rotork

The world leader

in actuation solutions

Annual Report & Accounts 2004

The world leader in actuation solutions

The principal activities of the Rotork Group are the design, manufacture and support of actuators, systems and related products worldwide.

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.

Electric

This, the largest of Rotork's activities, supplies latest, state-of-the-art electric valve actuators for controlling the opening and closing of pipeline valves. 30% of these are supplied with digital control systems developed in-house. Manufacture is based in the UK, USA, Malaysia and India.

Fluid System

Heavy duty pneumatic and hydraulic valve actuators for emergency shutdown in safety critical and subsea applications. Manufacture is based in Italy and the USA, with distribution mainly via Rotork companies in Canada, UK and Singapore.

Gears

A complete source of gearboxes, adaption and ancillaries for the valve industry. Production facilities are based in the UK, Holland and the USA.

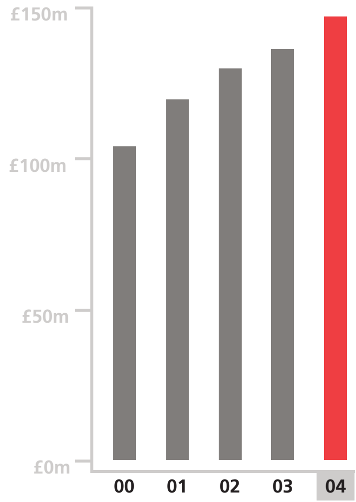
Process Control

Actuators for mainstream and specialist process control and other positioning applications are produced in our facilities in the USA and UK.

2004 HIGHLIGHTS

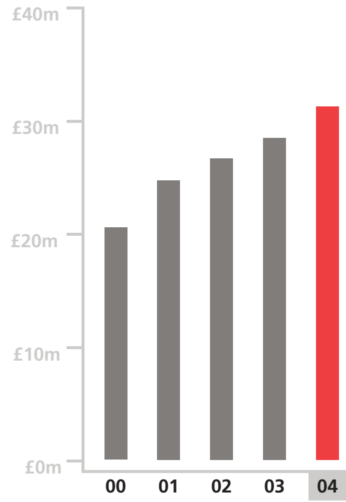
Total Turnover
- continuing operations

£146.9m



EBIT before goodwill
- continuing operations

£31.1m



Order intake

£151.8m
+11.5%

Dividend per share

20.9p
+42%

Financial highlights

Turnover up 8% to £146.9m (12.6% at constant currency)

EBIT before goodwill up 9.6% to £31.1m (19.6% at constant currency)

Year end order book up 11.5% year on year

Dividend for the year including special dividend up 42%

Operational highlights

Excellent growth in all three divisions

Good business levels in most markets

Strong take up of new IQT product line

Continued high levels of growth achieved by Rotork Fluid System

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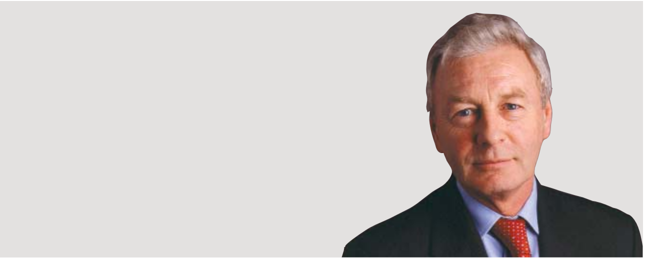
CHAIRMAN'S STATEMENT



Roger Lockwood
Chairman

Introduction

Growth in all of Rotork's main business areas combined to achieve further significant advances in overall sales, operating profit and earnings per share. Despite a weak US dollar, Group turnover increased by 8.0% (12.6% at constant currency) to £146.9m with operating profit before goodwill ahead 9.6% (19.6% at constant currency) at £31.1m. The year end order book increased by 11.5% with Rotork Fluid System now accounting for 20.0% of the total.

Business review

Order intake which started the year well continued on an upward trend and resulted in an increased order book by the year end. These improved business levels were evident throughout most of our geographic markets but were most noticeable in the Far East and the USA where the latter recorded a 26% increase in order intake in US dollars.

The IQT actuator, released at the end of 2003, has surpassed our expectations although this success itself contributed to component availability issues as vendors struggled to keep pace with demand. The Malaysian assembly facility moved into profit in the second half. It is now a contributor to our Electrics business and is seeing a widening interest in its product offering. Both of these products assisted our strategy of increasing our penetration of the worldwide water and power generation markets.

Our Fluid System business rewarded the confidence that we have placed in it. Its turnover growth of 26% in the year (30% at constant currency) equated to 16% of the Group's output and we predict further development of this increasingly important business. The Deanquip business in Australia purchased in January has traded well in the year and the management has successfully integrated it into the division. Most of our overseas sales subsidiaries are now making a meaningful contribution to Fluid System's performance.

Rotork Gears continued to perform well recording a 10% increase in operating profit. It had a number of successes in the year including the establishment of a small Far Eastern assembly facility to supply some product for this region.

Corporate governance

We continue to address the various corporate governance and corporate social responsibility issues that are receiving increasing attention throughout industry and beyond. The Rotork Board regularly reviews these matters, collectively and through committees, and the Directors' Report covers a number of issues on these and related topics. We maintain strong internal controls across the Group and support the work of our external auditors with an active programme of internal audit visits to all business locations on a regular basis.

Directors

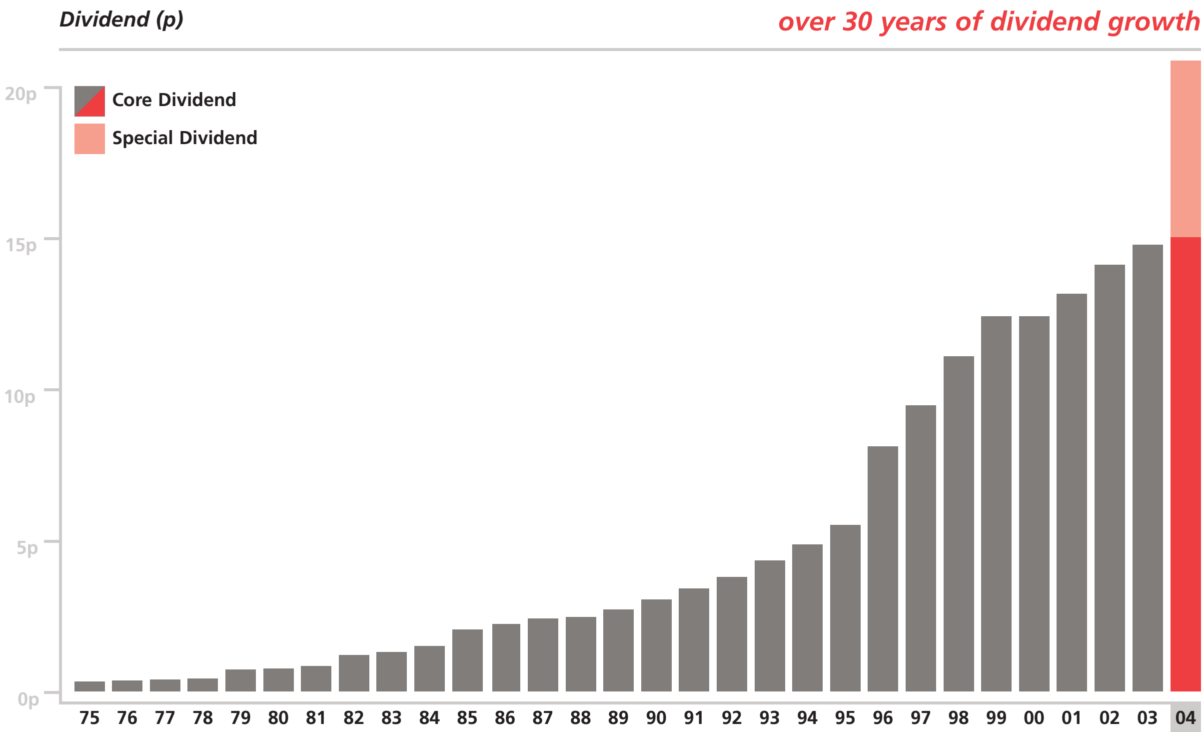
George Malcolm retires on 8 April, and I would like to thank him personally for his considerable contribution to the business over the 21 years he has been with Rotork and for the support and commitment he has given to the Board since he joined it in 1997. It is however with pleasure that we welcome Graham Ogden to the Board from 1 January 2005. Since joining Rotork in 1985 Graham has been closely involved in our product development programmes including the award winning IQ series.

I am also pleased to welcome Ian King who joined the Board as our fourth non-executive director in February 2005. He is a qualified accountant and is currently Group Managing Director, Customer Solutions and Support, BAe Systems plc and is a member of that company's Executive Committee.

Dividend

Rotork has increased its dividend consistently throughout the last 30 years and in the current year will distribute 90% of profit after taxation in the form of dividend to shareholders. The directors propose a final dividend of 9.70p which will be payable on 27 May to shareholders on the register on 6 May 2005. This, taken with the core interim dividend and additional interim dividend already paid for the year, gives a total dividend per share for 2004 of 20.90p, an increase of 42% over 2003.

Growth in all of Rotork's main business areas combined to achieve further significant advances in overall sales, operating profit and earnings per share.

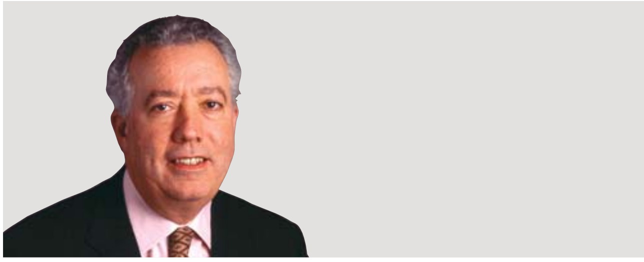


Outlook

Order intake in the first two months of the current year continued the positive trend we experienced throughout 2004. That combined with the favourable reception of our new products and the targeted growth opportunities for our business gives us the confidence to look forward to further progress in 2005 in spite of the difficulties caused by the current level of the US dollar.

Roger Lockwood
Chairman
1 March 2005

OPERATING AND FINANCIAL REVIEW



Bill Whiteley
Chief Executive

Business Strategy

The objective of Rotork p.l.c. is to increase shareholder value by developing our 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 directions have 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 strategies relate to the development of products, marketing initiatives, service revenue opportunities and cost reduction initiatives relating to these businesses.

Year under review

2004 was characterised by a strengthening demand for our products in key markets which allowed us to make good progress in spite of a strong currency headwind. Order intake was up 11% in sterling terms and 16% on a like for like basis, resulting in the order book ending 11% higher than the start of the year. Turnover was up 8%, 13% on a like for like currency basis and operating profits before goodwill and the 2003 exceptional (which relates to the gain on the sale of a building) were up 9.6%, 19.6% on a like for like currency basis.

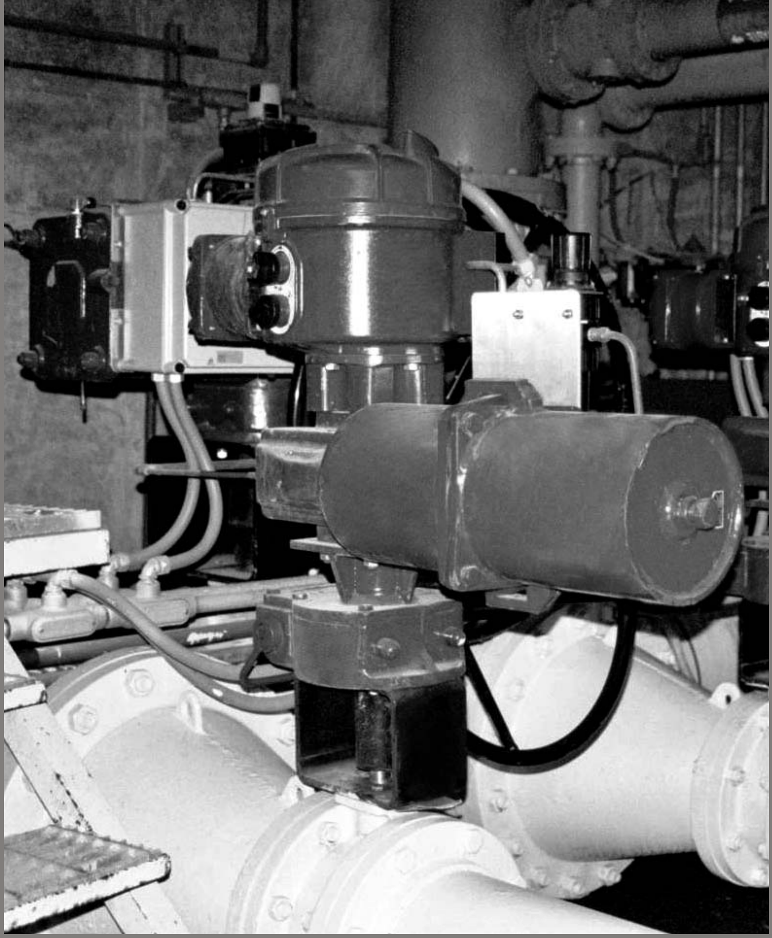
The principal highlights were the excellent take up of our new IQT actuator, a quarter turn variant of our world leading IQII flagship product line; the strength of our Asian and Far Eastern operations, which allowed us to capitalise on the region's growth opportunities; the growth of sales of the AWT product manufactured in our new Malaysian plant, which opened up new non-hazardous market opportunities for Rotork; and the continued exceptional growth of our Fluid System division which is benefiting from its enhanced product ranges, worldwide marketing and strong demand from its oil and gas customers at their upstream and transmission operations.

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 turnover in any year.

All three divisions increased their order input, sales output and operating profits in 2004.

Fluid System actuators and Pakscan meet increased operator expectations. Use of P and SP range actuators fitted with Pakscan digital control have allowed Clinton Water treatment Plant to improve filtration and increase output.

Pakscan IIS master station, shown here being programmed by a Rotork Service Engineer, is particularly suitable for installations requiring logic and sequencing capabilities.



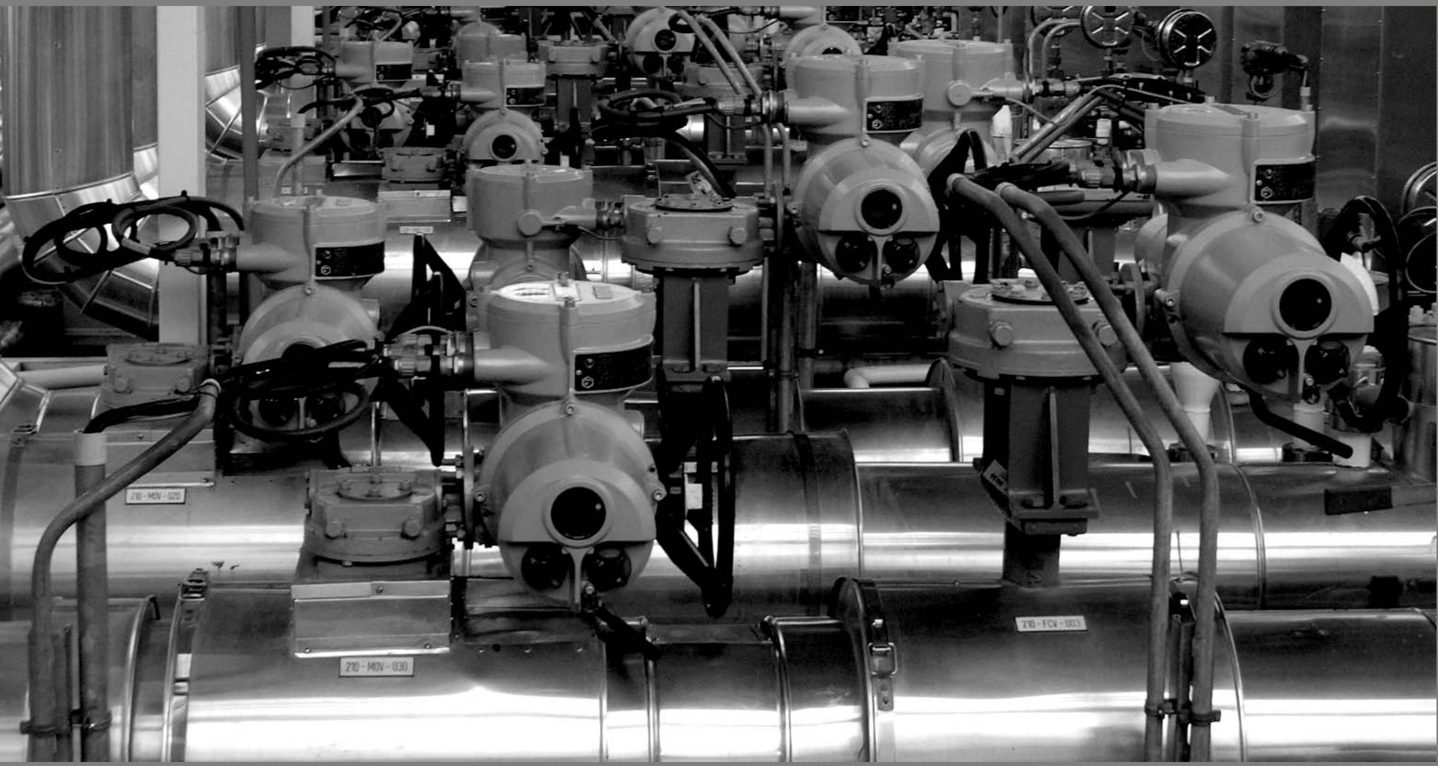
We pride ourselves on our reputation for technological

innovation

We are constantly **designing** and developing leading edge solutions through an on-going programme of research + development

An innovative use of a heavy duty Rotork EH electro-hydraulic linear actuator has solved an expensive and repetitive valve operating problem at the Entergy Willowglen power station in Mississippi.

