FINANCIAL DYNAMICS
BUSINESS COMMUNICATIONS

HOLBORN GATE, 26 SOUTHAMPTON BUILDINGS
LONDON WC2A 1PB, UK

TEL +44 (0)20 7831 3113
FAX +44 (0)20 7831 7961

28 February 2006

Rotork p.l.c.

Preliminary Announcement

Strong results with double digit growth in operating profit

Financial Highlights

- Record order book with order intake up 24% at £188m
- Sales revenue up 19% at £175m
- Operating profit up 20% at £36.5m
- Earnings per share up 16.7% at 28.6 pence per share
- £10m additional interim dividends during 2006

Operational Review

- Strong performances in US and China
- Excellent growth in all three divisions
- Good business levels in all markets
- Continued high levels of growth achieved by Rotork Fluid System

Chief Executive Bill Whiteley, commenting on the results said:

"We saw further progress in many of our markets in 2005. The principal highlight was the strength of our core electric actuator market especially in Asia and the USA. This was supported by the continuing high levels of growth from Rotork Fluid System.

Conditions in most of our end user and geographic markets continue to be buoyant as reflected in the size of the order book at the start of 2006 and the strength of the order input since then."

For further information, please contact:

Rotork p.l.c. **Tel: 01225 733200**
Bill Whiteley, Chief Executive
Bob Slater, Finance Director

Financial Dynamics **Tel: 020 7269 7224**
Sally Lewis

Chairman's statement

Introduction
Excellent progress has been made in the year with the Group's order input increasing by 24%. Group revenue advanced by 19% to £174.8m and double digit growth in operating profit was achieved by all three divisions. Overall profit increased by 20% to £36.5m. Earnings per share increased by nearly 17%. Strong demand, particularly from the hydrocarbon and power sectors, coupled with growth in all our geographical markets resulted in a 41% increase in the order book, which closed the year at an all time high.

Business Review
The Electric actuator business, which accounts for 71% of Group revenue, saw good output levels from the main plant in Bath, building on the progress made in the first half. The US had a very positive year with Rochester making record profits and successfully weathering the uncertain currency backdrop that was with us through most of the year. Despite this uncertainty, currency overall had a modest positive impact on reported results. The IQT actuator released at the end of 2003 continues to be well received by customers worldwide. China is now established as our biggest market for Electric products and this is recognised through the development programme for both product and facilities that we have for the business in the current year.

Rotork Fluid System (RFS) continued to build on the growth of the last few years producing a very creditable increase of 46% in order input and 36% in sales revenue for the year. The main plants in Lucca and Rochester have improved their use of facilities and continued to develop product offerings during the year, all of which have delivered quality improvements to our customers and increased the range of services that we can offer. The PCI business in Melle, Germany, acquired in March, further increases the division's production capacity giving us the capability of handling very large projects when needed. This business has now been integrated into the Group and we are looking for the impact of this work to be reflected in improved performance during 2006.

Rotork Gears continues to develop its products and business and extend its influence across the global markets that we serve. The Milan based Omag business acquired in January 2006, while small in a Group context, holds a respected position in the important Italian market. It has a strong engineering culture with a largely complementary product range and will enhance the whole of our Gears business as we develop an integrated approach from the four production facilities in Leeds, Losser, Milan and Shanghai.

Corporate Governance
The Board is committed to continuously improving its corporate governance framework and regularly reviews progress, both directly and through committees. We have further improved compliance with the Combined Code in a number of areas during the year with, for example, all our directors now having one year notice periods or less. We have also recruited a third independent non-executive director and all of our Board committees are now combined code compliant. The Group has a well developed internal audit process and our internal audit programme now extends beyond fiscal matters to Health and Safety and Environmental issues

Dividend
The Board has a policy of distributing profits in the form of dividends generally commensurate with increases in earnings. The level of cash held by the Group at the end of the year, and anticipated continued cash generation in the coming year, has however encouraged us to propose additional distributions to shareholders during 2006.

The final dividend proposed by the Directors for 2005 is 9.90p per share payable on 26 May to shareholders on the register on 5 May 2006. In addition, the Board is proposing to make further additional distributions to shareholders by way of dividend, in the amount of £10 million over and above the sum of the final dividend being recommended for 2005 and the proposed core interim dividend for 2006. This additional distribution will take the form of two further interim dividends for 2006 paid in July and December, which with the final dividend for 2005 and the core 2006 interim paid in September, means that we plan to make four dividend payments to shareholders during 2006. The timing of these dividend payments is intended to match the Group's cash generation profile. A table showing the timing and amount of the four dividends proposed to be paid during 2006 is set out in the Operating and Financial Review.

Recognising the present deficit in the main defined benefit pension scheme, the Board has decided to make additional contributions to the scheme equivalent to this additional dividend. It is anticipated that this will put the scheme on a firmer footing prior to the next actuarial valuation in March 2007.

Jeremy Fry

It was with sadness that we record the death of Jeremy Fry, the founder of Rotork, in 2005. A tribute to Jeremy will appear in the Annual Report and Accounts.

Outlook

Conditions in most of our end user and geographic markets continue to be buoyant as reflected in the size of the order book at the start of the year and the strength of the order input since then. Based on this we are looking forward to further good progress in 2006.

Roger Lockwood
Chairman
27 February 2006

Operating and Financial Review

Business Strategy

The objective of Rotork p.l.c. is to increase shareholder value by developing its leadership position in worldwide valve actuator activities. All of the Group's activities are focused on the specialist area of valve automation. The origins of the Company lie with the founder, Jeremy Fry, who developed an electric valve actuator in 1952. Over the years Rotork continued to build on its reputation as an innovator of new concepts in this field and has provided users with increasing levels of functionality, performance and assurance.

Recent strategy has focused on opportunities to leverage our leadership position in heavy-duty electric actuation into other closely associated areas of valve automation. Today Rotork's business is split into three actuation divisions; Rotork Electric, the original and largest activity supplying high quality, state of the art products for controlling pipeline and other valves; Rotork Fluid System, which supplies heavy-duty pneumatic and hydraulic valve actuators for operation in emergency shut down and other critical applications; Rotork Gears, involved in the supply of gearboxes, adaptors and ancillaries for the valve industry. Key programmes relate to the development of products, marketing initiatives, creating service revenue opportunities and driving cost reductions relating to these businesses.

