



Rotork plc

2023 Preliminary Results

Strong delivery of Growth+ strategy; entering 2024 with confidence

Adjusted highlights	2023	2022	% change	OCC <sup>3</sup> % change
Order intake <sup>1</sup>	£723.7m	£681.6m	+6.2%	+7.8%
Revenue	£719.1m	£641.8m	+12.0%	+13.6%
Adjusted <sup>2</sup> operating profit	£164.5m	£143.2m	+14.8%	+17.3%
Adjusted <sup>2</sup> operating margin	22.9%	22.3%	+60bps	+70bps
Adjusted <sup>2</sup> basic earnings per share	14.6p	12.7p	+14.8%	+17.0%
Cash conversion <sup>4</sup>	120%	76%	-	-

  

Reported highlights	2023	2022	% change
Revenue	£719.1m	£641.8m	+12.0%
Operating profit	£148.8m	£123.6m	+20.4%
Operating margin	20.7%	19.3%	+140bps
Profit before tax	£150.6m	£124.1m	+21.4%
Basic earnings per share	13.2p	10.9p	+21.7%
Full year dividend	7.20p	6.70p	+7.5%

Summary

- Order intake was 7.8% higher year-on-year on an OCC basis with orders ahead at all divisions
- Deliveries accelerated in the second half as supply chain challenges were overcome resulting in some normalisation of the order book which remained strong at period end
- Revenue increased 12.0% year-on-year despite a significant foreign exchange headwind which strengthened through the second half. On an OCC basis sales grew 13.6% year-on-year with all divisions making strong progress
- Adjusted operating margins were 60bps higher year-on-year at 22.9%. The reported operating margin was 20.7%
- Rotork received a rating of AAA in the MSCI ESG ratings assessment and reduced its scope 1 and 2 GHG emissions by 11% year-on-year
- Closing net cash was £134.4m (December 2022: £105.9m). ROCE<sup>4</sup> was 33.9% (up 260bps)
- £50m share buyback programme announced

Kiet Huynh, Chief Executive, commenting on the results, said:

“We continued to make significant progress in 2023 and delivered another year of strong organic sales growth, margin improvement and good cash flow performance. Given the strength of our balance sheet we have today announced a £50m share buyback whilst retaining the financial flexibility to pursue strategic investments.

The delivery of Growth+ continues and the benefits of the strategy are apparent, including in our organic sales growth performance in 2023. Target Segments successes included upstream oil & gas electrification (including methane emissions reduction), mining and metals processing (focused on the battery value chain)

and water infrastructure. Successes under Customer Value included further progress on our programme to improve efficiency, lead times and customer experience, and under Innovative Products & Services, the launch of the IQ3 Pro and smartphone app.

We remain confident of delivering our financial ambition of mid-to-high single digit sales growth and mid-20s adjusted operating margins over time and, based on momentum in the year so far and supported by the strength of our order book, we continue to expect 2024 to be another year of progress on an OCC basis.”

<sup>1</sup> Order intake represents the value of orders received during the period.

<sup>2</sup> Adjusted<sup>4</sup> figures exclude the amortisation of acquired intangible assets and other adjustments (see note 4).

<sup>3</sup> OCC<sup>4</sup> is organic constant currency results which exclude acquired businesses and are restated at 2022 exchange rates.

<sup>4</sup> Adjusted figures, organic constant currency ('OCC') figures, cash conversion and ROCE are alternative performance measures and are used consistently throughout these results. They are defined in full and reconciled to the statutory measures in note 2.

## **Rotork plc**

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*There will be a meeting for analysts and institutional investors at 9.00am GMT today in the Library at offices of JPMorgan Cazenove, 60 Victoria Embankment, London EC4Y 0JP. The presentation will also be webcast, with access via <https://www.investis-live.com/rotork/65c262c077117a0c00a288ad/ndhd>. Please join the webcast a few minutes before 9.00am to complete registration.*

## **Summary**

### **Purpose**

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

### **Health, safety & wellbeing**

The safety of our people, partners and visitors is our number one priority, and our vision for health and safety is zero harm. In 2023, we recorded a lost-time injury rate of 0.08, an improvement on the 0.13 recorded in 2022, partly reflecting extensive work completed across the Group to implement our Global Safety Standards. Our Total Recordable Injury Rate was 0.26 (2022: 0.53).

In many regions, a knock-on effect of the invasion of Ukraine has been a further rise in consumer price inflation, which had already increased in the aftermath of Covid, particularly on essentials such as food, energy and housing costs. While there are signs that inflation is being brought under control by increased interest rates, it peaked later than anticipated at higher levels and remained higher than expected for a longer period. We took steps to assist affected colleagues wherever we could, including through bringing forward salary reviews.

Our employee engagement Pulse survey took place in July. The participation rate increased to 79%, versus December 2022's survey at 75%. As part of the engagement survey, we ask employees to rate Rotork as a place to work

between 1 and 10, where 10 is highest. Engagement continues to improve, with the score increasing to 7.4 in July, from 7.2 in December 2022 and 6.7 in June 2022. Reflecting the encouraging trend in our engagement survey results and best practice, we moved to an annual survey during 2023.

We have a committed team who are proud to work at Rotork and determined to deliver on our ambitious goals. We offer our thanks and appreciation for all their efforts throughout 2023.

## **Environmental performance**

Sustainability is a major focus for Rotork. Whilst our impact in enabling our customers to improve their environmental performance likely far exceeds our Company's environmental footprint, the latter is no less important. Our total scope 1 and 2 (market-based) emissions decreased by 11% in 2023 compared with 2022, reflecting the implementation of energy efficiency projects and investment in on-site renewable generation.

Our SBTi-validated near-term greenhouse gas (“GHG”) emissions reduction targets are:

- to reduce our absolute scope 1 and 2 GHG emissions 42% by 2030 from a 2020 base year
- to reduce our absolute scope 3 GHG emissions from the use of sold products 25% by 2030 from a 2020 base year
- that at least 25% of our suppliers by emissions covering purchased goods and services will have science-based targets by 2027

We target net-zero by 2035 for scopes 1 and 2 and by 2045 for scope 3.

Underlining the importance we attach to achieving our net-zero targets, scopes 1 and 2 greenhouse gas reduction targets are included in our senior team’s long-term remuneration opportunity.

We were pleased to receive a rating of AAA in the MSCI ESG ratings assessment (AA previously) and to once again be recognised as one of the top performing companies rated by Sustainalytics and included in their 2023 ESG Industry Top Rated companies list.

## **Growth+ strategy**

The starting point of our Growth+ strategy is our Purpose, ‘keeping the world flowing for future generations’. Our Purpose is a powerful motivator, and it drives everything we do. It also recognises the role we play in making our world a great place to live, and the role we play in helping improve the safety, environmental and social performances of not just ourselves but also our end users, customers, suppliers and communities.

Our vision is for Rotork to be the leader in intelligent flow control. This recognises the ever-increasing importance of connectivity to our end users. Today’s intelligent flow control systems ensure safety, are reliable, efficient, easy to use, and play a vital role in ensuring the uptime of our end users’ operations (including through predictive and preventative maintenance).

