Tuesday 1st March 2022

Rotork plc

2021 Preliminary Results

End market outlook improving following a challenging year

Adjusted highlights	2021	2020[5]	% change	OCC[3] % change
Order intake[1]	£614.1m	£590.2m	+4.1%	+7.8%
Revenue	£569.2m	£604.5m	-5.9%	-2.5%
Adjusted[2] operating profit	£128.1m	£142.5m	-10.1%	-8.2%
Adjusted[2] operating margin	22.5%	23.6%	-110bps	-140bps
Adjusted[2] basic earnings per share	11.3p	12.5p	-9.6%	-8.0%
Cash conversion[4]	108%	130%	-	-

Statutory highlights	2021	2020[5]	% change
Revenue	£569.2m	£604.5m	-5.9%
Operating profit	£105.7m	£113.1m	-6.5%
Operating margin	18.6%	18.7%	-10bps
Profit before tax	£105.9m	£112.6m	-5.9%
Basic earnings per share	9.2p	9.8p	-6.1%
Full year dividend	6.40p	6.30p	+1.6%

Summary

- Orders were higher year-on-year driven by strong performances from our Water & Power and Chemical, Process & Industrial Divisions. Oil & Gas orders returned to growth in H2
- Revenues were lower due to supply chain constraints which intensified as the year went on, particularly the sourcing of components such as chipsets and electronics
- Adjusted operating margins were 110bps lower at 22.5% with successful management actions more than offset by reduced volumes, increased logistics costs and supply chain related issues
- Excellent progress on our sustainability strategy; we today announce our science-based targets and net-zero dates (scopes 1 & 2 by 2035 and scope 3 by 2045)
- Closing net cash £114.1m (December 2020: £178.1m). ROCE[4] 30.1% (down 240bps)

Kiet Huynh, Chief Executive, said:

"Rotork is a first-class engineering group with a strong purpose and a great reputation for innovative, quality products and a high level of service. The Group delivered a resilient performance in 2021. Demand strengthened as the year progressed and whilst supply chain challenges impacted revenues, particularly in the second half, margins and cashflows proved resilient.

Our people are committed and passionate and have embraced the important changes we have made as part of the Growth Acceleration Programme (GAP). In recent years however the group has not delivered the rates of sales growth we had hoped to achieve, in part because of COVID-19. I am convinced we can deliver on our growth ambition.

In my four years at Rotork I have played a major role in GAP's design and implementation, and I stand by its objectives. GAP has already considerably improved Rotork's infrastructure, operations and processes. We will provide an update on our priorities and our plans to deliver our growth ambitions later in the year.

Our immediate priorities are delivering on our record opening order book and continuing to execute GAP. Additional focus areas which support our growth ambition, are a greater emphasis on customer value, innovation and new product development and enabling a sustainable future.

The outlook for our end markets is improving and we entered the year with a record opening order book. However, we do not anticipate current supply chain disruptions to improve in the first half of 2022. We remain committed to the financial objectives of mid to high single digit revenue growth and mid-20s adjusted operating margins over time and, notwithstanding geopolitical uncertainties, we expect a year of solid progress in 2022."

[1] *Order intake represents the value of orders received during the period.*
[2] *Adjusted[4] figures exclude the amortisation of acquired intangible assets and other adjustments (see note 4).*
[3] *OCC[4] is organic constant currency results restated at 2020 exchange rates.*
[4] *Adjusted figures, organic constant currency ('OCC') figures, cash conversion and ROCE are alternative performance measures and are used consistently throughout these results. They are defined in full and reconciled to the statutory measures in note 2.*
[5] *As a result of IFRIC agenda guidance in April 2021 on Software as a Service (SaaS) and treatment under IAS38, 2020 has been restated to reflect the updated treatment. The detail on this restatement can be found in note 1.*

Rotork plc Tel: +44 (0)1225 733 200
Kiet Huynh, Chief Executive
Jonathan Davis, Finance Director
Andrew Carter, Investor Relations Director

FTI Consulting Tel: + 44 (0)20 3727 1340
Nick Hasell / Susanne Yule

There will be a meeting for analysts and institutional investors at 9.00am GMT today at the offices of FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD. The presentation will also be webcast, with access via https://www.investis-live.com/rotork/61e05ca002e5ad0c00042abf/21fyr. *Please join the webcast a few minutes before 9.00am to complete registration.*

Summary

Purpose
Our Purpose and sustainability vision are one and the same: keeping the world flowing for future generations. We want to help drive the transition to a cleaner future where environmental resources are used responsibly. We have a major role to play in new energies and technologies that will support the transition to a low carbon economy, as well as helping preserve natural resources such as fresh water.

Health, safety and wellbeing
The wellbeing of our people, partners and visitors is our number one priority at Rotork and our vision for health and safety is zero harm. During the year we successfully rolled-out our new 'Rotork Life Saving Rules'. These are based on the globally recognised 'Life Saving Rules' which are widely used in a number of industries including oil & gas.

Business performance
Group order intake increased 4.1% year-on-year (7.8% on an organic constant currency or OCC basis) to £614.1m. All three divisions booked higher orders on an OCC basis, with Water & Power and Chemical, Process & Industrial ("CPI") strongly ahead. Oil & Gas saw order growth return in the second half.

Our customers continue to spend on automation and environmental projects as well as maintenance and upgrade activities. Large project activity remains generally quiet however there are signs of improvement. The majority of Rotork's activity is driven by customers' operational rather than capital expenditure. We estimate that maintenance, repair and small to mid-sized automation/upgrade projects (individual orders less than £100k) generate 75% of Group orders by value in a typical year, and that orders above £1m represent only 5% of Group order intake.

Our operational teams performed well in what was a very challenging period. The COVID-19 pandemic posed significant challenges for supply chains around the world in 2021. Lockdowns, requirements to isolate and people leaving the workforce disrupted the flow of raw materials and finished goods. As an international group with a predominantly out-sourced manufacturing model, we could not avoid being affected by the availability and the cost of logistics, components and commodities.

COVID-19 related changes to spending habits resulted in higher demand for products at the same time as supply became constrained by labour and capacity shortages. The outcome was lower freight availability and significantly higher rates. We responded by optimising use of our global network of suppliers and of production facilities, working closely with our freight forwarding partners and stepping up our customer communication. To offset rate increases we implemented logistics surcharges on the most impacted routes.

Shortly after the onset of COVID-19, demand for high-end semiconductors rose as consumers accelerated the replacement cycle of their electronic goods. Later, demand from the auto products sector outpaced the recovery in auto production, as driver assistance systems became more common. Rotork responded to shortages by building tactical inventories where possible, increasing our direct purchasing of key semiconductors and electronic components, and re-engineering our products. The latter takes time, particularly in the case of certified products.

The prices of commodities such as copper, aluminium and steel were similarly lifted by an increase in demand for physical products, but also by supply restrictions as China made efforts to reduce industrial emissions. Our Global Strategic Sourcing teams focused on mitigating the impact of higher commodity costs through working with our supply base throughout the year. Our commercial teams remained in close contact with our customers at all times, so any price increases that were required were understood and did not come as a surprise.

Group revenue was 5.9% lower year-on-year (2.5% lower OCC). Oil & Gas sales declined 11.0% (7.7% OCC), the result of significantly reduced deliveries to upstream customers. Sales to the less cyclical midstream and downstream sectors (representing 77% of our Oil & Gas revenues) were slightly down year-on-year on an OCC basis. CPI sales were 7.7% ahead (OCC), reflecting strength in the chemicals and process sectors. Water & Power sales were modestly lower, the most impacted by electronics and semi-conductor shortages of Rotork's divisions.

By geography, Asia Pacific revenues by destination grew mid-single digits year-on-year on an OCC basis. Europe, Middle East & Africa ("EMEA") sales were lower, the result of a significant reduction in Oil & Gas sales. Americas revenues were modestly lower on an OCC basis, benefiting from a strong performance in Latin America.

Rotork Site Services, our global service network and a key differentiator in our industry, enjoyed a strong start to 2021. However the second half was negatively impacted by our own, and our customers, supply chain and logistics challenges. Our Lifetime Management and Reliability Services programmes continue to perform well. Rotork Site Services is managed as a separate unit within Rotork's divisions and continues to contribute a significant proportion of Group sales.

Adjusted operating profit was 10.1% lower year-on-year (8.2% lower OCC), reflecting continued benefits from the Growth Acceleration Programme (GAP) and our focus on managing materials inflation, but the benefits compared to the prior year were more than offset by the impact of the significantly reduced volumes, increased logistics costs and operational inefficiencies. Adjusted operating margins were 110 basis points lower than the previous year at 22.5%.

Return on capital employed was 30.1% (2020: 32.5%), with the reduction in capital employed more than offset by lower adjusted operating profit. Cash conversion was 108% (130%) with the lower conversion largely reflecting change in inventory, in part due to the decision in 2021 to tactically increase electronic component stocks. Our balance sheet remains strong, with a net cash position of £114.1m at the period end.

