	(187,600)	(176,046)	(127,748)	(115,603)	(95,358)	(79,097)	(72,046)
Gross profit	**239,548**	211,474	180,818	165,921	144,161	107,940	91,106	79,481	67,786	63,918
Overheads	**(115,081)**	(99,474)	(83,094)	(74,384)	(69,272)	(52,553)	(46,017)	(42,951)	(37,354)	(36,808)
Operating profit	**124,467**	112,000	97,724	91,537	74,889	55,387	45,089	36,530	30,432	27,110
Adjusted* operating profit	**131,866**	115,921	99,442	92,103	76,014	55,461	45,187	36,709	30,502	28,415
Amortisation of acquired intangible assets	**(7,399)**	(3,921)	(1,718)	(1,153)	(1,125)	(74)	(98)	(179)	(70)	–
Disposal of property	**–**	–	–	587	–	–	–	–	–	–
Amortisation of goodwill	**–**	–	–	–	–	–	–	–	–	(1,305)
Operating profit	**124,467**	112,000	97,724	91,537	74,889	55,387	45,089	36,530	30,432	27,110
Exceptional items	**–**	–	–	–	–	–	–	–	–	597
Net interest	**(273)**	550	131	(621)	862	1,866	972	127	1,074	461
Profit before taxation	**124,194**	112,550	97,855	90,916	75,751	57,253	46,061	36,657	31,506	28,168
Tax expense	**(34,879)**	(32,149)	(28,334)	(26,884)	(22,331)	(17,957)	(14,728)	(12,043)	(10,508)	(9,469)
Profit for the year	**89,315**	80,401	69,521	64,032	53,420	39,296	31,333	24,614	20,998	18,699
Dividends	**33,924**	49,534	35,912	24,102	29,970	24,732	24,140	13,437	17,751	12,592
Basic EPS	**103.1p**	93.0p	80.5p	74.2p	62.0p	45.6p	36.4p	28.6p	24.5p	21.8p
Adjusted* EPS	**109.3p**	96.2p	81.9p	74.7p	62.9p	45.7p	36.5p	28.7p	24.5p	–
Diluted EPS	**102.6p**	92.6p	80.2p	73.9p	61.6p	45.2p	36.1p	28.4p	24.3p	21.7p

* Adjusted is before the amortisation of acquired intangible assets and the disposal of property.

The above ten year history has not been restated to apply IFRS to all periods. Had this exercise been undertaken the major changes would have been the removal of amortisation of goodwill and the introduction of amortisation of separable intangibles, capitalisation and amortisation of development costs and charges for share-based payments. Dividends shown in the IFRS columns are on a paid basis but in the UK GAAP columns are on an accrued basis.

Share register information

SHARE REGISTER INFORMATION

The tables below show the split of shareholder and size of shareholding in Rotork plc

Ordinary shareholder by type	Number of holdings	%	Number of shares	%
Individuals	1,840	66.9	2,620,938	3.0
Bank or nominees	834	30.3	82,656,722	95.2
Other company	38	1.4	163,574	0.2
Other corporate body	37	1.4	1,367,701	1.6
	2,749	**100.0**	**86,808,935**	**100.0**

Range	Number of holdings	%	Number of shares	%
1 – 1,000	1,578	57.4	581,692	0.7
1,001 – 2,000	363	13.2	543,757	0.6
2,001 – 5,000	332	12.0	1,013,757	1.2
5,001 – 10,000	147	5.4	1,049,272	1.2
10,001 – 50,000	175	6.4	4,284,624	4.9
50,001 – 100,000	45	1.6	3,196,420	3.7
100,001 +	109	4.0	76,139,413	87.7
	2,749	**100.0**	**86,808,935**	**100.0**

Source: Equiniti

DIVIDEND INFORMATION

The table below details the amounts of interim, final and additional dividends declared in respect of each of the last five years.

	Interim dividend (p)	Final dividend (p)	Additional interim dividends (p)	Total dividend (p)
2012	16.40	26.60	–	43.00
2011	14.50	22.75	23.00	60.25
2010	12.75	19.75	11.50	44.00
2009	11.15	17.25	–	28.40
2008	9.25	16.75	11.50	37.50

FINANCIAL CALENDAR

5 March 2013	Preliminary announcement of annual results for 2012
10 April 2013	Ex-dividend date for final proposed 2012 dividend
12 April 2013	Record date for final proposed 2012 dividend
26 April 2013	Annual General Meeting held at Rotork House, Brassmill Lane, Bath, BA1 3JQ
21 May 2013	Payment date for final proposed 2012 dividend
6 August 2013	Announcement of interim financial results for 2013

Corporate directory

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Stephen Rhys Jones

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