**Rotork p.l.c.**

**2010 Full Year Results**

| | **2010** | 2009 | % change | % change (constant currency) |
|---|---|---|---|---|
| Revenue | **£380.6m** | £353.5m | +7.6% | +6.5% |
| Operating profit | **£97.7m** | £91.5m | +6.8% | +2.6% |
| Profit before tax | **£97.9m** | £90.9m | +7.6% | +3.5% |
| Adjusted* profit before tax | **£99.6m** | £91.5m | +8.8% | +4.7% |
| Basic earnings per share | **80.5p** | 74.2p | +8.4% | +4.2% |
| Adjusted* basic earnings per share | **82.4p** | 74.9p | +10.1% | +6.0% |
| Final dividend | **19.75p** | 17.25p | +14.5% | |
| Additional dividend | **11.50p** | 11.50p | | |

* Adjusted figures are before the amortisation of acquired intangible assets and property disposal in 2009

## Key Points

- Record revenue and profit
- Growth in all divisions and all market sectors
- Record order intake, up 17.0%
- Improving adjusted* margins, aided by currency
- Cash generation strong, with period-end cash balances of £97.9m

**Peter France, Chief Executive, commenting on the results, said:**

"The long-term growth prospects continue to be positive for Rotork as we benefit from infrastructure investment in both new and existing plant. The need for automation is increasing as our customers drive plant safety improvements through their organisations and seek greater operating efficiencies.

Our wide geographic presence, especially in the countries experiencing the greatest growth in demand, the breadth of our product portfolio and strength of our customer relationships, puts us in a strong position to benefit from a continued increase in business activity.

Following several years of favourable movements in foreign exchange, currency may provide a headwind in the current year. However, the current order book and market activity support the Board's expectation of making further progress in 2011."

## For further information, please contact:


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Peter France, Chief Executive

Jonathan Davis, Finance Director

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Nick Hasell / Richard Mountain

## Chairman's statement

I am pleased to report that 2010 was another year in which Rotork delivered record revenue and profit, with progress being made by all three divisions. Market conditions improved compared with the previous year and this was reflected in the record order intake. The broad base of our business and the level of emerging market focus ensured that, whilst not all our geographic markets grew in the year, each end-market, division, and the Group as a whole, did. Through the year we have continued to invest in our facilities, our people and our products to enable the Group to capitalise on the long-term growth prospects in the markets we currently serve. At the same time, investment in product development and potential acquisitions will widen what we define as our addressable market so that we continue to create value for our shareholders.

### *Financial Highlights*

Revenue of £380.6m was 7.6% higher than the previous year and with profit before tax up 7.6% to £97.9m, Group return on sales was in line with last year at 25.7%. Currency was a less significant factor this year than it has been for several years but remained a tailwind, with the majority of the impact arising in the second half of the year. Cash balances of £97.9m at the end of the year reflected strong cash generation throughout the year.

### *Divisional Highlights*

Rotork Controls, the division which manufactures and sells our range of market-leading electric actuators and includes the Rotork Process Control products, reported revenue growth of 7.0% to £243.4m. This division contributed 63.9% of Group revenue. Operating profit rose to £78.8m, up 8.5% and the division achieved a 32.4% operating margin compared with 31.9% in the prior year. Some of the larger projects which were delayed through 2009 returned in 2010 and this was seen in a number of countries and market sectors. Quotation levels remained positive as did the number of active projects we are tracking globally, with the medium-term prospects in each of the oil & gas, power and water markets encouraging. In India, an important growth market for us, we opened a new factory in Bangalore and also started work to rebuild our existing factory in Chennai. This will increase our manufacturing capacity and provide a platform to address the increasing demand from India. Once completed in 2011, it will also house our innovation, design and engineering centre ('RIDEC') that was announced in August 2010 and which is currently operating from temporary offices.

Rotork Fluid Systems, which manufactures and sells pneumatic and hydraulic actuators, and is more focused on the oil & gas market than the other parts of the Group, was the division most affected by the slowdown in 2009 and, accordingly, saw the most significant rebound in order input, up 35.1%. Revenue grew 7.1% to £106.8m but operating profit fell 6.8% to £13.3m as operating margins reduced from 14.3% last year to 12.4% in 2010. Margins improved in the second half, as a result of higher volumes and the return of competitive price pressures to more normal levels, but over the year as a whole this did not offset lower first half margins which were affected by the continuation of the difficult trading environment in 2009, the slightly dilutive effect of an acquisition and the higher amortisation charge. The division's continued organic growth was augmented by Ralph A. Hiller ('Hiller'), purchased in May as part of our strategy of developing our sales coverage and increasing our presence in the important nuclear power market. The business has a distribution arm as well as the nuclear actuator manufacturing arm and, whilst further investment is needed to maximize the potential of the acquisition, the addition of its nuclear-certified hydraulic actuators has broadened Rotork's nuclear product offering. Integration of Hiller is progressing well and its understanding of the nuclear industry is already benefiting other parts of the Group.

Rotork Gears, which manufactures and sells manual and motorized gearboxes, grew revenue by 6.5% to £39.2m. As a result of these higher revenues and a continued focus on costs, operating margins improved to 23.2%, reversing most of the reduction seen in 2009. Operating profit was £9.1m, 13.4% higher than the prior year. Rotork Gears remains the consolidator in what is a very fragmented market and has built on its leading position in the year with the launch of new products and by targeting new customers in countries with the greatest potential for growth.

### *Cash generation*

Cash balances have increased to £97.9m in the year as a result of strong operating cash flows. The main outflows were tax and dividends, as well as the £5.5m acquisition of Hiller. We remain focused on working capital management but higher levels of revenue towards the end of 2010 meant net working capital absorbed £14.0m of cash during the year. Despite this, our cash generation key performance indicator, which measures conversion of operating profit into cash, was 96.5%. Going forward, we intend to use this cash to generate incremental shareholder value, either through our continued strategy to augment our business with acquisitions or via special dividends.

### *Dividend*

The Board recommends a final dividend of 19.75p per share which, taken together with the interim dividend, gives a payment of 32.5p per share (2009: 28.4p), representing a 14.4% increase. This dividend will be payable on 6 May 2011 to shareholders on the register on 8 April 2011. As a result of this increase, dividend cover will reduce to 2.5 times (2009: 2.6). In addition, the directors intend to pay a special dividend of 11.5p per share on 24 June 2011 to shareholders on the register on 27 May 2011. This represents a further cash distribution of £10.0m.