Our ambition is mid to high single-digit revenue growth and mid 20s adjusted operating margins over time. Three powerful megatrends help drive our growth: automation, electrification and digitalisation, as well as the trends of sustainability, decarbonisation, energy security, water scarcity, water quality and new energies. Our Growth+ strategy is designed to drive our growth and to balance our investments with margin progression. At the core of our strategy are three pillars: Target Segments, Customer Value and Innovative Products & Services, each underpinned by our focus on ‘Enabling a Sustainable Future’.

Our ‘Target Segments’ are key segments within each of our divisions where we have the right to play and where there are significant opportunities for profitable growth. We are prioritising investment into these areas, helping us to grow faster than our overall markets. We have already seen early benefits from our focus on Target Segments which represented around half of group sales in 2023 and grew 15% YoY OCC.

Successes in Oil & Gas include in North America, where our IQTF range has established itself as the leading electric actuator for the wellhead choke valve, and in liquified natural gas (LNG) where we benefit from a significant installed base and are well placed to support the industry's planned liquefaction capacity expansion. We have further developed the Target Segment 'methane emissions reduction' and now describe this as 'upstream electrification'. The change reflects our business development as well as the oil & gas industry's commitment to electrification which was highlighted at COP28 in December 2023 with companies representing more than 40% of global oil production signing the Oil & Gas Decarbonization Charter. The medium-term opportunity is potentially greater than we originally calculated, with North America representing the majority of the opportunity.

Chemical, Process & Industrial (CPI) plays across various markets and sectors, and selectivity and focus are key. We are focused on identifying growth opportunities in structurally growing markets and through share gain in areas where Rotork has historically been under-represented. Identifying these opportunities requires an in-depth investigation of value chains that are often in new markets. In 2023 we made good progress in the Target Segments of HVAC, mining (focused on the battery value chain), speciality chemicals and decarbonisation.

In Water & Power, we have made excellent progress in our Target Segments of water infrastructure, desalination, and alternative energy. Our teams take a straightforward commercial approach to identifying the areas where we have a clear 'right to play' and only then step up their pursuit of projects in these areas. Examples include the exciting water reuse sector, where network digitalisation and efficiency are increasingly in focus, desalination, where electrification is a structural trend, and the alternative energy sector. In the latter, unmanned offshore high-voltage direct current ('HVDC') platforms require the most reliable automation equipment with advanced diagnostic features that allow predictive and preventative maintenance techniques and which Rotork is ideally placed to provide.

We are also making good progress on our Customer Value pillar, which puts the customer at the forefront of everything we do. One example is the implementation and integration of common systems and processes throughout the Group. This will improve efficiency and ultimately deliver improved lead times and customer experience. We successfully deployed our new Enterprise Resource Planning system during the first half at our Bath (UK) site. The system will be implemented across all sites over the next few years.

Our Innovative Products & Services pillar also has good momentum. We launched the IQ3 Pro and its accompanying smartphone app during the year. This offers greater connectivity than its predecessor and the smartphone app makes configuration and operation easier and more convenient. Our enhanced Intelligent Asset Management ('iAM') condition monitoring and analytics software has been well received by end-users who appreciate its expanded diagnostic and predictive functions.

In August, we acquired a small but strategically important business, Hanbay Inc., adding a compact high-torque electric valve actuator to our product offering. The Hanbay acquisition is fully consistent with the Growth+ strategy.

## **Market update**

Energy security and the energy transition were again major trends in 2023. Energy security became a significantly increased global priority following the dramatic change in the energy landscape triggered by the events in Ukraine in February 2022 and the subsequent attack on the Nord Stream pipeline as well as conflict in Israel/Palestine. While hydrocarbon prices have fallen from the levels they reached immediately following the Ukraine invasion, in most cases, they remain higher than they have been for many years. The energy sector continues to invest in traditional energy infrastructure, including in LNG, and is seeking to catch up from earlier under-investment.

The year also saw the world's hottest summer on record (according to NASA) and extreme weather events such as wildfires and droughts across the globe. These events remind us of the urgency of tackling carbon emissions and adapting to climate change. It is apparent that tackling the climate crisis and delivering a just energy transition at pace will require a practical approach including a balance of technologies with methane emissions reduction, LNG, carbon capture and storage, hydrogen and direct air capture all having significant roles to play.

Rotork has an important role to play through its eco-transition portfolio which contributed 30% of group sales in 2023. This consists of products and services that:

- Reduce (and in many cases eliminate) methane emissions, through the electrification of the upstream oil & gas sector;
- Enable the energy transition, for example, through applications in LNG, carbon capture and storage, biofuels, hydrogen and offshore wind; and
- Manage water and wastewater distribution and treatment.

Rotork has had notable success in upstream electrification, with the IQTF being established as the leading electric actuator for upstream oil and gas choke valve automation.

While some of these technologies are still early in their commercialisation phase, we believe they will grow significantly. Methane emissions reduction was a prominent topic at COP28 in Dubai in December, with companies representing more than 40% of global oil production committing to the Oil & Gas Decarbonization Charter and to near-zero upstream methane emissions by 2030 including through electrification. The United States Environmental Protection Agency issued its 'final rule' regarding methane emissions. This requires new and existing natural gas-driven process controllers (i.e. pneumatic actuators) across the USA to be zero emission, with few exceptions.

The growth in electric vehicle and energy storage demand continues to boost the entire battery value chain. For Rotork's CPI division, opportunities include metals and minerals mining and processing, speciality chemicals and critical HVAC controls in battery and vehicle production facilities. In the semi-conductor fabrication and data centre markets, customers increasingly recognise the benefits of Rotork's critical HVAC product ranges and are switching to them.

Decarbonisation remains a high-potential future market for all three of our divisions, and recognising this we have moved to report decarbonisation activity in each division rather than only in CPI. The United States' Inflation Reduction Act and the European Union's similar initiatives support the carbon capture and storage ('CCS'), hydrogen and sustainable aviation fuel sectors. We saw a marked increase in enquiries, engineering design and quotation activity in the period, particularly concerning carbon capture. The Global CCS Institute reported that the capacity of CCS projects in construction and development grew 57% year-on-year in 2023 to 312 Mtpa CO<sub>2</sub>.

The outlook for water and wastewater remains positive with continuing investment in new and existing infrastructure. The market is focused on delivering water availability, improving water quality, reducing leakage, efficient water reuse, and automating and digitalising networks and processes. Significant investment initiatives worldwide are underway or set to begin, including in the US, China, the Middle East and the UK. The desalination market remains active, with projects underway worldwide and, most notably, in the Middle East.

In traditional power, the focus remains on plant modernisation, refurbishment, and life extension. Whilst the new build market is quieter than it once was, there continue to be new build opportunities, for example in China and India. Renewable energy is playing an important role in delivering energy security as well as the energy transition. According to the IEA, the amount of renewable power capacity that will have been added worldwide in 2023 will have been ca. 30% higher than in 2022. Rotork products are specified for several applications in offshore wind, including in HVDC transformer cooling systems, and in concentrated solar.

