Rotork plc

2014 Full Year Results

	2014	2013	% change	OCC *[2] % change
Revenue	**£594.7m**	£578.4m	+2.8%	+3.8%
Adjusted*[1] operating profit	**£157.2m**	£151.4m	+3.8%	+5.7%
Adjusted*[1] operating margin	**26.4%**	26.2%	+20 bps	+50 bps
Profit before tax	**£141.2m**	£138.0m	+2.3%	+8.1%
Adjusted*[1] profit before tax	**£156.1m**	£150.1m	+4.0%	+5.9%
Basic earnings per share	**119.0p**	114.8p	+3.7%	+9.4%
Adjusted*[1] basic earnings per share	**131.6p**	124.9p	+5.4%	+7.0%
Full year dividend	**50.10p**	48.05p	+4.3%	

*[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
- Order intake up 2.9% to £595.6m (OCC +4.0%)
- Operating margin increased 20 bps to 26.4%
- Sales to power market up 16%
- Continued expansion of product portfolio
- Three acquisitions completed in the year for £81.3m

Peter France, Chief Executive, commenting on the results, said:
"2014 was another successful year for Rotork. The continued expansion of our product portfolio, international sales channels and our broad end-market exposure enabled us to achieve record results.

In the year ahead we will continue to invest for growth, increasing our international sales network and expanding our product portfolio both organically and by acquisition to strengthen our presence in the wider flow control market.

Whilst our end markets in the upstream oil and gas sector may become more challenging in the near term, our other global markets remain active. Our geographic reach, end market exposure and diverse product portfolio provide the Board with confidence of achieving further progress in the coming year."

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Chairman's Statement

2014 was another successful year for Rotork. We continued to grow by implementing our strategy of broadening our product portfolio, end market exposure and geographic coverage whilst remaining focused on our targeted segments of the flow control market.

Financial Highlights

Currency remained a headwind throughout the year. On an organic constant currency basis, order intake grew by 4.0% and revenue grew by 3.8%. Adjusted* operating profit was 5.7% higher resulting in a record margin of 26.7%, 50 basis points higher than 2013. We still showed growth on a reported basis on all these measures as the positive contribution from the acquisitions made in the year went someway to offset the impact of currency.

Rotork has a strong track-record of making acquisitions and then taking these businesses to their next phase of growth. This year we acquired the Korean based Young Tech Corporation (YTC) in March and a UK subsidiary of Xylem Inc, which we have renamed Rotork Midland, in July. Both of these businesses now sit within the Instruments division and bring additional products that enhance Rotork's product portfolio. Integration of both businesses is progressing as planned and they made a good contribution in their first year in Rotork. In December we acquired Masso Industries, a small Italian designer and manufacturer of pneumatic and hydraulic actuators and control systems for use in the marine industry and in February 2015 the sales and service operations of our former agent in Turkey.

I would like to thank all of our employees for their continued high level of commitment and professionalism. It is as a result of their hard work that we have been able to deliver a record set of results once again.

Board Composition

I am announcing today that I intend to retire as Chairman at the close of the Annual General Meeting in April after working with Rotork for 27 years, 17 of which as Chairman. It has been a great privilege to play a part in the Group's strong progress over that period and see it truly flourish. We are also announcing today that Martin Lamb will take over as Chairman when I retire. Martin was appointed a non-executive director in June 2014 and brings a wealth of relevant experience from his 33 years at IMI plc. I wish him every success in the role.

We were pleased to welcome two new non-executive directors during the year. As mentioned above Martin Lamb joined in June and Lucinda Bell joined the Board in July. Lucinda is the Finance Director of The British Land Company PLC and her financial experience in an unrelated industry brings a different perspective to the Board.

Last April we announced that Graham Ogden, Group Research and Development Director, would retire at the end of this month. I would like to thank Graham personally for his contribution since joining Rotork in 1985 and his appointment as an executive director in 2005. During this period Graham has been closely involved and latterly led the team in many key product developments including all three evolutions of the award-winning IQ series.

The Board is compliant with the Corporate Governance Code at the present time and will remain so following the changes noted above. At the close of the AGM there will be three executive directors, four independent non-executive directors and Martin Lamb as Chairman. In addition, 25% of the Board are women compared with 11% at the same time last year.

Board Performance

The evaluation of Board effectiveness was once again conducted by a third party this year. The process of appointing new non-executive directors, a new Chairman and new auditors were all considered in the evaluation and overall comments received were generally positive. The strong feeling of mutual respect and trust which have been consistent characteristics of the Board was found to be undiminished. The directors remain aware of the challenges the growth of the business brings and the importance of managing the change carefully in order to preserve the strengths of the business and to continue to deliver shareholder value. The Board was broadly united in its views on all the matters raised in the process and, crucially, in its focus for 2015 and beyond. Reviewing the strategy for achieving growth in the current economic climate, the evolution of the internal control environment and risk assessment processes and succession planning and talent development within the executive management are among the key areas for the coming year. Overall, I am satisfied that there is an appropriate balance of skills, experience, independence and knowledge of the Company to enable the directors to discharge their duties and responsibilities effectively.

Corporate Governance

The Board is committed to high standards of governance, which we view as central to delivering increasing shareholder value over the long term. The Board considers all the aspects of the business necessary to provide good governance and these are set out in the Corporate Governance Report. I am pleased to be able to confirm that Rotork complies with all aspects of the 2012 UK Corporate Governance Code.

Dividend

The Board recommends a final dividend of 30.9p per share, a 3.0% increase over the 2013 final dividend. Taken with the 2014 interim dividend, the total dividend is 50.1p per share (2013: 48.05p), representing a 4.3% increase in the total dividend on 2013. The final dividend will be payable on 18 May 2015 to shareholders on the register on 10 April 2015.

Outlook

In the year ahead we will continue to invest for growth, increasing our international sales network and expanding our product portfolio both organically and by acquisition to strengthen our presence in the wider flow control market.

Whilst our end markets in the upstream oil and gas sector may become more challenging in the near term, our other global markets remain active. Our geographic reach, end market exposure and diverse product portfolio provide the Board with confidence of achieving further progress in the coming year.

Roger Lockwood
Chairman
2 March 2015

* References to adjusted profit throughout this document are defined as the IFRS profit, whether operating profit or profit before tax, with £14.9m (2013: £12.1m) of amortisation of acquired intangibles added back.

Organic constant currency (OCC) results are the 2014 figures restated at 2013 exchange rates and with the incremental contribution from acquisitions removed.

Business Review

The continued expansion of our product portfolio, international sales channels and our broad end-market exposure enabled us to achieve record results in 2014.

Order intake for the year was £595.6m, up 2.9% on the prior year. Currency was a headwind during the year and on an organic constant currency (OCC) basis order intake was 4.0% ahead of 2013.

As in prior years, the fourth quarter was a record in terms of shipments. Revenue for the full year was £594.7m, up 2.8% on the prior year and up 3.8% on an OCC basis. The adjusted* operating profit margin was 26.4%, a 20 basis point improvement on 2013. Excluding the impact of acquisitions and currency, the adjusted* operating margin was 26.7%.

During the year, through both organic development and acquisitions, we have expanded our international presence and now have 27 manufacturing sites, 65 national offices and 85 regional locations in 37 countries. In total we have over 800 sales channels in 99 countries. Building a strong international sales network to support our customers remains a key element of our strategy.

In 2014, we invested £81.3m in acquisitions to drive further growth and strengthen our market position. Through the acquisitions of YTC, Midland, Masso and the operations of our sales agent in Turkey, acquired in February 2015, we extended our product range in attractive segments and increased and strengthened our geographic reach. We will continue to pursue acquisition opportunities in 2015 to enhance and expand our offering to customers. We also opened 7 new sales and service offices during the year, completed the expansion of our facilities in Singapore and relocated to larger premises in Spain. In addition, we opened a new world-class factory in Leeds and purchased a larger factory in Lucca which we will move into during 2015. These key investments will ensure that Rotork continues to be best placed to benefit from the anticipated growth of the global flow control market.

The world economy is being shaped by long-term global trends that include population growth, urbanisation and automation. These trends are driving heightened demand for flow control products and services to deliver cleaner energy, greater fuel efficiency and improved resource utilisation. The Group benefits from market-leading flow control expertise and remains well positioned to support these growth opportunities.