### *Board Composition*

I am pleased to welcome Gary Bullard to the Board as a non-executive director. Gary previously held sales director and managing director roles at IBM and BT Group and now provides management consultancy services to large IT and telecommunications companies. He is a member of the Audit and Nomination Committees and Chairman of the Remuneration Committee.

### *Corporate Governance*

High standards of corporate governance are rightly expected of the Board and we remain committed to those principles which ensure we run our business in a responsible way. Following publication of the UK Corporate Governance Code June 2010 by the Financial Reporting Council, we intend to introduce annual re-election for the Chairman and all the other Directors. We have always believed that good governance stems from a quality Board with a breadth of experience and skills and non-executives who are able to provide the necessary level of question and debate in the Boardroom. The purpose of our annual appraisal of Board effectiveness is to ensure that our Board is able to participate meaningfully in discussion and make objective and informed decisions. Following the latest review, I am satisfied the composition of the Board enables it to fulfil its expected role.

### *Outlook*

The long-term growth prospects continue to be positive for Rotork as we benefit from infrastructure investment in both new and existing plant. The need for automation is increasing as our customers drive plant safety improvements through their organisations and seek greater operating efficiencies.

Our wide geographic presence, especially in the countries experiencing the greatest growth in demand, the breadth of our product portfolio and strength of our customer relationships, puts us in a strong position to benefit from a continued increase in business activity.

Following several years of favourable movements in foreign exchange, currency may provide a headwind in the current year. However, the current order book and market activity support the Board's expectation of making further progress in 2011.

**Roger Lockwood**
**Chairman**
**28 February 2011**

## Business Review

Rotork actuators are used to control the flow of liquids and gases in many different applications across many different end-user markets. Rotork's markets are often described as oil & gas, power and water as these are the sectors with the greatest requirement for actuators. However, our products can also be found in many other industrial applications - including food and beverage manufacturing, chemicals, mining and shipboard systems.

Our customers are located throughout the world and in order to provide the local support our customers require, so are we. Rotork has 105 offices across 30 countries, which are supplemented by a further 254 sales outlets, bringing the total number of countries with a Rotork presence to 87. From its foundation, Rotork has brought new technology to actuators and continues to set new standards in developing innovative, functionally-advanced, high quality products within each of its divisions.

The final component of Rotork's business model is the method of manufacture. We outsource component manufacture, so most of our manufacturing plants buy components in a relatively finished form. These are then assembled to meet the requirements of a particular customer order. This provides the necessary flexibility in the sourcing of components that supports our 17 worldwide manufacturing operations and ensures we maintain a high return on capital employed.

### *Year under review*

In the same way that some parts of the world were more severely affected than others by the economic disruption of 2009, the start of the year saw a wide variation in the rate at which they rebounded. In the first quarter, Rotork saw order intake return to near the previous peak. However, the pattern of demand was uneven and customers kept their budgets under tight control, this particularly affected Rotork Fluid Systems where our competitors were pricing most aggressively in order to rebuild their order books. The fact that we continued to make progress is testament to the tremendous hard work of our employees, and customers appreciating the benefits of Rotork's products and services. Although the cost of an actuator can be insignificant in the total cost of a project, our customers understand the importance of actuators to the overall running of their operations, and recognise the need to use products that perform reliably, and most of all safely.

Overall, order intake was £381.9m, up 17.0% compared with 2009. Particularly strong improvements were reported by our businesses in the Netherlands (+123%), Italy (+32%) and China (+27%), with all regions showing growth. Removing the positive impacts of currency and the Hiller acquisition, order intake was 12.9% ahead of the prior year.

The revenue split between half years returned to a more customary weighting in favour of the second half as the improvement in orders took effect. In total, revenue advanced 7.6% to £380.6m which, excluding the effects of currency and Hiller represented a 4.6% increase. The closing order book was £138.9m, up £9.9m from the start of the year, including the £5.1m order book acquired with Hiller. Operating margins reduced by 0.2 percentage points to 25.7%, mainly as a result of higher amortisation costs. Return on sales, as defined in our key performance indicators, was maintained at 25.7% and profit before taxation rose 7.6% to £97.9m.

The establishment of the Rotork Innovation Design and Engineering Centre ('RIDEC'), based in India, supplements our already-growing divisional engineering teams and provides the opportunity to improve the capacity and speed of our product development. India has also benefited from one new factory during 2010, in Bangalore, and we are now in the process of building another in Chennai. The Bangalore plant has provided space for the Gears division to start assembly in India. The factory in Chennai will replace an ageing facility which has been making electric actuators for over 30 years. Through these two world-class facilities, our Indian operations will be even better placed to tackle this large and still-growing market. Elsewhere, in China, we have enlarged our factory in Shanghai and, in the US, will shortly relocate to larger premises in Houston. Both businesses have outgrown their existing sites. We have also expanded our operations in the Middle East, moving to a new facility in Saudi Arabia and increasing Rotork's presence in the region. We will look to develop this further in 2011.

Looking at our main markets, and the underlying factors supporting investment in oil & gas, power and water infrastructure, there is reason to be confident in the prospects of each – both in the medium and long-term. Through our broad geographic coverage and product portfolio we remain focused on meeting our customers' growing needs. However, we still see opportunities to expand our direct presence in new territories – whether through acquisition, as we recently have in Mexico, or organically as in Brazil. Similarly, we continue to seek suitable opportunities to expand our product offering, both organically and through acquisition.

***Rotork Controls***

Rotork Controls, which manufactures and sells the electric actuators on which Rotork originally built its name, still accounts for 63.9% of the Group's sales and remains the highest margin division. In the year, order intake increased by 9.1% and revenue grew by 7.0% to £243.4m. The closing order book was £85.8m, up 1.2%.

Controls has the widest end-market exposure and improved activity levels were seen across all sectors. Within oil & gas, electric actuators are found in greater numbers on downstream and transmission applications, and tank storage was particularly strong in the year. We also saw an improving trend in the water market, reversing the position at the half year.

Operating profit increased by 8.5% to £78.8m with margins fractionally higher at 32.4%. This division was less affected by the pricing pressure felt earlier in the year and has been able to use the benefit of operational gearing to offset the costs of investing in new facilities and people. These investments position the division for further growth. At the same time, our outsourced manufacturing model has meant that modest cost increases from commodity price rises have been mostly offset by sourcing initiatives.