## **Business performance**

Group order intake increased 6.2% year-on-year (7.8% on an OCC basis) to £723.7m. All three divisions booked higher orders for the full year, with Water & Power and Oil & Gas strongly ahead. CPI reported encouraging order growth in the final quarter. Orders, which continue to be driven predominantly by customers' operational spend, included more large orders than seen for some time, particularly notably in the first half.

Supply chain challenges held back deliveries to customers in the first half of the year, resulting in during the summer a record order book relative to sales. The supply chain situation significantly improved during the second half allowing some normalisation of the order book. The lead time of semi-finished components such as circuit boards which had increased substantially following Covid was the biggest of these supply chain challenges.

Group revenue was 12.0% higher year-on-year (13.6% higher OCC), benefitting from both higher volumes and price increases. Oil & Gas sales rose 15.9% (16.6% OCC), driven by strength in EMEA and the Americas and increased upstream electrification activity. CPI sales were 7.7% ahead (9.7% OCC), with all major geographic regions growing at similar rates. Water & Power sales were up 10.5% (13.3% OCC), with both segments achieving good growth.

By geography, Europe, Middle East & Africa ('EMEA') sales by destination grew double digits (OCC) and was Rotork's fastest growing region. Asia Pacific revenues grew high-single digits year-on-year on an OCC basis with all divisions ahead. Americas revenues were mid-teens ahead (OCC) with all divisions in the region growing at similar rates.

Rotork Site Services, our global service network and a key differentiator in our industry, performed well with revenues growing faster than the group overall. Our Lifetime Management and Reliability Services programmes have good momentum, as does our Intelligent Asset Management predictive analytics system. Rotork Site Services is managed as a separate unit within our divisions and contributed 21% of Group sales (2022: 21%).

Adjusted operating profit was 14.8% higher year-on-year (17.3% higher OCC) at £164.5m, reflecting volume growth and positive net price / mix which were partly offset by annual wage inflation and investment in our Growth+ strategy. Adjusted operating margins recovered strongly in the second half and full year margins were 60bps higher at 22.9% (70bps higher at 23.0% OCC) and reported profit before tax was £150.6m.

Our eco-transition portfolio of products and services that have particular environmental or sustainability benefits, or which enable the energy transition and decarbonisation, consists of three sub-portfolios: 'water & wastewater'; 'methane emissions reduction' and 'new energies & technologies'. Eco-transition, water & wastewater and methane emissions reduction sales grew faster than the Group year-on-year in 2023 and represented 30% of group sales.

Return on capital employed was 33.9% (2022: 31.3%), benefitting from a greater increase in adjusted operating profit than the increase in capital employed. Cash conversion was 120% (2022: 76%) as 2023 saw a more normal delivery phasing and a reduction in inventory as supply chain issues normalised.

## **Dividend and capital allocation**

We retain a strong balance sheet and had a net cash position of £134.4m at the period end (31 December 2022: £105.9m). This gives us the financial flexibility to pursue our organic investment plans, pay a progressive dividend and execute our targeted M&A strategy. We regularly review our capital needs in line with our capital allocation strategy and have demonstrated discipline and flexibility in using buybacks and dividends to deliver shareholder returns.

On 4 August, Rotork acquired Montreal (Canada) headquartered Hanbay Inc. ('Hanbay'). Hanbay designs and manufactures compact, high-torque electric valve actuators for non-hazardous and hazardous applications. The acquisition expands Rotork's electric actuator offering, is consistent with all three pillars of the Growth+ strategy, and increases the sales of our eco-transition portfolio.

Rotork recognises the importance of a growing dividend to our shareholders. We are committed to a progressive dividend policy, subject to satisfying the cash requirements of the business.

The Board is recommending a final dividend of 4.65p per share. With the 2023 interim dividend of 2.55p, the total dividend for the year is 7.20p, a 7.5% increase on the 2022 full-year dividend. This equals 2.0 times cover based on adjusted earnings per share (2022: 1.9 times). The final dividend will be payable on 24 May 2024 to shareholders on the register on 19 April 2024. The last date to elect for the Dividend Reinvestment Plan ('DRIP') is 3 May 2024.

The Rotork DRIP is provided by Equiniti Financial Services Limited. The DRIP enables the Company's shareholders to elect to have their cash dividend payments used to purchase the Company's shares. More information can be found at [www.shareview.co.uk/info/drip](http://www.shareview.co.uk/info/drip).

Consistent with the Group's stated capital allocation policy, the Board has decided to return a prudent level of cash to shareholders while retaining a strong balance sheet. As a result, Rotork will be commencing a share buyback programme of up to £50m. Rotork's financial flexibility enables it to pursue strategic investments and the Group remains active in looking for suitable opportunities, consistent with the Growth+ strategy. For further details see the separate announcement today.

## Board update

As announced on 12 September, Jonathan Davis will be stepping down as Group Finance Director and from the Board at the AGM in April 2024, after 21 years with the company. Over his time at Rotork, Jonathan has overseen significant profitable growth, and we all wish him well for his retirement.

We are looking forward to welcoming Ben Peacock to Rotork to be our Chief Financial Officer from 11th March. Ben was previously Vice President of Finance & IT – Minerals Division at The Weir Group PLC. Ben brings considerable industry knowledge and a strong record of financial expertise within complex businesses.

I would also like to thank Peter Dilnot and Ann Christin Andersen for their considerable contributions to Rotork over the last 5-6 years. Peter stepped down as a Director of Rotork in December 2023, having been our Senior Independent Non-executive Director, and we wish him all the best in his role as Chief Executive Officer at Melrose Industries Plc.

Rotork's ESG Committee Chair Ann Christin will leave the Board following the Company's AGM in 2024. We wish Ann Christin all the best in her new role as Chief Executive Officer of Norwegian Energy Partners.

I am very much looking forward to welcoming two new non-executive directors to Rotork. Andrew Heath will join the Board on 1 April 2024. Andrew is currently Chief Executive Officer of Spectris plc, a role he has held since September 2018. He will be appointed Chair of the Safety and Sustainability Committee from 1 May 2024, subject to election. Vanessa Simms will join the Board on 21 June 2024. Vanessa is currently Chief Financial Officer at Land Securities Group plc. Andrew and Vanessa bring a wide range of listed company expertise, experience in leading change and in delivering organic and non-organic growth and will further strengthen the diverse mix of skills and experience on the Board.

## Outlook

We remain confident of delivering our financial ambition of mid-to-high single digit sales growth and mid-20s adjusted operating margins over time and, based on momentum in the year so far and supported by the strength of our order book, we continue to expect 2024 to be another year of progress on an OCC basis

## Divisional review

### Oil & Gas

£m	2023	2022	Change	OCC <sup>3</sup> Change
Revenue	328.4	283.3	+15.9%	+16.6%
Adjusted operating profit	83.6	64.0	+30.7%	+32.7%
Adjusted operating margin	25.5%	22.6%	+290bps	+310bps

The recovery in oil & gas sector activity experienced in 2022 continued through 2023. Hydrocarbon prices have fallen from the levels reached immediately following the invasion of Ukraine, however prices remain above investment incentive levels and there is increased spend across most segments and geographies on increasing output, improving productivity, reducing emissions and on decarbonisation (including carbon capture and storage and hydrogen). The work to increase LNG export capacity in the USA and the Middle East continues on track, and in December industry players committed to near-zero upstream methane emissions by 2030 and to the electrification of upstream operations.