Another positive trend is the increased focus by our customers on cost reduction and stricter environmental regulations. As a result, we are seeing good demand for energy-efficient products across all our end markets. As manufacturers focus on improved operational performance and cost efficiencies, they are investing in automation and more complex processes. Flow control, and valves in particular, are key elements of this investment process. Given our broad geographic exposure, participation in diverse industries and broad product and service offering, Rotork is best placed to meet our customers' needs as they make these investments. Whilst our actuators and flow control instruments are used most intensively in the oil & gas, power and water markets, the expansion of our product portfolio means that we are increasingly able to address a widening range of end markets.

The long-term global trends described above are all positive for Rotork, however during the latter part of 2014, global energy markets experienced a sharp decline in the oil price. Whilst we have yet to see any noticeable impact in customer order activity, we believe that the increased uncertainty created by this decline will present Rotork with a more challenging market backdrop in the oil & gas sector. Oil and gas represents 57% of Group revenue with downstream the largest element at 27% and upstream and midstream both at 15%.

We remain focused on responding quickly to any changes in activity in our oil & gas-related business but we are confident that our resilient competitive position, broad end-market exposure, and global sales and servicing coverage will continue to provide us with opportunities to grow.

Rotork Controls

£m	2014	2013	Change	OCC change
Revenue	324.5	321.9	+0.8%	+6.4%
Adjusted operating profit	104.7	105.5	-0.7%	+5.6%
Adjusted operating margin	32.3%	32.8%	-50bps	-30bps

Controls delivered another year of growth in 2014. On an organic constant currency (OCC) basis, order intake grew 7.1%, revenue by 6.4% and adjusted* operating profit by 5.6%. Acquisitions made only a small contribution to the division during the year. The much greater effect on the reported results came from currency, which was felt throughout the year, and which resulted in a headwind equating to around 6% of order intake, revenue and profit. This meant reported order intake increased by 1.3% to £320.4m, revenue by 0.8% to £324.5m and adjusted* operating profit declined by 0.7% to £104.7m. Adjusted* operating margin reduced by 30 basis points to 32.5% on an OCC basis and a further 20 basis points as a result of currency.

Over the course of 2014 some of the division's end markets were challenging but we responded by enhancing our global capability and further strengthening our customer relationships. Looking at the end destination of our products, North America and Latin America both showed strong growth. Whilst the Far East declined in total, within this region China performed very well but Australia was lower following a strong comparable period of activity last year when we delivered a number of coal bed methane projects. In North America and Latin America oil & gas remains our largest end market, with downstream the largest sub-sector. This contrasts with the Far East where our exposure is much more balanced and power, led by China, is larger than oil & gas.

The division continues to pursue geographic expansion, capitalising on our core competences and the strength of our brand to move into new markets. We are focused on delivering long-term profitable growth which we will achieve by expanding and deploying our market-leading flow control expertise in end markets where we can achieve leading positions and where there is long-term demand for our products and services. Even in our more mature markets the increased drive towards automation, with a requirement for increased asset management information, provides opportunities to grow.

During the year we invested in a number of facilities, the largest of which was the new factory in Leeds. This multi-division site houses the headquarters of our UK sales subsidiary, where our northern UK service team is based. We also relocated our sales subsidiary in Bilbao, Spain to a new larger facility having outgrown the previous one due to the growth of our retrofit and factory fit activities. In Poland we opened a new office and workshop to serve and grow our customer base in Eastern Europe and towards the end of the year we set up a small subsidiary in Chile. Both these new offices are in locations where we have previously operated through an agent but where we have now decided that the time is right to have a direct presence.

Meanwhile, we continued to focus on technological advancements and innovation and during the year we launched our new Centork product range, Rotork's specialist offering for the water, industrial and power markets. The product range features modularity, easy selection, setting and mounting. We continue to anticipate strong growth in the water and waste water industries, driven by increased urbanisation in developing countries and increased environmental and scarcity concerns globally.

We expect the recent fall in the oil price to mainly affect the upstream sector of the oil & gas industry. Whilst 51% of the division's sales are into the oil & gas industry, our market exposure is diversified across various sub-sectors: large numbers of our actuators are supplied into both midstream and downstream applications, which have been more shielded from the recent soft pricing environment. A significant proportion of our supply is also retrofit, upgrade or replacement work, where spend is less sensitive to oil spot prices.

Rotork Fluid Systems

£m	2014	2013	Change	OCC change
Revenue	180.3	187.0	-3.6%	-0.7%
Adjusted operating profit	31.2	31.0	+0.5%	+7.4%
Adjusted operating margin	17.3%	16.6%	+70bps	+130bps

Following three years of double-digit growth, 2014 was a year of consolidation at Rotork Fluid Systems (RFS). There were no major acquisitions during the year but the integration of recent acquisitions, product development and a drive on key component sourcing initiatives all made good progress. The work we have undertaken on sourcing was one of the key factors behind the 70 basis point improvement in adjusted* operating margin we achieved in 2014.

Revenue was £180.3m, 3.6% lower than 2013 on a reported basis. However, reversing the 5.4% currency headwind and adjusting for the part-year contribution from acquisitions in 2013, this decline is reduced to 0.7% on an organic constant currency (OCC) basis. Order intake was similarly impacted, with the £184.6m being 4.7% below 2013 or 1.8% below the prior year excluding currency and acquisitions. Although the currency headwind was even greater on profit, the benefits of sourcing initiatives and an improved product mix resulted in reported adjusted* operating profit of £31.2m compared with £31.0m in 2013. This gave a margin of 17.3%, which was 70 basis points higher than last year. On an OCC basis, this difference increased to 130 basis points and a 17.9% margin.

Oil & gas remains the largest end-market for RFS, representing 72% of the division's revenue in the year with the overall split between upstream, midstream and downstream relatively even. This is spread across many different applications within oil & gas and across many geographic regions, ranging from shale in North America to gas condensate projects in Central Asia. We continued to see good business in the year on safety systems for tank storage applications in the downstream market. Whilst oil & gas is the largest end-market, it has diminished 5% compared with 2013 as our exposure to water, general industrial and particularly the power end markets has increased. The acquisition of Masso Industries, based in Valduggia, Italy, in December 2014 introduces a further element of diversification to Fluid Systems. Masso designs and manufactures hydraulic actuators and control systems for use in shipboard applications and brings with it a range of products and customers new to the division.

Mexico continued to be an important market where we won several significant orders. We received a large order in June for the next phase of the SCADA pipeline project, the first phase of which was won in 2013. In addition, K-Tork, based in Dallas, won a large power project for their Type K damper drive application. Both these orders have multi-year delivery periods. Overall, Latin America was the end destination which reported the strongest growth within RFS, partly due to the completion of deliveries on the first phase of the SCADA project. In contrast, Eastern Europe was the region which reported the sharpest decline and this was driven by a combination of project timing and, in the latter part of the year, the impact of sanctions and the weaker rouble on Russian business. The £6m impact we reported in the third quarter is higher than the expected ongoing impact but this will remain a headwind into 2015.

We also continued to invest in our regional infrastructure to ensure that we provide support locally to our customers, with upgraded facilities in Leeds, UK, and Bilbao, Spain, and the new offices in Poland and Chile all having an RFS capability. We also invested in a new factory in Lucca, near our existing leased facility. Not only will this recently purchased facility provide us with security of tenure for the future but it will also allow us to modify our production processes and bring greater efficiency to our largest factory.

We achieved an improved margin this year mainly as a result of a number of sourcing initiatives across the world. Volumes within the division have risen rapidly in recent years which has now made sourcing from low cost regions viable for some of our components. For example, we reviewed the supply chain of our small scotch yoke actuators manufactured in Sweden and the rack and pinion range we acquired with GTA as they are able to share certain components. Similar initiatives in the USA and Italy have already delivered benefits and they will continue to do so in 2015.

We continued to invest in R&D and this is reflected in the launch of our third generation of the SI actuator planned for 2015, aimed at safety related Emergency Shutdown (ESD) and Remotely Operated Shutoff Valve (ROSoV) duties. We also worked on extending the K-Tork range ready for launch in 2015 and together with the GT and RC ranges this has widened our portfolio aimed at the industrial, power and petrochemical industries. We look forward to further penetration of these markets in 2015.

