Rotork plc

2012 Full Year Results

	2012	2011	% change	OCC *[2] % change
Revenue	**£511.7m**	£447.8m	+14.3%	+12.3%
Adjusted*[1] operating profit	**£131.9m**	£115.9m	+13.8%	+13.0%
Profit before tax	**£124.2m**	£112.6m	+10.3%	+13.6%
Adjusted*[1] profit before tax	**£131.6m**	£116.5m	+13.0%	+12.2%
Basic earnings per share	**103.1p**	93.0p	+11.0%	+14.3%
Adjusted*[1] basic earnings per share	**109.3p**	96.2p	+13.6%	
Full year core dividend	**43.0p**	37.25p	+15.4%	

*[1] Adjusted figures are before the amortisation of acquired intangible assets
*[2] OCC is organic constant currency

Key Points

- Record order intake, revenue and profit in each division
- Order intake up 16.8%
- Order book at a record high of £181.0m, up 15.1% from December 2011
- New product launches in each division, including IQ3 in Controls
- Continued investment in infrastructure and international sales channels
- Soldo acquired and 2011 acquisitions integrated into business

Peter France, Chief Executive, commenting on the results, said:
"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."

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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. 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 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

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.

Business 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.

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 Sao 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.

Rotork Controls

£m	2012	2011	Change	OCC change
Revenue	293.3	278.0	+5.5%	+6.8%
Adjusted operating profit	94.8	92.1	+2.9%	+5.0%
Adjusted operating margin	32.3%	33.1%	-80bps	-50bps

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 products' 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.

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 roll out production to our other electric actuator manufacturing sites during 2013.

Rotork Fluid Systems

£m	2012	2011	Change	OCC change
Revenue	160.9	132.6	+21.4%	+22.6%
Adjusted operating profit	24.6	17.1	+44.2%	+51.3%
Adjusted operating margin	15.3%	12.9%	+240bps	+300bps

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. 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.

Rotork Gears

£m	2012	2011	Change	OCC change
Revenue	52.9	46.6	+13.5%	+13.6%
Adjusted operating profit	12.1	10.3	+17.0%	+21.4%
Adjusted operating margin	22.9%	22.2%	+70bps	+150bps

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 out-sourced 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, 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.

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.

Rotork Instruments

£m	2012	2011
Revenue	16.4	1.4
Adjusted operating profit	5.1	0.4
Adjusted operating margin	31.1%	27.4%

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.

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.

Rotork Site Services

Rotork Site Services operates mainly within the Rotork Controls and Rotork Fluid Systems divisions and focuses mostly on preventative maintenance contracts, on-site 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.

Research & 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.

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.

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.

Peter France
Chief Executive
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		**908**	194
Distribution costs		**(4,214)**	(4,020)
Administrative expenses		**(111,743)**	(95,589)
Other expenses		**(32)**	(59)
Adjusted operating profit		**131,866**	115,921
Amortisation of acquired intangible assets		**(7,399)**	(3,921)
Operating profit		**124,467**	112,000
Financial income	4	**6,656**	7,590
Financial expenses	4	**(6,929)**	(7,040)
Profit before tax		**124,194**	112,550
Income tax expense	5	**(34,879)**	(32,149)
Profit for the year		**89,315**	80,401

		Pence	Pence
Basic earnings per share	12	**103.1**	93.0
Adjusted basic earnings per share	12	**109.3**	96.2
Diluted earnings per share	12	**102.6**	92.6

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		**38,445**	31,954
Goodwill	6	**80,729**	68,459
Intangible assets	7	**40,743**	38,325
Deferred tax assets		**12,984**	13,244
Derivative financial instruments		**-**	315
Other receivables	9	**1,674**	1,556
Total non-current assets		**174,575**	153,853
Current assets			
Inventories	8	**71,100**	62,928
Trade receivables	9	**95,822**	96,734
Current tax	9	**1,946**	988
Derivative financial instruments		**2,254**	677
Other receivables	9	**9,662**	8,461
Cash and cash equivalents	10	**59,868**	48,557
Total current assets		**240,652**	218,345
Total assets		**415,227**	372,198
Equity			
Issued equity capital	11	**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		**116**	229
Employee benefits		**32,060**	28,142
Deferred tax liabilities		**13,488**	12,782
Provisions	13	**2,701**	2,218
Total non-current liabilities		**48,365**	43,371
Current liabilities			
Bank overdraft	10	**-**	38
Interest bearing loans and borrowings		**56**	85
Trade payables	14	**36,355**	38,742
Employee benefits		**10,742**	9,624
Current tax	14	**11,143**	13,225
Derivative financial instruments		**96**	614
Other payables	14	**35,212**	38,360
Provisions	13	**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

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, translation reserve, capital redemption reserve and hedging reserve can be seen in note 11.

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	10		**59,868**		48,519
			=====		=====

Notes to the 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').

1. Accounting policies

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 is 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.

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 2012 or 2011. Statutory accounts for 2011, which were prepared under International Financial Reporting Standards as adopted by the EU, have been delivered to the registrar of companies, and those for 2012 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 2012, will shortly be posted to shareholders, and after adoption at the Annual General Meeting on 26 April 2012 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 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

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 has 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**
			23,112
Purchase consideration			**22,314**
Cash held in subsidiary			**(1,640)**
Cash outflow on acquisition			**20,674**

The adjustments shown in the table above 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.

4. 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)

5. Income tax expense

	2012 £000	2012 £000	2011 £000	2011 £000
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.

6. Goodwill

	2012 £000	2011 £000
Cost		
At beginning of year	**68,459**	35,907
Acquisition through business combinations	**13,952**	32,548
Exchange adjustments	**(1,682)**	4
At end of year	**80,729**	68,459
Provision for impairment		
At beginning and end of year	**-**	-
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 £000	2011 £000
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.

The key assumptions in the annual impairment review are set out below:

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.

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.

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.

6. Goodwill (continued)

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.

7. Intangible assets

		Business combinations acquired intangible assets			
	Research & development costs	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.

8. 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.

9. 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	**97,382**	98,779
Less provision for impairment of receivables	**(1,560)**	(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

10. 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

11. 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.

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.

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.

11. Capital and reserves (continued)

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

12. 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

12. Earnings per share (continued)

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

13. 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.

14. Trade and other payables

	2012	2011
Trade payables	**36,355**	38,502
Bills of exchange	**-**	240
Trade payables	**36,355**	38,742
	=====	=====
Corporation tax	**11,143**	13,225
Current tax	**11,143**	13,225
	=====	=====
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
	=====	=====

15. Related parties

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

Sales to subsidiaries and associates of BAE Systems plc, a related party by virtue of non-executive director IG King's directorship of that company, totalled £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

16. 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.