Year Under Review

We saw a further strengthening of many of our markets in 2005 which had been evident in the second half of the prior year. For once currencies were not a significant factor with the average US dollar and euro exchange rates against the pound for the year as a whole giving us a small currency gain. Order intake was up 23.7% with all three divisions participating in active markets. The order book at the end of the year was £63.7m which is 35.6% up on the start of the year adjusted for the acquisition of PCI and 1.4% up on the order book at the half year. Revenue was up 19.0% and operating profits were up 20.0%.

The principal highlight was the strength of our core electric actuator market especially in Asia and the USA where we enjoy good market positions due to our strong sales and support presence and the desire in these regions to purchase the best available technology. This was supported by the continuing strong growth of Rotork Fluid System, whose business was enhanced last March by the acquisition of PC-Intertechnik in Germany.

The key drivers for the Group's businesses relate to investment in oil and gas, water and waste water and power generation installations around the world with demand being generated by new and expanded capacity, upgrades to existing facilities and replacements. This is often linked to projects which are aimed at improving the efficiency, safety and environmental performance of plants. Valve actuators are critical components and their long-term reliability and performance is extremely important to users. They also act as a key interface between plant control systems and related hardware. Rotork's reputation for quality, worldwide support and technical innovation is crucial to its leadership position in the field. The broad geographic spread of our operations and applications means that we have a large number of repeat customers around the world and no one customer accounts for more than 5% of our revenue in any year.

Electric Actuators

The principal markets for electric actuators are oil and gas, water and waste water treatment and power generation. As a percentage of unit actuator order input oil & gas represented 37% (38%), water & waste water 24% (30%), power generation 31% (24%) and miscellaneous 9% (8%) with the prior year's figures in brackets. The oil & gas markets received much general attention during the year due to the relatively high oil and gas prices affecting the costs to consumers of energy. Much of the focus for investment by the oil and gas companies remained on upstream activities, such as exploration and production. However there was evidence that downstream activities were beginning to receive more focus due to shortages in refining and storage capacity. The majority of the electric actuators we sell into this sector go into downstream operations such as refinery offsites, storage and distribution facilities. Liquefied Natural Gas (LNG) investment was also particularly active. Our main opportunities in this business area reside with our fluid power actuator activities, but we did see good levels of demand for electric actuators especially on the export and receiving terminals. The power market was particularly active for the year under review. Sales of actuators into this market were heavily weighted towards Asia, in particular China and India. The water market also remains a key focus of our activities: we were successful in winning a number of important projects around the world, however as a percentage of our total units ordered, it fell due to this market lagging behind the exceptional growth in power and oil and gas.

UK Operations

The UK domestic market remained quiet for much of the year as the water companies moved from AMP 3 to AMP 4. Encouragingly we saw an increase in quote activity towards the end of the year. We also saw an increased level of business for power station work over the prior year.

The Bath plant remains our main electric actuator assembly plant. It performed particularly well during the year reaching record output levels. Improvements to the supply chain, coupled with some strategic dual source arrangements, meant that we did not see a re-occurrence of the supply difficulties experienced in 2004. Despite severe increases in some raw materials and energy costs our component cost increases were kept well under control due to continued procurement initiatives. Further engineering and procurement cost initiatives were worked on during the year which should help mitigate further material & energy cost increases in 2006.

Our Bath and Leeds Service and Retrofit organisations developed their businesses well during the year, in terms of both their capabilities and financial performance.

Europe

Although the business environment was somewhat subdued in some of our European markets, especially France, our sales subsidiaries performed well, in some cases boosted by projects won through their local valve makers for export to the Middle and Far East. The Italian and Spanish operations increased profits over 2004, while the Dutch, German and French companies performed well and ended the year with strong order books and good prospects for the current year. Business from Eastern Europe and Russia was at similar levels to the prior year. A new Rotork company has been registered in Russia in place of the existing sales office as we believe that there will be growing opportunities for our products in this important oil and gas economy.

The Americas

The U.S. subsidiary based in Rochester, N.Y., had a very successful year. It built on its strength in the water and waste water business with the municipalities who continued to make investments in expanding and improving their infrastructure. We also saw modest improvements in the prospects for oil & gas business, especially in Mexico. The company benefited from increased export business won by U.S. valve makers who were assisted by a relatively weak US dollar.

Jordan Controls, our subsidiary manufacturing process control actuators based in Milwaukee, saw an improvement in its order intake and financial performance. A largely new management team has been put into place to help further develop this element of our business.

The Canadian subsidiary's performance saw an improvement over the prior year due to a better performance in the West. The Venezuelan subsidiary continued to perform well in a difficult environment.

The Far East and the Rest of the World

Rotork benefits from a strong presence and reputation in Asia, and it is this area which has seen the most significant growth in the period. China and India represent the biggest market opportunities and we achieved exceptional growth at our operations in both countries. Much of this related to power plant construction, but it was encouraging to see a strong increase in business from Chinese tank farm and gas projects. Our Indian subsidiary has assembly plants in Chennai and Bangalore and continues to achieve excellent margins from these plants. The decision was taken to make actuators in China and to this end a new company has been registered and a plant leased in Shanghai to assemble both gearboxes and electric actuators in order to become more deeply embedded in this market with its continuing growth opportunities.

Elsewhere all three sales companies in South East Asia had excellent performances. The Korean and Japanese subsidiaries also managed improved profit performances despite relatively poor domestic investment levels. Rotork Australia increased its profits and performed well while our South Africa subsidiary had a disappointing performance. The Middle East is a key business area for the Company, although orders for projects from this region are frequently routed through European and American OEMs. Project activity was driven by high levels of investment in oil & gas, including LNG activities as well as other infrastructure projects.

The Malaysian manufacturing plant experienced strong order intake especially in the first half of the year and had by the end of the third quarter managed to increase its capacity to cope with the increased business. The AWT product, which is made in the plant, is an important addition to our product range, which has assisted our marketing effort in a number of important non oil and gas markets.