Rotork Gears

£m	2014	2013	Change	OCC change
Revenue	57.8	56.0	+3.2%	+5.0%
Adjusted operating profit	13.0	13.0	+0.3%	+4.1%
Adjusted operating margin	22.5%	23.1%	-60bps	-20bps

Gears made good progress in order intake, revenue and profit in the year. Our performance continues to demonstrate the benefit of our industry-leading expertise, gained over several decades working at the forefront of manual and motorised gear technology for the valve industries in the many market sectors that we serve.

Revenue of £57.8m was 3.2% higher than 2013 despite a 4.3% currency headwind. On an organic constant currency (OCC) basis revenue grew by 5.0% with the acquisition of Renfro in 2013 accounting for 2.5% of the growth. Order intake was similarly affected by currency with reported growth of 0.2%, which at constant currency and with the benefit of the acquisition increased to 1.9%. Adjusted* operating profit was £13.0m, 0.3% ahead of 2013 which resulted in a 60 basis point reduction in operating margin to 22.5%. On an OCC basis the growth in adjusted* operating profit was 4.1% and the margin 22.9%. Each of the Gears factories improved margins in the year, with the exception of the Leeds operation, which was affected by the costs of moving into the new facility and an increase in more competitive larger project sales had a negative effect on margins in the period.

Central to our successful long-term track record are our world-class sales and engineering teams, who provide our customers with the latest innovative gearing technology using leading-edge design methods. The sales process in Gears differs from Controls and Fluid Systems and whilst there are project sales, often in conjunction with other Rotork divisions, more typically we sell directly to the valvemaker on an ongoing basis. Accordingly, our objective is to build a relationship with the valvemaker so that they use our gearboxes in conjunction with their valves when the package is not being automated.

This year, following strong growth in the Far East, there was a reasonably even spread of revenue across the key regions of the Americas, Far East and Western Europe, although Western Europe remained the largest, accounting for 37% of sales. Our factories are located in these areas so that we are close to our customers. The Middle East and Africa was the only region to report a marked reduction in sales but this was after an unusually strong performance in 2013. The end-market exposure of Gears is, like the Group as a whole, weighted to oil & gas, which accounts for 57% of sales, but these are spread across all segments of this market. Water and waste water is the second largest end-market, where small manual valves account for the majority of sales.

In line with our aim to become our customers' preferred partner, we have a strong commitment to improving the efficiency of our operations and those of our customers and suppliers. That aim was a key factor in our move to a new state-of-the-art manufacturing facility in Leeds during the year. The larger facility has given us the opportunity to increase the dedicated research and development team who are engaged in every aspect of new product design and development, from concept to customer.

Rotork Gears provides innovative solutions that meet the individual requirements of our valve gearbox and valve accessory customers by drawing upon our unrivalled range of market-leading products. During the year we strengthened our wide portfolio of gearboxes with the launch of our New Manual HOB multi-turn product range. This range offers our customers a more comprehensive solution for multi-turn manual applications. Our new Leeds facility also has extensive test facilities, including a comprehensive set of test rigs for testing multi-turn and quarter-turn gearboxes across a wide range of torques. Our R&D remains focused on developing cost effective and innovative solutions that will continue to provide Gears with access to new customers and new market sectors.

Rotork Instruments

£m	2014	2013	Change	OCC change
Revenue	46.0	24.9	+84.4%	+8.6%
Adjusted operating profit	14.4	7.8	+84.3%	+2.3%
Adjusted operating margin	31.4%	31.4%	-	-180bps

This was a year of strong growth for the Instruments division, which saw the number of businesses double in 2014 following the completion of two important acquisitions. We focused on delivering our key priorities: continuing to widen our offering in flow control and pressure control products by acquiring or developing new technologies close to the actuator; the integration of acquisitions; leveraging global sales synergies; and delivering cost reduction and productivity improvements.

In March we acquired Young Tech Co (YTC), a Korean-based manufacturer of valve positioners and accessories mainly associated with pneumatic valve actuation. YTC has a wide range of positioners and smart positioners which are complementary to Rotork's existing portfolio of products. This acquisition not only enlarged our range of instrumentation products and our addressable market but also provided Instruments with a platform and sales channels in the important Asia-Pacific market.

In July we acquired Xylem Flow Control based in Wolverhampton, UK. This added the established brands of Midland-ACS, Alcon and Landon Kingsway into Instruments, under what we now call ‘Rotork Midland’. This business brought with it a strong reputation for delivering innovative solutions for a wide range of applications, including control systems for pneumatic and hydraulic control valves, electro-pneumatic and electro-hydraulic actuators, local control panels, manifolds and components such as solenoid valves, level controls, gas detection and fire-fighting equipment.

The financial results for the year were heavily influenced by these acquisitions, both of which performed in line with our expectations. Reported revenue increased by 84.4% despite a 5.1% currency headwind but on an organic constant currency (OCC) basis the increase was still 8.6%. The results for order intake were very similar, in what is generally a short lead-time division, with the headline increase of 83.0% reduced to 8.7% for Fairchild and Soldo at constant currency. Adjusted* operating profit rose 84.3% to £14.4m, a margin of 31.4%, the same as 2013. Unlike the other divisions, currency improved reported margins for Instruments because prior to the acquisition of Midland the division had no sterling costs. Whilst acquisitions were accretive in total, OCC adjusted* operating margin declined to 29.6%, a 180 basis point reduction. This is largely due to the expansion of the divisional executive team which has been required to support this pace of growth and to ensure that the benefits of the acquisitions are delivered.

The Midland product range, now within Instruments, complements the high-precision pneumatic control devices and motion control equipment manufactured by Fairchild, the Soldo range of control accessories for valve automation, and YTC’s market leading range of valve positioners and accessories. We also have Instruments companies located in Europe, the USA, and the Far East, and we are integrating our international sales networks to support sales of products of all four companies. By training our sales forces on all of the new products and by using cross-selling techniques with customers, we have been successful in penetrating new geographic markets with our growing product portfolio. Similarly, we have been using our strategically-located facilities to ensure local assembly and inventory management for the entire range of our products, ensuring fast, on-time delivery for our customers. For instance, we are now using our Soldo facility in Italy as the European hub for YTC products, whilst our Fairchild facility is ensuring access to the USA market for the Soldo and YTC product ranges. Work to qualify the full range of products to meet various national and international certification standards is underway and 2015 will see completion of this for the key products. This not only supports our third party customers but also allows us to support the local Rotork offices and factories where there are opportunities to use a wide range of Instruments’ products in automating pneumatic and hydraulic actuators.

Each of the businesses have their own product development plans and work has started to align these and create a single divisional plan. Each business brings a level of expertise in its own product lines and often complementary skills. During the year each business has launched new variants of products and extensions to existing ranges, either broadening the range of materials for a product or the industries and applications for which it can be used.

Research and Development

Our investment in research and development increased further in the year, up 18.3% to £9.9m. All divisions introduced new products or extended product ranges to expand our product portfolio. Our design teams have been working with the business development teams on future products and developing product road maps, and these activities support continued investment in our infrastructure and engineers. Projects to which we dedicated significant development time during the year included the nuclear product range and the introduction of the Centork electric actuator.

Rotork Site Services

We launched our Client Support Programme in 2014 which offers a tailor-made service of planned preventative maintenance aimed at the prevention of breakdowns and failures. The primary goal of our Client Support Programme is to prevent the failure of equipment before it occurs. This includes equipment checks, replacement of worn components and partial or complete overhauls at specified periods.

Planned preventative maintenance is a much better alternative to risking a potentially damaging breakdown of equipment, and enables our customers to realise the full potential of their business by ensuring the maximum reliability and availability of our products. Wherever our customers are in the world, Rotork is able to support them. We have workshops strategically located around the world, with trained staff and full test and maintenance facilities.

As part of the Client Support Programme, customers have 24/7 access to the Rotork Support Centres, with priority technical assistance, backed by comprehensive website resources and priority software support. With over 370 directly employed engineers and more service technicians employed by our agents worldwide, we have the infrastructure required to effectively support all of our customers' needs.

Our People

Rotork is recognised by the majority of staff as a great place to work. We foster an open and honest culture based on employee involvement. Our annual employee satisfaction survey was completed by the highest number of employees in its history although the response rate slightly declined from the high of last year 79% to 75% this year. The overall satisfaction score remained the same as last year at 3.6. The global results showed that people continue to value the quality of our products and services; our approach and concern for their well-being in terms of health and safety; our open culture and ability to discuss issues with management; and job security.