Rotork Jordan actuators have replaced traditional hydraulic vane control on the boiler plant at Littlebrook power station removing the need for hydraulic power packs.



Every Rotork actuator is assembled and then **fully rig tested** to stringent guidelines ensuring we maintain high

quality

* All Rotork manufacturing sites are certified to ISO 9001

Incorporating Modbus connectivity, these Rotork actuators have been installed during a process of automation at one of Thailand's major fuel loading jetties, Suratthani.

Rotork IQ actuators at the ExxonMobil facility, Toulouse - Aéroconstellation Airbus.

Electric Actuators

The main markets for electric actuators are oil and gas, water and waste water treatment, and power generation installations. Of these the oil and gas companies are Rotork's major end users. It should be noted that the majority of the actuators we sell into this sector go into downstream operations such as refinery offsites, storage and distribution facilities. Although capital expenditure by the oil and gas companies remained at high levels the emphasis of this expenditure has in the recent past been on upstream activities such as exploration, production and transmission. Hence, although the activity from this sector was reasonably strong we would only expect to be a modest beneficiary of this investment.

One of our key strategies is to expand our business in the worldwide water and waste water markets as we consider that global demand for potable water and improved waste water treatment provides a good growth opportunity. New products and marketing outlets have been developed in recent years to realise this ambition. In 2004 we saw a healthy increase in the number of actuators we sold into this market despite a static UK market. The new IQT and the AWT actuators were instrumental in achieving this gain.

We have also targeted the power generation market as a key area in which to increase our market share. Although the North American and European markets remained subdued in terms of investment levels we saw a big increase in the sale of units into this sector due to the strength of the Asian and Far East markets and the attractiveness of our new products.

UK Operations

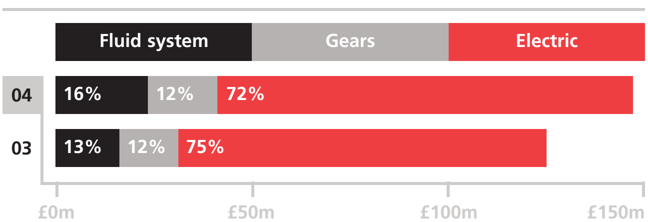
There was a welcome, although modest, improvement in the UK domestic market in 2004, which was coupled with additional orders coming through UK valve makers for overseas destinations. AMP 4 was released towards the year end. It is difficult to predict the impact this will have on our UK business, however some contractors are upbeat about its opportunities.

Rotork adheres to an in-house assembly only philosophy of manufacturing in which we rely on high quality vendors for all of our components. The main electric actuator assembly plant is in the UK in Bath with satellite assembly plants in Rochester N.Y., India and Malaysia. The Bath plant achieved a good increase in its sales and profits in spite of some difficulties with its supply chain. A number of suppliers experienced difficulties resulting either from re-locating facilities or gearing up production. Fortunately these problems abated allowing us to achieve historically high output levels in the final two months of the year. The large increase in the price of some raw materials was mitigated by our policy of developing more Far Eastern sources. The IQT actuator launched in the second half of 2003 sold well above our expectations in 2004 and meant that we had to add additional component supply capacity during the year to keep up with demand.

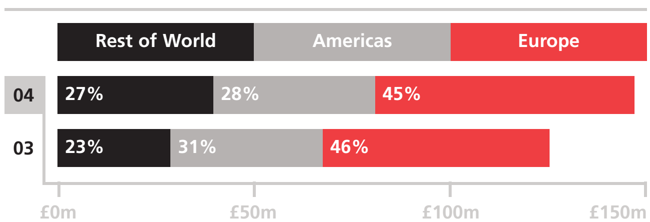
Europe

Our European sales subsidiaries performed well. They were, in most cases, boosted by the success of their local valve makers winning business outside their territories rather than demand for actuators within Europe. The demand from Eastern Europe and Russia was

Turnover by business segment



Turnover by geographical destination



A valve that was installed in 1835 has been retro fitted with a Rotork IQ actuator during an upgrade programme on a dam at Adelaide in South Australia.

Rotork IQ actuators have been installed throughout the new advanced Reading sewage treatment works. It is one of Thames Water's flagship projects which incorporates the most innovative technology.

lower than the very high prior year figures. The French, Spanish and Dutch companies all comfortably exceeded expectations and prior year profits. The German subsidiary's profits were down on a very strong 2003 performance due to reduced levels of Russian business, but met expectations, while in Italy the results were below the prior year figure. The strength of the euro is of assistance to all of our European sales subsidiaries as the majority of their purchases are from the UK plant.

The Americas

The US subsidiary based in Rochester, N.Y. saw strong growth in its order intake, sales output and operating profit. Of course the US dollar rate, moving from an average of $1.66 in 2003 to an average of $1.83 in 2004, took a toll on these numbers when converted into sterling. However there was still respectable growth in sterling terms. The company saw increased sales into all of its end user markets, and it was particularly pleasing to see the strong rebound in our municipal business, which we experienced in the second half of 2003, continue throughout the year. The weak dollar benefited the US valve makers and other O.E.M.s in terms of their competitiveness on international business which assisted our US business. The results of our Canadian subsidiary and Jordan Controls, based in Milwaukee, were disappointing. Jordan Controls continued to suffer from a weak domestic power market and reduced sales into Venezuela. It did however benefit from improved sales in the Far East and from a number of breakthrough orders in the UK and Europe. The Venezuelan subsidiary performed well in a market that continues to be difficult.

The Far East and the Rest of the World

Rotork has a particularly strong sales infrastructure in Asia and the Far East. This meant that we were able to capitalise on the good growth opportunities which were present in many of these markets. In particular we saw high levels of activity in the Chinese and Indian economies. However, our subsidiaries in Singapore, Malaysia, Thailand, Korea, Japan and in particular Australia, all also performed well.

The Malaysian manufacturing plant continued to increase its output in its second year of operation. By the second half of the year it was running profitably creating a small profit for the year as a whole which was ahead of target. The plant manufactures the AWT range which sells through our worldwide sales outlets. Once the profitability of the sales of the equipment through these channels is taken into account the output of the Malaysian plant made a good contribution to overall profits and was in line with our general margins for electric actuators.

Rotork Fluid System

Rotork Fluid System design, assemble and market heavy-duty fluid power valve actuators, which are operated either pneumatically or hydraulically. The markets for these products are, in the main, oil and gas related and unlike electric actuators the bulk of these products are destined either for upstream applications of production or transmission. These areas are benefiting from increased investment by most of the international oil and gas companies. The principal assembly plant is based in Lucca, Italy with product also assembled in Rochester N.Y. The product is sold either direct to Italian valve makers or through the Rotork worldwide sales outlets. A number of these have specialist packaging expertise and mount controls and other devices on actuators supplied from the assembly plants. A key strategy of the Group is to grow this activity which is expected to reach 20% of Rotork's total turnover within two years. The margins from this business are less than those achieved by the remainder of the business but continue to improve year on year. This activity saw very good growth levels in 2004. Order intake was up 25%, sales output 26% and operating profits 50%. This result was particularly creditable as it was achieved without the benefit of any one very large project as in the prior year and was achieved in spite of the bulk of the cost being euro based.

The Lucca plant had another successful year and was supported by good growth at the Leeds and Singaporean packaging centres. The US operation achieved a turnaround profit in spite of difficult currency issues due to the euro cost base. Deanquip Valve Automation Pty Ltd, a Melbourne based distributor of fluid power actuators and control systems, which was acquired at the beginning of 2004 for A$2m made a good profit contribution in its first year ahead of our modest expectations. It has completed a name change to Rotork Fluid System Pty Ltd. Recently developed new product ranges sold well and added to the attractiveness of Rotork Fluid System's portfolio of products. In addition to in-house developments, acquisitions of companies with complementary products are being pursued.

Rotork Gears

Rotork Gears saw healthy levels of demand for their products from most of their markets. Order intake recorded a 6% increase while sales output was up 9%. Operating profits were up by 10%. This division felt the impact of increasing steel and iron prices more than the rest of the Group and it was also affected by the currency transaction impact on its sales of gearboxes to the US market. The benefits of work to improve its cost base through Far Eastern sourcing helped control costs

21st Century upgrade at National Grid Transco. New electric actuators have been installed during a modernisation programme at the National Grid Transco gas terminal at Bacton - working closely within the daily operational constraints of the site to ensure the minimum of disruption.

IQ90 actuators installed on the Da Xie Tank Farm manifolds, which is situated approximately 300 kilometers from Shanghai.

Every Rotork actuator incorporates
our uncompromising focus on quality
to ensure unsurpassed

reliability

by using advanced techniques, our actuators are virtually maintenance free operating

24/7

to reflect our 'fit and forget' philosophy

Safety shutdown with earthquake protection. Rotork Fluid System GP and P range actuators used for safety shutdown at the Playa del Ray gas storage facility near Los Angeles airport.

Rotork IQ actuators on the Shell Malampaya deep water gas to power development in the Phillipines. Shown here is the project's offshore gas production platform.

Rotork not only offers the best products but also an unrivalled level of

support

with the best people working from 150 offices in 76 countries around the world we have a service network that enables a quick, efficient and local response for our customers

Rotork EH actuators installed on the 955km long Osbra pipeline in Brazil. The pipeline carries multiple product (LNG, petrol, aviation fuel, kerosene and diesel) from refineries to major consumer areas.

BP Kingsbury oil terminal serves petrol stations, commercial customers and airports throughout the Midlands. By upgrading the existing Rotork actuators full advantage could be made of the latest technology.

in the second half of the year. Further initiatives to reduce the cost base by design and sourcing are underway. In addition to revamped products a new range of sub-sea gearboxes was launched during the year and has gained rapid acceptance amongst its specialist customer base. The purchase of the portion of the premises in Leeds which we did not own has allowed the Gears operation to improve its workflow.

Research & Development

The R & D programme was directed towards the completion of the IQT range, which has significantly added to the attractiveness of our quarter turn actuator product offerings. Additionally the launch of the Skilmatic SI range of actuators brings sophisticated IQ technology to the operation of electro-hydraulic actuators for the first time, and we have updated all of our open system digital control offerings and developed Ethernet and web based options to our proprietary Pakscan control system.

The main focus of R & D expenditure in the current year will be the enhancement of the electronics package in the flagship IQII product range which will further increase the flexibility of the product for our customer base; the development of a new generation of our proprietary actuation control system, which even in the era of open systems, remains the most cost effective and robust means of monitoring and controlling actuators in the field; and work on a major new range of actuators which will extend the capabilities of our products into new business areas.

Our Innovation Programme has provided us with a number of interesting approaches to the development of our products and services which are being pursued as either stand alone developments or as part of existing development programmes.

Quality

The main Bath site underwent a very successful LRQA re-certification audit against ISO9001:2000 in February 2004. The scope of approval was amended to underscore the suitability of Rotork products for use in potentially hazardous environments. LRQA noted 'an evident commitment to improvement'. Numerous customer audits, often geared to specific product or end-user requirements, have also noted the effectiveness of Rotork's well-established Quality Management System.

The non-intrusive quarter turn product, IQT, is an excellent testimony to Rotork's Quality philosophy. Demand for the product has exceeded even the most optimistic expectations. The 'concept-to-market' time cycle was expedited by deploying innovative techniques including analytical solid modelling, rapid prototyping and concurrent engineering. These state of the art techniques enabled Key Design For Manufacture and Design For Assembly features to be incorporated from the outset. Casting design was optimized using leading edge process simulation to predict potential trouble spots, resulting in very high casting yields from the start. Build statistics demonstrate clearly that IQT assembly is highly intuitive and this, coupled with automated testing, makes for an exceptionally consistent and accurate process.

Treasury

The Group's treasury function, based in Bath, manages financial risks to the Group, as a result of our wide geographical spread, and maximises interest income from cash deposits in all our subsidiary companies. The main exposure is the currency risk from trading transactions undertaken by Rotork operations around the world. With 30% of our income streams in US dollar and related currencies this has a material effect on the Group in translation of our local currency profits into sterling. In addition, the effect of transaction costs for our customers, and our own companies in US dollar driven economies around the world buying from the UK factory, is to dilute margins in territories where we have to maintain a local currency price for the product.

Our weighted average rates for translation of the dollar over the last three years have been:

2004 - $1.83	2003 - $1.66	2002 - $1.52

The euro – representing around 20% of our income streams in the year – has had a mitigating effect overall. Our euro rates for translation comparable with the above were:

2004 - €1.46	2003 - €1.44	2002 - €1.58

As a guide, a one cent average annual appreciation or depreciation of the US$ can have around a £140k effect on operating profit over a year and one cent movement in the euro can have a £120k effect on profit over a year on the same basis. These figures are based on the current geographic spread of the business and will vary from year to year depending on the dynamics of business around the world.

Rotork's performance at the giant Corus Steel praised.
Rotork retrofit's contract involved changing actuators in a two week period following the reclassification of the Gas Booster plant as a hazardous area by Corus's ATEX team.

Rotork control the safe movement of millions of tonnes of seawater during the flooding and emptying of the dry docks at Portsmouth. The 350 acre site has four locks and twelve dry docks.

An increasingly important relationship to us is the euro-dollar due to the increased amount of Rotork Fluid System product shipped from our factory in Lucca, Italy to the US. We have mitigated this to some extent by increasing the number of Fluid System products assembled in the US.

Purchase of components into the UK from overseas has increased over the last few years and now over 25% of our components are sourced this way. The production units outside the UK source primarily in their own currencies. This provides some natural hedging of our currency exposure, and the trend toward Far East sourcing of appropriate components is continuing. The main production facility in the US sources from the UK and these transactions are hedged. Our active policy of currency management has helped defer the effects of currency movements in the year. Only underlying trading transactions are covered, normally using simple forward contract or option instruments. The treasury policy in operation within the Group requires the hedging of a proportion of all actual and reasonably expected transaction exposures. The Group treasury function does not operate as a profit centre. The impact of IAS 39 is expected to be negligible for Rotork.

At constant currency the Group turnover would have shown a figure of £153.0m, which is an increase of 13% over the 2003 comparative, rather than the 8% shown by the results. Similarly operating profit would have shown an improvement of 20% over the prior year in constant currency terms.

Cash

Rotork is a cash generative Group converting a large part of its operating profit into cash. There have however been a number of issues in the past year which have led to an increase in working capital. Shipments in the last two months were very strong which led to the year closing with high receivables, despite a further reduction in days sales outstanding from 67 days last year to a very creditable 58 days. Inventory has increased in the year due in part to the effect of legacy products in the transition period while introducing the IQT. In addition supply shortages disrupted production, increasing our inventory holdings. The growing Fluid System business has had a need for higher working capital.

There have also been two large outflows of cash, both in the first half of the year. An extra dividend payment was made in May, costing £5 million. Total cash distributed to shareholders in dividend was £17.8 million in the year. An additional contribution to the UK defined benefit pension fund of £5 million was made in March. The Deanquip acquisition at the beginning of the year also consumed a modest amount of cash.