***Rotork Fluid Systems***

Since its formation as a stand-alone division in 2001, revenue in Rotork Fluid Systems ('RFS') has risen to £106.8m, up 7.1% in the year. Although this growth has been assisted by acquisitions, the more significant benefits have been derived from the integration of each acquired business into the Group, and their use of our existing sales channels. RFS supplies pneumatic and hydraulic powered actuators and control systems from its seven factories and through a further seven Centres of Excellence, where added value services can be provided to the local customer.

RFS is the division most focused on the oil & gas market, and having felt the biggest decline in orders in 2009, it has now seen the biggest rebound, with order intake up 35.1% in 2010 and the order book increasing to £45.9m. We have continued to strengthen our engineering and R&D infrastructure and at the same time invest in improving our facilities. When the cost of these initiatives are combined with the pricing pressure experienced earlier in the year, they outweighed the benefits gained through operational gearing and material cost control, resulting in a reduction in operating margins to 12.4%, down 1.9 percentage points. RFS is now better placed to capitalise on project opportunities and operational gearing remains a key determinant of the division's margins.

***Rotork Gears***

Rotork Gears supplies manual and motorized gearboxes and ancillaries to the valve industry. Unlike the Controls and RFS divisions, where sales are project-focused, this division sells direct to valvemakers through long-term supply agreements, and with deliveries at regular intervals. These customers buy from Rotork due to the guarantee of quality and reliability of supply, as the alternative is often their own small-scale gearbox production or local independent vendors. We can also typically provide cost savings due to the scale of our operations and worldwide delivery from the six Gears factories.

Revenue from third party sales rose 14.8% in the year to £30.4m as a result of an increased sales effort in a number of developing markets and the successful launch of new products. Total revenue for this division increased at a lesser rate, up 6.5% to £39.2m, reflecting lower sales to other Rotork divisions. Operating margins had been under pressure in 2009 but the combination of higher revenue and the drive to reduce material costs, even against a commodity cost headwind, saw margins improve to 23.2%.

***Rotork Site Services***

Our after sales and service business, Rotork Site Services ('RSS') operates through each of the three divisions and is reported within their results. Growing this business forms a key part of the Group's strategy and during the year we have opened service centres in six new locations, from New Zealand to Southern France, although many of the activities RSS performs are carried out on customers' sites. Our continued investment in RSS will ensure that we are able to respond to customer's requirements promptly, and underlines our commitment to supporting our products in the field from a local base.

RSS activities are divided into a number of revenue streams and, whilst we do not report the financial results of these, we are able to monitor other metrics to assess growth. During the year we have increased the number of service engineers by 8% - perhaps the best indication of overall activity levels. These service engineers have responded to 33% more service calls, fitted 18% more actuators to valves at customers' plants and 17% more actuators to new valves in our workshops. We also have 4% more actuators on preventative maintenance contracts, where customers have outsourced their maintenance requirements to Rotork.

***Strategy***

Rotork's vision is to be the recognised global leader in electric, fluid power, manual valve actuation and associated products and services. We focus on valve actuation and associated products and services, principally wherever there is a need to control the movement of fluids or gases. As world market leader, our aim is to provide high quality, technically advanced, innovative products and services that support our customers' activities around the world through our extensive and continually expanding network of offices and manufacturing plants.

We operate an asset-light business model which is highly cash generative. We seek to deliver quality margins, consistent year on year growth in revenues, profit and core dividends through organic growth and acquisitions.
We develop and train our people to deliver our strategy and satisfy our customers' requirements, while maintaining high ethical and safety standards across the Group and acting as a responsible international corporate entity.

To provide short-term focus, we agree a set of key objectives, the broad areas of which are the same for 2011 as they were for 2010 although all parts relating to corporate and social responsibility have now been grouped together under one objective. In addition, the initiatives within each area have progressed.

The key objectives are:

1. Sales growth – The drive for organic growth requires subsidiaries to sell all the products available to them and target all end-markets within their geographies.
    - 2010 – New Middle East sales subsidiary, new Bangalore factory, establishment of RFS China, growth of sales force worldwide.
    - 2011 – Move to larger premises in Houston, restructuring of US sales offices, new Chennai factory, expansion of China factory.

2. Product development – This investment will continue in 2011 and will result in enhancements to existing products and new products entering the market.
    - 2010 – Expansion of wireless capabilities, new gearbox ranges, start up of Rotork Innovation Design and Engineering Centre ('RIDEC'), nuclear qualification of products.
    - 2011 – Growth of RIDEC, expansion of RPC ranges, investment in nuclear products and other projects that will benefit Rotork in 2012 and beyond.

3. Acquisitions – These are a core part of our growth strategy and we continue to seek suitable opportunities. We require an acquisition to bring Rotork either a new product, a new geographical market or a new market sector. Often the target will satisfy two or even three of these criteria. The size of the acquisitions we are prepared to undertake is limited by opportunity, rather than by our financial capacity but we retain a rigorous and disciplined approach to acquisition pricing.

- 2010 – Acquisition of Hiller.
- 2011 – Acquisition of Rotork Mexico.

4. Manufacturing and facilities – Rotork has invested in a number of factories and sales offices to develop world class facilities from which to work. The investment programme will continue into 2011.
   - 2010 – New factory in Bangalore, investment in Bath factory
   - 2011 – New factory in Chennai, expansion of Shanghai factory, new Houston sales and service facility, new offices in Saudi Arabia

5. Material cost management – 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.
   - 2010 – Gross margin increased in the year as rising commodity costs were mitigated through a combination of sourcing initiatives and passing through the increases.
   - 2011 – Continue to look for opportunities to take costs out of our products through sourcing or product development. This will include expanding our sourcing network through teams based in each of our factories.

6. Development of Rotork Site Services ('RSS') – RSS has grown over the last few years to become a revenue generator as well as a key differentiator for Rotork.
   - 2010 – Increased the number of service engineers by 8%, invested in the service workshops in six locations, three of which are new facilities.
   - 2011 – Continue to expand the service team and establish new workshops where there is customer demand.

7. IT – Develop a global system for the sales and service offices.
   - 2010 – Commenced the design of the solution.
   - 2011 – Finalise the design and begin roll-out.

8. Nuclear – Expand our nuclear-certified product offering and ensure we are positioned to take advantage of increased activity in this market.
   - 2010 – The purchase of Ralph A. Hiller was central to achieving this objective. Re-qualification of our nuclear electric actuators was also achieved during the year.
   - 2011 – We will continue to develop our traditional products for use in nuclear applications as well as working with Hiller to enhance their products.