The Rotork family continues to grow and during 2014 our staff numbers increased by 412 people to 3,460. 191 joined us as part of the YTC, Xylem and Masso acquisitions and the rest were recruited as part of our organic growth in various locations around the world.

As announced in the Chairman's Statement, Roger Lockwood will retire as Chairman at the conclusion of the AGM on 24th April, to be succeeded by Martin Lamb. On behalf of the Board and Rotork employees past and present. I would like to wish him the best for the future and on a personal note, I would like to thank Roger for the guidance and support he has given me over the years.

During the year there have been a number of changes to our management team. Unfortunately Alex Busby, Divisional Managing Director (DMD) for Rotork Fluid Systems (RFS), who has been instrumental in the growth of the division over the last few years, had to step down from his role on health grounds. Everyone at Rotork wishes him well as he focuses on returning to full health. Dave Littlejohns has been appointed as DMD for RFS. Dave joined Rotork in 1986 and has most recently been in charge of the Gears division. Pamela Bingham will take over from Dave as DMD Gears. Pamela joined the company in 2012 as Group Business Development director and has been heavily involved in a number of acquisitions since joining. Dave and Pamela will continue to be members of the Rotork Management Board.

Last year we also announced that Graham Ogden would be retiring in March after 30 years of service. Graham was the first electronics manager employed by Rotork and was instrumental in the development of the electric actuator and especially in the introduction of the IQ range of electric actuators that revolutionised the market. In the last few years Graham was a member of the Rotork Management Board and a PLC director. His contribution to the success of the company cannot be underestimated and he has left a strong legacy and a highly capable team to carry on his work. On behalf of all the staff I would like to thank Graham for his contribution to the company and wish him all the best in retirement.

The success of Rotork continues to be driven by the dedication and hard work of our staff. I would like to take this opportunity to personally thank each of them for their contribution and for making Rotork the world-class company it is.

Acquisitions

We spent more on acquisitions in 2014 than in any previous year. The acquisition in March of Young Tech Co (YTC) for up to £64m is Rotork's largest single acquisition to date. The purchase of Xylem's UK based flow control subsidiary, now renamed Rotork Midland, in July and Masso Industries in December increased the total spend in the year to £81.3m. In addition, there is a further potential £4.4m contingent consideration in relation to the three acquisitions made in 2014. Rotork has a strategy of growing through a combination of organic expansion and acquisitions and we expect this to continue. Acquisitions are made on the basis that they will provide a new product, improve our access to a geographic or end-user market or some combination of these objectives. Each of this year's acquisitions met one or more of these criteria.

Taking all three acquisitions together, £32.4m of the consideration was attributed to intangible assets which will be amortised and £45.1m is goodwill which will be subject to an annual impairment review. The increased value of acquisitions this year and last year has led to a rise in the amortisation charge related to acquired intangible assets to £14.9m (2013: £12.1m). In order to adjust the income statement to show a like-for-like period for each acquisition, 2014 revenue has to be reduced by £27.4m and adjusted* operating profit by £7.6m. The profit margin in the acquired business was slightly accretive in aggregate, at 28.0%, with YTC the key contributor to this.

Currency

The relative strength of sterling throughout the year led to a marked headwind for the reported results. The impact was most significant in the first half of the year with revenue reduced by £20.4m (7.4%) compared with a £12.6m (4.2%) reduction in the second half. This was partly driven by the comparatives, as the US dollar weakened progressively through that year. In 2014 whilst the US dollar reversed the trend of 2013, and strengthened from mid-year onwards, it was the euro's turn to weaken steadily through the year. The average rate for both US dollar and euro was 5.3% weaker than 2013 but by year-end the US dollar was 6.2% stronger than it had started 2014 whilst the euro was 6.3% weaker. These two currencies had the most significant impact on our results with US dollar representing 41% of revenue and the euro 31%. Sterling was 11% of revenue and various other currencies made up the remaining 17%. Amongst the other 19 currencies that are home currencies for one of our subsidiary offices, 9 weakened by more than 10% when the average rate is compared with that for 2013.

The impact of currency is both in the form of translation and transaction differences. Given the locations in which we have operations and the international nature of our supply base and sales currencies, the impact of transaction differences can be very different from the translation impact. We are able to partially mitigate the transaction impact through matching supply currency with sales currency but ultimately we are still net sellers of both US dollar and euros. 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. Net of these mitigating actions adjusted* operating profit was £10.6m (7.0%) lower than it would have been at 2013 rates.

In order to estimate the impact of currency, at the current exchange rates we consider the effect of a 1 cent movement versus sterling. A 1 euro cent movement now results in approximately a £325,000 adjustment to profit and for US dollar, and dollar related currencies, a 1 cent movement equates to approximately a £550,000 adjustment.

Return on capital employed (ROCE)

Our asset-light business model and high profit margins mean Rotork generates a high ROCE. Our definition of ROCE is based on adjusted* operating profit as a return on the average net assets excluding net cash and the pension scheme liability net of the related deferred tax. This means that as we make acquisitions our capital base grows when the associated intangible assets and goodwill are recognised. During the year intangibles and goodwill increased by a net £63m in total which, after allowing for the related deferred tax, accounts for more than 60% of the increase in capital employed, which rose 35% to £379m. As a result of this, ROCE reduced to 47.6% despite the improved profit margin and growth in revenue this year.

Taxation

This year the Group's effective tax rate reduced from 27.9% to 26.9%. The mix of where profits are generated from within the 37 countries in which we have a presence has a major impact on the Group effective tax rate. Where we pay tax the national effective rates vary from 17% to 35%. There are also changes to tax within some jurisdictions which are large enough to impact the Group effective rate. The reduction of Chinese withholding tax rates, from 10% to 5% was one such influence in the year, as was the impact of the patent box reliefs in the UK. These two items accounted for a reduction of 120 basis points with geographic mix accounting for a 20 basis point increase. Our approach to tax continues to be to operate on the basis of full disclosure and co-operation with all tax authorities and, where possible, to mitigate the burden of tax within the local legislation.

Cash generation

Net cash balances finished the year at £46.8m, £22.1m lower than the start of the year. The three largest categories of cash expenditure were: £81.3m on acquisitions, £43.0m of tax paid and £42.7m of dividends paid. The increase in acquisition spend, from £43.5m last year, was the largest increase and was partly funded by a £19.4m net increase in loans during the year. Capital expenditure was higher than the previous year with the completion of the Leeds site project and the purchase of a new factory in Lucca, Italy, the two largest items. The Lucca factory cost £3.4m and will be developed during 2015 for the business to move into late in the year.

Our cash generation KPI shows a conversion of 97.4% of operating profit into operating cash. Control of working capital is key to this performance and this year working capital increased to 28.5% of revenue compared with 24.7% in December 2013. The weighting of revenue to the last quarter of the year, which culminated in December 2014 being a record monthly revenue, led to a £22.5m increase in trade receivables between balance sheet dates of which acquisitions accounted for £6.0m. Looking at this as days' sales outstanding, this measure increased by 4 days to 60 days. The high revenue had a positive impact on inventory which only increased £2.2m on an OCC basis but with a further £4.8m from acquisitions year-end inventory was £81.1m which represented 13.6% of annual revenue compared with 13.0% in 2013.

Share capital

Given the rise in the Company's share price over recent years, the Directors consider that it is now appropriate to sub-divide the shares into smaller units. At the forthcoming AGM in April the Board is proposing a sub-division of the Company's share capital to make the Company's shares more accessible, particularly to small shareholders and our own employees. A sub-division may also improve the liquidity and reduce the bid/offer spread of the Company's ordinary shares. Therefore a 10 for 1 share split will be proposed at the AGM which will mean the existing 5 pence ordinary shares will become 0.5 pence ordinary shares.

Peter France
Chief Executive
2 March 2015

* References to adjusted profit throughout this document are defined as the IFRS profit, whether operating profit or profit before tax, with £14.9m (2013: £12.1m) of amortisation of acquired intangibles added back.