Pensions

The triennial actuarial valuation of the UK defined benefit pension scheme was undertaken in 2004, and approved by the trustees in September. This is the largest scheme funded by the Group, and has been closed to new entrants since 1 January 2003. In addition to being closed to new members, existing members have generally increased their rate of contribution to the scheme from 5% of salary in 2003, to 6.5% from January 2004, and to 8% from January 2005. There is a defined contribution scheme in place for people joining after January 2003 but this is not managed within the existing scheme trustee structure. The actuary states in his triennial report that the funding level for the UK defined benefit scheme, which had been 97% at March 2001, had deteriorated to 84% at March 2004. The company contribution has therefore been increased from 1 October 2004, and the actuary expects this to extinguish the past service deficit in 9 years. The main reason for the increased deficit is stated in the report as being due to investment returns being "significantly below those assumed in the 2001 valuation". The MFR funding level at the 2004 valuation date was 107%.

As a result of the timing of the actuarial valuation, the Board has decided to adopt the accounting provisions of FRS17 for 2004 onwards. The 2003 comparatives have been restated which has increased profit before taxation for that year by £97k. The size of the deficit under FRS17 has however increased in the year due principally to the effect of the movement in bond rates on the scheme's liabilities.

The accounting provisions of FRS17 take a fundamentally different view of liabilities than the actuarial valuation. The absolute calculation of the scheme liabilities under this standard, being dependant on average AA bond rates, will show more volatility than would be seen in the actuarial valuation, or under SSAP24. AA bond discount rates used for this calculation are shown in note 23 and have fallen by 0.15% over the last year. This alone is estimated to have added £2.8m to the theoretical calculation of the scheme deficit under FRS17 since the last annual report. The charge to the accounts for all pension schemes in the Group for the year was £2.0m *(2003: restated £1.9m).*

Pendinas - Residents to benefit from an improved water supply.
Rotork electric actuators have been installed to control the flow through a new water treatment plant built at Pendinas to simultaneously treat the water from three reservoirs to meet the latest EU requirements for water quality.

By use of information from the actuator's inbuilt data logger and by using Rotork Insight software routine maintenance to plant and equipment can be planned in advance.

Rotork has the largest and most up-to-date dedicated manufacturing facilities that maximise

efficiency

All of our plants are strategically positioned to serve the global valve market

Rotork actuators are used by Colorado Energy Management.

Rotork Skilmatic self contained electro-hydraulic actuators in use at Wyoming water treatment plant.

As a member of the UN Global Compact Initiative, Rotork is constantly looking at ways to reduce its impact on the

environment

< Waste minimisation, increasing recycling and reducing CO_2 emissions

Rotork IQ actuators on radial gates regulate the flow of water through Northampton, maintaining water levels for the White Water Canoe Course and River Nene Navigation.

At Highbridge STW, on Somerset's coast, Rotork actuators control the flow through two new storm tanks to minimise the risk of untreated sewage discharges into the sea.

Tax

The effective tax rate on profit before goodwill amortisation was 33.3% *(2003: 32.1%).* The prior year benefited from the gain on disposal of the property in Luton (£597k) which was effectively tax free due to capital losses brought forward. Overall 55% of the Group's profits are earned outside the UK and a number of these jurisdictions have higher corporate tax rates than the UK. We have benefited from increasing profits from some lower tax areas in the Far East. We anticipate the rate of tax in 2005 to be broadly similar to 2004.

Dividend

Shareholders on the register during the whole period of eligibility for the year will receive a total of three dividends. On 28 May 2004 a special interim dividend of 5.85p was paid. On 27 September an interim dividend of 5.35p was paid, which, taken with the final of 9.70p to be paid on 27 May 2005 makes an increase of 2% over the dividend paid in 2003 excluding the special dividend. With the special payment added, the 2004 dividend at 20.9p represents an increase of 42% over 2003.

International accounting standards

We have in place procedures to enable us – as required – to adopt international accounting standards for the interim results 2005. We do not anticipate there being significant adjustments as a result of this, but areas that may have some impact and record changes to comparative numbers are:

- Pension accounting (note FRS17 adopted this year)
- Restatement of 2004 acquisition
- Goodwill amortisation
- Share based payments

The Interim 2005 results will record the transition to international accounting standards.

Environment

Rotork remains fully committed to the principles laid down for inclusion in the FTSE4Good Index. The Group Environmental Policy has been published on the company website since early 2002 and is reviewed annually. As in previous years, the Group Environmental Report, to be published on the website in late Spring 2005, will include global reporting of environmental data for the 2004 trading year.

Further details of the Group's environmental performance during the year under review are contained in the Corporate Responsibility Statement.

Employees

I would like to make special mention of the dedication and enthusiasm of our entire worldwide workforce. There were many challenging issues which had to be addressed on a daily basis in order to achieve these results and I very much admire the level of commitment that everyone showed in serving our customers which is the basis of our financial success.

Bill Whiteley
Chief Executive
1 March 2005

IQ DC actuators in remote areas of Australia are being used to control water levels in a commercial irrigation project.

The fish ladder at Hagestien on the river Rhine encourages the return of migrating fish to the Netherlands to their old spawning grounds. The IQ actuators automatically regulate the river flow under changing ambient conditions.

BOARD OF DIRECTORS

RE Slater (right)
Bob (53) joined Rotork in 1989 as Finance Director of the Actuation Division, and was appointed to the Board of Rotork p.l.c. as Group Finance Director in 1998. He has previously held finance positions in mining, building controls and the engineering industry.

WH Whiteley Chief Executive (above)
Bill (56) joined Rotork in 1974 and was President of Rotork's North American operations from 1979 until he became Managing Director of Rotork Actuation in 1988. He has been a member of the Rotork p.l.c. Board since 1984 and was appointed Group Chief Executive in 1996. He is a member of the Nomination Committee. Bill is a non-executive director of Roxboro Group plc and Spirax-Sarco Engineering plc.

GE Malcolm (above)
Since joining Rotork in 1984, George (59) had been Engineering Director of the Actuation Division prior to becoming a member of the Rotork p.l.c. Board in 1997. He is currently Operations Director of the Actuation Division. His previous appointments were in industrial controls, aerospace and shipbuilding companies.

RH Arnold (above)
Bob (53), who became a member of the Rotork p.l.c. Board in 2001, is a graduate engineer. Previously with Westinghouse in the USA, he joined Rotork Controls Inc. as Engineering Manager subsequently becoming Vice President, Engineering and since 1988 President of Rotork Controls Inc. Bob has responsibility for all Rotork's interests in the Americas.

RC Lockwood Chairman (above)
Roger (59) has been a non-executive director of Rotork since joining the Board in 1988 and became non-executive Chairman in November 1998. He is Chairman of the Nomination Committee. He is Chairman of Colston Manufacturing (Engineering) Co Ltd and Hydro International plc and has previously held CEO roles in automotive and engineering businesses.

JW Matthews (above)
John (60) has been a non-executive director of Rotork since joining the Board in November 1998. He is Chairman of Crest Nicholson plc and Regus plc. He has previously held senior positions in banking and industrial companies. He is Chairman of the Audit and Remuneration Committees and a member of the Nomination Committee, and is the senior independent non-executive director.

A Walker (above)
Alex (58), who joined the Board as a non-executive director in January 2001, has been Chief Executive of Yule Catto & Co. plc since 1986. He is a member of the Audit, Remuneration and Nomination Committees.

New Directors in 2005 (not pictured)

GM Ogden
Graham (48), holds a Phd and 1st class honours degree in electronic engineering from Bristol University and has been with Rotork since 1985. Since joining Graham has been closely involved in product development including our award winning IQ series. He was appointed to the Actuation Division operating board in 1997 as Research and Development Director and joined the Board of Rotork p.l.c. in January 2005.

IG King
Ian (48) joined the Board in February 2005 as a non-executive director. He is currently Group Managing Director, Customer Solutions and Support, BAe Systems plc and is a member of that company's Executive Committee. Ian has previously held senior financial and general management positions at Marconi. He is a member of the Audit, Remuneration and Nomination Committees.

REPORT OF THE DIRECTORS

The directors submit their report and the audited accounts for the year ended 31 December 2004 as set out on pages 32 to 59.

Principal activities

Rotork p.l.c. is a holding Company. The principal activities of the Rotork Group are the design, manufacture and support of actuators, systems and related products worldwide.

Rotork Actuation provides a range of products, systems and services for the motorisation and manual operation of and adaption to industrial valves and dampers for isolation duty and process control applications. It does this through its Electric Actuator, Gears and Fluid System operations. Actuated valves are major control elements in refineries, pipelines, power stations, water distribution systems and effluent treatment plants and in all industries in which liquids or gases are transported through pipes.

Reviews of the Group's activities and business development including future development of the business and research and development are set out in the Operating and Financial Review on pages 4 to 15.

Dividends

The directors recommend a final dividend of £8,303,000 for the year, payable on 27 May 2005 to shareholders on the register on 6 May 2005. This represents 9.70p per share *(2003: 9.50p)* which, with the interim dividend of 5.35p per share *(2003: 5.25p)* and the additional interim dividend of 5.85p per share will produce a total dividend per ordinary share of 20.90p *(2003: 14.75p).*

Shares issued or purchased

Details of the ordinary shares issued and the preference shares purchased during 2004 are given in notes 19 and 20.

Substantial shareholdings

As at 1 February 2005 the Company had been formally notified that the following have material interests in 3% or more of the issued ordinary share capital of the Company. Figures given below are for the total material and non-material interests of these shareholders.

	No.	%
Aviva plc	6,336,659	7.39
Legal & General plc	3,541,090	4.13
Prudential plc	3,033,373	3.53
Scottish Widows Investment Partnership Ltd.	3,030,351	3.53

Research and development

Total Group expenditure on research and development in the year was £2,424,000 *(2003: £2,071,000)* further details of which are contained in the Operating and Financial Review on pages 4 to 15.

Charitable donations

During the year the Group made charitable donations of £35,000 *(2003: £30,000).*

There were no political donations made in the year or the prior year.

Directors

The names of the directors in office throughout the year and their biographical and other details including the other significant commitments of the Chairman are as shown on page 16. Post year end, on 1 January 2005, GM Ogden was appointed an executive director and on 17 February 2005, IG King was appointed a non-executive director. The Company has consented to GE Malcolm's early retirement on 8 April 2005. The interests of the directors in office at the end of the financial year in the shares of the Company are as shown in note 9 to the financial statements.

WH Whiteley, GE Malcolm, RE Slater, RH Arnold and GM Ogden have service agreements and details of these are contained in the Remuneration Report on pages 24 to 30.

At the Annual General Meeting ("AGM"), in accordance with the Articles of Association, RH Arnold, RC Lockwood and RE Slater will retire by rotation and, being eligible, will offer themselves for re-election. GM Ogden and IG King will both offer themselves for election it being their first opportunity since appointment.

The Senior Independent Director, JW Matthews has, following a formal performance evaluation of the Chairman, confirmed to the Board that RC Lockwood continues to be effective in and committed to his role as Chairman. A letter to similar effect has been circulated to shareholders ahead of the AGM.

Statement of directors' responsibility for preparing the financial statements

The following statement, which should be read in conjunction with the auditors' Statement of Auditors' Responsibilities, included in the audit report, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for that period.

The directors consider that in preparing the financial statements on pages 32 to 59, the Company has selected suitable accounting policies which have been consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed subject to any explanations and any material departures disclosed in the notes to the financial statements. The directors are required to use a going concern basis in preparing the financial statements unless this is inappropriate. After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Creditor payment policy

While there is no formal code or standard, it is Company and Group policy to settle terms of payment with creditors when agreeing the terms of each transaction and to abide by creditors' terms of payment provided that the supplier is also complying with all relevant terms and conditions. There are no creditors subject to special arrangements outside suppliers' terms and conditions. The Company does not have any trade suppliers so that a creditor day payment period is not appropriate.

Auditors

Resolutions to re-appoint KPMG Audit Plc as auditors and to authorise the directors to determine their remuneration are to be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will be held at the Company's offices at Rotork House, Brassmill Lane, Bath BA1 3JQ on Friday, 22 April 2005 at 12 noon. A separate circular containing the Notice of the Meeting is sent to shareholders with this Annual Report.

On behalf of the Board

Stephen R. Jones

Stephen Rhys Jones
Secretary
1 March 2005

CORPORATE GOVERNANCE

Set out within this section is a commentary on how the Company applies the main and supporting principles of the Combined Code on Corporate Governance July 2003 ("the Code"). Specific disclosures required within the provisions of the Code are also made within this section.

Code Compliance Statement

GE Malcolm who retires on 8 April 2005 has a two year notice period from the Company contained in his service contract. All other serving executive directors have one year notice service contracts. Following the appointment of IG King, currently there are three independent non-executives on the Board. However, during the year under review given that under the Code it is implied that a Chairman cannot be considered independent then the composition of the Audit and Remuneration Committees was non-compliant in that one of its members was the Chairman of the Board and the Nomination Committee was non-compliant as a majority of its members were not independent. As Rotork p.l.c. is considered a large Company by the Code it is recognised that for full compliance, a further independent non-executive would need to be appointed so that half the Board excluding the Chairman comprised non-executive directors. The appointment of IG King is considered by the Board to be a significant step towards full compliance in respect of the relevant Code provision, concerning Board composition, in addition to facilitating full compliance for Committee membership. As explained later in this report the Board has developed a formal process for performance evaluation which will be fully implemented during 2005. Subject to the matters referred to in this paragraph the Company considers that it has throughout the year complied with the provisions of the Code.

Internal control

The Company has during the year operated procedures necessary to comply with the guidance issued in the "Turnbull Report", and by reporting in accordance with that guidance.

The Board has ultimate responsibility for the Company's system of internal control and is required to set appropriate policies and to review its effectiveness. The role of management is to implement Board policies.

The system of internal control is designed to reduce but cannot eliminate the risks of failure to meet business objectives. Internal control therefore can only provide reasonable but not absolute assurance in meeting such business objectives or against material misstatement or loss.

A continuous process for identifying, evaluating and managing the significant risks faced by the Company continued to be applied and developed during the year under review and operated up to the date of approval of the annual report and accounts. Senior managers with responsibility across all functions participate in the risk management process that identifies and evaluates the key risks (including social and environmental) facing the Company's businesses. Their deliberations are reported regularly to the Audit Committee and Board. This process is based on senior managers' detailed knowledge and understanding of key risks within and external to the business based on formal management information and reports and their interaction and daily dealings with those reporting directly to them, their colleagues and external parties. Internal financial audits are undertaken on a regular basis by a selected group of accountants drawn from head office, across the divisional businesses and geographic centres. All these accountants have received relevant and specific training in internal audit, best practice and control procedures. Work will continue to further embed internal control and risk management in the operations of the business and to further enhance and add to the relevant processes including consideration of social and environmental risks.

The processes that are used by the Board to review the effectiveness of this system of internal control include the following:

During the year the Audit Committee:

- Monitors and reviews the effectiveness of internal audit activities;
- Reviews and monitors external auditor independence and objectivity and the effectiveness of the audit process;
- Considers reports from management, internal and external audit on the system of internal financial control and any material control weaknesses;
- Receives reports on Health and Safety and environmental issues;
- Discusses with management the range of actions taken on problem areas for the business identified by Board members or in the internal and external audit reports.

Additionally:

- The Board receives copies of the minutes of all Audit Committee meetings;
- The Board reviews the role of insurances in managing risk across the Group;
- The Board regularly receives written and oral reports from management on all aspects of production, operations, financial and risk management matters.

Prior to the year end the full Board following discussion at the Audit Committee formally reviews the effectiveness of the Group's system of internal control.

The Board

The Board currently has nine members comprising the Chairman, who is non-executive and whom the Board considers to be independent, the three independent non-executive directors as defined by the Code, and five executive directors, (one of whom as referred to above retires on 8 April 2005). On appointment directors receive a suitable and tailored induction. There is a clear division of responsibility approved by the Board in writing between the Chairman, RC Lockwood, and the Chief Executive, WH Whiteley, that ensures that there is a balance of power and authority between the running of the Board and the executive responsibility for the running of the Company's business. JW Matthews is the Senior Independent non-executive Director.