Rotork Fluid System

Rotork Fluid System design, assemble and market heavy-duty fluid power valve actuators which are operated either pneumatically or hydraulically. The main markets served by our product are oil & gas related and unlike the electric actuators the bulk of these products are destined for upstream applications, transmission and LNG plants and terminals. These areas are benefiting from increased investment by most of the international oil & gas companies. The principal assembly plant is based in Lucca, Italy, with product also assembled in Rochester N.Y. and, with the acquisition of PCI, Northern Germany.

We continued to see exceptional growth levels from this business with order input up 45.8% (30.4%) output up 35.8% (18.4%) and net profits up 23.9% (21.1%). The figures, excluding the acquisition of PCI, are in brackets. I am pleased to report that margins recovered considerably in the second half of the year due to project timings and some relief from the €/$ exchange rate. It was also notable that the division made good progress towards reaching its target of representing 20% of Group revenue. The 71% increase in the order book year on year means that it is well placed to meet that target in 2006.

PC Intertechnik (PCI) was purchased in March for £6.5m. It has an excellent reputation for the design and manufacture of high pressure actuators. This acquisition has done much to enhance our product offerings and strengthen our marketing position in Germany, Eastern Europe and Russia and has also substantially added to our manufacturing capability and capacity. The profits were impacted by IFRS intangible amortisation and other initial ownership costs.

The division continued to build its worldwide marketing reach and benefited from its investment in leveraging Rotork's worldwide sales companies' coverage of the market. Most of these now have specialist fluid power capabilities including the ability to package product locally by designing and mounting bespoke control packages on actuators supplied from the assembly plants. The Rotork operations in Canada, Spain, France and The Netherlands all recorded good increases in business and profitability. The Italian plant again saw a significant increase in sales and profits while the US operation turned a first half loss into a profit and met its targets for the year.

The business benefited from its expanding product range. In particular products that have been introduced within the past two years, including the electric hydraulic and gas over oil range, sold well. During the year a range of sub-sea products was designed and successfully sold into a challenging area of business which is set to expand over the next few years.

Rotork Gears

Rotork Gears experienced good levels of demand in most of its markets, the main exception being the UK. Order intake for the year was up 6.4%, sales output up 7.1% and operating profits up 19.8% with both the Leeds and Dutch plant in Losser performing well.

The key strategies of this business are to expand its marketing reach and reduce the costs of its products as it operates in a price sensitive environment. Good progress is being made on both of these fronts. During the year the US operation continued to make inroads into the important North American market and in January 2006 we acquired the business assets of Omag Snc for £1.1m. The new company will be named Rotork Gears S.r.l. Omag is a respected gears manufacturer and supplier to the Italian heavy duty industrial valve industry and is based in Milan. This acquisition provides the division with a manufacturing and sales base in the globally significant Italian valve market in addition to its sites in Leeds, the USA, the Netherlands and China. Small scale manufacture of gearboxes commenced in Shanghai at the start of 2005. As already mentioned a new larger plant is being set up in Shanghai of which half will be devoted to gearbox manufacture. It is anticipated that gearbox assembly will commence in the second quarter of this year in the new plant. The business also completed a successful cost engineering exercise on two of its smaller gearbox ranges prior to tooling up for Chinese assembly. It is planned that the exercise will move onto the other main product ranges this year.

Research and Development

The last quarter saw the successful introduction of a new generation controller for our IQ and IQT actuators. In addition to extending our market leading diagnostics this new platform allows easier set up and configuration through language specific menus. A unique feature allows alternate languages to be added post manufacture enabling the product to be optimised to meet the needs of our international customer base.

An all new infra-red setting device has also been developed that facilitates the rapid transfer of logged data between the actuator and the control or maintenance room. The new device is suitable for use within all of the areas where actuators are installed and will in future be shipped as standard. As such, it will eliminate the need for third party tools and increase the customer's access to data stored within the actuator.

Bringing all of this together is a new version of our PC based Insight diagnostic software which for the first time allows the actuator's embedded software to be non-intrusively upgraded in the field. In addition to enhancing our manufacturing flexibility and allowing more rapid product introduction, the feature also enables post installation upgrade, which is in keeping with our strategy of offering through life support and maintenance.

During 2005 we have continued to develop and enhance our network offerings including research into various technologies that could increase the speed and flexibility of field communications. Our proprietary Pakscan system has also been the focus of significant development work.

Following the success of introducing our IQ technology into the Skilmatic and RFS products our UK based development engineers have been working closely with those at our US subsidiary Jordan Controls on a number of longer term developments focused on the process control market.

Quality

Even prior to ISO 9001: 2000, Rotork was completely committed to the key principles of customer focus and continual improvement. Recent LRQA audits of the main manufacturing site in Bath have yielded no formal findings and have included very positive summaries, commenting on the evident commitment to improvement. The rigour applied to the review, testing and validation of new products prior to release in the market place, has also been noted favourably. One significant innovation was the 'gated' Design Review process where all new products and significant changes to established ones, are assessed at every critical development stage. Prototypes are scrutinised for potential build or field reliability problems, as well as compliance with agreed specifications. A simple and highly effective 'traffic light' system is employed to note the status of each design, manufacturing or system aspect. Any 'red lights' at a Design Review drive further consideration of the aspect in question before proceeding to the next 'gate' in the project. This has had a major, positive impact, preventing projects progressing with inherent problems, which prove intractable in the final stages. The most recent new product introductions are a testament to these controls. New and significantly revised products have been implemented with minimal initial build issues and excellent field reliability performance from day one.

One very powerful tool in identifying improvement opportunities is regular review of Key Performance Indicators (KPI). Studying actual against target performance in principal customer facing objectives, highlights areas requiring particular focus. Similarly, a comprehensive Vendor Rating (VR) mechanism, measuring suppliers against quality, delivery, service and cost parameters, has proved extremely effective in driving improvement in suppliers' performance. Both the KPI and VR systems are run on the same 'traffic light' system as Design Reviews – any red is a trigger for immediate corrective relief.