Consolidated income statement

For the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Revenue	2	**594,739**	578,440
Cost of sales		**(309,280)**	(304,066)
Gross profit		**285,459**	274,374
Other income		**277**	206
Distribution costs		**(5,466)**	(5,623)
Administrative expenses		**(137,832)**	(129,576)
Other expenses		**(211)**	(116)
Operating profit before the amortisation of intangible assets		**157,167**	151,412
Amortisation of acquired intangible assets		**(14,940)**	(12,147)
Operating profit	2	**142,227**	139,265
Finance income	4	**1,421**	1,173
Finance expense	4	**(2,483)**	(2,441)
Profit before tax		**141,165**	137,997
Income tax expense	5	**(37,963)**	(38,488)
Profit for the year		**103,202**	99,509
Basic earnings per share	12	**119.0p**	114.8p
Adjusted basic earnings per share	12	**131.6p**	124.9p
Diluted earnings per share	12	**118.5p**	114.3p
Adjusted diluted earnings per share	12	**131.0p**	124.3p

Consolidated statement of comprehensive income

For the year ended 31 December 2014

	2014 £000	2013 £000
Profit for the year	**103,202**	99,509
Other comprehensive income		
Items that may be subsequently reclassified to the income statement:		
Foreign exchange translation differences	**(869)**	(4,981)
Effective portion of changes in fair value of cash flow hedges net of tax	**(1,810)**	1,274
	(2,679)	(3,707)
Items that are not subsequently reclassified to the income statement:		
Actuarial (loss) / gain in pension scheme net of tax	**(15,341)**	5,528
Income and expenses recognised directly in equity	**(18,020)**	1,821
Total comprehensive income for the year	**85,182**	101,330

Consolidated balance sheet

At 31 December 2014

	Notes	**2014 £000**	2013 £000
Non-current assets			
Goodwill	6	**149,679**	105,150
Intangible assets	7	**72,270**	53,481
Property, plant and equipment		**64,050**	45,871
Derivative financial instruments		**-**	804
Deferred tax assets		**15,703**	11,778
Other receivables	9	**1,976**	1,532
Total non-current assets		**303,678**	218,616
Current assets			
Inventories	8	**81,090**	75,081
Trade receivables	9	**128,472**	105,976
Current tax	9	**1,962**	1,145
Derivative financial instruments		**1,913**	2,933
Other receivables	9	**12,586**	12,152
Cash and cash equivalents	10	**46,816**	68,873
Total current assets		**272,839**	266,160
Total assets		**576,517**	484,776
Equity			
Issued equity capital	11	**4,346**	4,344
Share premium		**9,422**	8,840
Reserves		**3,970**	6,649
Retained earnings		**359,057**	312,246
Total equity		**376,795**	332,079
Non-current liabilities			
Interest bearing loans and borrowings		**1,303**	1,678
Employee benefits	13	**38,864**	22,705
Deferred tax liabilities		**20,358**	16,920
Provisions	14	**1,913**	2,628
Total non-current liabilities		**62,438**	43,931
Current liabilities			
Interest bearing loans and borrowings		**20,274**	532
Trade payables	15	**40,162**	38,019
Employee benefits	13	**16,018**	17,479
Current tax	15	**15,200**	14,836
Derivative financial instruments		**1,119**	32
Other payables	15	**35,191**	31,002
Provisions	14	**9,320**	6,866
Total current liabilities		**137,284**	108,766
Total liabilities		**199,722**	152,697
Total equity and liabilities		**576,517**	484,776

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 2012	4,340	8,258	7,649	1,644	1,063	246,369	269,323
Profit for the year	–	–	–	–	–	99,509	99,509
Other comprehensive income							
Foreign exchange translation differences	–	–	(4,981)	–	–	–	(4,981)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	1,598	–	1,598
Actuarial gain on defined benefit pension plans	–	–	–	–	–	7,669	7,669
Tax in other comprehensive income	–	–	–	–	(324)	(2,141)	(2,465)
Total other comprehensive income	–	–	(4,981)	–	1,274	5,528	1,821
Total comprehensive income	–	–	(4,981)	–	1,274	105,037	101,330
Transactions with owners, recorded directly in equity							
Equity settled share-based payments transactions	–	–	–	–	–	143	143
Tax on equity settled share-based payment transactions	–	–	–	–	–	632	632
Share options exercised by employees	4	582	–	–	–	–	586
Own ordinary shares acquired	–	–	–	–	–	(5,601)	(5,601)
Own ordinary shares awarded under share schemes	–	–	–	–	–	4,401	4,401
Dividends	–	–	–	–	–	(38,735)	(38,735)
Balance at 31 December 2013	4,344	8,840	2,668	1,644	2,337	312,246	332,079
Profit for the year	**–**	**–**	**–**	**–**	**–**	**103,202**	**103,202**
Other comprehensive income							
Foreign exchange translation differences	**–**	**–**	**(869)**	**–**	**–**	**–**	**(869)**
Effective portion of changes in fair value of cash flow hedges	**–**	**–**	**–**	**–**	**(2,368)**	**–**	**(2,368)**
Actuarial loss on defined benefit pension plans	**–**	**–**	**–**	**–**	**–**	**(19,832)**	**(19,832)**
Tax in other comprehensive income	**–**	**–**	**–**	**–**	**558**	**4,491**	**5,049**
Total other comprehensive income	**–**	**–**	**(869)**	**–**	**(1,810)**	**(15,341)**	**(18,020)**
Total comprehensive income	**–**	**–**	**(869)**	**–**	**(1,810)**	**87,861**	**85,182**
Transactions with owners, recorded directly in equity							
Equity settled share-based payments transactions	**–**	**–**	**–**	**–**	**–**	**2,799**	**2,799**
Tax on equity settled share-based payment transactions	**–**	**–**	**–**	**–**	**–**	**(274)**	**(274)**
Share options exercised by employees	**2**	**582**	**–**	**–**	**–**	**–**	**584**
Own ordinary shares acquired	**–**	**–**	**–**	**–**	**–**	**(6,300)**	**(6,300)**
Own ordinary shares awarded under share schemes	**–**	**–**	**–**	**–**	**–**	**5,427**	**5,427**
Dividends	**–**	**–**	**–**	**–**	**–**	**(42,702)**	**(42,702)**
Balance at 31 December 2014	**4,346**	**9,422**	**1,799**	**1,644**	**527**	**359,057**	**376,795**

Detailed explanations for equity capital, the 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 2014

	Notes	**2014 £000**	**2014 £000**	2013 £000	2013 £000
Cash flows from operating activities					
Profit for the year		**103,202**		99,509	
Adjustments for:					
Amortisation of intangibles		**14,940**		12,147	
Amortisation of development costs		**1,461**		1,214	
Depreciation		**7,996**		6,801	
Equity settled share-based payment expense		**5,160**		2,178	
Profit on sale of property, plant and equipment		**88**		(25)	
Finance income		**(1,421)**		(1,173)	
Finance expense		**2,483**		2,441	
Income tax expense		**37,963**		38,488	
		171,872		161,580	
Increase in inventories		**(1,891)**		(1,740)	
Increase in trade and other receivables		**(16,349)**		(10,786)	
Decrease in trade and other payables		**(1,327)**		(1,778)	
Difference between pension charge and cash contribution		**(5,241)**		(534)	
(Decrease) / increase in provisions		**(1,379)**		863	
Increase in employee benefits		**2,176**		2,621	
		147,861		150,226	
Income taxes paid		**(42,992)**		(39,866)	
Cash flows from operating activities			**104,869**		110,360
Investing activities					
Purchase of property, plant and equipment		**(17,518)**		(10,419)	
Development costs capitalised		**(2,676)**		(2,033)	
Sale of property, plant and equipment		**224**		159	
Acquisition of businesses, net of cash acquired	3	**(81,263)**		(43,235)	
Contingent consideration paid		**(1,463)**		(250)	
Interest received		**1,048**		917	
Cash flows from investing activities			**(101,648)**		(54,861)
Financing activities					
Issue of ordinary share capital		**584**		586	
Own ordinary shares acquired		**(6,300)**		(5,601)	
Interest paid		**(1,120)**		(653)	
Increase / (decrease) in bank loans		**19,496**		(618)	
Repayment of finance lease liabilities		**(36)**		(34)	
Dividends paid on ordinary shares		**(42,702)**		(38,735)	
Cash flows from financing activities			**(30,078)**		(45,055)
(Decrease) / increase in cash and cash equivalents			**(26,857)**		10,444
Cash and cash equivalents at 1 January			**68,873**		59,868
Effect of exchange rate fluctuations on cash held			**4,800**		(1,439)
Cash and cash equivalents at 31 December	10		**46,816**		68,873

Notes to the Financial Statements

For the year ended 31 December 2014

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 2014 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 following amendments have been applied from 1 January 2014:

- Amendments to IAS32 – Offsetting Financial Assets and Financial liabilities
- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

Application of these standards and amendments has not had any material impact on the disclosures, net assets or results of the Group.