The full Board had nine meetings spread appropriately over the course of the year under review. During the year RC Lockwood, JW Matthews, A Walker, WH Whiteley, RE Slater and GE Malcolm attended every Board meeting. RH Arnold attended six Board meetings in person and two by video-link for part of the meeting. During the year Board meetings are scheduled at manufacturing sites other than the Company's headquarters in Bath. This allows in particular non-executive directors to meet management at these sites and receive presentations from them. During the year under review the full Board visited and held Board meetings at the Rotork Controls Inc. manufacturing plant in Rochester, New York State and the Exeeco Limited facility in Leeds, England.

The Chairman ensures through the Company Secretary that the Board Agenda and all relevant information is provided to the Board sufficiently in advance of meetings. The Chairman and Company Secretary discuss the Agenda ahead of every meeting. At meetings the Chairman ensures that all directors are able to make an effective contribution throughout meetings and every director is encouraged to participate and provide opinions for each Agenda item. The Chairman always seeks to achieve unanimous decisions of the Board following due discussion of Agenda items. The Schedule of Reserved Matters details those matters specifically reserved for Board decision. The types of decision which are reserved for the Board relate to matters which cannot or the Board considers should not be delegated to the Chief Executive and executive management. They include approval of Group commercial strategy and succession planning, approval of Group annual operating and capital expenditure budgets and recommendations for payment of final dividend and decisions for interim dividends and dividend policy, approval of the Annual Report and financial statements and announcements of final and interim results, ensuring sound internal control and risk management, executive director remuneration, corporate governance matters including Board and Committee performance appraisals, Board and Committee membership. The Board regularly considers and discusses future strategy, following submissions by management, at Board meetings and separate strategy meetings. The non-executive directors constructively challenge and help develop proposals on strategy at those meetings. The decisions which are left to management are all those related to the successful operation and management of the Company's business and in implementing the commercial strategy within the limits set by the Board annually for overall operational budgets and capital expenditure.

The Chairman ensures that meetings of non-executives without the executives present are held. The Company maintains appropriate directors' and officers' insurance cover.

Performance evaluation

The Board has during the year under review developed a formal process for performance evaluation of the Board, its Committees and individual directors which will be fully implemented during 2005. The Chairman will during the evaluation consult individually with all directors addressing a consistent set of pre notified matters covering Board, Board Committees and individual directors' effectiveness. The collective results of these structured dialogues will be reviewed by the Chairman, consulting with others as appropriate. An overall summary of the evaluation results will be tabled at an appropriate Board meeting. The effectiveness of the evaluation process will then be assessed and form the basis for subsequent development action. The Senior Independent Director has led the performance evaluation of the Chairman through consultation with all the directors followed by a meeting he chaired with the other non-executive directors to consider all responses received and at which the performance of the Chairman was formally evaluated.

Appointments to the Board

The Nomination Committee's four members during the year under review were RC Lockwood (who chairs the committee), JW Matthews, A Walker and WH Whiteley. The Committee meets regularly to undertake its duties in relation to succession planning and in recommending specific appointments to the Board. During the year the Committee undertook a search for an additional independent non-executive director with recent and relevant financial experience culminating in the appointment to the Board of IG King who was introduced through an external consultant. Prior to the appointment of IG King the Nomination Committee considered a range of suitable candidates making use of external search consultants and other contacts. A short list of those available candidates considered most suitable when compared with the criteria drawn up by the Committee, which included recent and relevant financial experience, were then interviewed by the Committee. Following further consideration by the Committee, and meetings with all the executive directors, IG King was recommended to the Board by the Committee. IG King has undertaken to the Company that he will have sufficient time to meet what is expected of him as set out in his letter of appointment.

The Committee also recommended to the Board GM Ogden's appointment as an executive director. In making the appointment the Board considered the balance of skills, knowledge and experience on the Board. GM Ogden's appointment ensures that following the retirement of GE Malcolm, an executive director with not only senior management experience but also engineering and product development expertise, particularly in relation to electric and other types of actuator, is a member of the Board.

The Nomination Committee met formally twice during the year. RC Lockwood, JW Matthews and WH Whiteley attended both meetings of the Committee. A Walker attended one meeting.

Following the appointment of the third independent non-executive director, IG King, the Nomination Committee now comprises three independent directors, the Chief Executive and Chairman. A majority of the members of the Nomination Committee are therefore independent non-executive directors. The Terms of Reference of the Nomination Committee can be accessed on the Company's website in the Investors' section.

Audit Committee

The Audit Committee is now comprised of the three independent non-executive directors, JW Matthews (Chairman), A Walker and IG King. It usually meets three times a year to review published financial information, the effectiveness of both external and internal audit and internal financial and other controls. The Finance Director, Chief Executive and the external auditors normally attend meetings and there is a meeting at least once a year between the Committee and the external auditors at which management is not present. During the year under review and prior to the appointment of IG King, RC Lockwood was a member of the Committee. He stood down following IG King's appointment.

The matter of auditor independence is considered by the Committee. The auditor does provide non-audit services. Auditor objectivity and independence is safeguarded by ensuring all non-audit services are managed and directed by the Company executive management and by ensuring disclosure of non-audit fees to the Audit Committee. For significant general consulting projects more than one service delivery provider is considered. Categories of non-audit work provided by the auditor with fees are set out in note 5. Within the Audit Committee's Terms of Reference is a requirement for the Committee to assess the independence of the external auditor ensuring key partners are rotated at appropriate intervals and to ensure that the provision of non-audit services does not impair the external auditors' independence or objectivity. This assessment was undertaken by the Committee during the year. The Terms of Reference of the Audit Committee is available to view on the Company's website in the Investors' section.

All of the members of the Audit Committee, during the year under review being, RC Lockwood, JW Matthews and A Walker attended all three meetings of the Committee. RE Slater and WH Whiteley attended all three meetings of the Committee by invitation. The internal audit function is undertaken by members of the Company's finance department who all have other distinct posts. The Group Finance Director is also Head of Internal Audit.

Remuneration Committee

The work of the Remuneration Committee is described in the Remuneration Report on pages 24 to 30. RC Lockwood, JW Matthews and A Walker attended the four formal meetings of the Remuneration Committee during the year under review. The Chief Executive was invited to attend the four formal meetings for parts of those meetings.

Relations with shareholders

Communication with shareholders is given high priority. All members of the Board receive copies of all analysts' reports of which the Company is made aware. The Chief Executive reports at each Board meeting upon his meetings with analysts, fund managers and shareholders. The Company Secretary has recently written on behalf of the Board to the Company's major shareholders offering meetings with the non-executive directors and requesting shareholders to confirm they are content with current Board level contact with the Company and communication to non-executives.

Individual shareholders have an opportunity to put questions to the Chairman at the AGM and individual shareholder enquiries are dealt with throughout the year by the Company Secretary's department. For the AGM all proxy votes are counted and (except in the event of a poll being called) at the AGM the balance for and against the resolution and the number of abstentions is displayed for shareholders after it has been dealt with on a show of hands. Prior to the AGM the Company Secretary reports to the Board on the results of the proxy returns and on the comments and analysis undertaken by voting agencies.

CORPORATE SOCIAL RESPONSIBILITY

The Company has considered the guidelines on Social Responsibility published by the Association of British Insurers and takes full account of the significance of environmental and ethical matters in the conduct of its business and in its risk assessment processes. Rotork remains fully committed to the principles laid down for its inclusion in the FTSE4Good Index and the 10 Principles of the UN Global Compact of which it is a signatory.

Environment

The Group Environmental policy, which is reviewed annually, includes commitments to the prevention of pollution, compliance with all relevant legal and other regulatory requirements and to the continuous improvement of environmental performance. The Environmental policy applies to all manufacturing sites in the Group worldwide. The complete policy may be found at www.rotork.com under 'Environment'.

In its 2004 Environmental Report the Group reported that it had maintained its commitment to managing and improving its environmental performance and to communicating this performance to its stakeholders through the publication of its Environmental Report for 2004 which can be accessed in full at www.rotork.com under 'Environment'. The 2005 Environmental Report will be available on the Company's website in late Spring 2005.

The Group has identified its key environmental impacts to include the use of energy, water, and disposal of waste. The Group is continually developing policies and procedures on these issues to minimise its impact on the environment.

Rotork considers it contributes to sustainable development and environmental improvement through the products and services it sells. The Company's products are used around the world in all environments, including those which are hazardous and in many types of industries, including water purification, sewage, food processing, marine, irrigation, power generation and oil and gas. Rotork products help reduce human error and thus potential environmental disasters, whilst saving energy and resource. With the launch in late 2003 of the new Intelligent Quarter Turn (IQT) range of actuators, which consume a tenth of the energy of their predecessors, Rotork is continuing to develop and produce energy efficient products with improved performance.

Environmental Management System

Rotork will, through its Environmental Management System:

- Allocate formal environmental responsibilities to ensure compliance with legislation;
- Support a culture of consultation with employees, key stakeholders and other interested parties;
- Provide environmental information, guidance and, where necessary provide training that meets best practice;
- Monitor, measure, audit and seek continuous improvement in its environmental performance;
- Work with external agencies and bodies to ensure continued adoption of best practice solutions in environmental management;
- Communicate best practice and publish internal and external information detailing its aims and achievements;
- Foster open communication with employees, customers, suppliers and other stakeholders via both electronic publishing and face-to-face discussion.

The project to fully implement an Environmental Management System at the Bath manufacturing site has continued to progress. Waste to landfill has been identified as the biggest environmental site impact and challenge. To turn this impact into an environmental 'win' required the redevelopment of the site facilities to accommodate the recycling systems necessary to reduce the impact. Recycling processes were established for wood, cardboard and IT equipment. Other waste streams are now being separated to facilitate further recycling opportunities. Within the 2004 Environmental Report at www.rotork.com information and data can be accessed about how Rotork managed its key environmental impacts. The data includes waste to landfill, incineration and authorised disposal plants, CO^2 emissions, water consumption and use of hydrocarbons and volatile organic compounds. For the first time the data is included from the other manufacturing sites as well as Bath.

The Aspects and Impacts Assessment is currently being reviewed in the light of new processes introduced in 2004. This will provide the springboard for setting objectives for the year ahead. An audit to verify compliance with ISO 14001 by an external agency is scheduled for March 2005.

Ethics and Values

Rotork is a signatory to the United Nations Global Compact and its 10 Universal Principles around human rights, labour, environment, bribery and corruption. These Principles are derived from the Universal Declaration of Human Rights and the International Labour Organisation's Declaration of Fundamental Principles and Rights at Work. In particular, Rotork supports all United Nations' efforts to ensure the effective abolition of child forced compulsory labour and will never use any such labour in any of its operations worldwide. At Rotork the rights of every employee are respected. The Company acts in ways that ensure all employees are treated with openness, mutual trust, dignity and respect. Everyone working at Rotork will be treated fairly and without discrimination on the basis of race, gender, language or religion.

Rotork's Ethics and Values Statement can be accessed at Rotork's website www.rotork.com under the 'Investors' section, sub-section 'Responsibilities and Ethics'. Additionally at that part of the website can be accessed the Rotork 'Doing the Right Thing' document which describes some of the benefits Rotork provides for employees and the wider community.

Suppliers

Business integrity and fair dealing is key to the Group's relationships with suppliers and contractors. Many of the Group's suppliers have long-term relationships with the Group. Most key suppliers are registered to ISO 9000. Supplier development is ongoing and involves elements (developed in the motor industry) of the QS 9000 system.

Employees

Employees in the UK and many overseas offices enjoy participation in long-standing Rotork profit sharing and share schemes.

At the Bath plant, an Employee Committee sits regularly to discuss staff issues and suggests improvements in working conditions and practices. All issues are reviewed by directors and acted on as appropriate.

An Equal Opportunities policy is applied throughout the Group and in almost all cases, it is nationals from those countries in which the Company operates who manage those companies locally.

Financial support for training and learning programmes directly related to employees working roles are provided. There are two full time training officers at the Bath site who co-ordinate product training initiatives for employees and customers. Four year apprenticeship programmes underline the commitment to staff development for the long term.

Health and Safety

The Group has Health and Safety policies in place. The Group is working towards a global Health and Safety policy compliant with Occupational Health and Safety Management System (OHSAS) for the benefit of employees and those they interact with worldwide.

Community involvement

For many years Rotork has pursued a policy of community involvement through financial support and fostering partnership with local charitable and voluntary organisations, trusts and local support groups. A Charity Committee made up of employees at all levels considers local community charitable and similar requests at the Bath site. Projects are then followed through with visits and reports by employees and feedback to the Charity Committee. Sponsorship is also given to local youth and sporting clubs and to cultural and social events. There is also direct engagement in community issues. For example in Bath a representative of the Company sits on a local group supporting local initiatives for cultural, social and economic development.

The Charity Committee normally matches monies raised by employees who undertake appropriate charitable events personally.

In 2004, the Charity Committee awarded a grant of £30,000 over three years to the Research Institute for the Care of the Elderly to provide a Rotork room in a new research facility to be built at the Royal United Hospital in Bath. The room will be one of four examination rooms that will be used on a daily basis for the Institute's research projects and memory clinics. The memory clinics provide a much valued service to people in the Bath area. Like Rotork, the Institute is committed to research as a means of progress in finding solutions to practical problems. With the ageing of the population, research to improve the care of older people is of growing importance and Rotork is pleased to be involved with this initiative.

Other charitable organisations to benefit from Rotork's Charity Committee during the year included:

Hope and Homes for Children
Bath Institute of Medical Engineering
Action Medical Research
Weston Day Club, Nr. Bath
Childrens Heart Foundation
Dorothy House Hospice, Bath
Farmborough Playgroup, Nr. Bath
Bath & Wansdyke Soc for Blind
Age Concern
Larkrise School Fund, Bath
Bath Charities Fayre
The Charter Trustees of the City of Bath
Children in Need
Chernobyl Children Life Line
Little Sisters of the Poor
Bath Junior Gateway Club
Macmillan Cancer Relief
Heartline
Spencer Dayman Meningitis Trust

REMUNERATION REPORT

This report is presented to shareholders by the Board and sets out the Board's remuneration policy and details of the remuneration of each director.

The Remuneration Committee (the Committee) of the Board is currently comprised of three independent non-executive directors, JW Matthews, A Walker and IG King. During the year under review JW Matthews chaired the Committee, and RC Lockwood and A Walker were members. RC Lockwood stood down from membership of the Committee in February 2005 following the appointment to the Committee of IG King. The Committee makes recommendations to the Board on the Company's framework of executive remuneration and its costs and determines on the Board's behalf the individual salaries and other terms and conditions of employment for the executive directors. It also determines the individual salaries of other members of senior management. The Committee determines the terms of any discretionary share schemes in which executive directors may be invited to participate.

During the year the Committee received salary and remuneration advice from their appointed adviser, Towers Perrin, for executive directors and senior management. The Chairman of the Committee consults the Chief Executive on the remuneration of the other executive directors and senior managers. The Company Secretary participates in Remuneration Committee discussions and advises the Committee.

For the year under review, the Board considered that it was critical that the Company had remuneration policies that enabled it to retain, motivate and, when required, recruit high quality management. In recommending the level of remuneration for executive directors, the Remuneration Committee took account of the size and nature of the Company, including its international scope, using data from a number of sources including Towers Perrin's own survey and proprietary data. The Committee considers it important that a significant proportion of executive directors' potential total remuneration is performance related. This is demonstrated by the maximum percentage of salary potentially payable as cash or share awards respectively under the annual cash bonus scheme and Long-Term Incentive Plan. The Committee confirms that Towers Perrin do not have any other connection with the Company. For the year 2005 and subsequent years the directors' current intention is to continue with the remuneration policy referred to above.

As reported last year, WH Whiteley agreed to reduce the two years' notice required to be given by either party under his service contract to one year from the Company and to six months from WH Whiteley. Following the reduction in his service contract to one year's notice WH Whiteley's contract now contains a statement that on early termination of his contract by the Company, or by WH Whiteley in circumstances where he is entitled to do so including on a change of control, he would receive a payment by way of liquidated damages equivalent to one year's salary and other benefits on an annualised basis. The other executive directors' contracts do not provide any specific provision for compensation payable upon early termination. GE Malcolm's service contract continues to include a provision for two years notice however the Company has consented to GE Malcolm's early retirement in April 2005. RE Slater's service contract and RH Arnold's service contract are both rolling service contracts with a one year notice period. For future executive director appointments, the Board's intention will be to continue to limit service contracts to one year on a rolling basis. GM Ogden's service contract therefore contains a one year notice period.