Pensions

It has been clear over the last couple of years that deficits in defined benefit pension schemes have been adversely affected by a number of factors. The present assessment of life expectancy is leading to an increase in liabilities of schemes generally as these go through their actuarial valuation process. The steady reduction in bond yields over the recent past also increases scheme liabilities through less aggressive discounting of future costs as well as the projection of lower future income levels for schemes. The effect of these issues on Rotork is felt through the main UK defined benefit scheme. We have taken action to mitigate costs within the scheme and have taken no new entrants into the scheme since 2002. In addition, members have accepted increases in their level of contributions recognising the additional costs being borne by the employer companies. Although we have not prepared a complete update to the actuarial valuation since the last full valuation in 2004, it is the opinion of the scheme's actuary that there is a risk that the deficit has risen since that time and that a significant shortfall will be seen at the next valuation in March 2007. This would bring the actuarial deficit closer to the numbers reported in these accounts under IAS 19. In view of this the Board has decided to make a further cash contribution of £10m over and above the employers' regular contributions to address this in some large part. The first tranche of this, £2m, was paid to the trustees in December 2005, and the balance will be spread through 2006 and early 2007. It is believed that by taking this action now the strength of the fund at the March 2007 actuarial valuation will be much sounder than would have been the case. This will not affect the Company's results as the underlying cost to the business is taken into account in the IAS 19 calculations.

Tax
Rotork is an international business with 60% of the Group's profits being earned outside the UK. A number of these jurisdictions have rates of corporate tax higher than that in the UK. The effective rate of tax on profit was 33% in the year (2004: 33%). We anticipate the rate of tax applicable to 2006 to be broadly similar to that in 2005.

Performance Indicators
The Group measures its performance internally through a range of indicators largely income and cash focussed. We have for some time published a number of these in graphical form, augmented more recently by information on total shareholder return.

International Financial Reporting Standards
On June 21 2005 the Group released audited restated accounts for 2004 under IFRS. These accounts have been used as the comparative numbers in this report and as a consequence there is no reference to UK GAAP (generally accepted accounting principles) within the Group financial statements.

Dividends
The Group's strong cash generation in the year has resulted in a closing cash balance of £27.2m. In view of there being no immediate requirement for this within the Group the Board is recommending that additional dividends be paid during 2006 which will distribute £10m of this back to shareholders. At the time that the last additional dividend was paid from 2004 profits, we said that in a year where we made such a distribution, we would recommend that the ongoing, or "core" dividends be increased by an amount lower than earnings growth.

The Board are therefore recommending payments of the following dividends in the current year:

- Final proposed dividend for 2005 of 9.90p – to be paid on 26 May 2006 to shareholders on the register on 5 May 2006
- Additional interim dividend for 2006 of 5.80p – to be paid on 27 July 2006 to shareholders on the register on 16 June 2006
- Regular interim dividend for 2006 to be announced with interim results – to be paid on 28 September 2006 to shareholders on the register on 8 September 2006
- Additional interim dividend for 2006 of 5.80p – to be paid on 21 December 2006 to shareholders on the register on 1 December 2006.

The final proposed dividend for 2005 represents a 2% increase over the final for 2004. The two dividends payable in July and December between them represent the distribution of £10m additional dividend for 2006.

Treasury
The Group's treasury function in Bath manages financial risks to the Group. These primarily relate to foreign currency exposure as a result of the international nature of the Group's business, and managing cash.
The main currency exposure results from trading transactions between our production plants, trading companies and customers around the world. Overall around 30% of our income streams are denominated in US dollars (actual or near equivalent), 20% in euros and 15% in sterling. The rest is a mix of other convertible currencies across the operating companies. The main instrument for covering this transaction exposure is the simple forward cover derivative contract, and this is used for known exposures only where we can accurately predict income. No speculative or non trading hedging takes place within the Group.

The weighted average rates for translation of our two main trading currencies into sterling over the last few years have been:

	US dollar	Euro
• 2002	1.52	1.58
• 2003	1.66	1.44
• 2004	1.83	1.46
• 2005	1.80	1.46

Overall then the movement in average rates between 2004 and 2005 has meant that the effect of currency on our trading profits has been relatively small, under £500k, although there are balance sheet differences due to the spot rates at the two year ends having moved, materially in the case of the dollar. As a guide a one cent movement in the US dollar can have an £150k effect on profit if taken over a full year, and a one cent movement in the euro an equivalent effect of £150k. In recent years we have developed overseas component sources and this trend continued in the year. The production units outside the UK source primarily in their own currencies, with the exception of the main facility in the US which sources mainly from the UK. This approach to international sourcing provides a further hedge to the effect of currency movements on our businesses.

Conversion of profit into cash is traditionally strong in Rotork due largely to the business model, which does not require a large capital base to support it. It is believed that this model allows management of the divisional businesses to focus on customer facing issues and profitability to a greater degree than on capital and production. Receivables collection has been good again in the year and Group debtor days over the last three years have seen the benefit of initiatives internally focussing on this. Inventory has increased over the last two years due in part to the increasing complexity of our product range, the impact of the Rotork Fluid System business which has very large projects as a feature of its business, and the high work in progress at the end of December resulting from the very strong order book at the end of the year.

Internal Audit
The Group has an effective and well-developed internal audit function that has been moulded over many years. Audit work is performed by senior finance staff from a number of our business units based on a common training process and audit work programme developed with assistance from our Group auditors, KPMG. This methodology provides feedback through regular reviews, and allows members of the team to experience the control environment in different business areas while enabling us to develop a common message throughout the Group. The audit programme has inbuilt key performance indicators which are reported on, together with summaries of work performed and issues raised, to each Audit Committee meeting throughout the year.

Environment
2005 saw a major milestone in the development of the Environment Management System (EMS) at the main Bath site when it achieved independent verification of compliance with ISO 14001. The benefits of the management system itself are equally remarkable. With the new environmental legislation being introduced on a regular basis, having proper mechanisms in place to address the new requirements has proved invaluable. There have also been some significant cost benefits, mainly from reducing waste to landfill by 46% during 2005. As one of the site's most significant environmental impacts, waste stream management has proved a focal point of the EMS. The reduction in waste to landfill was achieved both by minimising waste generation and by increased recycling, especially of wood and cardboard.

While exempt from the specific provisions of the WEEE and RoHS directives, Rotork is making every effort to reduce the environmental impact of its products. Wherever possible, new product components are marked with the appropriate standard EU recycling marks or labels. Information has also been included in product handbooks regarding the materials the units contain and any specific advice re disposal.