Early priorities

In my four years at Rotork I have been a major contributor to GAP's design and implementation. GAP has already considerably improved Rotork's infrastructure, operations and processes enabling us to place increasing emphasis on customers, culture, innovation and sustainability. I plan to review and refine the strategy and if necessary, prioritise certain elements. I am confident that our efforts will deliver our growth and profitability ambitions and benefits for all stakeholders.

Rotork is extremely well placed for the future. The flow control markets we serve have great potential for growth and we enjoy leading market positions. Our product and service offerings are extremely strong and we have an exciting innovation pipeline. We benefit from the strong mega trends of automation, electrification and digitalisation that are transforming industry. We have a major part to play in new energies and technologies that will deliver a low-carbon economy and enable the transition to it.

A question we are frequently asked is what proportion of our sales are of products and services which have particular environmental or sustainability benefits or which enable the energy transition and decarbonisation? This is not a straightforward question, and it can sometimes be difficult for us to identify the end use of a product we have sold. Our 'eco-transition portfolio' includes three portfolios: 'Water & wastewater', 'Methane emissions reduction' and 'New energies & technologies portfolio' as well as other applications such as process water management and gasification. We estimate that the three portfolios mentioned above represented around 30% of sales in 2021, with other applications also material but difficult to estimate. We are hugely excited about the potential of our eco-transition portfolio of products and services to enable a sustainable future, and of course to grow over time.

We have a clear Purpose, Keeping the World Flowing for Future Generations, and a fantastic global team of passionate people that are totally committed to it, whether in our world-class engineering teams, sales, operations or our support functions. As a largely outsourced manufacturing business we are reliant upon our supply chain. Our suppliers have been working extremely hard to overcome the well documented logistics, components shortage and commodity cost challenges experienced in the year.

Rotork is in a strong financial position. Our policy is to maintain a strong balance sheet, giving us the flexibility to fund organic investments, pay a progressive annual dividend and make acquisitions. We have a clear capital allocation framework and are committed to returning capital if we believe it is in excess of our current requirements. We returned £50m to shareholders via a share buyback during the year.

We will provide an update on our priorities and our plans to deliver our growth ambition later in the year. Our immediate priorities are:

- Delivering on our record opening order book. To do this we will work in close partnership with our customers and our suppliers. We will keep up the momentum in our component purchasing, product re-engineering and re-certification efforts. We will revisit our supply chain design to see if there are opportunities to redesign certain elements. New paint lines in Bath (UK) and Rochester (NY) will reduce delivery times, raise product quality and lower costs and at the same time improve our environmental performance overall.

- Continuing to execute GAP. GAP has good momentum, with many of the principles now well embedded in the organisation. Our focus in 2022 is on improving our customer journey experience, leveraging the voice of customer work completed in 2021 to prioritise our new product development efforts, delivering further sourcing savings and start rolling-out the D365 ERP system to our manufacturing facilities. The latter will provide us with more detailed management information, improve our processes and deliver additional savings.

Additional focus areas, supporting our growth ambition, are:

- Greater emphasis on customer value. We have made progress in becoming easier to do business with but we must go further, putting customer value front and centre, working as one team. We want to partner with our customers in tackling their challenges. To drive this, we will continue to build on our end market structure and strengthen our key account management and value selling propositions.

- Innovation and new product development. The Group has a long-established tradition of innovation and of tackling challenging engineering problems. As part of GAP we have stream-lined our new product commercialisation process, and have a strong pipeline. We want to harness our engineering tradition and convert the pipeline to launches, leading with new products that offer improved efficiency and which are aligned to the "electrification of everything" trend.

- Enabling a sustainable future. Our businesses are well positioned to enable the low-carbon global economy with products and services used to electrify flow control processes, in hydrogen, carbon capture and storage and battery production. We have a major part to play in the energy transition too, for example in reducing methane emissions, gasification and biofuel production. Relative to the size of our environmental handprint, we believe our footprint is small. We are committed to delivering net-zero across all three scopes by 2045.

Growth Acceleration Programme

We began to implement our Growth Acceleration Programme in the second half of 2018. This important five-year programme is not about a fundamental reinvention of Rotork, rather refining how we do things and building on our strong foundations. Despite 2021's extremely challenging conditions we made good progress on each of the pillars.

Commercial Excellence is about sales growth and to a lesser extent margin enhancement. One of the major initiatives under this pillar is sales force re-alignment. Our pivot to an end-market facing orientation was completed in 2020 and we are very pleased with the results. Another is the reinvigoration of our innovation and new product development processes. There is evidence that innovation may have suffered during the pandemic, including perhaps at Rotork. Encouragingly, incremental revenues from 'non defend the core' products grew year-on-year and were ahead of plan.

Operational Excellence is about both sales and margins but more about margin enhancement. We have continued to work to optimise our footprint and we consolidated several mid-sized manufacturing facilities during 2021. Our Continuous Improvement & Lean initiatives also continued. Across the organisation we held close to 350 rapid improvement events. The focus of the Global Strategic Sourcing team was more on maintaining production than normal, however the team were able to secure sourcing savings and stepped-up their ESG discussions with suppliers.

Investment in our IT and Core Business Processes accelerated during the year. This workstream is a major enabler for GAP and the deployment of new information systems continues at pace. We have now deployed solutions for sales, marketing, customer service, human resources and site services using a common, global platform based on Microsoft's D365 technology. These modern, integrated solutions are delivering new standards of business efficiency, collaboration and reporting and are delivering significant business benefits. The design and integration of the core ERP solution for our factory and sales offices has now been completed, ready for our first deployment in 2022.

Our TCFD journey

We initiated a multi-year project to further understand the risks and opportunities presented by climate change, consistent with the requirements of the Task Force on Climate-Related Financial Disclosures ('TCFD') earlier in the year. We consider this work as considerably more than a requirement under the UK Financial Conduct Authority's Listing Rules. It is a great opportunity for us, together with external experts, to explore the risks and opportunities that different climate change scenarios might present to Rotork and to determine how to position ourselves to take advantage of opportunities and manage risks.

We have made significant progress in implementing the recommendations of TCFD in each of the four thematic areas: governance, strategy, risk management and targets and metrics. We have been particularly focused on undertaking 'climate scenario analysis' as recommended under the strategy pillar. In our current assessment of climate risks and opportunities, we believe there are significant opportunities for Rotork. As a next step, we will work to quantify the potential impact of both risks and opportunities.

Capital allocation

On 18 August 2021 we announced that, consistent with our capital allocation policy, the Board had decided to return cash to shareholders. We subsequently acquired and cancelled £50m of our shares via an on-market buyback programme split into two tranches. We completed the buyback on 9 November 2021. We retain a strong balance sheet and remain active in looking for suitable acquisition opportunities.

Divisional review

Oil & Gas

£m	2021	2020	Change	OCC[3] Change
Revenue	260.2	292.2	-11.0%	-7.7%
Adjusted operating profit	56.3	67.9	-17.1%	-14.3%
Adjusted operating margin	21.7%	23.3%	-160bps	-170bps

Oil & Gas customers started the year cautiously as regards their discretionary expenditure, but their confidence picked up as the year progressed. Industry capital expenditure was slightly ahead year-on-year, driven by national oil & gas companies, according to forecasters. Productivity and emissions reduction projects continued. Early in 2022 hydrocarbon prices rose to levels not seen since 2014, reflecting recovering demand, several years of underinvestment and geopolitical tensions.

Divisional revenues fell 11.0% year-on-year (-7.7% OCC), largely the result of supply chain disruption which delayed deliveries, particularly in the final quarter. Sales to the midstream sector were up double-digits on an OCC basis, benefiting from project wins in the Middle East. Sales to both the upstream and downstream sectors were lower, with the downstream proving to be less economically sensitive as anticipated. EMEA sales were significantly lower with the upstream and downstream sectors declining. Asia Pacific sales grew, with downstream and midstream growth more than offsetting upstream sector declines. Americas revenues were slightly down OCC, with growth in the upstream and midstream sectors more than offset by downstream declines. Within the Americas, South America performed particularly strongly. Rotork Site Services sales were lower year-on-year reflecting commissioning delays.

Adjusted operating profits were £56.3m, 14.3% lower year-on-year on an OCC basis. The decline in profits reflected reduced sales and higher logistics costs, partly offset by improved labour efficiency, GAP savings and a reduced level of variable pay. Adjusted margins fell 160 basis points to 21.7%, reflecting the above factors.

Oil & Gas aims to outperform its markets through a range of strategic initiatives. These include leveraging our installed base (through Rotork Site Services and our iAM and Lifetime Management programmes), helping our customers improve their operational and environmental performance, and increasing our sales of low energy consumption and connected products. We are also making targeted investments in high growth regions such as the Middle East and Asia Pacific.