Recent accounting developments

IFRS15 Revenue from contracts with customers has been issued but is not yet effective and has not been adopted as application was not mandatory for the year. The new standard requires the separation of performance obligations within contracts with customers and the contractual value to be allocated to the performance obligations. Once a performance obligation is satisfied revenue should be recognised on that element of the contract. The introduction of the standard is likely to have some impact on Rotork but this is unlikely to be material due to the relatively straightforward contractual terms and conditions with customers. An assessment will be carried to understand the impact of this standard prior to it becoming effective in January 2017.

IFRS 9 Financial Instruments has been issued but is not yet effective and has not been adopted as application was not mandatory for the year. The directors anticipate that the adoption of this standard will not have a material impact on the disclosures, net assets or results of the Group.

The following narrow scope amendments which were issued as part of the IFRS Annual improvement cycle are effective for the 2015 financial year:

- Amendment to IAS19 Defined benefit plans – Employee contributions
- IFRS2 Share-based payment – Definition of vesting condition
- IFRS3 Business combination – Accounting for contingent consideration
- IFRS8 Operating segments – Aggregation of operating segments and Reconciliation of the total of reportable assets.
- IFRS13 Fair value measurement – Short-term receivable and payables
- IAS24 Related party disclosure – Key management personnel services

Application of these amendments has not had any material impact on the disclosures, 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 net cash position.

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year to 31 December 2014. 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 2014 or 2013. Statutory accounts for 2013, which were prepared under International Financial Reporting Standards as adopted by the EU, have been delivered to the registrar of companies, and those for 2014 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 2014, will shortly be posted to shareholders, and after adoption at the Annual General Meeting on 24 April 2015 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 actuators
Fluid Systems – the design, manufacture and sale of pneumatic and hydraulic 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. Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

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 2014	Fluid Systems 2014	Gears 2014	Instruments 2014	Elimination 2014	Unallocated 2014	Group 2014
Revenue from external customers	**324,539**	**180,260**	**45,771**	**44,169**	**–**	**–**	**594,739**
Inter segment revenue	**–**	**–**	**12,035**	**1,788**	**(13,823)**	**–**	**–**
Total revenue	**324,539**	**180,260**	**57,806**	**45,957**	**(13,823)**	**–**	**594,739**
Adjusted operating profit	**104,709**	**31,180**	**13,011**	**14,433**	**–**	**(6,166)**	**157,167**
Amortisation of acquired intangible assets	**(3,477)**	**(1,585)**	**(428)**	**(9,450)**	**–**	**–**	**(14,940)**
Operating profit	**101,232**	**29,595**	**12,583**	**4,983**	**–**	**(6,166)**	**142,227**
Net finance expense							**(1,062)**
Income tax expense							**(37,963)**
Profit for the year							**103,202**

	Controls 2013	Fluid Systems 2013	Gears 2013	Instruments 2013	Elimination 2013	Unallocated 2013	Group 2013
Revenue from external customers	321,902	186,969	45,353	24,216	–	–	578,440
Inter segment revenue	–	–	10,682	706	(11,388)	–	–
Total revenue	321,902	186,969	56,035	24,922	(11,388)	–	578,440
Adjusted operating profit	105,472	31,010	12,972	7,833	–	(5,875)	151,412
Amortisation of acquired intangible assets	(4,363)	(1,920)	(403)	(5,461)	–	–	(12,147)
Operating profit	101,109	29,090	12,569	2,372	–	(5,875)	139,265
Net finance expense							(1,268)
Income tax expense							(38,488)
Profit for the year							99,509

2. Operating segments (continued)

	Controls 2014	Fluid Systems 2014	Gears 2014	Instruments 2014	Unallocated 2014	Group 2014
Depreciation	**4,396**	**2,012**	**813**	**715**	**60**	**7,996**
Amortisation:						
– Other intangibles	**3,477**	**1,585**	**428**	**9,450**	**–**	**14,940**
– Development costs	**1,342**	**20**	**44**	**55**	**–**	**1,461**
Non-cash items : equity settled share-based payments	**2,779**	**1,162**	**574**	**181**	**464**	**5,160**
Net financing expense	**–**	**–**	**–**	**–**	**(1,062)**	**(1,062)**
Acquired as part of business combinations:						
– Goodwill	**–**	**1,753**	**–**	**43,301**	**–**	**45,054**
– Intangible assets	**–**	**1,346**	**–**	**31,042**	**–**	**32,388**
Capital expenditure	**6,082**	**6,820**	**3,875**	**613**	**2**	**17,392**

	Controls 2013	Fluid Systems 2013	Gears 2013	Instruments 2013	Unallocated 2013	Group 2013
Depreciation	4,353	1,692	427	329	–	6,801
Amortisation:						
– Other intangibles	4,363	1,920	403	5,461	–	12,147
– Development costs	1,193	9	12	–	–	1,214
Non-cash items : equity settled share-based payments	881	427	271	35	563	2,177
Net financing expense	–	–	–	–	(1,268)	(1,268)
Acquired as part of business combinations:						
– Goodwill	19,766	3,688	1,398	–	–	24,852
– Intangible assets	19,548	3,277	1,413	–	–	24,238
Capital expenditure	7,108	2,350	581	281	–	10,320

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 is presented.

Geographical analysis:

Revenue by location of subsidiary	2014	2013
UK	**57,424**	51,027
Italy	**66,447**	64,861
Rest of Europe	**110,790**	117,467
USA	**144,366**	147,039
Other Americas	**36,327**	38,201
Rest of the World	**179,385**	159,845
	594,739	578,440

This disclosure has been restated to revenue by location of subsidiary because this gives a better reflection of the geographic distribution of where the sale occurred.

	UK 2014	Rest of Europe 2014	USA 2014	Other Americas 2014	Rest of World 2014	Group 2014
Non-current assets:						
– Goodwill	**14,107**	**53,409**	**42,565**	**759**	**38,839**	**149,679**
– Intangible assets	**11,972**	**21,767**	**16,824**	**–**	**21,707**	**72,270**
– Property, plant and equipment	**21,770**	**18,257**	**7,265**	**801**	**15,957**	**64,050**

	UK 2013	Rest of Europe 2013	USA 2013	Other Americas 2013	Rest of World 2013	Group 2013
Non-current assets:						
– Goodwill	5,691	55,205	40,154	770	3,330	105,150
– Intangible assets	5,538	27,317	20,351	–	275	53,481
– Property, plant and equipment	16,304	15,176	6,706	768	6,917	45,871

3. Acquisitions

i) YTC

On 31 March 2014 the Group acquired 100% of the share capital of Young Tech Co. Ltd. ("YTC") for £68,379,000. YTC is a leading manufacturer and supplier of valve positioners and accessories which are certified for use in international markets, based in Seoul, Korea. The acquired business is reported within the Instruments division. In the nine months to 31 December 2014 YTC contributed £13,873,000 to Group revenue and £5,580,000 to consolidated operating profit before amortisation. The amortisation charge in the thirty nine week period from the acquired intangible assets was £3,254,000.

If the acquisition had occurred on 1 January 2014 the business would have contributed £17,899,000 to Group revenue, £6,917,000 to Group operating profit and £5,330,000 to profit attributable to equity shareholders.

ii) Other acquisitions

The Group acquired 100% of the share capital of Xylem Flow Control Limited ("Midland") for £20,018,000 on 2 July 2014. Midland is a leading manufacturer of solenoid valves and instruments under the Midland-ACS, Alcon Solenoid Valves and Landon Kingsway brands based in Wolverhampton, UK. The acquired businesses is reported within the Instruments division.

The Group acquired 100% of the share capital of Masso Ind S.p.A. ("Masso") for £2,973,000 on 9 December 2014. Masso is a marine valve remote control system manufacturer based in Valduggia, Italy. The acquired business is reported within the Fluid Systems division.