Rotork remains committed to meeting the requirements for inclusion in the FTSE4Good index and to the 10 principles of the Global Compact. Rotork is very conscious of the need for improved awareness of environmental issues and the need to minimise the Group's environmental impact. During 2005 a project was launched to improve the Group's reporting of environmental performance data. This project is now well advanced and the number of subsidiaries reporting their environmental data has increased significantly from 7 to 30. Over the next two years, this project will further extend reporting on Rotork's global operational impacts and, where possible, take action to reduce them. Details of Rotork's global environmental performance are published in the Rotork Environmental Report on the Rotork Web Site at www.rotork.com

Jeremy Fry
It was with great sadness that we learnt of the death of our founder, Jeremy Fry, in July. Jeremy founded Rotork Engineering Company in 1957 and began operations with about a dozen employees from his home in Bath, Widcombe Manor. Jeremy recognised the potential of developing a 'valve actuator' in an era when almost all valves were manually operated.

Everyone associated with Rotork is indebted to his vision, enterprise and energy in founding Rotork and setting it on its path in becoming one of the most successful UK engineering companies. Anyone who worked with Jeremy was instantly aware of his restless search for the right answer to any problem, his willingness to discard conventional wisdom and ability to think from first principles.

When I joined Rotork from a large industrial group over 30 years ago I was immediately attracted to the culture of the Company which reflected Jeremy's unique contribution to the world of business, engineering and, in our case, valve actuators. Although Rotork has seen many changes since his retirement in 1984 I believe that many of his principles still form the Company's core values. The most important of these were his innovative approach to product design, his international outlook to business and markets, his encouragement of young talent and his keen interest in the welfare of everyone working for the Company.

Employees

I would again like to thank all of our employees for the dedication and enthusiasm which they display in furthering Rotork's business. It is particularly encouraging when their commitment to serving our customers is rewarded by the level of financial success experienced in 2005.

Bill Whiteley
Chief Executive
27 February 2006

Consolidated Income Statement
for the year ended 31 December 2005

	Notes	**2005 £000**	2004 £000
Revenue	2	**174,839**	146,883
Cost of sales		**(95,358)**	(79,097)
Gross profit		**79,481**	67,786
Other income		**79**	136
Distribution costs		**(1,959)**	(1,816)
Administrative expenses		**(41,002)**	(35,638)
Other expenses		**(69)**	(36)
Operating profit	2	**36,530**	30,432
Financial income		**4,479**	4,854
Financial expenses		**(4,352)**	(3,780)
Profit before tax		**36,657**	31,506
Tax expense	3	**(12,043)**	(10,508)
Profit for the year		**24,614**	20,998
		=====	=====

		Pence	Pence
Basic earnings per share	4	**28.6**	24.5
Diluted earnings per share	4	**28.4**	24.3

Consolidated Balance Sheet
at 31 December 2005

	Notes	**2005**	2004
		£000	£000
Assets			
Property, plant and equipment		**17,214**	13,877
Intangible assets		**22,038**	20,169
Deferred tax assets		**9,115**	6,988
Other receivables		**633**	489
Total non-current assets		**49,000**	41,523
Inventories		**26,697**	21,015
Trade receivables		**36,492**	34,060
Current tax		**2,225**	2,176
Other receivables		**2,560**	2,525
Cash and cash equivalents		**27,878**	25,298
Total current assets		**95,852**	85,074
Total assets		**144,852**	126,597
		=====	=====
Equity			
Issued equity capital		**4,310**	4,300
Preference shares		**-**	47
Share premium		**5,609**	4,993
Reserves		**2,405**	425
Retained earnings		**68,241**	58,489
Total equity	5	**80,565**	68,254
		=====	=====
Liabilities			
Interest-bearing loans and borrowings		**236**	268
Employee benefits	6	**25,078**	23,569
Deferred tax liabilities		**1,164**	1,155
Provisions		**654**	521
Total non-current liabilities		**27,132**	25,513
Bank overdraft		**698**	473
Interest bearing loans and borrowings		**1,016**	253
Trade payables		**14,937**	15,609
Current tax		**5,620**	5,779
Other payables		**13,129**	9,674
Provisions		**1,755**	1,042
Total current liabilities		**37,155**	32,830
Total liabilities		**64,287**	58,343
Total equity and liabilities		**144,852**	126,597
		=====	=====

Total equity as shown above for 2004 contains £47,000 non-equity on an FRS 4 basis.

These financial statements were approved by the Board of Directors on 27 February 2006 and were signed on its behalf by **WH Whiteley** and **RE Slater**, Directors.

Consolidated Statement of Cash Flows
for the year ended 31 December 2005

	2005 £000	2005 £000	2004 £000	2004 £000
Cash flows from operating activities				
Profit for the year	**24,614**		20,998	
Adjustments for:				
Amortisation of intangibles	**179**		70	
Amortisation of development costs	**293**		322	
Depreciation	**2,671**		2,577	
Equity settled share based payment expense	**312**		208	
Loss / (profit) on sale of fixed assets	**22**		(72)	
Financial income	**(4,479)**		(4,854)	
Financial expenses	**4,352**		3,780	
Income tax expense	**12,043**		10,508	
	40,007		33,537	
Increase in inventories	**(3,359)**		(2,600)	
Increase in trade and other receivables	**(685)**		(6,228)	
Increase in trade and other payables	**1,325**		4,130	
Difference between pension charge and cash contribution	**(3,243)**		(5,633)	
Increase / (decrease) in provisions	**709**		(130)	
Increase in other employee benefits	**1,509**		748	
	36,263		23,824	
Income taxes paid	**(11,296)**		(10,441)	
Cash flows from operating activities		**24,967**		13,383
Investing activities				
Purchase of tangible fixed assets	**(1,396)**		(3,099)	
Development costs capitalised	**(291)**		(102)	
Sale of tangible fixed assets	**94**		295	
Acquisition of subsidiary net of cash acquired	**(7,227)**		(912)	
Interest received	**776**		973	
Cash flows from investing activities		**(8,044)**		(2,845)
Financing activities				
Issue of ordinary share capital	**626**		458	
Purchase of ordinary share capital	**(2,236)**		(691)	
Purchase of own preference shares	**-**		(5)	
Interest paid	**(232)**		(136)	
Repayment of amounts borrowed	**677**		188	
Repayment of finance lease liabilities	**(100)**		(58)	
Dividends paid on ordinary shares	**(13,437)**		(17,751)	
Dividends paid on preference shares	**-**		(4)	
Cash flows from financing activities		**(14,702)**		(17,999)
Net increase / (decrease) in cash and cash equivalents		**2,221**		(7,461)
Cash and cash equivalents at 1 January		**24,825**		32,134
Effect of exchange rate fluctuations on cash held		**134**		152
Cash and cash equivalents at 31 December		**27,180**		24,825
		=====		=====