We consider the energy transition to be a significant opportunity where we play an important role. The production, distribution, and utilisation of low and zero carbon fuels (including hydrogen and biofuels such as HVO) are valve and actuator intensive. We have an important part to play in climate change mitigation and abatement technologies such as methane emissions reduction and carbon capture usage and storage. The focus on the oil & gas industry's methane emissions has stepped-up the policy agenda further following COP26. We believe that electrification has an important role to play in the reduction of our customers' carbon emissions across their upstream, midstream and downstream processes, and that as world leader in electric actuation we are well placed to assist them on this journey. Gasification / fuel switching in the power generation sector in the US and Europe and in the residential and industrial sectors in Asia Pacific is expected to benefit the midstream sector.

Chemical, Process & Industrial ("CPI")

£m	2021	2020	Change	OCC[3] Change
Revenue	160.5	154.6	3.8%	7.7%
Adjusted operating profit	42.8	38.6	11.0%	15.7%
Adjusted operating margin	26.7%	24.9%	180bps	190bps

CPI delivered a strong sales performance in the first half which was not repeated in the second half, largely due to supply chain disruption. The division serves a broad range of end markets and has a higher proportion of short-cycle sales and a shorter order book than Rotork's other divisions. CPI is seeing the benefits of the economic recovery as well as earlier GAP initiatives such as focusing on key niches for profitable growth. Examples include business wins in chemicals, mining, steel, pharmaceutical, semi-conductor, lithium-ion battery and data centre (HVAC) end markets.

Revenues grew 7.7% year-on-year on an OCC basis. Asia Pacific sales were up high single-digits (OCC), with our targeted niches showing encouraging growth. In EMEA, sales growth accelerated after a slow start to the year, resulting in full year revenue growth being close to that of the division (OCC). Americas was the fastest growing geography, with revenues growing close to double digits OCC, driven by higher mining and chemicals activity.

The process sector represents a substantial proportion of CPI overall. Process revenues were ahead in all regions, with Asia Pacific enjoying the highest rate of growth.

The division's adjusted operating profit was £42.8m, 11.0% up year-on-year. Adjusted operating margins increased 180bps to 26.7% reflecting the drop-through of higher sales, beneficial mix and GAP savings which were partly offset by slightly higher logistics costs.

CPI aims to outgrow its markets through focusing on niche sectors and high growth regions, optimising its channel coverage and developing the aftermarket. The division is targeting key sectors including HVAC, chemicals and basic materials. The decarbonisation trend presents a key opportunity for CPI – through new industrial processes such as hydrogen and carbon capture usage and storage, as well as the substitution of high maintenance and inefficient pneumatic systems with electric actuators.

Water & Power

£m	2021	2020	Change	OCC[3] Change
Revenue	148.6	157.8	-5.8%	-2.7%
Adjusted operating profit	40.4	47.0	-14.0%	-11.3%
Adjusted operating margin	27.2%	29.8%	-260bps	-260bps

Water & Power's products and services, and those of its customers, are generally considered essential, and customer activity has largely continued without disruption throughout COVID-19. However the division has the highest proportion of electric actuator sales amongst Rotork's divisions and was the most impacted by electronics and semi-conductor shortages in the year. Water & Power is clearly benefiting from earlier initiatives such as our transition to an end-market aligned structure and value selling. Looking ahead, the world's governments have identified water infrastructure investment as a priority, not only for health and safety reasons but also for economic development and we are well placed to support these efforts.

Revenues fell 5.8% year-on-year (-2.7% OCC) with higher EMEA sales insufficient to offset lower sales in other geographic regions. In Asia Pacific, the water sector achieved solid growth in sales. The Asia Pacific power sector saw a revenue decline, despite significant waste-to-energy activity, due to reduced refurbishment work. Americas sales were particularly impacted by supply chain issues however water sales were slightly ahead (OCC). In EMEA, strong water sector revenue growth offset slightly weaker power sales. For the division overall, water sector sales were ahead mid-single digits year-on-year on an OCC basis.

The division's adjusted operating profits were £40.4m, 14.0% lower year-on-year. Adjusted margins were 27.2%, down 260bps year-on-year. The margin decline reflected higher logistics costs, which disproportionately affected the division, an adverse product mix as well as an increased share of common costs, which together exceeded the savings derived from GAP.

Water & Power aims to outperform its markets through an optimised channel strategy, regional expansion and new product development. The division is focused on solving its customers' challenges. For example, water customers rely on Rotork's technologies to achieve higher water quality standards, lower operational costs, reduce water leakage and increase the lifecycle of assets above and under-ground. In power, our teams are targeting environmental opportunities such as waste-to-energy investments, flue-gas desulphurisation retrofits and seeking refurbishment opportunities within our large installed base.

By order of the Board
Kiet Huynh
Chief Executive
28 February 2022

Financial review

Order intake for the year was £614.1m (2020: £590.2m), up 4.1% from the prior year or 7.8% on an organic constant currency (OCC) basis, with all divisions reporting growth. Chemical, Process & Industrial (CPI) reported the strongest growth, followed by Water & Power (W&P) with Oil & Gas (O&G) only really seeing an improvement towards the end of the year. Order intake in the second half was 5.2% higher than the first half of the year and 12.6% higher than the second half of 2020 on an OCC basis.

Group revenue was 5.9% lower (-2.5% OCC) at £569.2m. This was largely driven by continuing supply chain constraints in particular the sourcing of components such as chipsets and electronics. Our CPI division reported strong growth in the first half, which was then impacted in the second half by supply chain and COVID-19 disruptions, ending the year 3.8% ahead (+7.7% OCC) of 2020. W&P revenues fell 5.8% year-on-year (-2.7% OCC) with higher EMEA sales insufficient to offset lower sales in other regions. Oil & Gas (O&G) revenues fell 11.0% year-on-year (-7.7% OCC), largely the result of supply chain disruption which delayed deliveries, particularly in the final quarter. Sales to the midstream sector were up double-digit on an OCC basis, benefiting from project wins in the Middle East. Sales to both the upstream and downstream sectors were lower, with the downstream as expected proving to be more resilient.

Rotork Site Services, our global service network and a key differentiator in our industry, made good progress in the period despite access to customer sites remaining a challenge in some countries. Revenue is ahead of 2020 on an OCC basis and our lifetime management and reliability services programmes continue to perform well. Rotork Site Services is managed as a separate unit within Rotork's divisions and contributed 21% (2020: 19%) of Group revenue.

Gross margin reduced 80 basis points to 46.2% (-110bps OCC). Logistics costs remained at elevated levels throughout the year and whilst the surcharge introduced in the first half of the year helped mitigate the costs in the second half, this and the lower revenue were the largest contributors to the reduction in gross margins. The cost increases related to supply chain shortages were mitigated throughout the year by the progressive price increases as intended.

Overheads continued to be carefully managed and reduced by £1.9m on an OCC basis compared with 2020.

Operating Profit was £105.7m, 6.5% lower year on year. Adjusted operating profit was £128.1m, a decrease of 10.1% over the prior year, with the adjusted operating margin decreasing 110 basis points to 22.5% (Restated[2] 2020: 23.6%). On an OCC basis, adjusted operating profit decreased 140 basis points from 23.6% to 22.2%, the difference to the reported numbers reflecting the stronger relative performance of our CPI business in APAC vs supply chain disruption in Americas and EMEA.

Net finance income was £0.2m (2020: expense of £0.3m) because of a lower interest cost and a more favourable impact of exchange gains / losses.

The effect of a change in the geographic mix of profits in regions where we operate drove up the adjusted effective tax rate to 23.8% (2020: 23.4%) resulting in adjusted earnings per share of 11.3p (2020: 12.5p), a decrease of 9.6%. Statutory earnings per share were 9.2p (2020: 9.8p), a decrease of 9.6%.

Growth Acceleration Programme

We entered 2021 with the workstreams under the Growth Acceleration Programme (GAP) well underway and with considerable momentum, strengthening the foundation of our business. Within the Commercial Excellence pillar, we continued to restructure the sales back-office functions, including the closure of our Petaluma office in the US, the expansion of EMEA activities transferred into our Bath and Lucca centres of excellence and the establishment of an APAC centre of excellence in Malaysia. These reorganisation activities and carryover benefits from previous route to market changes delivered a 2021 benefit of £1.7m and account for £0.3m restructuring costs in the year.

Within the Operational Excellence pillar the focus on managing our factories through COVID-19 redirected efforts that might otherwise have been spent on driving GAP initiatives. The Global Strategic Sourcing (GSS) team had to focus on managing our supply chain, as COVID-19 affected suppliers to varying degrees throughout the year, to ensure we maintained the supply of components required to meet customer deliveries. There were challenges with both component supply and the logistics of getting the components to our factories. Continuous improvement and lean initiatives continued throughout the year with ~350 lean events completed. Continuous improvement and lean delivered £2.2m of savings in the year. The footprint optimisation programme continued with the closure of production lines in Houston, San Sebastian and Cusago sites. Other Rotork manufacturing sites will continue to support customers ensuring no discontinuity with past service. The in-year benefits of these transfers and those completed part-way through 2020 were £1.0m of incremental benefits.