Name of executive director	Date of service contract	Notice period from Company	Notice period from director	Normal retirement date
WH Whiteley	1/2/1996	1 year	6 months	25/10/2008
RE Slater	1/6/1998	1 year	1 year	10/4/2011
RH Arnold	28/5/2002	1 year	1 year	18/8/2016
GE Malcolm	20/3/1997	2 years	2 years	16/10/2005[1]

[1] The Company has consented to GE Malcolm's early retirement on 8 April 2005.

Name of non-executive director	Date of letter of appointment	Notice period from Company	Notice period from non-executive director	Unexpired term as at 31/12/04
RC Lockwood	1/1/2003	3 months	3 months	12 months
JW Matthews	14/10/2004	3 months	3 months	34 months
A Walker	7/1/2003	3 months	3 months	11 months

The fees of the non-executive directors, other than the Chairman, are determined by a Board Committee which includes the Chief Executive and Chairman. Following the appointment of IG King as the third independent non-executive member of the Committee, future changes to the Chairman's fees will be decided by the Committee as stated in the Terms of Reference of the Remuneration Committee available on the Company's website. Previously the fees of the Chairman were set by a Committee of the Chief Executive and Senior Independent Director. Non-executive directors are offered engagement agreements of three years duration, subject to earlier termination by either party on three months notice, with no provision for any compensation payment on termination.

None of the executive directors has any external directorships with the exception of WH Whiteley, who is a non-executive director of Roxboro Group PLC (fees for this directorship which are £20,000 per annum are payable to Rotork p.l.c.) and Spirax-Sarco Engineering plc (fees for this directorship, which are £24,000 per annum are payable to WH Whiteley) and a director of the British Valve and Actuator Manufacturers Association Limited for which no fee is paid.

The remuneration packages of each individual director currently include basic salary, an annual bonus, benefits in kind (car and fuel, or car and fuel allowance, and private medical insurance), membership of the all employee Rotork Share Incentive Plan (SIP) or Overseas Profit-Linked Share Scheme (OPLSS) (see below), discretionary Rotork Long-Term Incentive Plan (LTIP) and participation in a Rotork Group pension scheme. Further details of all elements of each individual director's remuneration package are set out elsewhere in this report. Salary and benefits including pension and car and fuel, or car and fuel allowance, constitute fixed pay.

From its inception in 2000 until 2003 the LTIP plan provided executive directors with an annual opportunity for shares to vest to a maximum 50% of basic salary and a minimum of zero dependent on performance as described below.

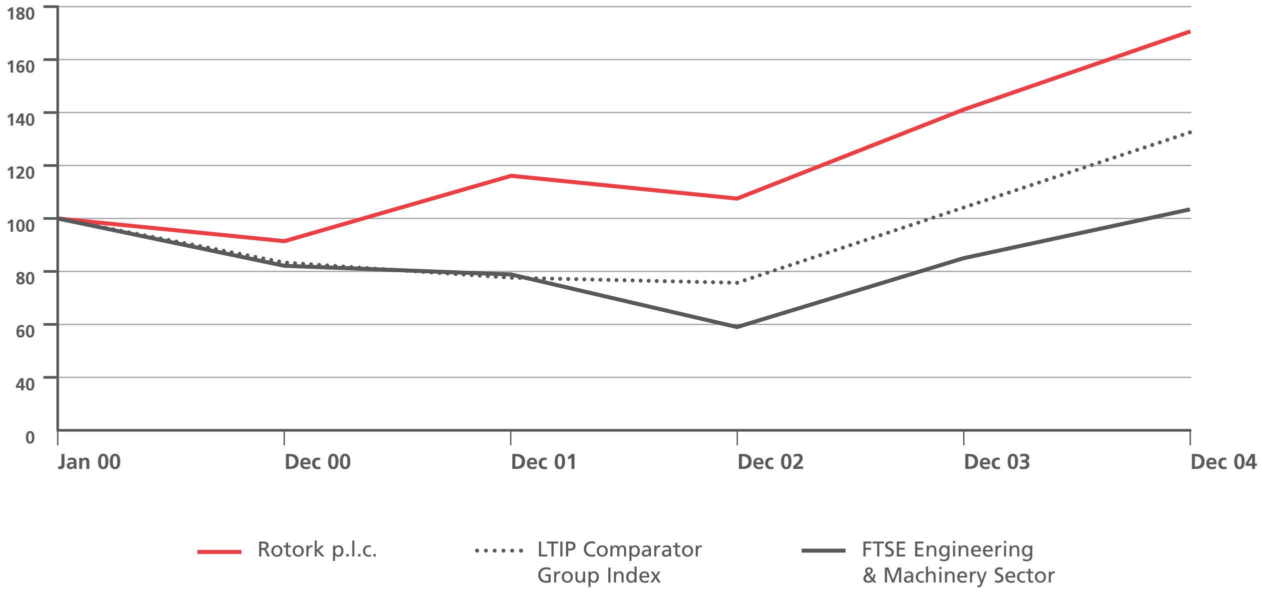
During 2004 and prior to the fifth annual discretionary awards under the LTIP plan, the Committee reviewed the performance of the plan to date and the level of contingent benefits it provided to executive directors after taking account of available and recent remuneration data concerning the levels of LTIP awards and advice provided by Towers Perrin. Following the review the Committee decided to increase contingent annual awards to executive directors to 100% of basic salary being the maximum level of award under the plan rules as approved by shareholders in May 2000. The Committee noted in survey data that a 4 year performance period continued to be far less common than a 3 year performance period. The Committee decided that it would not recommend a reduction to a three year performance period but in future it would not seek to formally enforce a one year holding period for the share based LTIP. The Committee considered that the comparator group of companies continued to be the appropriate primary measurement of performance and noted that this was underlined by the Association of British Insurers in its 'Principles and Guidelines on Remuneration' document dated December 2004.

The annual cash bonus operated during 2004 for executive directors provides an opportunity to earn a cash payment which is substantially dependent on increased profits in a financial year when compared to a relevant prior year based on a scale. The bonus also contains a personal performance element. The total annual bonus payment is capped at 50% of basic salary.

Following a review of the current executive director bonus plan during 2004 the Committee has approved a revised annual cash bonus plan for 2005 which will continue to reward increases in profit, when compared to the average profit over the three immediately preceding years but will additionally reward high levels of free cash generation and growth in earnings per share together with the achievement of budgeted targets. The total annual bonus payment will be capped at 60% of basic salary.

The Committee has during the year given consideration to the implications of the legislative changes to pensions in the UK which come fully into effect from April 2006. The Committee has agreed to pay reasonable professional fees for the UK executive directors who will be affected by these changes to obtain individual advice. The Committee has decided that any alternative offers to current pension provision for executive directors would only be considered on the basis that they do not increase the benefit cost to the employer.

Rotork p.l.c. Total Return Index vs the Total Return Index of FTSE Engineering & Machinery Sector and the LTIP Comparator Group for the 5 Financial Years ending 31 December 2004 (rebased as at 1 January 2000)



The above graph measures the Company's performance against other companies in the FTSE Engineering & Machinery sector by showing the total shareholder return (TSR) on a holding of ordinary shares in the Company compared with the average total shareholder return of other companies in its sector (being the sector within which the Company is quoted on the London Stock Exchange) and which is therefore considered the most appropriate index over the five year period to 31 December 2004.

The auditors are required to report on the information contained in the following sections of this report:

Directors' emoluments

	Salary and fees	Bonus	Benefits[1]	2004[1] Total	2003[1] Total
Executive directors					
GE Malcolm	140	26	15	181	170
RE Slater	150	35	15	200	187
WH Whiteley	235	48	15	298	271
RH Arnold*	127	24	8	159	165
Non-executive directors					
A Walker**	24	–	–	24	24
RC Lockwood	50	–	–	50	50
JW Matthews	30	–	–	30	27
	756	133	53	942	894

* RH Arnold is paid in United States dollar currency.
** Fees for the provision of A Walker's services are payable to Yule Catto & Co. plc.

[1] These columns include the cash value on allocation of SIP and OPLSS share awards as appropriate. For further details see page 29.

Rotork Long-Term Share Incentive Plan (LTIP)

Following shareholder approval of the LTIP at the Company's Annual General Meeting on 18 May 2000, awards over shares were made to executive directors and senior managers every year from 2000. Those LTIP awards still outstanding at the time of publication of this report made to executive directors are set out below.

	Outstanding share or cash unit awards made to 1 January 2004	Share or cash unit awards made during 2004[1]	Outstanding share or cash unit awards at 31 December 2004
GE Malcolm	61,407	36,175	97,582
RE Slater	63,432	38,759	102,191
WH Whiteley	99,260	60,723	159,983
RH Arnold[2]	60,101	33,106	93,207

[1] The market price of shares in the Company at the date of award was £3.87p.
[2] RH Arnold, a United States citizen and resident, is awarded cash units of a monetary value equivalent to share awards under the LTIP.

The LTIP is a performance, share or cash unit plan under which shares or cash units are conditionally allocated to selected members of senior management at the discretion of the Remuneration Committee on an annual basis. No shares or cash units will normally be released to participants unless they are still in the Group's service following completion of four year performance periods and the Company's relative TSR against a comparator group of companies places it in at least the 50th percentile position in the comparator group at the end of the relevant performance period. TSR measures the change in value of a share and reinvested dividends over the period of measurement. The actual number of shares or cash units transferred will be determined by the number of shares or cash units initially allocated multiplied by a vesting percentage which will be 40% at the 50th percentile rising to 100% at the 75th percentile with each percentile position above the 50th adding 2.4% to the vesting percentage. The Company's earnings per share is also monitored during the relevant performance period to ensure it meets a minimum average annual growth equal to the rise in the Retail Price Index plus 2% per annum. Failure to meet the 'RPI' requirement will result in nil vesting. The relative TSR against a comparator group performance measure was chosen as it enabled the Remuneration Committee to select a comparator group considered to be sufficiently challenging given the historic performance of the Company.

The comparator companies used for the LTIP are listed below:

Babcock International plc
Brammer plc
BSS plc
Delta plc
FKI plc
IMI plc
Invensys plc
Meggitt plc
Renishaw plc
Senior plc
Smith Group plc
Spectris plc
Spirax-Sarco Engineering plc
TT Electronics plc
Volex plc
Weir Group plc

Directors' share options outstanding as at 31 December 2004 under the Rotork Sharesave Scheme

Name of Director	Date of Grant	Number of Options Granted	Performance Conditions	Option Price	Date of Exercise
RE Slater	8/10/2004	5,170	Not applicable	£3.196	1/12/2009

Interests in shares

The interests of the directors in the ordinary share capital of the Company are set out in note 9. In common with all eligible employees, UK based executive directors receive an entitlement to ordinary shares under The Rotork Share Incentive Plan (SIP) which is approved by the Inland Revenue. Under the SIP and Rotork Overseas Profit-Linked Share Scheme (OPLSS) an aggregate total of up to 5% of profits are distributed to employees each year in the form of ordinary shares.

The distribution is calculated by reference to years of service and salary subject, for the SIP, to Inland Revenue limits.

Details of free share awards under the SIP and OPLSS made to executive directors in 2004 are set out below.

GE Malcolm	779
RE Slater	779
WH Whiteley	779
RH Arnold	1,164

Free shares awarded to all three UK executive directors under the SIP are subject to the Inland Revenue upper limit of £3,000 by value.

RH Arnold, in common with other eligible overseas employees, participates in the OPLSS. The Scheme Trustee is based in Guernsey, Channel Islands.

Pension disclosures required under the Listing Rules of the UK Listing Authority

The following table shows the executive directors' entitlements earned during the year (net of inflation) and the accumulated entitlement at the year end.

	Age at 31 December 2004	Increase in accrued pension over the year (Note 1) £	Accumulated accrued pension at 31 December 2004 (Note 2) £
GE Malcolm	59	5,604	85,335
RE Slater	53	6,703	67,116
WH Whiteley	56	(2,764)	151,366
RH Arnold	53	(1,147)	36,917

Notes:

1. The figures shown for the increase in accrued pension over the year exclude any increase for inflation.

2. The accumulated accrued pension is that which would be paid annually on retirement from normal pension age, based on service to 31 December 2004.

3. A lump sum death benefit of 4 times basic annual salary is payable on death in service.

4. A dependant's pension of one-half of prospective pension is payable on death in service, and of one-half of pre-commutation pension on death in retirement.

5. Post-retirement increases are applied at the rate of increase of the Index of Retail Prices up to a maximum of 5% per annum, except that for pension benefits in respect of pensionable service up to 15 May 2000 the minimum inflationary increase is 4.5% per annum.

6. WH Whiteley was entitled to an immediate pension from age 55 of two-thirds of his final pensionable salary. He has now passed age 55 and on his eventual retirement his pension will be uplifted to reflect its later commencement date. To the extent that the payment of such pension from the Scheme is restricted by Inland Revenue limits, the Company will pay the shortfall under a separate pension promise.

7. For WH Whiteley, the accrued pension as at 31 December 2004 above allows for his six month notice period to the Company. Prior to January 2004, WH Whiteley's notice period to the Company was two years. The effect of this change acts to decrease his accrued pension.

8. The figures shown for RH Arnold are in respect of his membership of the Rotork Controls Inc. pension scheme, which is a defined benefit scheme. Additionally, and to alleviate the effect of the pension salary cap applicable in the United States, RH Arnold benefits from funded split dollar life insurance plans which are targeted to supplement his pension such that, in aggregate, the pension arrangements for RH Arnold will deliver a pension of at least 60% of uncapped basic salary at age 65.

9. Note that the increase in accrued pension over the year for RH Arnold is negative due to movements in the US dollar relative to sterling. In dollars, the accrued pension increased from $65,897 per annum as at 31 December 2003 to $71,103 per annum at 31 December 2004.

Pension disclosures required under the Directors' Remuneration Report Regulations 2002

The following table shows the executive directors' entitlements earned during the year and their value at the start and end of the year.

	Increase in accrued pension during the year (Note 1) £	Transfer value of accrued pension at 31/12/03 £'000	Transfer value of accrued pension at 1/1/04 £'000	Transfer value of accrued pension at 31/12/04 £'000	Increase in transfer value over the year £'000	Adjusted increase in transfer value over the year (Note 3) £'000
GE Malcolm	8,226	1,531	1,531	1,824	293	293
RE Slater	8,689	832	832	1,051	219	219
WH Whiteley	2,304	3,144	3,499	3,713	569	214
RH Arnold	105	213	213	236	23	23

Notes:

1. The figures shown for the increase in accrued pension over the year incorporate the increase for inflation.

2. The transfer values have been calculated in accordance with the Actuarial Guidance Note GN 11 published by the Institute of Actuaries and the Faculty of Actuaries. The increases in transfer values over the year are net of directors' contributions (if any).

3. These figures show the increase in transfer value over the year excluding the impact of a change in notice period for WH Whiteley which was reported in last year's accounts. WH Whiteley's notice period to the Company was reduced from two years to six months with effect from January 2004. As noted in last year's accounts, this change in notice period had an immediate, one-off, impact on his transfer value.

4. The increase in accrued pension and the increase in transfer value over the year for RH Arnold are relatively small due to movements in the US dollar relative to sterling. In dollars, the accrued pension increased from $65,897 per annum as at 31 December 2003 to $71,103 per annum at 31 December 2004 and the transfer value increased from $382,000 as at 31 December 2003 to $454,000 at 31 December 2004.

J W Matthews

JW Matthews, Chairman
Remuneration Committee
1 March 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROTORK p.l.c.

We have audited the financial statements on pages 32 to 59. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report and the directors' remuneration report. As described on page 17, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the corporate governance statement on pages 19 to 21 reflects the Company's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement and the unaudited part of the directors' remuneration report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and of the profit of the Group for the year then ended; and
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Bristol
Chartered Accountants
Registered Auditor
1 March 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2004

	Notes	2004 £'000	2003 *restated* £'000
Turnover – continuing operations	2	**146,883**	135,964
Cost of sales		**(79,030)**	(72,046)
Gross profit		**67,853**	63,918
Distribution costs		**(1,816)**	(1,768)
Administrative expenses		**(36,720)**	(35,302)
Other operating income		**540**	262
Operating profit – continuing operations	2	**29,857**	27,110
Operating profit before amortisation of goodwill		**31,150**	28,415
Amortisation of goodwill		**(1,293)**	(1,305)
Operating profit		**29,857**	27,110
Profit on disposal of fixed assets – discontinued operations	3	**–**	597
Interest receivable and similar income	4	**849**	841
Interest payable and similar charges	4	**(136)**	(80)
Other finance costs	4	**(79)**	(300)
Profit on ordinary activities before taxation	5	**30,491**	28,168
Tax on profit on ordinary activities	6	**(10,591)**	(9,469)
Profit for the financial year		**19,900**	18,699
Dividends – including non-equity	7	**(17,955)**	(12,592)
Retained profit for the financial year	20	**1,945**	6,107

		pence	pence
Basic earnings per share	8	**23.2**	21.8
Basic earnings per share before goodwill amortisation	8	**24.7**	23.3
Diluted earnings per share	8	**23.0**	21.7

Details of the restated items are shown in note 24.