Consolidated Statement of Recognised Income and Expense
For the year ended 31 December 2005

	2005 £000	2004 £000
Foreign exchange translation differences	**2,190**	(1,212)
Actuarial loss in pension scheme	**(3,452)**	(5,792)
Movement on deferred tax relating to actuarial loss	**2,552**	237
Effective portion of changes in fair value of cash flow hedges	**(487)**	-
Net gain / (loss) recognised directly in equity	**803**	(6,767)
Net profit for the year	**24,614**	20,998
Total recognised income and expense	**25,417**	14,231
Reclassification of preference shares	**(47)**	
Effective cash flow hedges at 1 January 2005	**277**	
	25,647	

Notes to the Financial Statements
for the year ended 31 December 2005

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 2005 comprise the Company and its subsidiaries (together referred to as the Group). The accounting policies contained below in note 1 and all the notes all relate to the Group statements.

1. Accounting policies

Basis of preparation
The Group is preparing its consolidated financial statements in accordance with International Financial Reporting Standards and its interpretation issued by the International Accounting Standards Board that have been adopted by the EU ("Adopted IFRS") for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in the restatement of the 2004 audited accounts issued on 21 June 2005.
In addition to exempting companies from the requirement to restate comparatives for IAS 32 and IAS 39 (which the Group has taken), IFRS 1 grants certain exemptions from the full requirements of IFRSs on transition. The following exemptions have been taken by the Group in the preparation of its consolidated financial statements for the year ended 31 December 2005:

- Business combinations – Business combinations that took place prior to 1 January 2004 have not been restated.
- Fair value or revaluation as deemed cost – At the date of transition, fair value has been used as deemed cost for properties previously measured at fair value.
- Employee benefits – All cumulative actuarial gains and losses on defined benefit plans have been recognised in equity at 1 January 2004.
- Cumulative translation differences – Cumulative translation differences for all foreign operations have been set to zero at 1 January 2004.

In preparing the 2004 and 2005 financial information within its consolidated financial statements under Adopted IFRS, the directors have elected to adopt the endorsed December 2004 amendment to IAS 19 –Employee Benefits and the April 2005 endorsed amendment to IAS 39 – Cash Flow Hedge Accounting of Intra-group Forecast Transactions before they were endorsed by the EU.

Basis of accounting
The consolidated financial statements have been prepared under the historical cost convention with the exception of derivative financial instruments which have been accounted for in accordance with IAS 32 and IAS 39 from 1 January 2005. The accounting policies set out in the restatement of the 2004 audited accounts issued on 21 June 2005 have been consistently applied in preparing an opening IFRS balance sheet at 1 January 2004 for the purposes of transition to IFRS and for preparing the 2004 and 2005 financial information within its consolidated financial statements for the year ended 31 December 2005 with the exception of IAS 32 and IAS 39 which were applied from 1 January 2005. The accounting policies have been applied consistently in respect of Group entities.

The preparation of consolidated financial statements in conformity with Adopted IFRSs requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The key areas where estimates have been used and the assumption applied are in the impairment testing of goodwill and in assessing the defined benefit pension scheme liabilities.

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 2005 or 2004. Statutory accounts for 2004, which were prepared under UK GAAP, have been delivered to the registrar of companies, and those for 2005, prepared under International Financial Reporting Standards as adopted by the EU, will be delivered in due course. The auditors have reported on these accounts, their reports were unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985. Full financial statements for the year ended 31 December 2005, will shortly be posted to shareholders, and after adoption at the Annual General Meeting on 21 April 2006 will be delivered to the registrar.

2. Analysis of revenue, profit and net assets
The primary format used for segmental reporting is by business segment as this reflects the internal management structure and reporting of the Group. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated expenses comprise corporate expenses and unallocated assets and liabilities comprise cash, borrowings tax assets and liabilities respectively. Inter group trading is determined on an arm's length basis.

Business segments
The Group comprises the following business segments:
Electrics – the design, manufacture and sale of electric valve actuators
Gears – the design, manufacture and sale of gearboxes, adaption and ancillaries for the valve industry
Fluid system – the design, manufacture and sale of heavy duty pneumatic and hydraulic valve actuators

Geographic segments
Rotork has a worldwide presence in all three business 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 operation:

	Electrics 2005	**Gears 2005**	**Fluid system 2005**	**Eliminations 2005**	**Consolidated 2005**
Revenue from external customers	**128,535**	**13,983**	**32,321**	**-**	**174,839**
Inter-segment revenue	**-**	**5,080**	**-**	**(5,080)**	**-**
Total revenue	**128,535**	**19,063**	**32,321**	**(5,080)**	**174,839**
Segment result	**30,912**	**3,825**	**3,669**	**-**	**38,406**
Unallocated expenses					**(1,876)**
Operating profit					**36,530**
Net financing income					**127**
Income tax expense					**(12,043)**
Net profit for the year					**24,614**

	Electrics 2004	Gears 2004	Fluid system 2004	Eliminations 2004	Consolidated 2004
Revenue from external customers	109,345	13,736	23,802	-	146,883
Inter-segment revenue	-	4,070	-	(4,070)	-
Total revenue	109,345	17,806	23,802	(4,070)	146,883
	=====	=====	=====	=====	=====
Segment result	25,719	3,192	2,962	-	31,873
	=====	=====	=====	=====	
Unallocated expenses					(1,441)
Operating profit					30,432
Net financing income					1,074
Income tax expense					(10,508)
Net profit for the year					20,998
					=====