2021 saw continued progress in our Growth Acceleration Programme, with the Group generating savings of £6.8m compared with GAP restructuring costs of £4.9m, and further investment of £13.6m in our D365 ERP system, of which £8.5m was expensed in the year in line with the revised accounting guidance on Software as a Service. This means the cumulative impact on the income statement of the Growth Acceleration Programme from 2018 to date has been £30.2m, which exceeds the cumulative £10.7m restructuring costs. The cumulative cash benefits, once we include the impact of working capital savings, capital costs and disposals are now £31.8m.

Adjusted items

Adjusted profit measures are presented alongside statutory results as we believe they provide a useful comparison of underlying business trends and performance from one period to the next.

The statutory profit measures are adjusted to exclude amortisation of acquired intangibles and other items, comprising the net restructuring costs resulting from the Growth Acceleration Programme and software costs associated with the new ERP development.

Adjusted earnings reconciliation

£m	Statutory results	Amortisation	Restructuring costs	Software as a service	Adjusted results
Operating profit	105.7	9.0	4.9	8.5	128.1
Profit before tax	105.9	9.0	4.9	8.5	128.3
Tax	(25.7)	(1.8)	(0.6)	(2.4)	(30.5)
Profit after tax	80.2	7.2	4.3	6.1	97.8

The table above adjusts the statutory results for the significant non-cash and other adjustments to give adjusted results. Note 2 sets out the alternative performance measures used by the Group and how these reconcile to the statutory results. Further details of the restructuring costs are provided in note 4.

Organic constant currency results

We also present OCC figures to exclude the impacts of currency, acquisitions, business closures and disposals.

£m		2021 as reported	Constant currency adjustment		2021 at 2020 exchange rates		2020[2]
Revenue		569.2	20.5		589.7		604.5
Cost of sales		(306.4)	(12.5)		(318.9)		(320.2)
Gross profit	**46.2%**	262.8	8.0	**45.9%**	270.8	**47.0%**	284.3
Overheads	**23.7%**	(134.7)	(5.2)	**23.7%**	(139.9)	**23.5%**	(141.8)
Adjusted operating profit[1]	**22.5%**	128.1	2.8	**22.2%**	130.9	**23.6 %**	142.5

[1] *Adjusted is before the amortisation of acquired intangible assets and other adjustments (see note 4).*

[2] *As a result of IFRIC agenda guidance in April 2021 on Software as a Service (SaaS) and treatment under IAS38, 2020 has been restated to reflect the updated treatment. The detail on this restatement can be found in note 1.*

Currency

In 2021 we experienced an overall currency headwind. The major currencies impacting the income statement are the US$ and the euro. The US$/£ average rate of $1.38 (2020: $1.28) was a 10 cent headwind, whilst the euro/£ average rate was €1.16 (2020: €1.12), a 4 cent headwind. With the average sterling rate across the basket of other currencies, particularly India, Russia and Mexico, strengthening in 2021 this has resulted in a £20.5m or 3.6% headwind reported to revenue.

The impact of currency on the Group is both translational and transactional. 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 partially to mitigate the transaction impact through matching supply currency with sales currency, but ultimately, we are net sellers of both US dollars and euros. It is the net sale of these currencies which we principally address through our hedging policy, covering up to 75% of net 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 one cent movement versus sterling. A one euro cent movement now results in approximately a £200,000 (2020: £250,000) adjustment to profit and for US dollar, and US dollar related currencies, a one cent movement equates to approximately a £600,000 (2020: £700,000) adjustment.

Return on capital employed (ROCE)

Our capital-efficient business model and strong 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. The average capital employed decreased 3.0% over the year to £424.8m as there were no acquisitions in 2021 and we returned £50m of shareholders' funds through a share buyback. However due to the reduction in adjusted operating profit, ROCE declined to 30.1% (2020: 32.5%).

Taxation

The Group's headline effective tax rate increased from 23.8% to 24.2%. Removing the impact of the non-recurring adjustments provides a more reliable measure and, on this basis, the adjusted effective tax rate is 23.8% (2020: 23.4%), with the year-on- year increase largely due to the change in Indian withholding tax in 2020. The Group expects its adjusted effective tax rate to remain higher than the standard UK rate due to higher rates of tax in China, the US, South Korea, Germany, India, and Australia.

The Group's 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

Our strong cash generation resulted in a net cash position of £114.1m at the end of the year (2020: £178.1m). Our cash conversion KPI shows a conversion of 108.0% of adjusted operating profit into cash which although still strong is lower than the 129.5% reported in 2020. Cash outflow on Property, Plant and Equipment was £13.2m (2020: £15.5m), plus £5.2m in capitalised software (2020: nil) and £8.5m in software which was expensed in the period (2020: £9.8m). Our Research and Development (R&D) cash spend has decreased 2% to £12.6m which represents 2.2% of revenue (2020: £12.9m and 2.1%). We have continued to make good progress with the development of our strategic products, particularly electric actuation and the underlying technologies. During the year, significant R&D resource was diverted to re-engineer existing products in response to global supply chain shortages. Dividends of £75.5m, tax payments of £32.0m, share buyback programme of £50.3m and purchase of own shares of £7.8m were the other major outflows.

Control of working capital as defined in the cash flow statement, using average exchange rates and excluding disposals, is key to achieving our cash generation KPI. Inventory increased by £6.9m, as we sought to mitigate the disruption of supply chain constraints whilst trade receivables reduced generating a cash inflow of £18.4m. Trade receivables measured as days' sales outstanding[1] increased slightly from 56 to 57 days. Net working capital in the balance sheet decreased to 21.8% of revenue compared with 23.2% in December 2020 and generated a £16.7m inflow in the cash flow statement.

COVID-19 disruption and geopolitical risk

We have reported previously COVID-19 and geopolitical risk as two areas of risk that we were monitoring, and which could impact Rotork. Our COVID Committee continues to monitor the external influences of COVID-19 on the business, and also coordinate the internal response.

Our operational teams have performed well in what was a very challenging period due to COVID-19. Whilst we made every effort to keep our production facilities open, we did not hesitate to shut them if we believed there was any risk to our colleagues, and there were several closures in the period. The requirement for staff to isolate and quarantine affected many of our facilities. Similar issues were also faced by our component and logistics suppliers, causing supply chain delays and disruption, which were further impacted by the temporary closure of the Suez Canal in March. As widely reported these disruptions have had a very significant impact on logistics costs (particularly sea freight) and commodities. We have responded by utilising our global network to mitigate supply chain disruption, which have intensified in the second half of the year and have built some tactical inventories. Our Global Strategic Sourcing team have been focused on mitigating the impact of rising commodity costs. We expect component supply and costs (including of electronics) to remain a challenge for the first half of next year, along with the current level of heightened logistics costs and disruption.

As a global business we continue to monitor the trade position between all locations where we are based or have customers or suppliers and have considered the potential impact of additional trade barriers between these countries. We will take steps where necessary to mitigate any such changes but continue to believe they will not materially impact the Group’s results.

Credit management

The Group’s credit risk is primarily attributable to trade receivables, with the risk spread over a large number of countries and customers, and no significant concentration of risk. Creditworthiness checks are undertaken before entering into contracts or commencing trade with new customers and in companies where insurance cover operates, the authorisation process works in conjunction with the insurer, taking advantage of their market intelligence. We maintained coverage of the credit insurance policy during the year and have cover in place for virtually all of our companies at an aggregate of 90% of receivables. This level of coverage was retained despite the challenges faced in the credit market as a result of COVID-19. Where appropriate, we use trade finance instruments such as letters of credit to mitigate any identified risk.

Treasury

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

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

The Group has one committed £60m revolving credit facility expiring in June 2022. At year end this was undrawn, resulting in £60m being available.

Retirement benefits

The Group accounts for post-retirement benefits in accordance with IAS 19, Employee Benefits. The balance sheet reflects the net deficit of these schemes at 31 December 2021 based on the market value of the assets at that date, and the valuation of liabilities using year end AA corporate bond yields. We closed both the main defined benefit pension schemes to new entrants; the UK scheme in 2003 and the US scheme in 2009, in order to reduce the risk of volatility of the Group's liabilities. In 2018 we further reduced the risk of volatility when we completed the closure to future accrual of both the UK and US schemes. Members of the defined benefit schemes were transferred onto the relevant defined contribution plan operating in their country.

The most recent triennial valuation of the UK scheme took place at 31 March 2019 and showed an actuarial deficit of £28.7m and a funding level of 86%. A recovery plan was agreed with the Trustees as part of the 2019 valuation, resulting in required annual contributions from the Company of £6.8m with effect from 1 April 2020. The annual update to the actuarial valuation at 31 March 2021 showed the deficit had reduced to £16.8m and the funding level increased to 92%. An increase in gilt yields compared with the COVID-19 impacted March 2020 reduced the value of scheme liabilities whilst investments performed well over the period.

On an accounting basis the deficit in the schemes decreased from £38.5m to £7.5m during 2021 and the funding level increased from 85% to 97%. The Company paid total contributions of £7.4m over the year and the schemes' assets increased in value by £11.1m. The value of the schemes' liabilities has reduced by £13.9m (2020: increase of £32.7m) due to the 60 bps increase in discount rate at the year-end to 1.9%, which reflected the increase in yields on AA corporate bonds over 2021.