Following a first half where deliveries continued to be somewhat restricted by supply chain challenges the second half saw a strong recovery and full year divisional sales were ahead 16.6% year-on-year (OCC). All segments grew and downstream sales represented 49% of the total (50% in 2022); upstream 27% (25%) and midstream 24% (25%).

The strongest growth in regional sales by destination was in EMEA, driven by significantly increased customer activity in Western Europe and the Middle East. All three EMEA segments – downstream, upstream and midstream grew at similar rates. APAC revenues were modestly ahead overall (OCC) despite reduced activity in the midstream segment in China. Americas sales were ahead mid-teens with all three segments growing in the region, and upstream and midstream growing particularly strongly. Sales to Mexico were lower due to a project completing.

The division's adjusted operating profit was £83.6m, 30.7% up year-on-year. Higher volumes and positive pricing more than offset increased people costs and investment in the division's commercial teams and resulted in adjusted operating margins rising 290 basis points to 25.5%.

Oil & Gas' focus on target segments during the year delivered notable order wins in upstream electrification, Asia Infrastructure, decarbonisation and Rotork Site Services. Demand from choke valve manufacturers for the Rotork IQTF electric actuator grew strongly year-on-year as North American upstream operators sought to eliminate incomplete flaring downstream of new and existing wellheads. Rotork electric actuators and network control devices were selected to provide control and safety at a major new multi-site tank farm development in India (order secured with the help of Rotork Site Services and included a five-year Lifetime Management contract). Rotork fluid power actuators were also selected to control valves at an innovative new blue hydrogen facility under construction in Louisiana (US). Blue hydrogen is produced from reforming natural gas, with resulting carbon dioxide captured and stored. The capture unit at the Louisiana plant is designed to capture and permanently sequester more than 5mn tonnes of carbon each year. Rotork actuators and network control devices were specified in the upgrade of an integrated refinery complex in Singapore. The upgrade enables increased production of cleaner, low sulphur fuels and the production of sustainable aviation fuel through processing waste oils.

#### **Chemical, Process & Industrial**

<b>£m</b>	<b>2023</b>	<b>2022</b>	<b>Change</b>	<b>OCC<sup>3</sup> Change</b>
<b>Revenue</b>	213.7	198.4	+7.7%	+9.7%
<b>Adjusted operating profit</b>	51.3	51.2	+0.1%	+1.8%
<b>Adjusted operating margin</b>	24.0%	25.8%	-180bps	-180bps

CPI is a supplier of specialist actuators and instruments for niche critical applications in the broad chemical, process industry and industrial sectors. The division serves a wide range of end markets including specialty and other chemicals, metals & mining, critical HVAC, pharmaceutical, steel and cement. The automation, electrification, digitalisation and decarbonisation megatrends are important growth drivers for these markets. Rotork has historically been under-represented in several of these markets and has the opportunity to win market share in the years ahead.

The division delivered a good full year sales performance, with revenues 9.7% higher year-on-year on an OCC basis, despite economic weakness in a number of regions including most notably China. The division's performance clearly benefitted from the pursuit of its chosen Growth+ target segments such as the focus on specialty chemicals and



metals & mining markets directly related to the fast-growing battery value chain and critical HVAC including in data centres and semi-conductor plants.

By destination, Asia Pacific sales were ahead double digits on an OCC basis driven by strong growth in India and South Asia. North Asia revenue was modestly ahead OCC. EMEA sales grew high-single digits OCC, driven by the Middle East/Africa region. Americas sales also grew high-single digits OCC.

The division's adjusted operating profit was £51.3m, 0.1% higher than the prior year. Adjusted operating margins fell 180 basis points to 24.0%. Particularly strong revenue growth in fluid power actuators contributed to a negative product mix which even with improved direct labour productivity meant a decline in gross margin. With overheads then increasing below the Group average and in line with revenue, this resulted in a 180bps adjusted operating margin reduction.

Rotork's electric and fluid power actuators and instruments were selected by innovative customers across the battery value chain (mining, minerals processing and battery production) for their robustness and reliability. Rotork's electric and fluid power actuators and control systems are being supplied to a major chemical project being built in China. Rotork was selected in part due to the customer's preference for the Rotork Pakscan field device control system. A privately-owned fine chemicals company has chosen Rotork's YTC positioners for their Indian plant expansion replacing a competitor's existing product. Rotork's pneumatic actuators have also been selected to control bottom door systems on 'aggregate hopper' rail wagons which will be used on the UK's High Speed 2 rail project.

#### **Water & Power**

<b>£m</b>	<b>2023</b>	<b>2022</b>	<b>Change</b>	<b>OCC<sup>3</sup> Change</b>
<b>Revenue</b>	177.0	160.2	+10.5%	+13.3%
<b>Adjusted operating profit</b>	46.4	40.3	+15.3%	+19.0%
<b>Adjusted operating margin</b>	26.2%	25.2%	+100bps	+120bps

Water & Power is a supplier of premium actuators, predominantly electric, and gearboxes for applications in the water, wastewater and treatment and power generation sectors. Rotork has significant growth opportunities including through helping solve customers' water quality and water scarcity challenges as well as the automation, electrification and digitalisation trends. Water and wastewater contributed 66% of divisional sales in the year.

Full year divisional sales were ahead 13.3% year-on-year (OCC). Following several years where water and wastewater sector sales growth clearly outpaced the power sector, both grew at similar rates in 2023. Asia Pacific sales were ahead high-single digits year-on-year (OCC), with very strong revenue growth in India partly offset by more modest sales growth elsewhere. Americas sales grew strongly year-on-year driven by water and wastewater. Power sector sales were slightly lower in the region. EMEA was Water & Power's fastest growing geographic region in 2023.

The division's adjusted operating profit was £46.4m, 15.3% higher year on year. Water & Power is the division with the highest proportion of electric actuator sales and therefore was most impacted in recent years by the shortage of chipsets and consequent cost increases. Availability started to normalise in the year and the division therefore benefitted the most. This, together with improved labour productivity, resulted in adjusted operating margins increasing 100 basis points to 26.2%.

The division made good progress in its target segments of water infrastructure, waste and wastewater treatment, desalination and alternative energy during the year. Rotork is supplying electric actuators and motorised gearboxes to control the transportation and distribution of potable water to a major new town in the Middle East. Rotork's market leading product and service offering as well as our local presence (valve actuation centre and service team) helped secure this high-profile order, one of the largest in Rotork's history. Rotork is supplying electric and fluid power actuators to a number of wastewater treatment modernisation and improvement projects around the world

which will provide better quality water more efficiently, including projects in India, Singapore and the USA (California and Illinois). Rotork's IQ3 Pro electric actuators have been selected for critical control duties on HVDC transformer platforms that will be used to transport electricity generated by North Sea windfarms back to the UK. The windfarms concerned have the generating capacity to power approximately 5m homes.