	Electrics 2005	**Gears 2005**	**Fluid system 2005**	**Unallocated 2005**	**Consolidated 2005**
Segment assets	**63,973**	**12,964**	**28,691**	**39,224**	**144,852**
					=====
Segment liabilities	**44,666**	**2,743**	**8,145**	**8,733**	**64,287**
					=====
Depreciation	**2,228**	**219**	**696**	**-**	**3,143**
Non-cash items	**527**	**12**	**213**	**32**	**784**
Capital expenditure	**1,024**	**128**	**480**	**-**	**1,632**

	Electrics 2004	Gears 2004	Fluid system 2004	Unallocated 2004	Consolidated 2004
Segment assets	57,862	12,072	22,200	34,463	126,597
					=====
Segment liabilities	40,357	2,434	7,624	7,928	58,343
					=====
Depreciation	2,203	284	482	-	2,969
Non-cash items	39	9	57	332	437
Capital expenditure	2,628	177	643	-	3,448

Analysis by Geographical segment	**Europe 2005**	**Americas 2005**	**Rest of the World 2005**	**Unallocated 2005**	**Consolidated 2005**
Revenue from external customers by location of customer	**73,967**	**50,544**	**50,328**	**-**	**174,839**
Segment assets by location of assets	**67,102**	**23,578**	**14,948**	**39,224**	**144,852**
Capital expenditure by location of assets	**1,288**	**168**	**176**	**-**	**1,632**

Analysis by Geographical segment	Europe	Americas	Rest of the World	Unallocated	Consolidated
	2004	2004	2004	2004	2004
Revenue from external customers by location of customer	66,036	41,704	39,143	-	146,883
Segment assets by location of assets	58,491	20,146	13,497	34,463	126,597
Capital expenditure by location of assets	2,380	201	867	-	3,448

All of the activities of the Group in the year arise from continuing operations. The 2004 segment results and assets and liability allocations have been restated to reflect a more appropriate allocation of share scheme costs and liabilities.

3. Income tax expense recognised in the income statement

	2005	**2005**	2004	2004
Current tax:				
UK Corporation tax on profits for the year	**8,976**		6,258	
Double tax relief	**(5,441)**		(1,995)	
Adjustment in respect of prior years	**70**		156	
		3,605		4,419
Overseas tax on profits for the year	**7,470**		5,879	
Adjustment in respect of prior years	**22**		21	
		7,492		5,900
Total current tax		**11,097**		10,319
Deferred tax:				
Origination and reversal of other temporary differences	**1,089**		129	
Adjustment to estimated recoverable amounts of deferred tax assets arising in previous periods	**(143)**		60	
Total deferred tax		**946**		189
Tax charge on profit on ordinary activities		**12,043**		10,508
		=====		=====
Effective tax rate (based on profit before tax)		**32.9%**		33.4%

Profit before tax	**36,657**	31,506
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	**10,997**	9,452
Effects of:		
Non deductible expenses	**577**	150
Unrelieved losses	**(38)**	25
Higher tax rates on overseas earnings	**558**	644
Adjustments to tax charge in respect of prior periods	**(51)**	237
Current tax charge for period	**12,043**	10,508
	=====	=====

Deferred tax of £342,000 *(2004: £175,000)* in respect of share based payments has been recognised directly in equity in the period.

The Group continues to expect its effective rate of corporation tax to be slightly higher than the standard UK rate due to higher rates of tax in the US, Canada, France, Germany, Italy and India.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries. As the unremitted earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future.

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

---

4. 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 86.1 million shares *(2004: 85.8 million shares)* being the weighted average number of ordinary shares in issue for the year.

	2005	2004
Net profit attributable to ordinary shareholders		
Profit for the year	**24,614**	20,998
Dividends on non-redeemable cumulative preference shares	**-**	(4)
Net profit attributable to ordinary shareholders	**24,614**	20,994
	=====	=====

	2005	2004
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**85,867**	85,832
Effect of own shares held	**62**	(127)
Effect of shares issued under options	**130**	96
Weighted average number of ordinary shares for the year ended 31 December	**86,059**	85,801
	=====	=====

Diluted earnings per share
Diluted earnings per share is based on the profit for the year attributable to the ordinary shareholders and 86.7 million shares *(2004: 86.4 million shares)*. The number of shares is equal to the weighted average number of ordinary shares in issue adjusted to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: those share options granted to employees 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.

	2005	2004
Net profit attributable to ordinary shareholders (diluted)		
Net profit attributable to ordinary shareholders	**24,614**	20,994
	=====	=====

	2005	2004
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares for the year ended 31 December	**86,059**	85,801
Effect of share options on issue	**108**	86
Effect of LTIP shares on issue	**545**	482
Weighted average number of ordinary shares (diluted) for the year ended 31 December	**86,712**	86,369
	=====	=====

5. Capital and reserves

	Issued equity capital	Preference shares	Share premium	Translation reserve	Capital redemption reserve	Hedging reserve	Retained earnings	Total
Balance at 1 January 2004	4,292	50	4,543	-	1,634	-	60,567	71,086
Profit for the financial year	-	-	-	-	-	-	20,998	20,998
Other items in the statement of recognised income and expense	-	-	-	(1,212)	-	-	(5,555)	(6,767)
Equity settled transactions net of tax	-	-	-	-	-	-	228	228
Share options exercised by employees	8	-	450	-	-	-	-	458
Own ordinary shares acquired	-	-	-	-	-	-	(691)	(691)
Own ordinary shares awarded under share schemes	-	-	-	-	-	-	702	702
Own preference shares acquired	-	(3)	-	-	3	-	(5)	(5)
Dividends to shareholders	-	-	-	-	-	-	(17,755)	(17,755)
Balance at 31 December 2004	4,300	47	4,993	(1,212)	1,637	-	58,489	68,254
Adoption of IAS 32 & IAS 39	-	(47)	-	-	-	277	-	230
Restated opening balance	4,300	-	4,993	(1,212)	1,637	277	58,489	68,484
Profit for the financial year	-	-	-	-	-	-	24,614	24,614
Other items in the statement of recognised income and expense	-	-	-	2,190	-	(487)	(900)	803
Equity settled transactions net of tax	-	-	-	-	-	-	562	562
Share options exercised by employees	10	-	616	-	-	-	-	626
Own ordinary shares acquired	-	-	-	-	-	-	(2,236)	(2,236)
Own ordinary shares awarded under share schemes	-	-	-	-	-	-	1,149	1,149
Dividends to shareholders	-	-	-	-	-	-	(13,437)	(13,437)
Balance at 31 December 2005	**4,310**	**-**	**5,609**	**978**	**1,637**	**(210)**	**68,241**	**80,565**
	=====	=====	=====	=====	=====	=====	=====	=====