The accounting deficit is different to the actuarial deficit as on an accounting basis we are required to use AA-rated corporate bond yields to value the liabilities. The UK scheme's actuarial valuation uses gilt yields since this most closely matches the investment strategy which is designed in part to hedge the interest rate and inflation risks borne by the scheme. Cash contributions are driven by the actuarial valuation.

Dividends

The Board is proposing a final dividend of 4.05p per share. When taken together with the 2.35p interim dividend paid in September 2021, the 6.40p (2020: 6.30p per share) represents a 1.6% increase in dividends over the prior year. This gives dividend cover of 1.8 times (2020: 2.0 times) based on adjusted earnings per share.

Jonathan Davis
Group Finance Director
28 February 2022

[1] *Days' sales outstanding is calculated on a count back method. The sales value including local sales taxes is deducted from the year end trade receivables to calculate the number of days sales outstanding.*
[2]*As a result of IFRIC agenda guidance in April 2021 on Software as a Service (SaaS) and its treatment under IAS38, 2020 has been restated to reflect the updated treatment. The detail on this restatement can be found in note 1 to the accounts*.

Consolidated income statement

For the year ended 31 December 2021

	Notes	2021 £000	(Restated)[1] 2020 £000
Revenue	3	**569,160**	604,544
Cost of sales		**(306,394)**	(320,234)
Gross profit		**262,766**	284,310
Other income		**587**	1,581
Distribution costs		**(5,397)**	(5,271)
Administrative expenses		**(152,064)**	(166,807)
Other expenses		**(182)**	(710)
Adjusted operating profit	2,3	**128,080**	142,543
Adjustments			
- Amortisation of acquired intangible assets	3	**(9,001)**	(14,110)
- Other adjustments	4	**(13,369)**	(15,330)
Operating profit	2,3	**105,710**	113,103
Finance income	5	**2,442**	2,394
Finance expense	5	**(2,221)**	(2,931)
Profit before tax		**105,931**	112,566
Income tax expense	6	**(25,686)**	(26,808)
Profit for the year		**80,245**	85,758
Basic earnings per share	8	9.2p	9.8p
Adjusted basic earnings per share	2,8	11.3p	12.5p
Diluted earnings per share	8	9.2p	9.8p
Adjusted diluted earnings per share	2,8	11.2p	12.5p

1 See note 1 for details of the prior year restatement

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	2021 £000	(Restated)[1] 2020 £000
Profit for the year	**80,245**	85,758
Other comprehensive income		
Items that may be subsequently reclassified to the income statement:		
Foreign exchange translation differences	**(8,899)**	(3,913)
Effective portion of changes in fair value of cash flow hedges net of tax	**(88)**	(12)
	(8,987)	(3,925)
Items that are not subsequently reclassified to the income statement:		
Actuarial loss in pension scheme net of tax	**19,469**	(14,836)
Income and expenses recognised in other comprehensive income	**10,482**	(18,761)
Total comprehensive income for the year	**90,727**	66,997

1 See note 1 for details of the prior year restatement

Consolidated balance sheet

At 31 December 2021

	Notes	2021 £000	(Restated)[1] 2020 £000	(Restated)[1] 2019 £000
Non-current assets				
Goodwill		**216,778**	223,537	222,052
Intangible assets		**25,722**	25,145	40,848
Property, plant and equipment		**77,798**	86,082	83,995
Deferred tax assets		**10,183**	20,232	15,776
Total non-current assets		**330,481**	354,996	362,671
Current assets				
Inventories		**68,447**	61,467	73,905
Trade receivables		**94,189**	112,565	129,390
Current tax		**9,558**	7,180	4,830
Derivative financial instruments		**1,896**	1,582	2,196
Other receivables		**35,824**	25,868	27,558
Assets classified as held for sale		**2,884**	1,119	–
Cash and cash equivalents		**123,474**	187,204	117,612
Total current assets		**336,272**	396,985	355,491
Total assets		**666,753**	751,981	718,162
Equity				
Issued equity capital	7	**4,302**	4,370	4,363
Share premium		**18,828**	16,826	14,521
Other reserves		**12,019**	20,934	24,859
Retained earnings		**498,931**	528,624	491,451
Total equity		**534,080**	570,754	535,194
Non-current liabilities				
Interest bearing loans and borrowings		**5,464**	5,396	6,791
Employee benefits	9	**11,336**	42,846	33,576
Deferred tax liabilities		**1,580**	9,551	11,078
Derivative financial instruments		**106**	–	124
Provisions		**1,559**	1,720	1,964
Total non-current liabilities		**20,045**	59,513	53,533
Current liabilities				
Interest bearing loans and borrowings		**3,872**	3,754	4,752
Trade payables		**38,800**	33,560	41,195
Employee benefits	9	**14,440**	23,645	24,734
Current tax		**12,226**	14,765	13,270
Derivative financial instruments		**–**	168	52
Other payables		**37,986**	41,334	40,581
Provisions		**5,304**	4,488	4,851
Total current liabilities		**112,628**	121,714	129,435
Total liabilities		**132,673**	181,227	182,968
Total equity and liabilities		**666,753**	751,981	718,162

1 See note 1 for details of the prior year restatement

These financial statements were approved by the Board of Directors and authorised for issue on 28 February 2022 and were signed on its behalf by:

K Huynh and JM Davis
Directors.

Consolidated statement of changes in equity

	Issued equity capital £000	Share Premium £000	Translation Reserve £000	Capital redemption reserve £000	Hedging Reserve £000	Retained Earnings £000	Total £000
Balance at 31 December 2019 (Restated)[1]	**4,363**	**14,521**	**22,287**	**1,644**	**928**	**491,451**	**535,194**
Profit for the year (Restated)	–	–	–	–	–	85,758	85,758
Other comprehensive income							
Foreign exchange translation differences	–	–	(3,913)	–	–	–	(3,913)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	6	–	6
Actuarial gain on defined benefit pension plans	–	–	–	–	–	(18,570)	(18,570)
Tax on other comprehensive income	–	–	–	–	(18)	3,734	3,716
Total other comprehensive income	–	–	(3,913)	–	(12)	(14,836)	(18,761)
Total comprehensive income	–	–	(3,913)	–	(12)	70,922	66,997
Transactions with owners, recorded directly in equity							
Equity settled share-based payment transactions	–	–	–	–	–	(306)	(306)
Tax on equity settled share-based payment transactions	–	–	–	–	–	(65)	(65)
Share options exercised by employees	7	2,305	–	–	–	–	2,312
Own ordinary shares acquired	–	–	–	–	–	(3,645)	(3,645)
Own ordinary shares awarded under share schemes	–	–	–	–	–	4,193	4,193
Dividends	–	–	–	–	–	(33,926)	(33,926)
Balance at 31 December 2020 (Restated)	**4,370**	**16,826**	**18,374**	**1,644**	**916**	**528,624**	**570,754**
Profit for the year	–	–	–	–	–	80,245	80,245
Other comprehensive income							
Foreign exchange translation differences	–	–	(8,899)	–	–	–	(8,899)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	(109)	–	(109)
Actuarial gain on defined benefit pension plans	–	–	–	–	–	24,040	24,040
Tax on other comprehensive income	–	–	–	–	21	(4,571)	(4,550)
Total other comprehensive income	–	–	(8,899)	–	(88)	19,469	10,482
Total comprehensive income	–	–	(8,899)	–	(88)	99,714	90,727
Transactions with owners, recorded directly in equity							
Equity settled share-based payment transactions	–	–	–	–	–	(1,982)	(1,982)
Tax on equity settled share-based payment transactions	–	–	–	–	–	633	633
Share options exercised by employees	4	2,002	–	–	–	–	2,006
Own ordinary shares acquired	–	–	–	–	–	(7,809)	(7,809)
Own ordinary shares awarded under share schemes	–	–	–	–	–	5,455	5,455
Share buyback programme	(72)	–	–	72	–	(50,324)	(50,324)
Dividends	–	–	–	–	–	(75,380)	(75,380)
Balance at 31 December 2021	**4,302**	**18,828**	**9,475**	**1,716**	**828**	**498,931**	**534,080**

1 See note 1 for details of the prior year restatement

Detailed explanations for equity capital, the translation reserve, capital redemption reserve and hedging reserve can be seen in note 7.