## By order of the Board

Kiet Huynh

Chief Executive

4 March 2024

## Financial review

Order intake for the year was £723.7m (2022: £681.6m), up 6.2% from the prior year or 7.8% on an organic constant currency (OCC) basis, with all divisions ahead of the prior year.

Group revenue was £719.1m for the year, 12.0% higher (+13.6% OCC) than 2022. Revenue for the second half of the year was £384.4m, which was 14.9% higher than the first half of the year. Revenue grew in all three divisions with O&G reporting the strongest year-on-year growth. O&G finished the year 15.9% ahead (+16.6% OCC), CPI grew 7.7% (+9.7% OCC) and W&P grew 10.5% (+13.3% OCC). Within O&G, upstream sales again increased the most, up by around a quarter OCC, sales to midstream were up low-double digits OCC and downstream, still the largest segment, increased mid-double digits OCC.

Rotork Site Services, our global service network and a key differentiator in our industry, performed strongly in the year with revenues growing 13.6% compared with 2022. Again, performance in the second half of the year was considerably stronger than the first as the improved supply chain situation allowed more retrofit projects to proceed. Revenue was 15.1% ahead of 2022 on an OCC basis and our lifetime management and reliability services programmes performed well. Rotork Site Services is managed as a separate unit within Rotork's divisions and contributed 21% (2022: 21%) of Group revenue.

Gross margin increased 170 basis points to 47.2% (+160bps OCC), in part driven by the increase in revenue. Cost increases related to components were successfully mitigated by the price increase at the beginning of the year with both increases more modest than the prior two years.

Reported overheads increased by £22.2m (+13.2%) compared with 2022, largely driven by investment in people and commercial activities. Overheads as a percentage of revenue increased marginally from 26.2% in 2022 to 26.5% in 2023.

Reported operating profit was £148.8m, 20.4% higher year on year. Adjusted operating profit was £164.5m, a 14.8% increase with adjusted operating margin increasing 60 basis points to 22.9% (2022: 22.3%). On an OCC basis, adjusted operating profit increased 70 basis points to 23.0%.

Net finance income was £1.9m (2022: income of £0.5m) benefitting from more favourable interest rates.

Reported profit before tax was £150.6m, an increase of 21.4% from £124.1m in 2022.

Adjusted basic earnings per share was 14.6p (2022: 12.7p), an increase of 14.8%. Statutory basic earnings per share was 13.2p (2022: 10.9p), an increase of 21.7%.

## Adjusted earnings reconciliation

£m	Statutory results	Amortisation	Gain on property disposal	Business Transformation costs	Other costs	Adjusted results
Operating profit	148.8	2.1	(0.7)	13.1	1.2	164.5
Profit before tax	150.6	2.1	(0.7)	13.1	1.2	166.3
Tax	(37.1)	(0.3)	0.1	(3.2)	(0.2)	(40.7)

<b>Profit after tax</b>	<b>113.5</b>	<b>1.8</b>	<b>(0.6)</b>	<b>9.9</b>	<b>1.0</b>	<b>125.6</b>
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The table above shows the adjustments between the statutory results for the significant non-cash and other adjustments and the adjusted results. Note 2 sets out the alternative performance measures used by the Group and how these reconcile to the statutory results. Further details of the adjusting items are provided in note 4.

### Organic constant currency rates

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

	2023 as reported		Constant currency adjustment		2023 at 2022 exchange rate		Organic business at 2022 exchange rate		2022	
	%	(£m)	(£m)	%	(£m)	(£m)	%	(£m)	%	(£m)
Revenue		<b>719.1</b>	11.9		731.0	(1.6)		<b>729.4</b>		641.8
Cost of sales		<b>(380.1)</b>	(6.2)		(386.3)	0.7		<b>(385.6)</b>		(350.1)
Gross profit	<b>47.2</b>	<b>339.0</b>	5.7	47.2	344.7	(0.9)	47.1	<b>343.8</b>	45.5	291.7
Overheads	<b>24.3</b>	<b>(174.5)</b>	(1.5)	24.1	(176.0)	0.3	24.1	<b>(175.7)</b>	23.1	(148.5)
Adjusted operating profit <sup>1</sup>	<b>22.9</b>	<b>164.5</b>	4.2	23.1	168.7	(0.6)	23.0	<b>168.1</b>	22.3	143.2

### Adjusted items

Adjusted profit measures are presented alongside statutory results as we believe they provide a useful comparison of underlying business trends and performance from one period to the next. The Group believes alternative performance measures, which are not considered to be a substitute for, or superior to, IFRS measures, provide stakeholders with additional helpful information on the performance of the business.

The alternative profit measures are adjusted to exclude amortisation of acquired intangibles, Business Transformation costs associated with the implementation of a new ERP system and integration with business processes, and other adjustments that are considered to be significant and where treatment as an adjusted item provides stakeholders with additional useful information to assess the trading performance of the Group on a consistent basis. Further details of adjusted items are provided in note 4.

### Currency

In 2023 we experienced a currency tailwind in the first half which then switched to a significant headwind in the second half. The major currencies affecting the income statement are the US dollar and the euro. The US dollar/sterling average rate of \$1.24 (2022: \$1.24) was a slight headwind, whilst the euro/sterling average rate was €1.15 (2022: €1.17), a 2 cent tailwind. However the average sterling rate across the basket of other currencies, led by Chinese renminbi and Indian rupee, weakened in 2023 and resulted in a £11.9m or 1.6% headwind reported to revenue.

The impact of currency on the Group is both translational and transactional. Given the locations in which we operate and the international nature of our supply chain and sales currencies, the impact of transaction settlement differences can be very different from the translation impact. We are able partially to mitigate the transaction impact through matching supply currency with sales currency, but ultimately we are net sellers of both US dollars and euros. It is the net sale of these currencies which we principally address through our hedging policy, covering up to 75% of net trading transactions in the next 12 months and up to 50% between 12 and 24 months.

In order to estimate the impact of currency, at the current exchange rates we consider the effect of a one cent movement versus sterling. A one euro cent movement now results in approximately a £150,000 (2022: £150,000) adjustment to profit and for US dollar, and dollar-related currencies, a one cent movement equates to approximately a £500,000 (2022: £550,000) adjustment.

## **Return on capital employed (ROCE)**

Our capital-efficient business model and strong profit margins mean Rotork generates a high ROCE. Our definition of ROCE is based on adjusted operating profit as a return on the average net assets excluding net cash and the pension scheme asset/liability, net of the related deferred tax. The average capital employed increased 6.0% over the year to £485.5m, driven largely by the retained profit for the year. However adjusted operating profit increased more and as a result ROCE rose 260bps to 33.9% (2022: 31.3%).

## **Taxation**

The Group's headline effective tax rate decreased from 24.9% to 24.7%. Removing the impact of the adjusted items provides a better indication of the underlying rate and, on this basis, the adjusted effective tax rate is 24.5% (2022: 23.9%). The Group expects its adjusted effective tax rate to remain higher than the standard UK rate due to higher rates of tax in China, Germany, India and the US.