BALANCE SHEETS
at 31 December 2004

	Notes	**Group 2004 £'000**	Group 2003 *restated* £'000	**Company 2004 £'000**	Company 2003 *restated* £'000
Fixed assets					
Intangible assets	10	**18,174**	19,057	**–**	–
Tangible assets	11	**13,877**	13,640	**1,287**	670
Investments	12	**–**	–	**1,057**	1,057
		32,051	32,697	**2,344**	1,727
Current assets					
Stocks	13	**21,015**	18,570	**–**	–
Debtors due within one year	14	**39,678**	32,966	**36,136**	15,641
Debtors due after more than one year	14	**489**	486	**–**	99
Cash at bank and in hand	15	**25,298**	32,253	**13,776**	25,274
		86,480	84,275	**49,912**	41,014
Creditors:					
Amounts falling due within one year	16	**(43,767)**	(37,807)	**(16,705)**	(14,012)
Net current assets		**42,713**	46,468	**33,207**	27,002
Total assets less current liabilities		**74,764**	79,165	**35,551**	28,729
Creditors:					
Amounts falling due after more than one year	17	**(268)**	(129)	**–**	–
Provisions for liabilities and charges	18	**(2,476)**	(2,890)	**(277)**	(277)
Net assets excluding pension liabilities		**72,020**	76,146	**35,274**	28,452
Pension liabilities	23	**(13,885)**	(13,653)	**–**	–
Net assets including pension liabilities	2	**58,135**	62,493	**35,274**	28,452
Capital and reserves					
Called up share capital	19	**4,347**	4,342	**4,347**	4,342
Share premium account	20	**4,993**	4,543	**4,993**	4,543
Revaluation reserve	20	**2,405**	2,405	**–**	–
Capital redemption reserve	20	**1,637**	1,634	**1,637**	1,634
Profit and loss account	20	**44,753**	49,569	**24,297**	17,933
Rotork shareholders' funds		**58,135**	62,493	**35,274**	28,452
Equity		**58,088**	62,443	**35,227**	28,402
Non-equity		**47**	50	**47**	50
Shareholders' funds		**58,135**	62,493	**35,274**	28,452

Details of the restated items are shown in note 24.

These financial statements were approved by the Board of directors on 1 March 2005 and were signed on its behalf by
WH Whiteley and **RE Slater**, Directors.

STATEMENT OF GROUP CASH FLOW

for the year ended 31 December 2004

	Notes	**2004** £'000	2003 *restated* £'000
Net cash inflow from operating activities	15	**23,460**	33,181
Returns on investments and servicing of finance			
Interest and similar income received		**973**	729
Interest paid		**(136)**	(80)
Dividends paid on non-equity preference shares		**(4)**	(5)
		833	644
Taxation			
UK corporation tax paid		**(4,161)**	(3,804)
Overseas tax paid		**(6,280)**	(5,427)
		(10,441)	(9,231)
Capital expenditure and financial investments			
Purchase of tangible fixed assets		**(3,099)**	(2,287)
Sale of tangible fixed assets		**295**	89
Sale of tangible fixed assets - exceptional		**–**	1,675
		(2,804)	(523)
Acquisitions and disposals			
Purchase of business	22	**(912)**	–
Dividends paid on equity ordinary shares		**(17,751)**	(12,068)
Net cash (outflow) / inflow before management of liquid resources and financing		**(7,615)**	12,003
Management of liquid resources			
Decrease / (increase) in term deposits		**9,485**	(11,301)
Financing			
Issue of ordinary share capital		**458**	516
Purchase of ordinary share capital		**(691)**	(1,253)
Award of shares under employee share schemes		**702**	647
Purchase of own preference shares		**(5)**	(2)
Increase / (decrease) in amounts borrowed		**188**	(132)
Repayment of capital element of finance lease		**(58)**	(67)
		594	(291)
Increase in cash in the year	15	**2,464**	411

STATEMENT OF THE GROUP'S TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2004

	2004 £'000	2003 *restated* £'000
Profit for the financial year	**19,900**	18,699
Exchange differences	**(1,212)**	(554)
Actuarial loss recognised on pension schemes	**(5,792)**	(3,000)
Movement on deferred tax relating to actuarial loss	**237**	900
Total recognised gains and losses for the year	**13,133**	16,045
Prior year adjustments (note 24)	**(13,653)**	
Total gains and losses recognised since last annual report	**(520)**	

NOTE ON THE GROUP'S HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 2004

Reported profit on ordinary activities before taxation	**30,491**	28,168
Revaluation element of depreciation charge	**63**	19
Historical cost profit on ordinary activities before taxation	**30,554**	28,187
Historical cost retained profit for the financial year	**2,008**	6,126

RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

for the year ended 31 December 2004

Profit for the financial year	**19,900**	18,699
Preference dividends on non-equity shares	**(4)**	(5)
Ordinary dividends on equity shares	**(17,951)**	(12,587)
Retained profit for the financial year	**1,945**	6,107
Exchange differences	**(1,212)**	(554)
New ordinary share capital issued	**458**	516
Purchase of own ordinary share capital	**(691)**	(1,253)
Purchase of own preference shares	**(5)**	(2)
Other recognised gains and losses relating to pensions	**(5,555)**	(2,100)
Shares awarded under employee share schemes	**702**	647
Net movements in shareholders' funds	**(4,358)**	3,361
Shareholders' funds at beginning of the year (restated – see note 24)	**62,493**	59,132
Shareholders' funds at end of the year	**58,135**	62,493

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2004

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

1. Accounting policies
The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the Group and of the Company.

Basis of accounting
The financial statements have been prepared under the historical cost convention supplemented by the revaluations explained in note 11 to the financial statements and have been prepared in accordance with applicable accounting standards. The Group has fully implemented FRS17, Retirement Benefits and UITF Abstract 38, Accounting for ESOP trusts in these financial statements. The comparative figures have been restated accordingly and the impact is explained further in notes 12, 20, 23 and 24.

Consolidation
The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings for the year to 31 December 2004. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired in the year are included in the consolidated profit and loss account from the date of acquisition.

A separate profit and loss account dealing with the results of the Company only has not been presented, as permitted by section 230(4) of the Companies Act 1985.

Goodwill
Goodwill arising on consolidation represents the difference between the fair value of the consideration given and the fair value of the separable net assets acquired. Goodwill arising on the acquisition of subsidiaries is amortised on a straight line basis over 20 years.

Foreign currencies
Assets and liabilities of subsidiary undertakings in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year and the results and cash flows of foreign subsidiary undertakings are translated at the average rate of exchange for the year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary undertakings, and from the translation of the results of those undertakings at average rate, are taken to reserves and are reported in the statement of total recognised gains and losses. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Depreciation and amortisation
Freehold land is not depreciated. Long leasehold buildings are amortised over fifty years or the expected useful life of the building where less than fifty years. Other assets are depreciated by equal annual instalments by reference to their estimated useful lives and residual values at the following annual rates:

Freehold buildings	2% to 4%
Short leasehold buildings	period of lease
Machinery, plant and equipment	10% to 30%

Leases
Where fixed assets are financed by leasing agreements, which give rights approximating to ownership, the assets are treated as if they had been purchased and the capital element of the leasing commitments is shown as obligations under finance leases. The rentals payable are apportioned between interest, which is charged to the profit and loss account, and capital, which reduces the outstanding obligation so as to give a constant rate of charge on the outstanding lease obligations. Costs in respect of operating leases are charged as incurred on a straight line basis in arriving at the operating profit.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost on a 'first in, first out' basis and net realisable value. In respect of work in progress and finished goods, cost includes all production overheads and the attributable proportion of indirect overhead expenses.

Deferred taxation

Deferred tax is provided in full, without discounting, on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on current tax rates and law, except for the items explained below. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the assets or on unremitted earnings of subsidiaries where there is no commitment to remit those earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Turnover

Turnover represents gross sales made and services supplied in engineering, excluding value added tax and returns and allowances.

Research and development

Expenditure on research and development of the Group's products is written off against profits in the year in which it is incurred.

Pensions

The Group operates a number of pension arrangements worldwide. These include both defined benefit and defined contribution arrangements. The assets of all the arrangements are held separately from the assets of the Group in independently administered funds. The amounts charged against profits in respect of defined contribution arrangements are the contributions payable to those arrangements in the accounting period.

For the defined benefit arrangements the assets are measured at market values. The liabilities are measured on the Projected Unit method, discounting at the current rate of return of a high quality corporate bond of the appropriate term and currency to the liability, as required under FRS17.

Defined benefit scheme deficits are recognised in full and presented on the face of the balance sheet. The movement in the deficit is split between operating charges, financing items and actuarial gains and losses in the statement of recognised gains and losses.

Derivative financial instruments

The Group uses forward exchange contracts to reduce its exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes. For a forward exchange contract to be treated as a hedge, the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Group's operations.

Gains and losses on foreign currency hedges are recognised in the profit and loss account when the hedged transaction is recognised.

2. Analysis of turnover, profit and net assets

Analysis by operation:

	2004			2003		
	Turnover	**Profit before interest, tax and goodwill**	**Profit before interest and tax**	Turnover	Profit before interest, tax and goodwill *restated*	Profit before interest and tax *restated*
Electrics	**109,345**	**26,713**	**26,315**	105,594	25,202	24,746
Gears	**17,806**	**3,218**	**2,767**	16,264	2,913	2,468
Fluid system	**23,802**	**3,121**	**2,677**	18,838	2,086	1,682
Unallocated	**–**	**(1,902)**	**(1,902)**	–	(1,786)	(1,786)
Inter segmental elimination	**(4,070)**	**–**	**–**	(4,732)	–	–
Continuing operations	**146,883**	**31,150**	**29,857**	135,964	28,415	27,110
Discontinued operations	**–**	**–**	**–**	–	597	597
	146,883	**31,150**	**29,857**	135,964	29,012	27,707

	2004 Net assets	2003 Net assets *restated*
Electrics	**32,031**	29,768
Gears	**10,936**	10,723
Fluid system	**13,090**	11,960
Unallocated	**15,963**	23,695
Net assets excluding pension liabilities – continuing operations	**72,020**	76,146
Pension liabilities and related deferred tax	**(13,885)**	(13,653)
Net assets including pension liabilities	**58,135**	62,493

Analysis by geographical origin:

	2004			2003		
	Turnover	**Profit before interest, tax and goodwill**	**Profit before interest and tax**	Turnover	Profit before interest, tax and goodwill *restated*	Profit before interest and tax *restated*
Europe	**76,596**	**22,836**	**21,944**	70,075	20,412	19,532
Americas	**39,284**	**3,846**	**3,582**	39,992	4,374	4,053
Rest of world	**31,003**	**6,370**	**6,233**	25,897	5,415	5,311
Unallocated	**–**	**(1,902)**	**(1,902)**	–	(1,786)	(1,786)
Continuing operations	**146,883**	**31,150**	**29,857**	135,964	28,415	27,110
Discontinued operations	**–**	**–**	**–**	–	597	597
	146,883	**31,150**	**29,857**	135,964	29,012	27,707

2. Analysis of turnover, profit and net assets (continued)

	2004 **Net assets**	2003 Net assets *restated*
Europe	**28,152**	23,838
Americas	**15,112**	16,683
Rest of world	**12,793**	11,930
Unallocated	**15,963**	23,695
Net assets excluding pension liabilities – continuing operations	**72,020**	76,146
Pension liabilities and related deferred tax	**(13,885)**	(13,653)
Net assets including pension liabilities	**58,135**	62,493

Analysis of turnover by destination:

Europe	**66,036**	62,354
Americas	**41,704**	41,557
Rest of world	**39,143**	32,053
	146,883	135,964

All turnover and operating profit for both the year under review and the prior year are from continuing operations. The 2003 profit before interest and tax has been restated to identify central costs separately rather than present them within the business or geographic segments. Unallocated net assets comprise cash less proposed dividends.

3. Non operating items

	2004	2003
Profit on disposal of fixed assets	**–**	597

The freehold premises formerly occupied by Rotork Control and Safety, the trade and assets of which were sold in November 2002, was sold in April 2003 for consideration of £1,675,000. This profit on disposal is not taxable as it is offset by capital losses brought forward.

4. Interest and similar items

		restated
Interest receivable and similar income		
Short term deposits	**776**	754
Other	**73**	87
	849	841
Interest payable and similar charges		
Bank loans and overdrafts	**(70)**	(39)
Other	**(66)**	(41)
	(136)	(80)
Other finance costs		
Interest on pension scheme liabilities	**(3,556)**	(3,100)
Expected return on pension scheme assets	**3,477**	2,800
	(79)	(300)
Net interest receivable and similar items	**634**	461

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging / (crediting) the following:

Depreciation and other amounts written off tangible fixed assets:		
owned assets	**2,497**	2,220
assets held under finance lease contracts	**80**	66
Amortisation of goodwill	**1,293**	1,305
Research and development expenditure	**2,434**	2,071
Hire of plant and machinery	**538**	604
Other operating lease rentals	**619**	601
Exchange differences realised	**(411)**	(244)
Auditors:		
audit fees and expenses	**206**	239
other fees paid to KPMG Audit Plc and its associates analysed between:		
further assurance services	**15**	6
taxation services	**41**	60
other	**61**	48

The auditors' remuneration in respect of the Company was £34,000 *(2003: £31,000)*

6. Tax on profit on ordinary activities

	2004	2003 *restated*
Current tax:		
UK Corporation tax on profits for the year	**6,258**	6,520
Double tax relief	**(1,995)**	(2,566)
Adjustment in respect of prior years	**156**	(22)
	4,419	3,932
Overseas tax on profits for the year	**5,879**	5,700
Adjustment in respect of prior years	**21**	(59)
	5,900	5,641
Total current tax	**10,319**	9,573
Deferred tax:		
Origination and reversal of timing differences	**212**	(138)
Adjustment to estimated recoverable amounts of deferred tax assets arising in previous periods	**60**	34
Total deferred tax	**272**	(104)
Tax charge on profit on ordinary activities	**10,591**	9,469
Effective tax rate (based on profit before tax and goodwill)	**33.3%**	32.1%
Profit before tax	**30,491**	28,168
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% *(2003: 30%)*	**9,147**	8,450
Effects of:		
Timing differences	**(212)**	138
Non deductible expenses	**150**	133
Unrelieved / (utilisation of) losses	**25**	(490)
Higher tax rates on overseas earnings	**644**	1,030
Goodwill amortisation	**388**	392
Adjustments to tax charge in respect of prior periods	**177**	(80)
Current tax charge for period	**10,319**	9,573

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.

7. Dividends

	2004	2003
Additional interim paid 5.85p per ordinary share	**5,056**	–
Interim paid 5.35p per ordinary share *(2003: 5.25p)*	**4,592**	4,445
Final proposed 9.70p per ordinary share *(2003: 9.50p)*	**8,303**	8,142
Ordinary dividends on equity shares	**17,951**	12,587
9.5% cumulative preference dividend on non-equity shares	**4**	5
	17,955	12,592

8. 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 85.8 million shares *(2003 restated: 85.7 million shares)* being the weighted average number of ordinary shares in issue for the year.

The adjusted earnings per share is based on the profit for the year attributable to the ordinary shareholders before the amortisation of goodwill. The adjusted numbers provide a more consistent measure of operating performance.