Consolidated statement of cash flows

For the year ended 31 December 2021

	Notes	2021 £000	2021 £000	(Restated)[1] 2020 £000	(Restated)[1] 2020 £000
Cash flows from operating activities					
Profit for the year		**80,245**		85,758	
Adjustments for:					
Amortisation of acquired intangibles		**9,001**		14,110	
Other adjustments	4	**13,369**		15,330	
Amortisation and impairment of development costs		**1,657**		2,967	
Depreciation		**15,673**		16,313	
Equity settled share-based payment expense		**3,333**		3,685	
Loss on sale of property, plant and equipment		**–**		146	
Finance income		**(2,442)**		(2,394)	
Finance expense		**2,221**		2,931	
Income tax expense		**25,686**		26,808	
		148,743		165,654	
(Increase) / decrease in inventories		**(8,330)**		12,561	
Decrease in trade and other receivables		**5,944**		14,672	
Increase / (decrease) in trade and other payables		**2,583**		(7,195)	
Cash impact of other adjustments		**(13,346)**		(16,250)	
Difference between pension charge and cash contribution		**(7,562)**		(10,109)	
Decrease in provisions		**(937)**		(483)	
Decrease in employee benefits		**(9,632)**		(622)	
		117,463		158,228	
Income taxes paid		**(32,021)**		(30,781)	
Net cash flows from operating activities			**85,442**		127,447
Investing activities					
Purchase of property, plant and equipment		**(13,170)**		(15,466)	
Purchase of intangible assets		**(5,174)**		–	
Development costs capitalised		**(1,806)**		(1,298)	
Sale of property, plant and equipment		**3,808**		272	
Disposal of businesses	4	**–**		3,807	
Settlement of hedging derivatives		**4,102**		(3,157)	
Interest received		**857**		1,389	
Net cash flows from investing activities			**(11,383)**		(14,453)
Financing activities					
Issue of ordinary share capital		**2,006**		2,312	
Own ordinary shares acquired		**(7,809)**		(3,645)	
Share buyback programme		**(50,324)**		–	
Interest paid		**(881)**		(954)	
Decrease in bank loans		**(67)**		(69)	
Repayment of lease liabilities		**(4,904)**		(5,168)	
Dividends paid on ordinary shares		**(75,515)**		(33,926)	
Net cash flows from financing activities			**(137,494)**		(41,450)
Net increase in cash and cash equivalents			**(63,435)**		71,544
Cash and cash equivalents at 1 January			**187,204**		117,612
Effect of exchange rate fluctuations on cash held			**(295)**		(1,952)
Cash and cash equivalents at 31 December			**123,474**		187,204

1 See note 1 for details of the prior year restatement

Notes to the Group Financial Statements

For the year ended 31 December 2021

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

Rotork plc is a public company limited by shares, registered and domiciled in England. The consolidated financial statements of the Company for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the Group).

1. ACCOUNTING POLICIES

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

Basis of preparation

The consolidated financial statements of Rotork plc have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK-adopted international accounting standards.

New accounting standards and interpretations

i. Amendments

A number of amended standards became applicable for the current reporting period. The application of these amendments has not had any material impact on the disclosures, net assets or results of the Group.

New standards and interpretations not yet adopted

i. Amendments

Further narrow scope amendments have been issued which are mandatory for periods commencing on or after 1 January 2022. The application of these amendments will not have any material impact on the disclosures, net assets or results of the Group.

Change in accounting policy – Software as a Service (‘SaaS’) arrangements

The Group has changed its accounting policy related to the capitalisation of certain software costs; this change follows the IFRIC Interpretation Committee’s agenda decision published in April 2021, which clarifies the accounting treatment of the costs of configuring or customising application software under Software as a Service arrangements.

The Group’s accounting policy has historically been to capitalise costs directly attributable to the configuration and customisation of SaaS arrangements as assets in the Balance Sheet. Following the adoption of the above IFRIC agenda guidance, current SaaS arrangements, principally relating to the Group’s ongoing transformation programme, were identified and assessed to determine if the Group has control of the software and associated configured and customised elements. For those arrangements where the Group does not have control of the developed software, the Group derecognised the asset previously capitalised.

This change in accounting policy led to adjustments in the 31 December 2020 and 31 December 2019 balance sheets amounting to a £14,538,000 (2019: £5,067,000) reduction in property, plant and equipment, a £3,608,000 (2019: £1,194,000) increase in deferred tax assets and a £332,000 (2019: £846,000) increase in deferred tax liabilities. This change also led to adjustments to the income statement for the years ended 31 December 2020 and 31 December 2019 amounting to a £9,471,000 (2019: £5,067,000) increase in Software as a Service configuration costs within other adjustments and a decrease of £1,901,000 (2019: £861,000) in income tax expense.

Accordingly, the prior period Balance Sheets at 31 December 2020 and 31 December 2019 have been restated in accordance with IAS 8, and, in accordance with IAS 1 (revised), a Balance Sheet at 31 December 2019 is also presented, together with related notes. The tables on the following page show the impact of the change in accounting policy on previously reported financial results.

Impact on the consolidated balance sheet

	(As previously reported) 2020 £000	Impact of restatement £000	**(Restated) 2020 £000**
Property, plant and equipment	100,620	(14,538)	**86,082**
Deferred tax assets	16,624	3,608	**20,232**
Other assets	645,667	–	**645,667**
Total assets	762,911	(10,930)	**751,981**
Retained earnings	540,400	(11,776)	**528,624**
Deferred tax liabilities	8,705	846	**9,551**
Other equity and liabilities	213,806	–	**213,806**
Total equity and liabilities	762,911	(10,930)	**751,981**

Impact on the consolidated income statement and statement of comprehensive income

	(As previously reported) 2020 £000	Impact of restatement £000	**(Restated) 2020 £000**
Adjusted operating profit	142,543	–	**142,543**
Adjustments			
- Amortisation of acquired intangible assets	(14,110)	–	**(14,110)**
- Other adjustments	(5,859)	(9,471)	**(15,330)**
Operating profit	122,574	(9,471)	**113,103**
Profit before tax	122,037	(9,471)	**112,566**
Income tax expense	(28,709)	1,901	**(26,808)**
Profit for the year	93,328	(7,570)	**85,758**
Total comprehensive income for the year	74,567	(7,570)	**66,997**

Impact on basic and diluted earnings per share

	(As previously reported) 2020	Impact of restatement	**(Restated) 2020 £000**
Basic earnings per share	10.7p	(0.9)p	**9.8p**
Adjusted basic earnings per share	12.5p	–	**12.5p**
Diluted earnings per share	10.7p	(0.9)p	**9.8p**
Adjusted diluted earnings per share	12.5p	–	**12.5p**

Impact on statutory tax rate and effective tax rate on profit before tax

	(As previously reported) 2020 £000	Impact of restatement £000	**(Restated) 2020 £000**
Profit before tax	122,037	(9,471)	**112,566**
Total tax charge for the year	(28,709)	1,901	**(26,808)**
Profit after tax	93,328	(7,570)	**85,758**
Effective tax rate	23.5%	20.1%	**23.8%**

Impact on the consolidated statement of cash flows

	(As previously reported) 2020 £000	Impact of restatement £000	**(Restated) 2020 £000**
Net cash flows from operating activities	137,260	(9,813)	**127,447**
Net cash flows from investing activities	(24,266)	9,813	**(14,453)**
Net cash flows from financing activities	(41,450)	–	**(41,450)**
Cash and cash equivalents at 31 December	187,204	–	**187,204**

No impact on the overall increase in cash and cash equivalents for the year.

Adjustments to profit
Adjustments to profit are items of income and expense which, because of the nature, size and/or infrequency of the events giving rise to them, merit separate presentation. These specific items are presented on the face of the income statement to provide greater clarity and a better understanding of the impact of these items on the Group's financial performance. In doing so, it also facilitates greater comparison of the Group's underlying results with prior periods and assessment of trends in financial performance. This split is consistent with how underlying business performance is measured internally.

Adjustments to profit items may include but are not restricted to: costs of significant business restructuring, significant impairments of intangible or tangible assets, adjustments to the fair value of acquisition related items such as contingent consideration, acquired intangible asset amortisation and other items due to their significance, size or nature, and the related taxation.

Going concern
The directors have reviewed the current financial position of the Group, which has net cash of £123m; the significant order book, which contains customers spread across different geographic areas and industries; and the trading and cash flow forecasts for the Group. The directors have reverse stress tested the forecasts and are satisfied that the downside scenarios are considered remote and that the Group would continue to have headroom on existing facilities. The Group also has a number of mitigating actions that it can take at short notice to preserve cash, for example reduction in capital programmes, dividend deferral and reductions in discretionary spend.

Based on the factors detailed above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and at least 12 months from the date of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In forming this view, the on-going impact of COVID-19 on the Group has been considered.

Consolidation
The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year to 31 December 2021. 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 2021 or 2020. Statutory accounts for 2020, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, have been delivered to the registrar of companies. Those for 2021, 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 2021 will shortly be available to shareholders, and after adoption at the Annual General Meeting on 29 April 2022 will be delivered to the registrar.

2. ALTERNATIVE PERFORMANCE MEASURES

The Group uses adjusted figures as key performance measures in addition to those reported under adopted IFRS, as management believe these measures facilitate greater comparison of the Group's underlying results with prior periods and assessment of trends in financial performance.

The key alternative performance measures that the Group use include adjusted profit measures and organic constant currency (OCC). Explanations of how they are calculated and how they are reconciled to IFRS statutory results are set out below.

a. Adjusted operating profit

Adjusted operating profit is the Group's operating profit excluding the amortisation of acquired intangible assets and other adjustments that are considered to be significant and where treatment as an adjusted item provides stakeholders with additional useful information to assess the trading performance of the Group on a consistent basis. Further details on these adjustments are given in note 4.

b. Adjusted profit before tax

The adjustments in calculating adjusted profit before tax are consistent with those in calculating adjusted operating profit above.