In the period from acquisition to 31 December 2014, Midland and Masso contributed £6,286,000 to Group revenue and £1,202,000 to consolidated operating profit before amortisation. The amortisation charge in respect of these acquisitions during the year was £1,049,000. If these other acquisitions had occurred on 1 January 2014 Midland and Masso would have contributed £14,990,000 to Group revenue, £2,569,000 to Group operating profit and £2,014,000 profit attributable to equity shareholders.

iii) Acquisitions fair value table

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

	YTC			Other acquisitions			Total
	Book value	Adjustments	Provisional Fair value	Book value	Adjustments	Provisional Fair value	Provisional Fair value
Non-current assets							
Property, plant and equipment	7,889	–	**7,889**	1,565	–	**1,565**	**9,454**
Intangible assets	226	23,976	**24,202**	–	8,186	**8,186**	**32,388**
Current assets							
Inventory	3,158	(382)	**2,776**	2,367	(345)	**2,022**	**4,798**
Trade and other receivables	3,311	(254)	**3,057**	5,662	(41)	**5,621**	**8,678**
Cash	4,514	–	**4,514**	1,197	–	**1,197**	**5,711**
Current liabilities							
Trade and other payables	(1,099)	(1,276)	**(2,375)**	(3,197)	(32)	**(3,229)**	**(5,604)**
Employee benefits	(40)	–	**(40)**	(207)	–	**(207)**	**(247)**
Warranty provision	–	(30)	**(30)**	(25)	(132)	**(157)**	**(187)**
Corporation tax	(292)	(53)	**(345)**	(236)	(48)	**(284)**	**(629)**
Non-current liabilities							
Deferred tax liability	–	(6,154)	**(6,154)**	16	(1,908)	**(1,892)**	**(8,046)**
Total net assets	17,667	15,827	**33,494**	7,142	5,680	**12,822**	**46,316**
Goodwill			**34,885**			**10,169**	**45,054**
Purchase consideration			**68,379**			**22,991**	**91,370**
Paid in cash			**64,379**			**22,595**	**86,974**
Contingent consideration			**4,000**			**396**	**4,396**
Purchase consideration			**68,379**			**22,991**	**91,370**
Purchase consideration paid in cash			**64,379**			**22,595**	**86,974**
Cash held in subsidiary			**(4,514)**			**(1,197)**	**(5,711)**
Cash outflow on acquisition			**59,865**			**21,398**	**81,263**

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

The contingent consideration in respect of YTC is payable in April 2015 dependant on an EBIT target being achieved.

3. Acquisitions (continued)

The Goodwill arising from the three acquisitions represents the opportunity to grow by exploiting new routes to market via the Rotork sales network and the technical expertise of the acquired workforce. None of the goodwill recognised is expected to be deductible for income tax purposes.

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

4. Finance Income and expense

Recognised in the income statement

	2014	2013
Interest income	**1,057**	917
Foreign exchange gains	**364**	256
Finance income	**1,421**	1,173

	2014	2013
Interest expense	**(1,159)**	(653)
Interest charge on pension scheme liabilities (note 24)	**(788)**	(1,168)
Foreign exchange losses	**(536)**	(620)
Finance expense	**(2,483)**	(2,441)

Recognised in equity

	2014	2013
Effective portion of changes in fair value of cash flow hedges	**667**	3,035
Fair value of cash flow hedges transferred to income statement	**(3,035)**	(1,437)
Foreign currency translation differences for foreign operations	**(869)**	(4,981)
	(3,237)	(3,383)
Recognised in:		
Hedging reserve	**(2,368)**	1,598
Translation reserve	**(869)**	(4,981)
	(3,237)	(3,383)

5. Income tax expense

	2014	2014	2013	2013
Current tax:				
UK corporation tax on profits for the year	**6,122**		7,986	
Adjustment in respect of prior years	**(766)**		156	
		5,356		8,142
Overseas tax on profits for the year	**36,283**		34,790	
Adjustment in respect of prior years	**229**		(59)	
		36,512		34,731
Total current tax		**41,868**		42,873
Deferred tax:				
Origination and reversal of other temporary differences	**(3,650)**		(4,177)	
Adjustment in respect of prior years	**(255)**		(208)	
Total deferred tax		**(3,905)**		(4,385)
Total tax charge for year		**37,963**		38,488
Effective tax rate (based on profit before tax)		**26.9%**		27.9%
Profit before tax		**141,165**		137,997
Profit before tax multiplied by the blended standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)		**30,350**		32,084
Effects of:				
Different tax rates on overseas earnings		**8,841**		6,019
Permanent differences		**1,444**		1,398
Research and development credits		**(1,880)**		(901)
Utilisation of overseas tax holidays		**-**		(1)
Adjustments to tax charge in respect of prior years		**(792)**		(111)
Total tax charge for year		**37,963**		38,488

A tax expense of £274,000 (2013: credit of £632,000) in respect of share-based payments has been recognised directly in equity in the year.

The reduction in the effective tax rate from 27.9% to 26.9% is primarily due to the withholding tax rate on remitted dividends from China reducing from 10% to 5% and the patent box relief available in the UK being effective for a full year in 2014. 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.

A credit of £4,214,000 (2013: £3,611,000) in respect of acquired intangible asset amortisation is included in the deferred tax credit of £3,905,000 (2013: £4,385,000).

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. The value of temporary differences associated with unremitted earnings of subsidiaries for which deferred tax has not been recognised is £292,704,000 (2013: £249,208,000).

6. Goodwill

	2014	2013
Cost		
At 1 January	**105,150**	80,729
Acquisition through business combinations (note 3)	**45,054**	24,852
Exchange adjustments	**(525)**	(431)
At 31 December	**149,679**	105,150
Provision for impairment		
At 1 January and 31 December	**–**	–
Carrying amounts	**149,679**	105,150

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 entity's 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:

	2014	2013
Controls		
Schischek	**17,874**	19,003
Other cash generating units	**9,428**	9,279
	27,302	28,282
Fluid Systems		
Rotork Fluid Systems	**7,143**	7,594
Rotork Sweden	**5,965**	6,796
Other cash generating units	**13,786**	11,978
	26,894	26,368
Gears		
Other cash generating units	**8,991**	9,069
	8,991	9,069
Instruments		
YTC	**35,729**	–
Fairchild	**28,494**	26,722
Soldo	**13,853**	14,709
Midland	**8,416**	–
	86,492	41,431
Total Group	**149,679**	105,150

Impairment testing

Goodwill is not amortised but is tested annually for 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 based on actual operating results and management forecasts.

The key assumptions in the annual impairment review which are common to all CGUs are set out below:

i) Management forecasts

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

ii) Long term growth rates

In the period after the three year plan growth rates are forecast at 6% per annum for the first two years and 2% thereafter for each CGU (2013: all years post three year plan were forecast at 2%). The 6% rate reflects a more realistic market forecast for the flow control market up until 2019. These rates are considered to be prudent given the significant organic growth of the business over the last 10 years.

iii) Discount rates

Discount rates for each of the CGUs have been based on the geographic area in which the subsidiary is located and these rates range between 9.2% and 10.3% (2013: group wide discount rate of 10.5%). Applying an area specific discount rate more accurately reflects the risks and rewards for subsidiaries operating in various geographic sectors around the world.

6. Goodwill (continued)

Sensitivity analysis
Sensitivity analysis has been undertaken for each CGU to assess the impact of any reasonable change in assumptions. Using the key assumptions above there is no reasonable change that would cause the carrying values of any CGU to exceed the recoverable amount apart from YTC and Schischek, the sensitivities for which are explained below.

With regard to YTC, which has only been part of the Group for 9 months, downside sensitivities have been assessed. A decrease in the growth rate by 6% in each of the next five years would result in the goodwill being impaired. If the discount factor were to increase by 2% to 12.2%, growth would need to reduce by 1% in each of the next five years for the goodwill to become impaired. It is anticipated that as YTC becomes more established within the Group and leverages the sales network opportunities the long term growth rate should comfortably exceed the growth rates assumed in the forecast.

Schischek downside sensitivities have also been assessed. A decrease in the growth rate of 7% per year over the next five years would be required to result in an impairment. If the discount rate were to increase by 2% to 12.3%, a decrease in the growth rate of 2% in each of the next five years would be required to result in a goodwill impairment.