The Group's approach to tax continues to be to operate on the basis of full disclosure and co-operation with all tax authorities and, where possible, to mitigate the burden of tax within the local legislation.

## **Hanbay Inc. acquisition**

On 4 August 2023, the Group acquired 100% of the share capital of Hanbay Inc. ('Hanbay') for £21.1m. Hanbay designs and manufactures precise, miniature electric actuators which offer a compact profile and high torque design for use with small valves and instrument valves in hazardous and non-hazardous applications. It is headquartered in Montreal, Canada. The acquisition expands the Group's electric actuator offering and supports all three pillars of the Growth+ strategy and increases the percentage sales contribution of the Group's eco-transition portfolio.

## **Cash generation**

We finished the year with a net cash position of £134.4m (2022: £105.9m) which is a conversion of 120.3% of adjusted operating profit into cash, up significantly from 75.9% reported in 2022. The higher cash conversion is largely explained by improvements in working capital, including reductions in inventory levels and an improvement in days' sales outstanding<sup>2</sup>. Capital expenditure was £7.3m (2022: £8.3m), plus £2.1m in capitalised software (2022: £2.1m) and £11.6m in Business Transformation costs which were expensed in the period (2022: £8.9m). Capital expenditure in 2023 included an initial investment in our new facility in China which is expected to open early in 2025.

Our Research and Development (R&D) spend increased 3.2% to £13.9m which represents 1.9% of revenue (2022: £13.4m and 2.1%). Dividends of £58.8m, tax payments of £32.8m, pension contributions of £26.6m and the acquisition of Hanbay Inc £18.4m (net of cash acquired) were the other major outflows excluding working capital.

Control of working capital as defined in the cash flow statement, using average exchange rates, is key to achieving our cash generation KPI. Inventory decreased by £8.3m as the need to tactically hold higher inventory to mitigate supply chain disruption decreased. Higher year-on-year sales lead to trade receivables increasing to £152.8m, however, this increase was in part offset by an improvement in days' sales outstanding<sup>2</sup>, which decreased from 58 to 55 days. Net working capital in the balance sheet decreased to 27.3% of revenue compared with 28.7% the year before, however working capital movements generated a £11.9m outflow in the cash flow statement driven by business growth.

## **Risk update**

Geopolitical instability remains at an elevated level with potential knock-on impacts to other risks such as supply chain disruption. As a global business we continue to monitor the trade position between all locations where we are based or have customers or suppliers, and have considered the potential impact of additional trade barriers between these countries. We will take steps where necessary to mitigate any such changes but continue to believe they will not materially impact the Group's results. We have included scenarios in the viability assessment which models the impact of all of these current uncertainties. The viability statement will be published in our 2023 annual report.

Supply chain disruption remained a key risk during the year with component shortages and constraints driving some delays in specific areas. This is a change to the previous year where the shortages and constraints were more widespread. Management actions to secure the supply of key components have mitigated potentially more severe outcomes.

Various strategic initiatives continue to respond to the Group's risks and in the year the Group has seen positive engagement on People and Health & Safety risks in particular and has responded to the external threat of increasingly sophisticated cyberattacks by investing in cyber strategy.

We continue to monitor and review emerging risks, which are those risks that are hard to determine the severity. Risks under review include those in relation to geo-political events, technological, social, environmental, climate and sustainability risks.

### **Credit management**

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

### **Treasury**

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

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

### **Retirement benefits**

The Group accounts for post-retirement benefits in accordance with IAS 19, Employee Benefits. The balance sheet reflects the net assets of these schemes at 31 December 2023 based on the market value of the assets at that date, and the valuation of liabilities using year-end AA corporate bond yields. We closed both the main defined benefit pension schemes to new entrants; the UK scheme in 2003 and the US scheme in 2009, in order to reduce the risk of volatility of the Group's liabilities. In 2018 we further reduced the risk of volatility when we completed the closure to future accrual of both the UK and US schemes. Members of the defined benefit schemes were transferred onto the relevant defined contribution plan operating in their country.

During the year the Group made a special contribution of £20m to the Rotork Pension and Life Assurance Scheme. This contribution, together with some of the existing assets, was used to purchase a bulk annuity covering the UK scheme's existing pensioner liabilities. This has been accounted for as a buy-in.

The most recent triennial valuation of the UK scheme took place at 31 March 2022 and showed an actuarial deficit of £35.1m and a funding level of 84%. A recovery plan was agreed with the Trustees as part of the 2022 valuation, which, following the special contribution of £20m, resulted in required monthly contributions from the Company of £0.6m until September 2023 and £0.5m from October 2023 to August 2024.

On an accounting basis the schemes moved from a deficit of £8.0m in 2022 to a £9.1m surplus in 2023 driven principally by the £20m special contribution. The funding level increased from 94% to 106%. The Company paid total contributions of £26.6m over the year. The schemes' assets increased in value by £19.0m (2022: decrease of £89.1m) and the schemes' liabilities increased by £1.8m (2022: decrease of £88.7m).

The accounting surplus / deficit is different to the actuarial position as on an accounting basis we are required to use AA-rated corporate bond yields to value the liabilities. The UK scheme's actuarial valuation uses gilt yields since this

most closely matches the investment strategy which is designed in part to hedge the interest rate and inflation risks borne by the scheme. Cash contributions are driven by the actuarial valuation.

## Dividends

The Board is proposing a final dividend of 4.65p per share. When taken together with the 2.55p interim dividend paid in September 2023, the 7.20p (2022: 6.70p per share) represents a 7.5% increase in dividends over the prior year. This gives dividend cover of 2.0 times (2022: 1.9 times) based on adjusted earnings per share.

Jonathan Davis  
Group Finance Director  
4 March 2024

- 1 Adjusted operating profit is before the amortisation of acquired intangible assets and other adjustments (see note 4).
- 2 Days' sales outstanding is calculated on a count-back method. The sales value including local sales taxes is deducted from the year-end trade receivables to calculate the number of days sales outstanding.

## Consolidated income statement

For the year ended 31 December 2023

	Notes	2023 £000	2022 £000
<b>Revenue</b>	3	<b>719,150</b>	641,812
Cost of sales		<b>(380,054)</b>	(350,079)
<b>Gross profit</b>		<b>339,096</b>	291,733
Other income		<b>1,405</b>	1,620
Distribution costs		<b>(6,314)</b>	(6,197)
Administrative expenses		<b>(184,630)</b>	(163,177)
Other expenses		<b>(790)</b>	(372)
<b>Operating profit</b>	2,3	<b>148,767</b>	123,607
Finance income	5	<b>5,301</b>	3,049
Finance expense	5	<b>(3,430)</b>	(2,554)
<b>Profit before tax</b>		<b>150,638</b>	124,102
Income tax expense	6	<b>(37,150)</b>	(30,901)
<b>Profit for the year</b>		<b>113,488</b>	93,201
<i>Attributable to:</i>			
Owners of the parent		<b>113,135</b>	93,243
Non-controlling interest		<b>353</b>	(42)
		<b>113,488</b>	93,201
<b>Basic earnings per share</b>	8	<b>13.2p</b>	10.9p
<b>Diluted earnings per share</b>	8	<b>13.2p</b>	10.8p