	2021	(Restated) 2020
Profit before tax	**105,931**	112,566
Adjustments:		
Amortisation of acquired intangible assets	**9,001**	14,110
Gain on disposal of property	**(1,569)**	–
Software as a Service configuration costs	**8,493**	9,471
Redundancy costs	**3,872**	5,744
Other restructuring costs	**2,573**	115
Adjusted profit before tax	**128,301**	142,006

c. Adjusted basic and diluted earnings per share

Adjusted basic earnings per share is calculated using the adjusted net profit attributable to the ordinary shareholders and dividing it by the weighted average ordinary shares in issue (see note 8). Adjusted net profit attributable to ordinary shareholders is calculated as follows:

	2021	(Restated) 2020
Net profit attributable to ordinary shareholders	**80,245**	85,758
Adjustments:		
Amortisation of acquired intangible assets	**9,001**	14,110
Gain on disposal of property	**(1,569)**	–
Software as a Service configuration costs	**8,493**	9,471
Redundancy costs	**3,871**	5,744
Other restructuring costs	**2,574**	115
Tax effect on adjusted items	**(4,785)**	(6,385)
Adjusted net profit attributable to ordinary shareholders	**97,830**	108,813

Diluted earnings per share is calculated by using the adjusted net profit attributable to ordinary shareholders and dividing it by the weighted average ordinary shares in issue adjusted to assume conversion of all potentially dilutive ordinary shares (see note 8).

d. Adjusted dividend cover

Dividend cover is calculated as earnings per share divided by dividends per share. Adjusted dividend cover is calculated as adjusted earnings per share as defined in note 2c above divided by dividends per share.

e. Total shareholder return

Total shareholder return is the movement in the price of an ordinary share plus dividends during the year, divided by the opening share price.

f. Return on capital employed

The return on capital employed ratio is used by management to help ensure that capital is used efficiently.

	2021	(Restated) 2020
Adjusted operating profit	**128,080**	142,543
Capital employed		
Shareholders' funds	**534,080**	570,754
Cash and cash equivalents	**(123,474)**	(187,204)
Interest bearing loans and borrowings	**9,336**	9,150
Pension deficit net of deferred tax	**6,023**	30,965
Capital employed	**425,965**	423,665
Average capital employed	**424,815**	438,367
Return on capital employed	**30.1%**	32.5%

Average capital employed is defined as the average of the capital employed at the start and end of the relevant year.

g. Working capital as a percentage of revenue

Working capital as a percentage of revenue is monitored as control of working capital is key to achieving our cash generation targets. It is calculated as inventory plus trade receivables, less trade payables, divided by revenue.

h. Organic constant currency (OCC)

OCC results remove the results of businesses acquired or disposed of during the period that are not consistently presented in both periods' results. The 2021 results are restated at 2020 exchange rates. There are no disposals or acquisitions in 2021 that are not consistently presented in both periods

Key headings in the income statement are reconciled to OCC as follows:

	31 December 2021	Currency adjustment	**OCC 31 December 2021**
Revenue	**569,160**	20,530	**589,690**
Cost of sales	**(306,394)**	(12,540)	**(318,934)**
Gross margin	**262,766**	7,990	**270,756**
Overheads	**(134,686)**	(5,239)	**(139,925)**
Adjusted operating profit	**128,080**	2,751	**130,831**
Interest	**221**	(39)	**182**
Adjusted profit before tax	**128,301**	2,712	**131,013**
Adjusted taxation	**(30,471)**	(635)	**(31,106)**
Adjusted profit after tax	**97,830**	2,077	**99,907**

3. OPERATING SEGMENTS

The three identifiable operating segments where the financial and operating performance is reviewed monthly by the chief operating decision maker are as follows:
Oil & Gas
Water & Power
Chemical, Process & Industrial

Each of our customers is allocated to a division. Sales to that customer, along with all directly associated costs of that sale, are reported under the division to which that customer is allocated. Where some of our customers sell into multiple end markets, a lead end market is identified. Sales to these customers will generally be allocated to the lead end market unless the sale is of significance and an alternative end market has been identified, in which case it will be reported under the alternative end market.

For all costs not directly attributed to a sale, these are allocated across the three divisions within each of our businesses. There are some costs which are directly attributable to a division, but most support costs and facility costs are not directly attributable to a division and are generally allocated based on split of revenue. Amortisation of acquired intangible assets is allocated based on the split of revenue of the entity to which the asset relates.

Unallocated expenses comprise corporate expenses and remain the same as they were under the previous product division structure.

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

Analysis by operating segment:

	Oil & Gas 2021	**Chemical, Process & Industrial 2021**	**Water & Power 2021**	**Unallocated 2021**	**Group 2021**
Revenue from external customers	**260,153**	**160,454**	**148,553**	**–**	**569,160**
Adjusted operating profit*	**56,342**	**42,775**	**40,430**	**(11,467)**	**128,080**
Amortisation of acquired intangible assets	**(6,381)**	**(1,782)**	**(838)**	**–**	**(9,001)**
Segment result	**49,961**	**40,993**	**39,592**	**(11,467)**	**119,079**
Other adjustments					**(13,369)**
Operating profit					**105,710**
Net finance income					**221**
Income tax expense					**(25,686)**
Profit for the year					**80,245**

	Oil & Gas 2020	Chemical, Process & Industrial 2020	Water & Power 2020	Unallocated 2020	(Restated) Group 2020
Revenue from external customers	292,173	154,605	157,766	–	604,544
Adjusted operating profit*	67,949	38,553	47,037	(10,996)	142,543
Amortisation of acquired intangible assets	(7,380)	(5,785)	(945)	–	(14,110)
Segment result	60,569	32,768	46,092	(10,996)	128,433
Other adjustments					(15,330)
Operating profit					113,103
Net finance expense					(537)
Income tax expense					(26,808)
Profit for the year					85,758

*Adjusted operating profit is operating profit before the amortisation of acquired intangible assets and other adjustments (see note 4)

	Oil & Gas 2021	Chemical, Process & Industrial 2021	Water & Power 2021	Unallocated 2021	Group 2021
Depreciation	**7,161**	**4,420**	**4,092**	**–**	**15,673**
Amortisation:					
– Acquired intangible assets	**6,381**	**1,782**	**838**	**–**	**9,001**
– Development costs	**817**	**457**	**383**	**–**	**1,657**

	Oil & Gas 2020	Chemical, Process & Industrial 2020	Water & Power 2020	Unallocated 2020	Group 2020
Depreciation (Restated)	7,491	4,184	4,296	–	15,971
Amortisation:					
– Acquired intangible assets	7,380	5,785	945	–	14,110
– Development costs	1,204	673	565	–	2,442
Impairment of development cost assets	–	525	–	–	525

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

Geographical analysis:

Revenue by location of subsidiary	2021	2020
UK	**55,971**	66,077
Italy	**49,150**	62,176
Rest of Europe	**102,501**	106,940
USA	**96,565**	109,929
Other Americas	**40,152**	35,965
China	**98,011**	80,431
Rest of World	**126,810**	143,026
	569,160	604,544

4. OTHER ADJUSTMENTS

The other adjustments are adjustments that management consider to be significant and where separate disclosure enables stakeholders to assess the underlying trading performance of the Group on a consistent basis.

The other adjustments to profit included in statutory profit are as follows:

	2021	(Restated) 2020
Gain on disposal of property	**1,569**	–
Redundancy	**(3,871)**	(5,744)
Other restructuring costs	**(2,574)**	(115)
Software as a Service configuration costs	**(8,493)**	(9,471)
Other adjustments	**(13,369)**	(15,330)

Growth Acceleration Programme
The Growth Acceleration Programme, which the Group began to implement in the second half of 2018, is designed to fulfil the Group's purpose and deliver its strategic targets. The Group is in the fourth year of the five-year programme and delivers initiatives under the following pillars: Commercial Excellence, Operational Excellence, Talent & Culture and IT & Core Business Processes.

Gain on disposal of property
The £1,569,000 (2020: £nil) gain on disposal of properties relates to the sale of two properties in the period as a result of the ongoing review of the global footprint.

Redundancy costs and other restructuring costs
A further £3,871,000 (2020: £5,744,000) redundancy costs have been incurred as a result of the progress made with the Growth Acceleration Programme. In 2021 it was announced that the Group's operations in Cusago, Italy would cease during the second half of 2021 and the production would transfer to other Group manufacturing facilities. The closure of the Cusago facility resulted in redundancy costs and other restructuring costs totalling £4,013,000.

Software as a Service configuration costs
During the year £8,493,000 (2020: £9,471,000) of configuration costs were incurred on the development of cloud-based software as part of the D365 implementation under the Growth Acceleration Programme, these costs were expensed as they do not meet the capitalisation criteria under IAS 38.