9. Corporate and Social Responsibility – Our consideration of Corporate and Social responsibility ('CSR') and objectives cover three distinct areas. The Rotork approach to health and safety is to disseminate best practice around the Group, training those responsible and then verify adoption through auditing each subsidiary.
   - 2010 – The improvement in audit scores and reduction in the Accident Frequency Rate KPI show we are making progress.
   - 2011 – Continue the initiatives which have already delivered improvements.

   People development – Throughout the Group we look to develop internal talent and promote from within where possible. Encouraging people to build their career within Rotork and helping them identify their training needs allows each individual to reach their full potential. Feedback on our success in this is obtained through our Employee Satisfaction Survey.

   Processes and ethics – We continue to embed a high-performance culture and the delivery of our Corporate Social Responsibility agenda. Communication of Rotork's Ethics and Values is now part of the induction process for new employees and new agents and takes due account of the Bribery Act 2010 and the associated draft guidelines. These core ethical values will ensure each individual employee acts at all times with integrity, honesty and fairness towards those whom they engage. 2010 saw greater employee participation in supporting local charities, as well as WaterAid, the nominated Group charity.

***Research & Development***

A major initiative during 2010 has been the setting up of the Rotork Innovation and Design Engineering Centre (‘RIDEC’) in Chennai, India. This facility became operational in the last quarter and is intended to provide a multi-disciplinary technical resource to all business units within the Group. RIDEC will help with both the engineering integration of acquired businesses that may employ different CAD systems and processes, and the development of new and enhanced products across the Group. It will continue to recruit through the year, aiming to be at full strength by the end of 2011.

The key differentiating features of an electric actuator are motor control, robust communications links, and sensor technology, and our Bath-based engineers remain active in all of these areas. At the end of the year we commenced production of a variant of our IQ series using a novel valve position sensor. This represents the conclusion of several years’ research into position measurement techniques and the search for a cost-effective alternative to our existing technology. In addition, we have continued the development of our wireless network and are now ready to move from pilot installations to deployment within an operational environment. There are still challenges ahead but this represents an exciting step forward.

As in previous years we have continued our efforts to gain leverage by applying our IQ technology to other products within the Group. Products scheduled for release by the RFS division during 2011 mark the culmination of this activity. Work has continued on the control valve actuator (‘CVA’) to increase the range of options available and to extend the torque and thrust capability of the family. A larger size is now planned for introduction in 2011. Throughout 2010, the Process Controls division (‘RPC’) has been working on the development of a new family of linear, rotary and quarter-turn actuators that will complement the CVA range and replace some of its older products. The first sizes of this new family are due for release during 2011.

In tandem with the acquisition of Hiller, we have substantially increased our resources committed to the development of our nuclear product portfolio. We have completed re-qualification of the existing nuclear electric actuator range to IEEE382 1996, together with seismic qualification of the 90NA/ISN19 actuator/gearbox combination; the 90NA/ISN19 being the largest combination that we produce. We are also actively engaged in the design and qualification of electric and fluid power actuators suitable for use within Westinghouse-designed AP1000 and Areva EPR nuclear power stations.

***Quality***

Commitment to product excellence and exceeding customer expectations is a fundamental part of Rotork’s strategy. A quality-driven focus is embedded in all our business processes, from procurement and vendor approval, through to manufacture and delivery, and extends into our site service activities. All Rotork manufacturing sites are required to be registered with a Quality Management Approval System to ISO9000 standards, and are required to adopt Rotork systems and working practices.

Our divisional structure and decentralised procurement & manufacturing hubs allow us to disseminate best practice between our businesses, and foster a culture of continuous improvement at all levels, which is reviewed in quality audits. KPIs allow us to target, monitor and improve our performance and instil an approach that is focused on the customer. Techniques such as six sigma and lean manufacturing principles are used extensively and allow us to leverage world-class standards and place ourselves at the leading edge of product quality and performance.

**Peter France**
**Chief Executive**
**28 February 2011**

## Consolidated Income Statement
for the year ended 31 December 2010

| | *Notes* | **2010 £'000** | 2009 £'000 |
|---|---|---|---|
| **Revenue** | 2 | **380,560** | 353,521 |
| Cost of sales | | **(199,742)** | (187,600) |
| **Gross profit** | | **180,818** | 165,921 |
| Other income | | **83** | 688 |
| Distribution costs | | **(3,604)** | (3,428) |
| Administrative expenses | | **(79,513)** | (71,585) |
| Other expenses | | **(60)** | (59) |
| Operating profit before the amortisation of acquired intangible assets and the disposal of property | | **99,442** | 92,103 |
| Amortisation of acquired intangible assets | | **(1,718)** | (1,153) |
| Disposal of property | | **-** | 587 |
| **Operating profit** | | **97,724** | 91,537 |
| Financial income | 3 | **6,931** | 5,784 |
| Financial expenses | 3 | **(6,800)** | (6,405) |
| **Profit before tax** | | **97,855** | 90,916 |
| Income tax expense | 4 | **(28,334)** | (26,884) |
| **Profit for the year** | | **69,521** | 64,032 |
| | | **=====** | ===== |
| | | **Pence** | Pence |
| Basic earnings per share | 10 | **80.5** | 74.2 |
| Diluted earnings per share | 10 | **80.2** | 73.9 |

## Consolidated Statement of Comprehensive Income
for the year ended 31 December 2010

| | **2010 £'000** | 2009 £'000 |
|---|---|---|
| **Profit for the year** | **69,521** | 64,032 |
| **Other comprehensive income** | | |
| Foreign exchange translation differences | **1,119** | (11,928) |
| Actuarial gain / (loss) in pension scheme | **1,095** | (11,290) |
| Effective portion of changes in fair value of cash flow hedges | **674** | 5,046 |
| **Income and expenses recognised directly in equity** | **2,888** | (18,172) |
| **Total comprehensive income for the year** | **72,409** | 45,860 |
| | **=====** | ===== |