Diluted earnings per share is based on the profit for the year attributable to the ordinary shareholders and 86.4 million shares *(2003 restated: 86.1 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.

		restated
Profit for the financial year attributable to ordinary shareholders	**19,896**	18,694
Amortisation of goodwill	**1,293**	1,305
Adjusted profit	**21,189**	19,999
Basic earnings per share based on profit for the financial year	**23.2p**	21.8p
Basic earnings per share based on adjusted profit	**24.7p**	23.3p
Diluted earnings per share	**23.0p**	21.7p

9. Directors and employees

	No.	No.
During the year, the average weekly number of employees, analysed by business activity, was:		
Electrics	**865**	846
Gears	**124**	128
Fluid system	**151**	139
	1,140	1,113
UK	**419**	420
Overseas	**721**	693
	1,140	1,113

9. Directors and employees (continued)

	2004	2003 *restated*
Staff costs during the year were:		
Wages and salaries	**28,442**	27,321
Social security costs	**2,950**	2,688
Pension costs	**2,035**	1,934
	33,427	31,943

Directors' interests

The interests of the directors in the ordinary share capital of the Company according to the register required to be kept by section 325 of the Companies Act 1985, at 31 December were as follows:

	No.	No.
RC Lockwood	**–**	–
JW Matthews	**10,600**	10,000
A Walker	**5,000**	5,000
GE Malcolm	**29,430**	27,025
WH Whiteley	**87,478**	86,321
RE Slater	**20,911**	19,642
RH Arnold	**14,384**	12,925

All interests were beneficial and include directors' directly held and family share interests.

The beneficial interests at 31 December included the following ordinary shares held under the Rotork Share Incentive Plan (SIP), and the Rotork Overseas Profit-Linked Share Scheme (OPLSS) in trust:

GE Malcolm	**3,693**	3,404
WH Whiteley	**4,159**	4,407
RE Slater	**3,623**	3,250
RH Arnold*	**2,841**	2,601

*RH Arnold participates in the Rotork Overseas Profit-Linked Share Scheme (OPLSS), and the figures shown for RH Arnold for 2004 and the prior year relate solely to OPLSS.

Details of directors remuneration and allocations to directors in 2004 and further details of the SIP and OPLSS schemes are provided in the remuneration report on pages 24 to 30.

The only changes in the directors interests post year end relate to shares purchased by the UK based directors monthly under the Rotork SIP partnership plan to a maximum £125 per month.

Save as disclosed, no director or his family had any interest in the shares of the Company at 31 December 2004.

10. Intangible fixed assets

	Group
	Goodwill
Cost	
at 1 January 2004	25,919
Exchange differences	(269)
Goodwill arising on acquisition	671
at 31 December 2004	**26,321**
Aggregate amortisation	
at 1 January 2004	6,862
Exchange differences	(8)
Charge for the year	1,293
at 31 December 2004	**8,147**
Net book amount at 31 December 2004	**18,174**
Net book amount at 31 December 2003	19,057

11. Tangible fixed assets

		Group			**Company**	
	Land and buildings	Machinery plant and equipment	Total	Land and buildings	Machinery plant and equipment	Total
Cost or valuation						
at 1 January 2004	10,490	17,544	28,034	840	13	853
Exchange differences	(158)	(221)	(379)	16	–	16
Additions	939	2,307	3,246	785	–	785
Disposals	(173)	(882)	(1,055)	(173)	–	(173)
Acquisition of subsidiary	–	32	32	–	–	–
At 31 December 2004	**11,098**	**18,780**	**29,878**	**1,468**	**13**	**1,481**
Depreciation						
at 1 January 2004	3,078	11,316	14,394	173	10	183
Exchange differences	(23)	(132)	(155)	2	–	2
Charge for year	333	2,244	2,577	30	3	33
Disposals	(24)	(791)	(815)	(24)	–	(24)
At 31 December 2004	**3,364**	**12,637**	**16,001**	**181**	**13**	**194**
Net book value						
at 31 December 2004	**7,734**	**6,143**	**13,877**	**1,287**	**–**	**1,287**
At 31 December 2003	7,412	6,228	13,640	667	3	670

11. Tangible fixed assets (continued)

The net book value of the Group's plant and machinery includes £186,000 *(2003: £144,000)* in respect of assets held under finance leases and hire purchase contracts.

Land and buildings stated in accordance with the historical cost convention were:

	Group 2004	Group 2003
Cost	**9,421**	8,812
Depreciation	**(2,680)**	(2,457)
Net book value at 31 December	**6,741**	6,355

Net book value of land and buildings can be analysed between:

	Group 2004	Group 2003	**Company 2004**	Company 2003
Freehold land	**1,095**	1,117	**60**	82
Freehold buildings	**5,195**	4,733	**1,227**	585
Long leasehold	**1,439**	1,557	**–**	–
Short leasehold	**5**	5	**–**	–
Net book value at 31 December	**7,734**	7,412	**1,287**	667

The cost or valuation figure of £11,098,000 *(2003: £10,490,000)* included the following properties at the revalued amounts shown. The year of revaluation is also given.

	2004	2003
Bath freehold, 1991	**105**	105
Bath leasehold, 1991	**2,245**	2,245
Spain freehold, 1997	**284**	284
	2,634	2,634

The revaluation of the Bath properties was based on the market value for the existing use. Under a statutory option the Spanish property was revalued using the retail price index on 1 January 1997.

12. Investments *(held as fixed assets)*

Investments previously shown in the Group balance sheet represented shares held for future payments under the Share Incentive Plan and Long-Term Incentive Plan. Under UITF 38 these have now been reclassified as a deduction from reserves. Further details are set out in note 20.

Investments in the Company balance sheet:

	Investment in subsidiary undertaking
At 1 January 2004	1,398
Prior year adjustment (see note 24)	(341)
At 1 January 2004 as restated	1,057
At 31 December 2004	**1,057**

A listing of the major investments is included in the directory on pages 63 to 64.

13. Stocks and work in progress

	Group 2004	Group 2003
Raw materials and purchased components	**14,590**	12,436
Work in progress	**3,585**	3,077
Finished stocks	**2,840**	3,057
	21,015	18,570

14. Debtors

	Group 2004	Group 2003	**Company 2004**	Company 2003
Amounts falling due within one year:				
Trade debtors	**34,060**	28,973	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**34,991**	14,635
Other debtors	**1,345**	687	**297**	144
Prepayments and accrued income	**1,180**	1,125	**9**	142
Corporation tax	**2,176**	1,226	**414**	473
Deferred taxation	**917**	955	**425**	247
	39,678	32,966	**36,136**	15,641
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	**–**	–	**–**	99
Other debtors	**489**	486	**–**	–
	489	486	**–**	99
	40,167	33,452	**36,136**	15,740

14. Debtors (continued)

A deferred tax asset of £917,000 has been recognised at 31 December 2004 *(2003: £955,000)*. This asset principally relates to other timing differences in the US of £472,000 and Rotork Controls in the UK of £227,000. The directors are of the opinion, based on recent and forecast trading that the level of UK and US profits in the current and future years make it more likely than not that the asset will be recovered.

A deferred tax asset of £3.9 m *(2003: £3.5m)* has not been recognised in relation to capital losses (£2.2m) and certain tax credits, tax losses and other timing differences. These assets may be recovered if sufficient taxable or capital profits are made in future in the companies concerned.

15. Cash at bank and in hand

	Group 2004	Group 2003	**Company 2004**	Company 2003
Cash at bank and in hand	**7,469**	4,833	**45**	47
Term deposits	**17,829**	27,420	**13,731**	25,227
	25,298	32,253	**13,776**	25,274

Cash flow analysis

	Group 2004	Group 2003 *restated*
Reconciliation of operating profit to net cash flow from operating activities:		
Operating profit	**29,857**	27,110
Goodwill amortisation	**1,293**	1,305
Depreciation	**2,577**	2,286
(Profit) on sale of fixed assets	**(72)**	(29)
Special pension contribution	**(5,000)**	–
Difference between pension charge and cash contributions	**(633)**	(397)
(Increase) in stocks	**(2,600)**	(969)
(Increase) / decrease in debtors	**(6,228)**	329
Increase in creditors and provisions	**4,266**	3,546
Net cash inflow from operating activities	**23,460**	33,181

Reconciliation of net cash flow to movement in net funds

Increase in cash in the year	**2,464**	411
Cash flow from change in debt and lease financing	**(248)**	88
Cash flow from change in short term deposits	**(9,485)**	11,301
Change in net funds resulting from cash flows	**(7,269)**	11,800
Translation difference	**(314)**	44
Movement in net funds in the year	**(7,583)**	11,844
Net funds at 1 January	**31,887**	20,043
Net funds at 31 December	**24,304**	31,887

15. Cash at bank and in hand (continued)

Analysis of net funds

	At 1 January 2004	Cash flow	Other non-cash movements	Exchange movement	**At 31 December 2004**
Cash at bank and in hand	4,833	2,806	–	(170)	**7,469**
Overdrafts	(119)	(342)	–	(12)	**(473)**
	4,714	2,464	–	(182)	**6,996**
Debt due within one year	(55)	(105)	–	(5)	**(165)**
Debt due after one year	(68)	(83)	–	(18)	**(169)**
Finance leases	(124)	58	(118)	(3)	**(187)**
Term deposits	27,420	(9,485)	–	(106)	**17,829**
Total	31,887	(7,151)	(118)	(314)	**24,304**

16. Creditors: amounts falling due within one year

	Group 2004	Group 2003	**Company 2004**	Company 2003
Bank loans and overdrafts	**638**	174	**4,941**	3,065
Net obligations under finance leases	**88**	63	**–**	–
Borrowings	**726**	237	**4,941**	3,065
Trade creditors	**15,363**	12,284	**110**	75
Bills of exchange	**246**	176	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**1,058**	1,058
Corporation tax	**5,779**	5,020	**14**	9
Other taxes and social security	**1,709**	1,452	**11**	10
Other creditors	**2,800**	2,254	**2,050**	1,465
Accruals and deferred income	**8,752**	8,192	**129**	138
Dividends payable	**8,392**	8,192	**8,392**	8,192
	43,767	37,807	**16,705**	14,012

Bank loans are secured by accepted letters of credit and corporate guarantees.

Obligations under operating leases are shown under note 21.

17. Creditors: amounts falling due after more than one year

	Group 2004	Group 2003
Bank loans	**169**	68
Finance lease obligations	**99**	61
	268	129

Bank loans are for overseas subsidiaries and are secured by accepted letters of credit.

18. Provisions for liabilities and charges

	Group				Company	
	Deferred taxation	Warranty	Other	Total	Other	Total
Balance at 1 January 2004	128	1,725	1,037	2,890	277	277
Exchange differences	39	(30)	(15)	(6)	–	–
Utilised during the year	–	(362)	(505)	(867)	–	–
Transfer to current assets	(164)	–	–	(164)	–	–
Acquisition	–	–	54	54	–	–
Charged in the profit and loss account	272	230	67	569	–	–
Balance at 31 December 2004	**275**	**1,563**	**638**	**2,476**	**277**	**277**

Provisions should be utilised over a period not exceeding five years. The provision for product warranties reflects the anticipated costs that will be incurred in respect of unexpired warranties granted to customers.

The amounts provided for deferred taxation are:

	Group 2004	Group 2003 *restated*	**Company 2004**	Company 2003
Difference between accumulated depreciation and capital allowances	**284**	329	**77**	74
Short term timing differences	**(926)**	(1,156)	**(127)**	(321)
Pension liabilities (note 23)	**(5,951)**	(5,850)	**–**	–
	(6,593)	(6,677)	**(50)**	(247)
Analysed between:				
Debtors	**(917)**	(955)	**(50)**	(247)
Provisions for liabilities and charges	**275**	128	**–**	–
Pension liabilities (note 23)	**(5,951)**	(5,850)	**–**	–
	(6,593)	(6,677)	**(50)**	(247)

19. Share capital

	Authorised		Issued and fully paid-up	
	2004	2003	**2004**	2003
Non-equity 9.5% cumulative preference shares of £1 each	**47**	50	**47**	50
Equity ordinary shares of 5p each	**5,449**	5,449	**4,300**	4,292
	5,496	5,499	**4,347**	4,342
Number of equity ordinary shares of 5p each (thousands)	**108,990**	108,990	**85,994**	85,833

The preference shareholders take priority over the ordinary shareholders on a distribution in the winding-up of the Company or on a reduction of capital 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.

The only ordinary shares issued during the year were 161,137 *(2003: 188,664)* under The Rotork Employee Share Option Schemes at prices between 192p and 328p with a total consideration of £457,000. No shares were issued under The Rotork Share Incentive Plan or under The Rotork Overseas Profit-Linked Share Scheme during 2004.

On 1 May 2004 options over 166,015 shares exercisable after three years (subject to satisfying performance criteria) at 3.87p were granted under The Rotork Employee Share Option Scheme (1995). On 8 October 2004 options over 162,357 shares were granted under the Rotork Sharesave Scheme at 319.6p. Of these options, 63,336 were exercisable after 3 years and 99,021 after 5 years.

There were 528,941 *(2003: 524,063)* outstanding options under The Rotork Employee Share Option Schemes at 31 December 2004, exercisable at various prices between 192p and 387p per ordinary share and between 2005 and 2014.

The investment in own shares represents 130,671 *(2003: 135,819)* 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 market value of these shares at 31 December 2004 was £540,000 *(2003: £497,000)*. The dividends on these shares have been waived.

20. Equity reserves

	Group			
	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account
At 1 January 2004	4,543	1,634	2,405	63,563
Prior year adjustments (note 24)	–	–	–	(13,994)
At 1 January 2004 as restated	4,543	1,634	2,405	49,569
Profit retained	–	–	–	1,945
Premium on new shares issued	450	–	–	–
Actuarial loss net of deferred tax	–	–	–	(5,555)
Purchase of own ordinary shares	–	–	–	(691)
Shares awarded under share schemes	–	–	–	702
Purchase of own preference shares	–	3	–	(5)
Exchange differences	–	–	–	(1,212)
At 31 December 2004	**4,993**	**1,637**	**2,405**	**44,753**

	2004	2003
Profit and loss reserve excluding pension liability	**58,638**	63,222
Pension liability	**(13,885)**	(13,653)
Profit and loss reserve	**44,753**	49,569

	Company		
	Share premium account	Capital redemption reserve	Profit and loss account
At 1 January 2004	4,543	1,634	18,274
Prior year adjustments (note 24)	–	–	(341)
At 1 January 2004 as restated	4,543	1,634	17,933
Profit retained	–	–	6,352
Premium on new shares issued	450	–	–
Purchase of own ordinary shares	–	–	(691)
Shares awarded under share schemes	–	–	702
Purchase of own preference shares	–	3	(5)
Exchange differences	–	–	6
At 31 December 2004	**4,993**	**1,637**	**24,297**

Profit for the financial year in the accounts of the Company is £24,308,000 *(2003: £27,172,000)*

21. Commitments

Capital commitments at 31 December for which no provision has been made in these accounts were:

	Group 2004	Group 2003
Contracted	**332**	489

	Land and buildings		Machinery, plant and equipment	
	2004	2003	**2004**	2003
Operating lease rentals payable during the next year are as follows:				
Commitments expiring:				
Within one year	**81**	21	**96**	72
Between two and five years	**433**	396	**373**	403
After five years	**31**	34	**1**	1
	545	451	**470**	476

22. Acquisition of business

Acquisition of Deanquip Valve Automation Pty Ltd in January 2004	Book value	Accounting policy alignment	Fair value
Fixed assets	37	(5)	32
Stock	345	(97)	248
Debtors	19	(2)	17
Creditors and provisions	(56)	-	(56)
	345	(104)	241
Goodwill added to the balance sheet			671
Consideration paid including costs			912

On 13 January 2004 the business and assets of Deanquip Valve Automation Pty Ltd were acquired for £818,000 from Deanquip Sales Pty Ltd. £692,000 was paid on completion and the remaining £126,000 paid in January 2005. Deanquip Valve Automation Pty Ltd was renamed Rotork Fluid System Pty Ltd in January 2005.

23. Pensions

The Group operates a number of pension plans in the UK and overseas, devised in accordance with local conditions and practices. The assets of these schemes are held in separate trustee administered funds.

The total pension cost for the Group was £2,035,000 *(2003 restated: £1,934,000)* of which £1,039,000 *(2003: £878,000)* related to the overseas schemes. Included in the total pension cost is £533,000 *(2003: £412,000)* in respect of defined contribution pension schemes.

The pension cost relating to the principal scheme that covers the majority of UK employees is assessed in accordance with the advice of an independent qualified actuary using the projected unit method, under which the current service cost per member will increase as the members of the scheme approach retirement. The latest actuarial valuation of the principal UK scheme was as at 31 March 2004 and, for the purposes of accounting for FRS17, this has been adjusted to reflect the position at 31 December 2004 by a qualified independent actuary. The assumptions that have the most significant effect on the results of the valuations are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 5.1% on post-retirement related investments and 7.2% on investments for pre-retirement liabilities, that salary increases would average 3.7% per annum and that present and future pensions would increase at a rate of 4.5% on service accrued until May 2000 and at 2.7% for service after that date.