Share capital and share premium

Number of shares (000)	**5p Ordinary shares Authorised 2005**	**5p Ordinary shares Issued and full paid 2005**	5p Ordinary shares Authorised 2004	5p Ordinary shares Issued and full paid 2004	£1 Non-redeemable 9.5% Preference shares 2004
On issue at 1 January	**5,449**	**4,300**	5,449	4,292	50
Purchased for cash and cancelled	**-**	**-**	-	-	(3)
Issued under employee share schemes	**-**	**10**	-	8	-
On issue at 31 December - fully paid	**5,449**	**4,310**	5,449	4,300	47
	=====	**=====**	=====	=====	=====
Number of shares	**108,990**	**86,192**	108,990	85,944	
	=====	**=====**	=====	=====	

Dividends
The following dividends were paid in the year:

	2005	2004
9.7p (*2004: 9.5p)* per qualifying ordinary share	**8,342**	8,143
5.9p *(2004:5.35p)* per qualifying ordinary share	**5,095**	4,594
2004 additional interim dividend 5.85p per qualifying ordinary share	**-**	5,014
	13,437	17,751
	=====	=====

After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided for and there are no corporation tax consequences.

	2005	2004
Final proposed dividend		
9.9p per qualifying ordinary share	**8,521**	
	=====	
9.7p per qualifying ordinary share		8,303
		=====
Additional interim dividends proposed for 2006		
5.8p per qualifying ordinary share	**5,000**	
5.8p per qualifying ordinary share	**5,000**	
	10,000	
	=====	

6. Employee benefits

	2005	2004
Recognised liability for defined benefit obligations:		
Present value of unfunded obligations	**89,501**	74,486
Fair value of plan assets	**(69,125)**	(54,650)
	20,376	19,836
Defined contribution scheme liabilities	**543**	502
Employee bonus and incentive plan	**2,113**	1,663
Long-term incentive plan	**1,542**	1,075
Employee indemnity provision	**357**	356
Liability for long-service leave	**147**	137
	25,078	23,569

Defined benefit pension liabilities
The Group makes a contribution to three defined benefit plans to provide benefits for employees upon retirement.

Movements in the present value of defined benefit obligations

	2005	2004
Liabilities at 1 January	**74,486**	64,203
Current service costs	**1,378**	1,502
Member contributions	**506**	440
Interest cost	**4,048**	3,556
Benefits paid	**(1,339)**	(1,731)
Actuarial loss	**9,930**	6,783
Currency losses / (gains)	**492**	(267)
Liabilities at 31 December	**89,501**	74,486

Movements in fair value of plan assets

	2005	2004
Assets at 1 January	**54,650**	44,700
Expected return on scheme assets	**3,770**	3,477
Employer contributions	**4,568**	7,040
Member contributions	**506**	440
Benefits paid	**(1,339)**	(1,731)
Actuarial gains	**6,693**	884
Currency gains / (losses)	**277**	(160)
Assets at 31 December	**69,125**	54,650

Expense recognised in the income statement

	2005	2004
Current service costs	**1,378**	1,502
Interest on obligation	**4,048**	3,556
Expected return on plan assets	**(3,770)**	(3,477)
	1,656	1,581

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

	2005	2004
Cost of sales	**351**	382
Administrative expenses	**1,027**	1,120
Net financing income	**278**	79
	1,656	1,581
	=====	=====
Actuarial gain on plan assets	**6,693**	884
Actuarial loss from liabilities	**(9,930)**	(6,783)
Currency (losses) / gains	**(215)**	107
Net actuarial loss recognised in Consolidated Statement of Recognised Income and Expense	**(3,452)**	(5,792)
	=====	=====
Cumulative actuarial loss recognised in Consolidated Statement of Recognised Income and Expense	**(3,452)**	
	=====	

	2005	2004	2003	2002	2001
Defined benefit obligation	**(89,501)**	(74,486)	(64,203)	(54,400)	(50,300)
Scheme assets	**69,125**	54,650	44,700	37,800	44,400
Deficit	**(20,376)**	(19,836)	(19,503)	(16,600)	(5,900)
Experience adjustments on liabilities	**(9,930)**	(6,783)	(6,750)	(1,100)	
Experience adjustments on assets	**6,693**	884	3,700	(10,300)	
Experience adjustments on currency	**(215)**	107	50	100	

Liability for defined benefit obligations
The principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

	UK scheme (% per annum)			**US scheme (% per annum)**			**Average (% per annum)**		
	2005	2004	2003	**2005**	2004	2003	**2005**	2004	2003
Discount rate	**4.70**	5.30	5.45	**5.40**	5.66	6.10	**4.74**	5.32	5.48
Rate of increase in salaries	**4.0**	3.9	3.8	**4.5**	4.5	4.5	**4.03**	3.93	3.84
Rate of increase in pensions (post May 2000)	**3.0**	2.9	2.8	**0.0**	0.0	0.0	**2.85**	2.78	2.66
Rate of increase in pensions (pre May 2000)	**4.5**	4.5	4.5	**0.0**	0.0	0.0	**4.27**	4.31	4.28
Rate of price inflation	**3.0**	2.9	2.8	**3.5**	3.5	3.5	**3.03**	2.93	2.84

The expected rates of return were:	**Expected rate of return %**		
	2005	2004	2003
Equities	**7.40**	7.90	8.20
Bonds	**4.40**	4.90	5.10
Other	**4.40**	4.90	4.90
US deposit administration contract	**6.00**	6.00	6.00

The mortality assumption used is PA92 c2004 with an adjustment to the discount rate of -0.1% per annum to allow for future improvements in mortality.

Defined contribution pension liabilities

The Group makes a contribution to a number of defined contribution plans around the world to provide benefits for employees upon retirement. Total expense relating to these plans in the year was £519,000 *(2004: £533,000).*