## Consolidated Balance Sheet
at 31 December 2010

| | Notes | 2010 £'000 | 2009 £'000 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | | **25,780** | 23,521 |
| Intangible assets | 5 | **43,990** | 40,780 |
| Deferred tax assets | | **11,480** | 11,631 |
| Other receivables | 7 | **1,290** | 1,119 |
| **Total non-current assets** | | **82,540** | 77,051 |
| Inventories | 6 | **48,241** | 46,712 |
| Trade receivables | 7 | **70,362** | 53,791 |
| Current tax | 7 | **2,398** | 1,818 |
| Derivative financial instruments | | **918** | 942 |
| Other receivables | 7 | **6,684** | 6,197 |
| Cash and cash equivalents | 8 | **97,881** | 78,676 |
| **Total current assets** | | **226,484** | 188,136 |
| **Total assets** | | **309,024** | 265,187 |
| **Equity** | | | |
| Issued equity capital | 9 | **4,334** | 4,330 |
| Share premium | | **7,389** | 7,033 |
| Reserves | | **16,201** | 14,406 |
| Retained earnings | | **175,927** | 140,402 |
| **Total equity** | | **203,851** | 166,171 |
| **Liabilities** | | | |
| Interest bearing loans and borrowings | | **127** | 162 |
| Employee benefits | | **19,752** | 22,549 |
| Deferred tax liabilities | | **3,165** | 1,970 |
| Derivative financial instruments | | **-** | 127 |
| Provisions | 11 | **1,968** | 1,664 |
| **Total non-current liabilities** | | **25,012** | 26,472 |
| Interest bearing loans and borrowings | | **49** | 104 |
| Trade payables | 12 | **30,447** | 26,350 |
| Employee benefits | | **8,220** | 7,252 |
| Current tax | 12 | **10,821** | 9,768 |
| Derivative financial instruments | | **294** | 1,130 |
| Other payables | 12 | **26,334** | 24,690 |
| Provisions | 11 | **3,996** | 3,250 |
| **Total current liabilities** | | **80,161** | 72,544 |
| **Total liabilities** | | **105,173** | 99,016 |
| **Total equity and liabilities** | | **309,024** | 265,187 |

## 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 2008 | 4,325 | 6,666 | 24,909 | 1,642 | (5,263) | 112,117 | 144,396 |
| Profit for the year | - | - | - | - | - | 64,032 | 64,032 |
| *Other comprehensive income* | | | | | | | |
| Foreign exchange translation differences | - | - | (11,928) | - | - | - | (11,928) |
| Effective portion of changes in fair value of cash flow hedges | - | - | - | - | 5,046 | - | 5,046 |
| Actuarial gains and losses on defined benefit pension plans net of tax | - | - | - | - | - | (11,290) | (11,290) |
| *Total other comprehensive income* | - | - | (11,928) | - | 5,046 | (11,290) | (18,172) |
| Total comprehensive income | - | - | (11,928) | - | 5,046 | 52,742 | 45,860 |
| *Transactions with owners, recorded directly in equity* | | | | | | | |
| Equity settled share-based payment transactions net of tax | - | - | - | - | - | 48 | 48 |
| Share options exercised by employees | 5 | 367 | - | - | - | - | 372 |
| Own ordinary shares acquired | - | - | - | - | - | (3,700) | (3,700) |
| Own ordinary shares awarded under share schemes | - | - | - | - | - | 3,297 | 3,297 |
| Dividends | - | - | - | - | - | (24,102) | (24,102) |
| Balance at 31 December 2009 | 4,330 | 7,033 | 12,981 | 1,642 | (217) | 140,402 | 166,171 |
| Profit for the year | **-** | **-** | **-** | **-** | **-** | **69,521** | **69,521** |
| *Other comprehensive income* | | | | | | | |
| Foreign exchange translation differences | **-** | **-** | **1,119** | **-** | **-** | **-** | **1,119** |
| Effective portion of changes in fair value of cash flow hedges | **-** | **-** | **-** | **-** | **674** | **-** | **674** |
| Actuarial gains and losses on defined benefit pension plans net of tax | **-** | **-** | **-** | **-** | **-** | **1,095** | **1,095** |
| *Total other comprehensive income* | **-** | **-** | **1,119** | **-** | **674** | **1,095** | **2,888** |
| **Total comprehensive income** | **-** | **-** | **1,119** | **-** | **674** | **70,616** | **72,409** |
| *Transactions with owners, recorded directly in equity* | | | | | | | |
| Equity settled share-based payment transactions net of tax | **-** | **-** | **-** | **-** | **-** | **195** | **195** |
| Share options exercised by employees | **4** | **356** | **-** | **-** | **-** | **-** | **360** |
| Own ordinary shares acquired | **-** | **-** | **-** | **-** | **-** | **(2,876)** | **(2,876)** |
| Own ordinary shares awarded under share schemes | **-** | **-** | **-** | **-** | **-** | **3,506** | **3,506** |
| Preference shares redeemed | **-** | **-** | **-** | **2** | **-** | **(4)** | **(2)** |
| Dividends | **-** | **-** | **-** | **-** | **-** | **(35,912)** | **(35,912)** |
| **Balance at 31 December 2010** | **4,334** | **7,389** | **14,100** | **1,644** | **457** | **175,927** | **203,851** |

Detailed explanations for equity capital, translation reserve, capital redemption reserve and hedging reserve can be seen in note 9.