At the date of the latest actuarial valuation, the market value of the assets of the principal UK scheme was £48.8 million (excluding members' Additional Voluntary Contributions). The actuarial value of the assets was sufficient to cover 84% of the benefits that had accrued to members, after allowing for expected future increases in earnings. This deficiency should be eliminated by 2013 by increasing the employer's deficit contribution rate to £1.2 million per annum. In addition, an ongoing employer contribution rate of 11.2% has been set for funding future service benefits. The pension costs of the other defined benefit scheme that covers US employees have been determined in accordance with advice from an independent qualified actuary.

The Company is a member of a pension scheme providing benefits based on final pensionable pay. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS17 'Retirement benefits' the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme. The contribution for the year was £121,000 *(2003: £111,000)*.

The Key FRS17 assumptions used for the schemes were:

	UK scheme (% per annum)			**US scheme (% per annum)**			**Average (% per annum)**		
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Discount rate	**5.30**	5.45	5.65	**5.66**	6.10	6.60	**5.32**	5.48	5.70
Rate of increase in salaries	**3.9**	3.8	3.3	**4.5**	4.5	5.0	**3.93**	3.84	3.39
Rate of increase in pensions (post May 2000)	**2.9**	2.8	2.3	**0.0**	0.0	0.0	**2.78**	2.66	2.19
Rate of increase in pensions (pre May 2000)	**4.5**	4.5	4.5	**0.0**	0.0	0.0	**4.31**	4.28	4.28
Rate of price inflation	**2.9**	2.8	2.3	**3.5**	3.5	4.0	**2.93**	2.84	2.39

The assets in the schemes and the expected rates of return were:

	Expected rate of return %			**Fair value £m**		
	2004	2003	2002	**2004**	2003	2002
Equities	**7.90**	8.20	8.30	**33.6**	31.4	25.6
Bonds	**4.90**	5.10	5.00	**16.2**	9.1	7.7
Other	**4.90**	4.90	4.44	**3.0**	2.6	3.1
US deposit administration contract	**6.00**	6.00	6.00	**1.9**	1.6	1.4
Total				**54.7**	44.7	37.8

23. Pensions (continued)

Analysis of the amounts included in the statement of total recognised gains and losses:

	2004	2003
Actual return less expected return on pension scheme	**(884)**	(3,700)
Experience loss arising on schemes' liabilities	**1,529**	150
Loss on change of assumptions	**5,254**	6,600
Currency gain	**(107)**	(50)
Total loss included in the statement of total recognised gains and losses before adjustment for tax	**5,792**	3,000

History of experience gains and losses as a percentage of the schemes' assets / liabilities at end of year	**2004**		2003		2002	
	£000	**%**	£000	%	£000	%
Actual return less expected return on pension scheme	**(884)**	**2**	(3,700)	8	10,300	27
Experience loss arising on schemes' liabilities	**1,529**	**2**	150	–	700	1
Total actuarial loss included in the statement of total recognised gains and losses	**5,792**	**8**	3,000	5	11,300	21

The following amounts were measured in accordance with the requirements of FRS17:

	At 31 December 2004	At 31 December 2003
Total fair value of schemes' assets	**54,650**	44,700
Present value of the schemes' liabilities	**(74,486)**	(64,203)
Deficit in the schemes	**(19,836)**	(19,503)
Related deferred tax	**5,951**	5,850
Net pension liability	**(13,885)**	(13,653)

The assets and liabilities disclosed above are the combined total of the UK and US schemes. The US scheme accounts for approximately 4% of the total liability.

The Company has a subsidiary in the Netherlands, the employees of which are members of an industry-wide pension scheme and any surplus or deficit cannot be associated with a particular employer. Therefore, this has not been included in the results. The total contribution to this scheme over the year was £58,000.

Analysis of the movement in deficit in the schemes during the year:

Deficit in the schemes at 1 January	**(19,503)**	(16,600)
Contributions paid	**7,040**	1,897
Current service cost (included in operating profit)	**(1,502)**	(1,500)
Other finance charge	**(79)**	(300)
Actuarial loss	**(5,899)**	(3,050)
Currency gain	**107**	50
Deficit in the schemes at 31 December	**(19,836)**	(19,503)

24. Prior year adjustments

As set out in note 1, Accounting policies, the Group has adopted FRS17 in full in these financial statements. The full adoption this year of FRS17 has had the following impact on the accounts:

	2004	2003
Increase in operating profit	**633**	397
Inclusion of pension finance cost	**(79)**	(300)
Increase in tax on profit on ordinary activities	**(137)**	(30)
Increase in retained profit	**417**	67
Increase in deferred taxation debtor	**5,951**	5,850
Inclusion of pension liabilities	**(19,836)**	(19,503)
Decrease in net assets	**(13,885)**	(13,653)

The impact of the prior year adjustment on the net assets as 31 December 2003 represents the inclusion of the FRS17 liability, net of deferred tax, of £13,653,000. The impact of the prior year adjustment on the profit and loss account for the year ended 31 December 2003 represents the reversal of the SSAP 24 net pension charges of £1,897,000 and inclusion of the net pension charges and associated tax under FRS17 of £1,830,000. The impact on net assets at 31 December 2004 and on the profit and loss account for the year then ended represents the difference between the actual position following adoption of FRS17 and the position which would have been reported had SSAP 24 continued to be applied on the same basis as at 31 December 2003.

Note 1, Accounting policies, also states that the Group adopted UITF 38 in these financial statements. The adoption of UITF 38 has had the following impact on these accounts:

Decrease in investments	**(330)**	(341)
Decrease in reserves	**(330)**	(341)

The impact of the prior year adjustment on the net assets at 31 December 2003 and 31 December 2004 represents the change in presentation of own shares held in the ESOP from requiring them to be recognised as an investment to requiring them to be deducted in arriving at shareholders' funds. There was no impact on the profit and loss account of either year.

25. Contingent liabilities

	Group 2004	Group 2003	**Company 2004**	Company 2003
Performance guarantees and indemnities	**3,466**	3,345	**464**	498
Guarantees for bank overdrafts of UK subsidiary undertakings	**–**	–	**2**	–

The UK banking arrangements are subject to cross-guarantees between the Company and its UK subsidiary undertakings. These accounts are subject to a right of set-off. The performance guarantees and indemnities have been entered into in the normal course of business. A liability would only arise in the event of the Group failing to fulfil its contractual obligations.

26. Derivatives and other financial instruments

Financial risk and treasury policies

The treasury department maintains liquidity, manages relations with the Group's bankers, identifies and manages foreign exchange risk and provides a treasury service to the Group's businesses. Treasury dealings such as investments, borrowings and foreign exchange are conducted only to support underlying business transactions.

The Group has clearly defined policies for the management of foreign exchange and interest rate risk. Group treasury is not a profit centre and, therefore, does not undertake speculative foreign exchange dealings for which there is no underlying exposure. Exposures resulting from sales and purchases in foreign currency are matched where possible and the net exposure may be hedged by the use of forward exchange contracts.

The numerical disclosures in this note deal with financial assets and financial liabilities as defined in Financial Reporting Standard 13: 'Derivatives and Other Financial Instruments: Disclosures' (FRS13). Certain financial assets such as investments in subsidiary and associated companies are excluded from the scope of these disclosures.

As permitted by FRS13, short-term debtors and creditors have been excluded from the disclosures, other than the currency disclosures.

Interest rate risk profile

Financial liabilities

The interest rate profile of the Group's financial liabilities at 31 December was as follows:

	2004			2003		
	Fixed rate of interest	**Floating rate of interest**	**Total**	Fixed rate of interest	Floating rate of interest	Total
Euro	**187**	**473**	**660**	125	119	244
Yen	**102**	**66**	**168**	122	–	122
Other	**–**	**166**	**166**	–	–	–
	289	**705**	**994**	247	119	366

The floating rate financial liabilities comprise bank loans / overdrafts bearing interest rates fixed by reference to the relevant LIBOR or equivalent rate.

The weighted average interest rate of the fixed rate financial liabilities is 3.5% per annum *(2003: 3.8%)*.
The weighted average period for which interest rates on the fixed rate financial liabilities are fixed is 2 years *(2003: 2 years)*.

26. Derivatives and other financial instruments (continued)

Financial assets

The interest rate profile of the financial assets held as part of the financing arrangements of the Group at 31 December was as follows:

	2004		2003	
	Fixed rate cash	**Other cash**	Fixed rate cash	Other cash
Sterling	**14,314**	**662**	25,428	566
US dollar	**2,258**	**3,264**	821	1,273
Euro	**940**	**1,859**	427	1,005
Other	**316**	**1,685**	744	1,989
	17,828	**7,470**	27,420	4,833

All cash deposits are held on fixed rates of interest. All other cash amounts are on floating rates or overnight rates based on the relevant LIBOR or equivalent rate.

Further analysis of the interest rate profile at 31 December is as follows:

	2004 Fixed rate		2003 Fixed rate	
	Weighted average interest rate (%)	**Weighted average period for fixed rate (months)**	Weighted average interest rate (%)	Weighted average period for fixed rate (months)
Sterling	**4.8**	**0**	3.8	1
US dollar	**2.3**	**1**	1.0	0
Euro	**2.1**	**1**	2.0	0
Other	**–**	**–**	2.8	1
Group	**4.5**	**1**	3.7	1

26. Derivatives and other financial instruments (continued)

Currency exposures

The table below shows the Group's balance sheet currency exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group that were not denominated in the operating (or 'functional') currency of the operating unit involved.

At 31 December these exposures were as follows:

Net foreign currency monetary assets / (liabilities)

	2004				
	Functional currency of Group operation				
	Sterling	**US dollar**	**Euro**	**Other**	**Total**
Sterling	**–**	**(1,585)**	**(434)**	**(2,644)**	**(4,663)**
US dollar	**588**	**–**	**18**	**3,689**	**4,295**
Euro	**1,415**	**165**	**–**	**(55)**	**1,525**
Other	**503**	**–**	**(1)**	**529**	**1,031**
Total	**2,506**	**(1,420)**	**(417)**	**1,519**	**2,188**

	2003				
	Functional currency of Group operation				
	Sterling	US dollar	Euro	Other	Total
Sterling	–	(856)	(1,156)	(1,078)	(3,090)
US dollar	417	–	1,638	2,392	4,447
Euro	281	(298)	–	350	333
Other	822	–	(2)	260	1,080
Total	1,520	(1,154)	480	1,924	2,770

The amounts shown above take into account the effect of any forward contracts entered into to manage these currency exposures.

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 December was as follows:

	2004	2003
In one year or less	**726**	237
In more than one year but not more than two years	**126**	69
In more than two years but not more than five years	**142**	60
In more than five years	**–**	–
Total	**994**	366

The Group had no undrawn committed borrowing facilities at 31 December 2004 and 31 December 2003.

26. Derivatives and other financial instruments (continued)

Fair values

The table below shows a comparison by category of book values and fair values of the Group's financial assets and liabilities at 31 December

	2004		2003	
	Book value	**Fair value**	Book value	Fair value
Primary financial instruments held or issued to finance the Group's operations:				
Short-term financial liabilities and current proportion of long-term borrowings	**(726)**	**(726)**	(237)	(237)
Long-term borrowings	**(268)**	**(268)**	(129)	(129)
Cash deposits	**17,829**	**17,829**	27,420	27,420
Other cash balances	**7,469**	**7,469**	4,833	4,833
Derivative financial instruments held to manage the currency profile:				
Forward foreign currency contracts	**–**	**277**	–	630

Gains and losses on hedges

The Group enters into forward foreign currency contracts to eliminate the currency exposures that arise on sales denominated in foreign currencies. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures.

	Gains	Losses	**Total**
Unrecognised gains and losses on hedges			
At 1 January 2004	684	(54)	630
Amounts arising in previous years that were recognised during the year	(684)	54	(630)
Amounts arising before 1 January 2004 that were not recognised during the year	–	–	–
Amounts arising in the year that were not recognised during the year	373	(96)	277
At 31 December 2004	**373**	**(96)**	**277**
Of which:			
Gains / (losses) expected to be recognised in less than one year	297	(96)	201
Gains / (losses) expected to be recognised in more than one year	76	–	76

TEN YEAR TRADING HISTORY

	2004	2003	2002	2001	2000
	£'000	£'000	£'000	£'000	£'000
		restated			
Continuing operations	**146,883**	135,964	129,677	119,322	103,945
Discontinued operations	**–**	–	3,783	4,367	3,935
Turnover	**146,883**	135,964	133,460	123,689	107,880
Cost of sales	**(79,030)**	(72,046)	(71,875)	(65,877)	(59,021)
Gross profit	**67,853**	63,918	61,585	57,812	48,859
Overheads	**(37,996)**	(36,808)	(35,863)	(33,532)	(29,108)
Operating profit	**29,857**	27,110	25,722	24,280	19,751
Continuing operations	**31,150**	28,415	26,553	24,733	20,478
Discontinued operations	**–**	–	474	574	309
Operating profit before amortisation of goodwill	**31,150**	28,415	27,027	25,307	20,787
Amortisation of goodwill	**(1,293)**	(1,305)	(1,305)	(1,027)	(1,036)
Operating profit	**29,857**	27,110	25,722	24,280	19,751
Exceptional items	**–**	597	–	–	–
Net interest receivable	**634**	461	440	563	831
Profit on ordinary activities before taxation	**30,491**	28,168	26,162	24,843	20,582
Taxation	**(10,591)**	(9,469)	(8,868)	(8,539)	(7,110)
Profit on ordinary activities after taxation	**19,900**	18,699	17,294	16,304	13,472
Minority equity interest	**–**	–	–	–	–
Profit for the financial year	**19,900**	18,699	17,294	16,304	13,472
Dividends	**(17,955)**	(12,592)	(11,959)	(11,147)	(10,504)
Retained profit for the financial year	**1,945**	6,107	5,335	5,157	2,968
Basic earnings per share	**23.2p**	21.8p	20.1p	18.9p	15.6p
Basic earnings per share before goodwill amortisation	**24.7p**	23.3p	21.6p	20.1p	16.8p
Diluted earnings per share	**23.0p**	21.7p	20.0p	18.9p	15.6p

	1999 £'000	1998 £'000	1997 £'000	1996 £'000	1995 £'000
Continuing operations	112,937	98,103	87,766	82,123	70,353
Discontinued operations	4,598	3,337	5,083	8,694	9,645
Turnover	117,535	101,440	92,849	90,817	79,998
Cost of sales	(63,626)	(54,311)	(50,043)	(48,731)	(45,216)
Gross profit	53,909	47,129	42,806	42,086	34,782
Overheads	(27,949)	(23,567)	(22,607)	(24,563)	(20,837)
Operating profit	25,960	23,562	20,199	17,523	13,945
Continuing operations	26,358	23,822	20,811	18,308	14,277
Discontinued operations	497	59	(427)	(626)	(178)
Operating profit before amortisation of goodwill	26,855	23,881	20,384	17,682	14,099
Amortisation of goodwill	(895)	(319)	(185)	(159)	(154)
Operating profit	25,960	23,562	20,199	17,523	13,945
Exceptional items	–	–	–	(1,390)	–
Net interest receivable	987	1,845	1,935	1,364	1,237
Profit on ordinary activities before taxation	26,947	25,407	22,134	17,497	15,182
Taxation	(9,477)	(9,063)	(8,111)	(7,075)	(5,425)
Profit on ordinary activities after taxation	17,470	16,344	14,023	10,422	9,757
Minority equity interest	–	–	–	–	(43)
Profit for the financial year	17,470	16,344	14,023	10,422	9,714
Dividends	(10,546)	(9,456)	(8,213)	(7,160)	(4,866)
Retained profit for the financial year	6,924	6,888	5,810	3,262	4,848
Basic earnings per share	20.3p	18.9p	15.9p	11.7p	10.9p
Basic earnings per share before goodwill amortisation	21.3p	19.3p	16.1p	11.9p	11.1p
Diluted earnings per share	20.3p	18.9p	15.9p	11.7p	10.9p

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Notable Dates

2 March 2005
Preliminary announcement of annual results for 2004

22 April 2005
Annual General Meeting held at Rotork House,
Brassmill Lane, Bath

4 May 2005
Ex-dividend date for final 2004 dividend

6 May 2005
Record date for final 2004 dividend

27 May 2005
Dividend payment date

3 August 2005
Announcement of interim financial results for 2005

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