7. Intangible assets

		Business combinations acquired intangible assets			
	Research & development costs	Brands	Customer relationships	Other	Total
Cost					
1 January 2013	9,069	21,954	26,722	3,842	61,587
Acquisition through business combinations	–	7,968	12,298	3,972	24,238
Internally developed	2,033	–	–	–	2,033
Exchange adjustments	(6)	(242)	(584)	(84)	(916)
31 December 2013	11,096	29,680	38,436	7,730	86,942
Acquisition through business combinations	226	4,808	22,579	4,775	32,388
Internally developed	2,746	–	–	–	2,746
Exchange adjustments	16	(135)	82	(77)	(114)
31 December 2014	**14,084**	**34,353**	**61,097**	**12,428**	**121,962**
Amortisation					
1 January 2013	4,850	4,110	8,792	3,092	20,844
Charge for the year	1,214	3,816	6,684	1,647	13,361
Exchange adjustments	–	(201)	(456)	(87)	(744)
31 December 2013	6,064	7,725	15,020	4,652	33,461
Charge for the year	1,461	4,188	8,255	2,497	16,401
Exchange adjustments	1	(38)	(121)	(12)	(170)
31 December 2014	**7,526**	**11,875**	**23,154**	**7,137**	**49,692**
Net Book Value					
31 December 2013	5,032	21,955	23,416	3,078	53,481
31 December 2014	**6,558**	**22,478**	**37,943**	**5,291**	**72,270**

Other acquired intangible assets represent order books and intellectual property.

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

8. Inventories

	2014	2013
Raw materials and consumables	**58,590**	51,844
Work in progress	**10,088**	8,445
Finished goods	**12,412**	14,792
	81,090	75,081

Included in cost of sales was £206,104,000 (2013: £205,092,000) in respect of inventories consumed in the year.

9. Trade and other receivables

	2014	2013
Non-current assets:		
Other non-trade receivables	**1,976**	1,532
Other receivables	**1,976**	1,532
Current assets:		
Trade receivables	**130,819**	107,801
Less provision for impairment of receivables	**(2,347)**	(1,825)
Trade receivables – net	**128,472**	105,976
Corporation tax	**1,962**	1,145
Current tax	**1,962**	1,145
Other non-trade receivables	**2,161**	1,833
Other taxes and social security	**6,046**	5,542
Prepayments	**4,379**	4,777
Other receivables	**12,586**	12,152

10. Cash and cash equivalents

	2014	2013
Bank balances	**23,777**	40,747
Cash in hand	**45**	43
Short term deposits	**22,994**	28,083
Cash and cash equivalents	**46,816**	68,873
Bank overdraft	**–**	–
Cash and cash equivalents in the Consolidated Statement of Cash Flows	**46,816**	68,873

11. Capital and reserves

Share capital and share premium

	5p Ordinary shares Issued and fully paid up 2014	£1 Non-redeemable preference shares 2014	5p Ordinary shares Issued and fully paid up 2013	£1 Non-redeemable preference shares 2013
At 1 January	**4,344**	**40**	4,340	40
Issued under employee share schemes	**2**	**–**	4	–
At 31 December	**4,346**	**40**	4,344	40
Number of shares (000)	**86,928**		86,871	

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 £584,000 (2013: £586,000) in respect of the 57,321 (2013: 62,904) ordinary shares issued during the year: £2,000 (2013: £4,000) was credited to share capital and £582,000 (2013: £582,000) 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 held is £5,393,000 (2013: £4,520,000) and represents 202,098 (2013: 162,518) 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:

	2014 Payment date	2014	2013
30.0p final dividend (2013: 26.6p)	**19 May**	**26,046**	23,082
19.2p interim dividend (2013: 18.05p)	**26 September**	**16,656**	15,653
		42,702	38,735

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.

	2014	2013
Final proposed dividend per qualifying ordinary share		
30.9p	**26,861**	
30.0p		26,061

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 86.7m shares (2013: 86.7m shares) being the weighted average number of ordinary shares in issue (net of own ordinary shares held) for the year.

	2014	2013
Net profit attributable to ordinary shareholders	**103,202**	99,509
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**86,708**	86,638
Effect of own shares held	**25**	44
Effect of shares issued under Share option schemes / Sharesave plans	**7**	9
Weighted average number of ordinary shares during the year	**86,740**	86,691
Basic earnings per share	**119.0p**	114.8p

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.

	2014	2013
Net profit attributable to ordinary shareholders	**103,202**	99,509
Amortisation	**14,940**	12,147
Tax effect on amortisation at effective rate	**(4,018)**	(3,388)
Adjusted net profit attributable to ordinary shareholders	**114,124**	108,268
Weighted average number of ordinary shares during the year	**86,740**	86,691
Adjusted basic earnings per share	**131.6p**	124.9p

Diluted earnings per share

Diluted earnings per share is based on the profit for the year attributable to the ordinary shareholders and 87.1m shares (2013: 87.1m 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).

	2014	2013
Net profit attributable to ordinary shareholders	**103,202**	99,509
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares for the year	**86,740**	86,691
Effect of Sharesave options in issue	**112**	103
Effect of LTIP shares in issue	**238**	277
Weighted average number of ordinary shares (diluted) during the year	**87,090**	87,071
Diluted earnings per share	**118.5p**	114.3p

Adjusted diluted earnings per share

	2014	2013
Net profit attributable to ordinary shareholders	**103,202**	99,509
Amortisation	**14,940**	12,147
Tax effect on amortisation at effective rate	**(4,018)**	(3,388)
Adjusted net profit attributable to ordinary shareholders	**114,124**	108,268
Weighted average number of ordinary shares (diluted) during the year	**87,090**	87,071
Adjusted diluted earnings per share	**131.0p**	124.3p

13. Employee benefits

	2014	2013
Recognised liability for defined benefit obligations:		
- Present value of funded obligations	**187,918**	152,882
- Fair value of plan assets	**(151,786)**	(132,684)
	36,132	20,198
Other pension scheme liabilities	**435**	477
Employee bonuses	**13,105**	14,726
Long term incentive plan	**404**	576
Employee indemnity provision	**1,971**	1,833
Other employee benefits	**2,835**	2,374
	54,882	40,184
Non-current	**38,864**	22,705
Current	**16,018**	17,479
	54,882	40,184

14. Provisions

	Contingent consideration	Warranty provision	Total
Balance at 1 January 2014	2,809	6,685	9,494
Exchange differences	(85)	36	(49)
Increase as a result of business combinations	4,396	187	4,583
Provisions used during the year	(1,463)	(752)	(2,215)
Credited to the income statement	(164)	(416)	(580)
Balance at 31 December 2014	**5,493**	**5,740**	**11,233**
Maturity at 31 December 2014			
Non-current	**–**	**1,913**	**1,913**
Current	**5,493**	**3,827**	**9,320**
	5,493	**5,740**	**11,233**
Maturity at 31 December 2013			
Non-current	400	2,228	2,628
Current	2,409	4,457	6,866
	2,809	6,685	9,494

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 18 months.

Contingent consideration relates to amounts outstanding in respect of the acquisitions of YTC, Flowco Limited, GTA Group and Masso Ind S.p.A. All of these amounts are due to paid during 2015.

15. Trade and other payables

	2014	2013
Trade payables	**40,162**	38,019
Corporation tax	**15,200**	14,836
Current tax	**15,200**	14,836
Other taxes and social security	**8,123**	6,922
Payments on account	**7,617**	7,995
Other payables and accrued expenses	**19,451**	16,085
Other payables	**35,191**	31,002

16. 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.

M Lamb became a non-executive director of Rotork plc during the year. Severn Trent plc is a related party of Rotork plc by virtue of M Lamb's non-executive directorship. Sales to subsidiaries and associates of Severn Trent plc totalled £1,352,000 during the year and £226,000 was outstanding at 31 December 2014.

UBS Investment Bank are a related party by virtue of non-executive director SA James's 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 £8,000 have been reimbursed in the year (2013: £4,000) and no balance was outstanding at 31 December 2014 (2013: £nil).

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

	2014	2013
Emoluments including social security costs	**4,594**	4,816
Post employment benefits	**298**	287
Pension supplement	**251**	206
Share-based payments	**1,134**	1,465
	6,277	6,774

17. Financial calendar

3 March 2015	Preliminary announcement of annual results for 2014
9 April 2015	Ex-dividend date for final proposed 2014 dividend
10 April 2015	Record date for final proposed 2014 dividend
24 April 2015	Annual General Meeting held at Rotork House, Brassmill Lane, Bath, BA1 3JQ
18 May 2015	Payment date for final proposed 2014 dividend
4 August 2015	Announcement of interim financial results for 2015