<b>Operating profit</b>	2,3	<b>148,767</b>	123,607
Adjustments			
- Amortisation of acquired intangible assets	3	<b>2,110</b>	7,051
- Other adjustments	4	<b>13,598</b>	12,587
<b>Adjusted Operating profit</b>		<b>164,475</b>	143,245
<b>Adjusted basic earnings per share</b>	2,8	<b>14.6p</b>	12.7p
<b>Adjusted diluted earnings per share</b>	2,8	<b>14.6p</b>	12.7p

## Consolidated statement of comprehensive income

For the year ended 31 December 2023

	2023 £000	2022 £000
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<b>Profit for the year</b>	<b>113,488</b>	93,201
<b>Other comprehensive income</b>		
<i>Items that may be subsequently reclassified to the income statement:</i>		
Foreign exchange translation differences	(20,271)	21,928
Effective portion of changes in fair value of cash flow hedges net of tax	1,397	(1,627)
	<b>(18,874)</b>	20,301
<i>Items that are not subsequently reclassified to the income statement:</i>		
Remeasurement (loss) in pension scheme net of tax	(7,722)	(4,932)
<b>Income and expenses recognised in other comprehensive income</b>	<b>(26,596)</b>	15,369
<b>Total comprehensive income for the year</b>	<b>86,892</b>	108,570
<b>Attributable to:</b>		
Owners of the parent	<b>86,609</b>	108,561
Non-controlling interest	<b>283</b>	9
	<b>86,892</b>	108,570

## Consolidated balance sheet

At 31 December 2023

	Notes	2023 £000	2022 £000
<b>Non-current assets</b>			
Goodwill		231,703	228,005
Intangible assets		31,126	20,579
Property, plant and equipment		74,411	78,726
Derivative financial instruments		206	74
Defined benefit scheme surplus		9,144	—
Deferred tax assets		15,454	15,965
<b>Total non-current assets</b>		<b>362,044</b>	343,349
<b>Current assets</b>			
Inventories		83,963	92,306
Trade receivables		152,842	134,279
Current tax		4,187	7,877
Derivative financial instruments		673	62
Other receivables		23,701	39,112
Assets classified as held for sale		—	211
Cash and cash equivalents		146,372	114,770
<b>Total current assets</b>		<b>411,738</b>	388,617
<b>Total assets</b>		<b>773,782</b>	731,966
<b>Equity</b>			
Issued equity capital	7	4,306	4,304
Share premium		21,004	19,959
Other reserves		13,465	32,269
Retained earnings		581,813	531,951
Equity attributable to owners of the parent		<b>620,588</b>	588,483
Non-controlling interests		<b>1,707</b>	1,424
<b>Total equity</b>		<b>622,295</b>	589,907
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings		8,826	5,405
Employee benefits	9	4,197	11,955
Deferred tax liabilities		3,872	4,028
Derivative financial instruments		15	215
Provisions		1,371	1,439
<b>Total non-current liabilities</b>		<b>18,281</b>	23,042
<b>Current liabilities</b>			
Interest bearing loans and borrowings		3,131	3,431
Trade payables		40,585	42,314

Employee benefits	9	29,754	15,200
Current tax		12,387	11,893
Derivative financial instruments		538	2,729
Other payables		42,536	39,084
Provisions		4,275	4,366
<b>Total current liabilities</b>		<b>133,206</b>	119,017
<b>Total liabilities</b>		<b>151,487</b>	142,059
<b>Total equity and liabilities</b>		<b>773,782</b>	731,996

These financial statements were approved by the Board of Directors and authorised for issue on 4 March 2024 and were signed on its behalf by:

K Huynh and JM Davis  
Directors.

### Consolidated statement of changes in equity

	Issued equity capital £000	Share premium £000	Translation reserve £000	Capital redemption reserve £000	Hedging reserve £000	Retained earnings £000	Attributable to owners of the parent £000	Non- controlling interest £000	Total £000
<b>Balance at 31 December 2021</b>	<b>4,302</b>	<b>18,828</b>	<b>9,475</b>	<b>1,716</b>	<b>828</b>	<b>498,931</b>	<b>534,080</b>	–	<b>534,080</b>
Profit/(loss) for the year	–	–	–	–	–	93,243	93,243	(42)	93,201
<b>Other comprehensive income</b>									
Foreign exchange translation differences	–	–	21,877	–	–	–	21,877	51	21,928
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	(2,067)	–	(2,067)	–	(2,067)
Actuarial loss on defined benefit pension plans	–	–	–	–	–	(6,727)	(6,727)	–	(6,727)
Tax on other comprehensive income	–	–	–	–	440	1,795	2,235	–	2,235
Total other comprehensive income/(loss)	–	–	21,877	–	(1,627)	(4,932)	15,318	51	15,369
<b>Total comprehensive income</b>	–	–	21,877	–	(1,627)	88,311	108,561	9	108,570
Non-controlling interest on newly established subsidiary	–	–	–	–	–	–	–	1,415	1,415
<b>Transactions with owners, recorded directly in equity</b>									
Equity settled share-based payment transactions	–	–	–	–	–	1,790	1,790	–	1,790
Tax on equity settled share-based payment transactions	–	–	–	–	–	(987)	(987)	–	(987)
Share options exercised by employees	2	1,131	–	–	–	–	1,133	–	1,133
Own ordinary shares acquired	–	–	–	–	–	(3,475)	(3,475)	–	(3,475)
Own ordinary shares awarded under share schemes	–	–	–	–	–	2,765	2,765	–	2,765
Dividends	–	–	–	–	–	(55,384)	(55,384)	–	(55,384)
<b>Balance at 31 December 2022</b>	<b>4,304</b>	<b>19,959</b>	<b>31,352</b>	<b>1,716</b>	<b>(799)</b>	<b>531,951</b>	<b>588,483</b>	<b>1,424</b>	<b>589,907</b>
Profit for the year	–	–	–	–	–	113,135	113,135	353	113,488
<b>Other comprehensive income</b>									
Foreign exchange translation differences	–	–	(20,201)	–	–	–	(20,201)	(70)	(20,271)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	1,841	–	1,841	–	1,841
Actuarial loss on defined benefit pension plans	–	–	–	–	–	(9,875)	(9,875)	–	(9,875)
Tax on other comprehensive (loss)/income	–	–	–	–	(444)	2,153	1,709	–	1,709
Total other comprehensive (loss)/income	–	–	(20,201)	–	1,397	(7,722)	(26,526)	(70)	(26,596)
<b>Total comprehensive (loss)/income</b>	–	–	(20,201)	–	1,397	105,413	86,609	283	86,892
<b>Transactions with owners, recorded directly in equity</b>									
Equity settled share-based payment transactions	–	–	–	–	–	2,282	2,282	–	2,282
Tax on equity settled share-based payment transactions	–	–	–	–	–	43	43	–	43
Share options exercised by employees	2	1,045	–	–	–	–	1,047	–	1,047