## Consolidated Statement of Cash Flows
for the year ended 31 December 2010

| | Notes | 2010 £'000 | 2010 £'000 | 2009 £'000 | 2009 £'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit for the year | | **69,521** | | 64,032 | |
| Adjustments for: | | | | | |
| Amortisation of intangibles | | **1,718** | | 1,153 | |
| Amortisation of development costs | | **639** | | 402 | |
| Depreciation | | **3,972** | | 3,549 | |
| Equity settled share-based payment expense | | **1,086** | | 872 | |
| Profit on sale of property, plant and equipment | | **(12)** | | (598) | |
| Financial income | | **(6,931)** | | (5,784) | |
| Financial expenses | | **6,800** | | 6,405 | |
| Income tax expense | | **28,334** | | 26,884 | |
| | | **105,127** | | 96,915 | |
| Decrease in inventories | | **489** | | 9,680 | |
| (Increase) / decrease in trade and other receivables | | **(14,503)** | | 5,967 | |
| Increase / (decrease) in trade and other payables | | **3,189** | | (4,032) | |
| Difference between pension charge and cash contribution | | **(844)** | | (1,350) | |
| Increase / (decrease) in provisions | | **385** | | (257) | |
| Increase in other employee benefits | | **507** | | 272 | |
| | | **94,350** | | 107,195 | |
| Income taxes paid | | **(26,186)** | | (27,548) | |
| ***Cash flows from operating activities*** | | | **68,164** | | 79,647 |
| **Investing activities** | | | | | |
| Purchase of property, plant and equipment | | **(5,034)** | | (4,238) | |
| Development costs capitalised | | **(1,018)** | | (768) | |
| Sale of property, plant and equipment | | **154** | | 908 | |
| Acquisition of businesses | | **(5,621)** | | (4,892) | |
| Interest received | | **483** | | 270 | |
| ***Cash flows from investing activities*** | | | **(11,036)** | | (8,720) |
| **Financing activities** | | | | | |
| Issue of ordinary share capital | | **360** | | 372 | |
| Purchase of ordinary share capital | | **(2,876)** | | (3,700) | |
| Purchase of preference shares treated as debt | | **(4)** | | - | |
| Interest paid | | **(88)** | | (176) | |
| Repayment of amounts borrowed | | **(464)** | | (27) | |
| Repayment of finance lease liabilities | | **(102)** | | (94) | |
| Dividends paid on ordinary shares | | **(35,912)** | | (24,102) | |
| ***Cash flows from financing activities*** | | | **(39,086)** | | (27,727) |
| Increase in cash and cash equivalents | | | **18,042** | | 43,200 |
| Cash and cash equivalents at 1 January | | | **78,676** | | 41,390 |
| Effect of exchange rate fluctuations on cash held | | | **1,163** | | (5,914) |
| **Cash and cash equivalents at 31 December** | 8 | | **97,881** | | 78,676 |

Rotork p.l.c. is a company domiciled in England. The consolidated financial statements of the Company for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the 'Group').

## 1. Accounting policies

Basis of preparation

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

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

***New accounting standards and interpretations***

The following standards and interpretations became effective for the current reporting period:

IFRS3, 'Business combinations (revised)', was adopted from 1 January 2010. The main difference to Rotork is that previously capitalised acquisition costs are now being expensed. The change has not had a material impact on the financial statements.

Amendments to IFRS 2, Group Cash-settled Share-based Payment Transactions, IAS 27 Consolidated and Separate Financial Statements, IAS 39 'Financial Instruments: Recognition and Measurement: Eligible Hedged Items', and IAS 39 'Reclassification of Financial Assets: Effective Date and Transition' did not have a material impact on the financial statements.

Amendments to IFRS 1, Additional Exemptions for First-time Adopters is not applicable to the Group.

No interpretations which became effective in 2010 were relevant to the Group.

***Recent accounting developments***

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

Going concern

The Company has considerable financial resources together with a significant order book, with customers across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the going concern basis is adopted in preparing the annual financial statements.

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year to 31 December 2010. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. Intragroup balances and any unrealised gains or losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Status of this preliminary announcement

The financial information contained in this preliminary announcement does not constitute the Company's statutory accounts for the years ended 31 December 2010 or 2009. Statutory accounts for 2009, which were prepared under International Financial Reporting Standards as adopted by the EU, have been delivered to the registrar of companies, and those for 2010 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Full financial statements for the year ended 31 December 2010, will shortly be posted to shareholders, and after adoption at the Annual General Meeting on 21 April 2011 will be delivered to the registrar.

## 2. Operating segments

The Group has chosen to organise the management and financial structure by the grouping of related products. The three 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

Unallocated expenses comprise corporate expenses.

**Geographic analysis**
Rotork has a worldwide presence in all three operating segments through its subsidiary selling offices and through an agency network. A full list of locations can be found at www.rotork.com or in the directory on pages 94 to 96 of the Rotork 2009 Annual Report & Accounts.

**Analysis by Operating Segment:**

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

| | Controls 2009 | Fluid Systems 2009 | Gears 2009 | Elimination 2009 | Unallocated 2009 | Group 2009 |
|---|---|---|---|---|---|---|
| Revenue from external customers | 227,344 | 99,726 | 26,451 | - | - | 353,521 |
| Inter segment revenue | - | - | 10,373 | (10,373) | - | - |
| Total revenue | 227,344 | 99,726 | 36,824 | (10,373) | - | 353,521 |
| Operating profit before amortisation of acquired intangibles and disposal of property | 72,033 | 15,313 | 8,086 | - | (3,329) | 92,103 |
| Amortisation of acquired intangibles | - | (1,093) | (60) | - | - | (1,153) |
| Disposal of property | 587 | - | - | - | - | 587 |
| Operating profit | 72,620 | 14,220 | 8,026 | - | (3,329) | 91,537 |
| Net financing expense | | | | | | (621) |
| Income tax expense | | | | | | (26,884) |
| Profit for the year | | | | | | 64,032 |

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

| | Controls | Fluid Systems | Gears | Unallocated | Consolidated |
|---|---|---|---|---|---|
| | 2009 | 2009 | 2009 | 2009 | 2009 |
| Depreciation | 2,262 | 1,040 | 247 | - | 3,549 |
| Amortisation: | | | | | |
| Other intangibles | - | 1,093 | 60 | - | 1,153 |
| Development costs | 402 | - | - | - | 402 |
| Non-cash items : equity settled share-based payments | 458 | 72 | 79 | 263 | 872 |
| Net financing expense | - | - | - | (621) | (621) |
| Intangible assets acquired as part of a business combination | - | 3,595 | - | - | 3,595 |
| Capital expenditure | 3,083 | 1,094 | 135 | - | 4,312 |

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

| | UK | Rest of Europe | USA | Other Americas | Rest of the World | Consolidated |
|---|---|---|---|---|---|---|
| | 2009 | 2009 | 2009 | 2009 | 2009 | 2009 |
| Revenue from external customers by location of customer | 29,314 | 117,098 | 65,370 | 33,081 | 108,658 | 353,521 |
| Non- current assets | | | | | | |
| - Intangible assets | 6,869 | 19,217 | 10,207 | 213 | 4,274 | 40,780 |
| - Property, plant and equipment | 5,200 | 11,060 | 3,360 | 220 | 3,681 | 23,521 |

## 3. Net financing income

| Recognised in the income statement | **2010** | 2009 |
|---|---|---|
| Interest income | **540** | 226 |
| Expected return on assets in the pension schemes | **6,141** | 5,408 |
| Foreign exchange gains | **250** | 150 |
| | **6,931** | 5,784 |
| | **=====** | ===== |
| Interest expense | **79** | 167 |
| Interest charge on pension scheme liabilities | **6,289** | 5,449 |
| Foreign exchange losses | **432** | 789 |
| | **6,800** | 6,405 |
| | **=====** | ===== |