Income statement disclosure
All adjustments are included in administrative expenses. The adjustments are taxable or tax deductible in the country in which the expense is incurred.

5. FINANCE INCOME AND EXPENSE

	2021	2020
Interest income	**1,123**	1,517
Foreign exchange gains	**1,319**	877
Finance income	**2,442**	2,394

	2021	2020
Interest expense	**(818)**	(872)
Interest expense on lease liabilities	**(404)**	(499)
Interest charge on pension scheme liabilities	**(522)**	(609)
Foreign exchange losses	**(477)**	(951)
Finance expense	**(2,221)**	(2,931)

6. INCOME TAX EXPENSE

	2021	2021	(Restated) 2020	(Restated) 2020
Current tax:				
UK corporation tax on profits for the year	**2,029**		2,711	
Adjustment in respect of prior years	**(615)**		(966)	
		1,414		1,745
Overseas tax on profits for the year	**26,277**		28,034	
Adjustment in respect of prior years	**(295)**		(232)	
		25,982		27,802
Total current tax		**27,396**		29,547
Deferred tax:				
Origination and reversal of other temporary differences	**(1,170)**		(1,618)	
Impact of rate change	**(592)**		(1,103)	
Adjustment in respect of prior years	**52**		(18)	
Total deferred tax		**(1,710)**		(2,739)
Total tax charge for year		**25,686**		26,808
Profit before tax		**105,931**		112,566
Profit before tax multiplied by the blended standard rate of corporation tax in the UK of 19.0% (2019: 19.0%)		**20,127**		21,388
Effects of:				
Different tax rates on overseas earnings		**7,381**		7,613
Permanent differences		**1,591**		578
Losses not recognised		**(128)**		292
Tax incentives		**(1,835)**		(744)
Impact of rate change		**(592)**		(1,103)
Adjustments to tax charge in respect of prior years		**(858)**		(1,216)
Total tax charge for year		**25,686**		26,808
Effective tax rate		**24.2%**		23.8%
Adjusted profit before tax (note 2b)		**128,301**		142,006
Total tax charge for the year		**25,686**		26,808
Amortisation of acquired intangible assets		**1,784**		3,010
Software as a service configuration costs		**2,400**		1,901
Other adjustments (note 4)		**601**		1,474
Adjusted total tax charge for the year		**30,471**		33,193
Adjusted effective tax rate		**23.8%**		23.4%

A tax credit of £631,000 (2020: £65,000) in respect of share-based payments has been recognised directly in equity in the year.

The effective tax rate for the year is 24.2% (2020 restated: 23.8%). The adjusted effective tax rate is 23.8% (2020 restated: 23.4%) and is lower than the effective tax rate for the year principally because of the tax treatment of expenses included in exceptional items.

The adjusted effective tax rate has increased from 23.4% in 2020 to 23.8% in 2021, principally because of an increase in the proportion of the Group profits arising in higher tax jurisdictions internationally. The Group expects its adjusted effective tax rate to continue to move in line with the trends in corporate tax rates in the jurisdictions where Rotork operates. However, the adjusted effective tax rate will still be higher than the standard UK rate due to higher rates of tax in China, Germany, South Korea, India, Australia and the US.

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 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 £258,167,000 (2020: £256,554,000).

7. CAPITAL AND RESERVES

	0.5p Ordinary shares issued and fully paid up 2021	**£1 Non-redeemable preference shares 2021**	0.5p Ordinary shares issued and fully paid up 2020	£1 Non-redeemable preference shares 2020
At 1 January	**4,370**	**40**	4,363	40
Issued under employee share schemes	**4**	**–**	7	–
Share buyback programme	**(72)**	**–**	–	–
At 31 December	**4,302**	**40**	4,370	40
Number of shares (000)	**860,276**		873,955	

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

Share issue
The Group received proceeds of £1,528,000 (2020: £2,312,000) in respect of the 816,422 (2020: 1,417,104) ordinary shares issued during the year: £4,000 (2020: £7,000) was credited to share capital and £1,524,000 (2020: £2,305,000) to share premium.

Share buyback programme
During the year, the group bought back a total of 14,403,732 Ordinary shares of 0.5p each for a total value of £50,324,000 including costs of £324,000. The average price paid for these repurchased shares was 348.1p. These repurchased shares were then cancelled in the same period.

Share forfeiture
During the year the Group had a share forfeiture programme following the completion of a tracing and notification exercise to any shareholders who have not had contact with the Company over the past 12 years, in accordance with the provisions set out in the Company's Articles of Association. Under the share forfeiture programme, the shares and dividends associated with shares of untraced members are forfeited and resold in the market, with the resulting proceeds transferred to the Group. During the year, the Group received £478,000 proceeds from sale of untraced shares and £135,000 write-back of unclaimed dividends on those shares, which are reflected in share premium and retained earnings respectively.

Own shares held
Within the retained earnings reserve are own shares held. The investment in own shares held is £5,291,000 (2020: £2,937,000) and represents 1,500,000 (2020: 997,000) 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.

Preference shares
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.

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:

	2021 Payment date	2021	2020
6.30 final dividend for 2020 (final dividend for 2019 was postponed)	**21 May**	**54,996**	–
2.35p interim dividend for 2021 (interim dividend for 2020: 3.90p)	**24 September**	**20,519**	33,926
		75,515	33,926

The Company has exercised its authority in accordance with the provisions set out in the Company's Articles of Association that the balance of unclaimed dividends over past 12 years be forfeited. During the year £135,000 of unclaimed dividends have been adjusted for in retained earnings, resulting in a dividends movement in the statement of changes in equity of £75,380,000.

The recommendation to pay a 3.90 pence per share final dividend in respect of 2019 was withdrawn on 31 March 2020 in response to the uncertainty arising from the COVID-19 pandemic. The Board decided to pay this dividend as an interim dividend of 3.90 pence which was paid to shareholders in September 2020. In March 2021 a dividend, reflecting the combined interim and final dividend, was proposed in respect of the year to 31 December 2020 and was paid in May 2021. The Company has now returned to the regular schedule of dividends payments.

After the balance sheet date the following dividends per qualifying ordinary share were proposed by the directors. The dividends have not been provided for.

	2021	2020
Final proposed dividend per qualifying ordinary share		
4.05p	**34,780**	–
6.30p	**–**	55,059

8. 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 869.5m shares (2020: 871.7m shares) being the weighted average number of ordinary shares in issue (net of own ordinary shares held) for the year.

	2021	(Restated) 2020
Net profit attributable to ordinary shareholders	**80,245**	85,758
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**872,958**	871,401
Effect of own shares held	**(28)**	17
Effect of Share Buyback Programme	**(3,694)**	–
Effect of shares issued under Sharesave plans	**220**	244
Weighted average number of ordinary shares during the year	**869,456**	871,662
Basic earnings per share	**9.2p**	9.8p

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 impact of the adjustments. The reconciliation showing how adjusted net profit attributable to ordinary shareholders is derived is shown in note 2.

	2021	2020
Adjusted net profit attributable to ordinary shareholders	**97,830**	108,813
Weighted average number of ordinary shares during the year	**869,456**	871,662
Adjusted basic earnings per share	**11.3p**	12.5p

Diluted earnings per share
Diluted earnings per share is based on the profit for the year attributable to the ordinary shareholders and 870.5m shares (2020: 873.3m 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 two categories of potentially dilutive ordinary shares: those share options granted to employees under the 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).

	2021	(Restated) 2020
Net profit attributable to ordinary shareholders	**80,245**	85,758
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares for the year	**869,456**	871,662
Effect of Sharesave options	**711**	561
Effect of LTIP share awards	**372**	1,101
Weighted average number of ordinary shares (diluted) during the year	**870,539**	873,324
Diluted earnings per share	**9.2p**	9.8p

Adjusted diluted earnings per share

	2021	2020
Adjusted net profit attributable to ordinary shareholders	**97,830**	108,813
Weighted average number of ordinary shares (diluted) during the year	**870,539**	873,324
Adjusted diluted earnings per share	**11.2p**	12.5p

9. EMPLOYEE BENEFITS

	2021	2020
Recognised liability for defined benefit obligations:		
– Present value of funded obligations	**233,135**	252,959
– Fair value of plan assets	**(225,510)**	(214,442)
	7,625	38,517
Other pension scheme liabilities	**261**	243
Employee bonuses	**10,717**	19,676
Long term incentive plan	**143**	560
Employee indemnity provision	**2,033**	2,474
Other employee benefits	**4,997**	5,021
	25,776	66,491
Non-current	**11,336**	42,846
Current	**14,440**	23,645
	25,776	66,491

10. 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 arm's length basis.

FINANCIAL CALENDAR

1 March 2022	Preliminary announcement of annual results for 2021
7 April 2022	Ex-dividend date for final proposed 2021 dividend
8 April 2022	Record date for final proposed 2021 dividend
29 April 2022	Announcement of trading update
29 April 2022	Annual General Meeting held at Rotork House, Brassmill Lane, Bath, BA1 3JQ
2 August 2022	Announcement of interim financial results for 2022