**Recognised in equity**

| | | |
|---|---|---|
| Effective portion of changes in fair value of cash flow hedges | **457** | (217) |
| Fair value of cash flow hedges transferred to income statement | **217** | 5,263 |
| Foreign currency translation differences for foreign operations | **1,119** | (11,928) |
| | **1,793** | (6,882) |
| | **=====** | ===== |
| Recognised in: | | |
| Hedging reserve | **674** | 5,046 |
| Translation reserve | **1,119** | (11,928) |
| | **1,793** | (6,882) |
| | **=====** | ===== |

## 4. Income tax expense

| | 2010 | 2010 | 2009 | 2009 |
|---|---|---|---|---|
| **Current tax:** | | | | |
| UK corporation tax on profits for the year | **8,645** | | 13,757 | |
| Double tax relief | **-** | | (6,074) | |
| Adjustment in respect of prior years | **(417)** | | (146) | |
| | | **8,228** | | 7,537 |
| Overseas tax on profits for the year | **18,787** | | 18,560 | |
| Adjustment in respect of prior years | **42** | | (9) | |
| | | **18,829** | | 18,551 |
| Total current tax | | **27,057** | | 26,088 |
| **Deferred tax:** | | | | |
| Origination and reversal of other temporary differences | **1,477** | | 704 | |
| Adjustment in respect of prior years | **(200)** | | 92 | |
| Total deferred tax | | **1,277** | | 796 |
| **Total tax charge for year** | | **28,334** | | 26,884 |
| | | **=====** | | ===== |

| | 2010 | 2009 |
|---|---|---|
| Effective tax rate (based on profit before tax) | **29.0%** | 29.6% |
| Profit before tax | **97,855** | 90,916 |
| Profit before tax multiplied by standard rate of corporation tax in the UK of 28.0% (2009: 28.0%) | **27,399** | 25,456 |
| *Effects of:* | | |
| Non deductible items | **785** | 1,468 |
| Utilisation of overseas tax holidays and losses | **(1,127)** | (898) |
| Different tax rates on overseas earnings | **1,852** | 921 |
| Adjustments to tax charge in respect of prior years | **(575)** | (63) |
| **Total tax charge for year** | **28,334** | 26,884 |
| | **=====** | ===== |

A tax credit of £926,000 *(2009: credit £670,000)* 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 slightly higher than the standard UK rate due to higher rates of tax in the US, Canada, France, Germany, Italy, Japan and India.

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

## 5. Intangible assets

| | **Goodwill 2010** | **Development costs 2010** | **Other intangibles 2010** | **Total 2010** | Goodwill 2009 | Development costs 2009 | Other intangibles 2009 | Total 2009 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| Balance at 1 January | **33,204** | **4,647** | **8,409** | **46,260** | 32,792 | 3,879 | 6,941 | 43,612 |
| Exchange differences | **230** | **-** | **468** | **698** | (1,696) | - | (19) | (1,715) |
| Internally developed during the year | **-** | **1,018** | **-** | **1,018** | - | 768 | - | 768 |
| Acquisition through business combinations | **2,473** | **-** | **1,629** | **4,102** | 2,108 | - | 1,487 | 3,595 |
| **Balance at 31 December** | **35,907** | **5,665** | **10,506** | **52,078** | 33,204 | 4,647 | 8,409 | 46,260 |
| **Amortisation** | | | | | | | | |
| Balance at 1 January | **-** | **2,555** | **2,925** | **5,480** | - | 2,153 | 1,763 | 3,916 |
| Exchange differences | **-** | **-** | **251** | **251** | - | - | 9 | 9 |
| Amortisation for the year | **-** | **639** | **1,718** | **2,357** | - | 402 | 1,153 | 1,555 |
| **Balance at 31 December** | **-** | **3,194** | **4,894** | **8,088** | - | 2,555 | 2,925 | 5,480 |
| **Net book value at 31 December** | **35,907** | **2,471** | **5,612** | **43,990** | 33,204 | 2,092 | 5,484 | 40,780 |
| Net book value at 31 December 2008 | | | | | 32,792 | 1,726 | 5,178 | 39,696 |

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

**Impairment tests for goodwill**

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

| | **2010** | 2009 |
|---|---|---|
| Controls | **6,828** | 6,687 |
| Fluid Systems | **21,436** | 18,753 |
| Gears | **7,643** | 7,764 |
| | **35,907** | 33,204 |

The recoverable amounts of all CGUs are based on value in use calculations. These calculations use cash flow projections and are based on actual operating results and the latest Group three year plan. The three year plan is based on management's view of the future and experience of past performance. Cash flows for the remainder of the next twenty years are extrapolated using a 2% growth rate which reflects the long-term nature of many of the markets the Group serves. This rate has been consistently bettered in the past so is believed to represent a prudent estimate. The discount rate used is 12.1% (2009: 9.8%), this represents a reasonable rate for a market participant in this sector. The discount rate of each business segment is not materially different to 12.1%. For the Goodwill to become impaired in the CGU with the minimum headroom, the discount rate would have to increase by 24%. On this basis each business segment has sufficient headroom and therefore no impairment write downs are required.

## 6. Inventories

| | **2010** | 2009 |
|---|---|---|
| Raw materials and consumables | **30,345** | 26,998 |
| Work in progress | **11,411** | 13,692 |
| Finished goods | **6,485** | 6,022 |
| | **48,241** | 46,712 |
| | **=====** | ===== |

Included in cost of sales was £147,651,000 *(2009: £140,728,000)* in respect of inventories consumed in the year.

## 7. Trade and other receivables

| | **2010** | 2009 |
|---|---|---|
| **Non-current assets:** | | |
| Insurance policy | **1,158** | 995 |
| Other | **132** | 124 |
| Other receivables | **1,290** | 1,119 |
| | **=====** | ===== |
| **Current assets:** | | |
| Trade receivables | **72,208** | 55,384 |
| Less provision for impairment of receivables | **(1,846)** | (1,593) |
| Trade receivables – net | **70,362** | 53,791 |
| | **=====** | ===== |
| Corporation tax | **2,398** | 1,818 |
| Current tax | **2,398** | 1,818 |
| | **=====** | ===== |
| Other non-trade receivables | **3,943** | 3,729 |
| Prepayments and accrued income | **2,741** | 2,468 |
| Other receivables | **6,684** | 6,197 |
| | **=====** | ===== |

## 8. Cash and cash equivalents

| | **2010** | 2009 |
|---|---|---|
| Bank balances | **40,865** | 29,704 |
| Cash in hand | **95** | 89 |
| Short-term deposits | **56,921** | 48,883 |
| Cash and cash equivalents in the consolidated statement of cash flows | **97,881** | 78,676 |

## 9. Capital and reserves

**Share capital and share premium**

| | **5p Ordinary shares Authorised 2010** | **5p Ordinary shares Issued and fully paid up 2010** | **£1 Non-redeemable preference shares 2010** | 5p Ordinary shares Authorised 2009 | 5p Ordinary shares Issued and fully paid up 2009 | £1 Non-redeemable preference shares 2009 |
|---|---|---|---|---|---|---|
| At 1 January | **5,449** | **4,330** | **42** | 5,449 | 4,325 | 42 |
| Preference shares redeemed | **-** | **-** | **(2)** | - | - | - |
| Issued under employee share schemes | **-** | **4** | **-** | - | 5 | - |
| At 31 December | **5,449** | **4,334** | **40** | 5,449 | 4,330 | 42 |
| | **108,990** | **86,682** | | 108,990 | 86,613 | |

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

The Group received proceeds of £360,000 (2009: £372,000) in respect of the 68,955 (2009: 102,861) ordinary shares issued during the year: £4,000 (2009: £5,000) was credited to share capital and £356,000 (2009: £367,000) to share premium.

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

Within the retained earnings reserve are own shares held. The investment in own shares represents 262,528 *(2009: 363,196)* 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:

| | **2010** | 2009 |
|---|---|---|
| 17.25p final dividend (*2009: 16.75p)* | **14,928** | 14,470 |
| 12.75p interim dividend *(2009: 11.15p)* | **11,033** | 9,632 |
| 2010 additional interim dividend 11.5p (2009: nil) | **9,951** | - |
| | **35,912** | 24,102 |
| | **=====** | ===== |

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.

| | **2010** | 2009 |
|---|---|---|
| **Final proposed dividend per qualifying ordinary share** | | |
| 19.75p | **17,120** | |
| | **=====** | |
| 17.25p | | 14,943 |
| | | ===== |
| **Additional interim dividend of 11.5p per qualifying ordinary share proposed for 2011** | **10,000** | |
| | **=====** | |
| Additional interim dividend of 11.5p per qualifying ordinary share proposed for 2010 | | 9,960 |
| | | ===== |

## 10. 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 86.4m shares *(2009: 86.3m shares)* being the weighted average number of ordinary shares in issue (net of own ordinary shares held) for the year.

| | **2010** | 2009 |
|---|---|---|
| **Net profit attributable to ordinary shareholders** | **69,521** | 64,032 |
| | **=====** | ===== |
| **Weighted average number of ordinary shares** | | |
| Issued ordinary shares at 1 January | **86,250** | 86,096 |
| Effect of own shares held | **131** | 172 |
| Effect of shares issued under Share option schemes / Sharesave plans | **24** | 13 |
| Weighted average number of ordinary shares for the year | **86,405** | 86,281 |
| | **=====** | ===== |
| Basic earnings per share | **80.5p** | 74.2p |

**Diluted earnings per share**

Diluted earnings per share is based on the profit for the year attributable to the ordinary shareholders and 86.7m shares *(2009: 86.7m shares)*. The number of shares is equal to the weighted average number of ordinary shares in issue (net of own ordinary shares held) adjusted to assume conversion of all potentially dilutive ordinary shares. The Company has three categories of potentially dilutive ordinary shares: those share options granted to employees under the Share option scheme and Sharesave plan where the exercise price is less than the average market price of the Company's ordinary shares during the year and contingently issuable shares awarded under the Long Term Incentive Plan ('LTIP').

| | **2010** | 2009 |
|---|---|---|
| **Net profit attributable to ordinary shareholders** | **69,521** | 64,032 |
| | ===== | ===== |
| **Weighted average number of ordinary shares (diluted)** | | |
| Weighted average number of ordinary shares for the year | **86,405** | 86,281 |
| Effect of share options in issue | **9** | 11 |
| Effect of Sharesave options in issue | **108** | 68 |
| Effect of LTIP shares in issue | **145** | 327 |
| Weighted average number of ordinary shares (diluted) for the year | **86,667** | 86,687 |
| | ===== | ===== |
| Diluted earnings per share | **80.2p** | 73.9p |

## 11. Provisions

| | **Warranty Provision** |
|---|---|
| Balance at 1 January 2010 | 4,914 |
| Exchange differences | 295 |
| Provisions used during the year | (1,078) |
| Acquired as part of a business combination | 664 |
| Charged in the year | 1,169 |
| **Balance at 31 December 2010** | **5,964** |
| | ===== |
| **Maturity at 31 December 2010** | |
| Non-current | **1,968** |
| Current | **3,996** |
| | **5,964** |
| | ===== |
| Maturity at 31 December 2009 | |
| Non-current | 1,664 |
| Current | 3,250 |
| | 4,914 |
| | ===== |

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.

## 12. Trade and other payables

| | **2010** | 2009 |
|---|---|---|
| Trade payables | **30,447** | 26,031 |
| Bills of exchange | **-** | 319 |
| Trade payables | **30,447** | 26,350 |
| | **=====** | ===== |
| Corporation tax | **10,821** | 9,768 |
| Current tax | **10,821** | 9,768 |
| | **=====** | ===== |
| Other taxes and social security | **4,066** | 3,627 |
| Non-trade payables and accrued expenses | **22,268** | 21,063 |
| Other payables | **26,334** | 24,690 |
| | **=====** | ===== |

## 13. 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 in the directory on pages 94 to 96 of the Rotork 2009 Annual Report & Accounts. 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 £21,000 during the year *(2009: £20,000)* and no amount was outstanding at 31 December 2010 *(2009: £19,000).*

**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:

| | **2010** | 2009 |
|---|---|---|
| Emoluments including social security costs | **2,990** | 2,455 |
| Post employment benefits | **370** | 424 |
| Share-based payments | **755** | 843 |
| | **4,115** | 3,722 |
| | **=====** | ===== |

## 14. Post balance sheet event

On 23 February 2011 the Group signed a contract to acquire all the outstanding issued share capital of Rotork Servo Controles de Mexico S.A. de C.V. ('RSCM'), its Mexican sales and service agent. Formal completion will take place following certain share transfer formalities being finalised. Gross assets of RSCM are approximately £1.6 million.