Own ordinary shares acquired	—	—	—	—	—	(2,444)	(2,444)	—	(2,444)
Own ordinary shares awarded under share schemes	—	—	—	—	—	3,388	3,388	—	3,388
Dividends	—	—	—	—	—	(58,820)	(58,820)	—	(58,820)
<b>Balance at 31 December 2023</b>	<b>4,306</b>	<b>21,004</b>	<b>11,151</b>	<b>1,716</b>	<b>598</b>	<b>581,813</b>	<b>620,588</b>	<b>1,707</b>	<b>622,295</b>

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

## Consolidated statement of cash flows

For the year ended 31 December 2023

	Notes	2023 £000	2023 £000	2022 £000	2022 £000
<b>Cash flows from operating activities</b>					
Profit for the year		113,488		93,201	
<i>Adjustments for:</i>					
Amortisation of acquired intangibles		2,110		7,051	
Other adjustments	4	13,598		12,587	
Amortisation and impairment of software and development costs		2,352		1,436	
Depreciation		13,533		14,933	
Equity settled share-based payment expense		5,670		4,601	
Profit on sale of property, plant and equipment		(342)		(159)	
Finance income		(5,301)		(3,049)	
Finance expense		3,430		2,554	
Income tax expense		37,150		30,901	
		185,688		164,056	
Decrease/(increase) in inventories		5,490		(19,479)	
Increase in trade and other receivables		(10,488)		(32,591)	
Increase/(decrease) in trade and other payables		1,399		(2,902)	
Operating cash flow impact of other adjustments	4	(13,496)		(12,056)	
Difference between pension charge and cash contribution		(26,628)		(6,979)	
Increase/(decrease) in provisions		216		(383)	
Increase in employee benefits		15,538		67	
		157,719		89,733	
Income taxes paid		(32,825)		(30,221)	
<b>Net cash flows from operating activities</b>			<b>124,894</b>		<b>59,512</b>
<b>Investing activities</b>					
Purchase of property, plant and equipment		(7,306)		(8,291)	
Purchase of intangible assets		(2,089)		(2,066)	
Development costs capitalised		(2,411)		(2,541)	
Sale of property, plant and equipment		1,883		4,629	
Acquisition of business (net of cash acquired)		(18,399)		—	
Settlement of hedging derivatives		937		9	
Interest received		3,927		751	
<b>Net cash flows from investing activities</b>			<b>(23,458)</b>		<b>(7,509)</b>
<b>Financing activities</b>					
Issue of ordinary share capital		1,047		1,133	
Own ordinary shares acquired		(2,444)		(3,475)	
Interest paid		(936)		(817)	
Repayment of bank loans		—		(694)	
Repayment of lease liabilities		(3,699)		(3,966)	
Dividends paid on ordinary shares		(58,820)		(55,384)	
Receipt from non-controlling interest in newly established subsidiary		—		1,415	
<b>Net cash flows from financing activities</b>			<b>(64,852)</b>		<b>(61,788)</b>
<b>Net decrease in cash and cash equivalents</b>			<b>36,584</b>		<b>(9,785)</b>
Cash and cash equivalents at 1 January			<b>114,770</b>		<b>123,474</b>

Effect of exchange rate fluctuations on cash held	<b>(4,982)</b>	1,081
<b>Cash and cash equivalents at 31 December</b>	<b>146,372</b>	114,770

## Notes to the Group Financial Statements

For the year ended 31 December 2023

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

Rotork plc is a public company limited by shares, registered and domiciled in England. The consolidated financial statements of the Company for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the Group).

### 1. ACCOUNTING POLICIES

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

#### Basis of preparation

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

#### *New accounting standards and interpretations*

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

#### *New standards and interpretations not yet adopted*

Further narrow scope amendments have been issued which are mandatory for periods commencing on or after 1 January 2024. The application of these amendments will not have any material impact on the disclosures, net assets or results of the Group.

#### Adjustments to profit

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

Adjustments to profit items may include but are not restricted to: costs of significant business restructuring including any associated significant impairments of intangible or tangible assets, adjustments to the fair value of acquisition related items such as contingent consideration, acquired intangible asset amortisation and other items considered to be significant due to their nature or the expected infrequency of the events giving rise to them.

#### Going concern

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, we continue to adopt the going concern basis in preparing the financial statements.

In forming this view, the macroeconomic conditions and the impact of geo-political instability on the Group have been considered. The directors have reviewed: the current financial position of the Group, which has net cash of £134m and unused uncommitted overdraft facilities of £24m as at the year end; the significant order book, which contains customers spread across different geographic areas and industries; and the trading and cash flow forecasts for the Group. A reverse stress test, where the

Group's business model would become unviable, has been performed and the directors believe there is no reasonably possible scenario that would lead to the conditions modelled in the reverse stress test.

The directors are satisfied that the Group has adequate resources to continue operating as a going concern for the foreseeable future, and that no material uncertainties exist with respect to this assessment. The Group also has a number of mitigating actions that it can take at short notice to preserve cash, for example reduction in capital programmes, dividend deferral and other reductions in discretionary spend.

### Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year to 31 December 2023. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. Intra-Group balances and any unrealised gains or losses or income and expenses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

### Status of this preliminary announcement

The financial information contained in this preliminary announcement does not constitute the Company's statutory accounts for the years ended 31 December 2023 or 2022. Statutory accounts for 2022, which have been prepared in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006 have been delivered to the registrar of companies. Those for 2023, will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Full financial statements for the year ended 31 December 2023 will shortly be available to shareholders, and after adoption at the Annual General Meeting on 30 April 2024 will be delivered to the registrar.

## 2. ALTERNATIVE PERFORMANCE MEASURES

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

The Group believes alternative performance measures, which are not considered to be a substitute for, or superior to, IFRS measures, provide stakeholders with additional helpful information on the performance of the business. These alternative performance measures are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these measures are also used for the purpose of setting remuneration targets.

The key alternative performance measures that the Group use include adjusted profit measures and organic constant currency (OCC).

Explanations of how they are calculated and how they are reconciled to IFRS statutory results are set out below.

### a. Adjusted operating profit

Adjusted operating profit is the Group's operating profit excluding the amortisation of acquired intangible assets and other adjustments as defined in note 1. Further details on these adjustments are given in note 4.

### b. Adjusted profit before tax

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

	<b>2023</b>	2022
<b>Profit before tax</b>	<b>150,638</b>	124,102
<i>Adjustments:</i>		
Amortisation of acquired intangible assets	<b>2,110</b>	7,051
Gain on disposal of property	<b>(723)</b>	(1,208)

Business Transformation costs	<b>13,097</b>	8,868
Other costs	<b>1,224</b>	1,372
Russia market exit	—	3,555
<b>Adjusted profit before tax</b>	<b>166,346</b>	143,740

### c. Adjusted basic and diluted earnings per share

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

	<b>2023</b>	2022
<b>Net profit attributable to ordinary shareholders</b>	<b>113,488</b>	93,201
<i>Adjustments:</i>		
Amortisation of acquired intangible assets	<b>2,110</b>	7,051
Gain on disposal of property	<b>(723)</b>	(1,208)
Business Transformation costs	<b>13,097</b>	8,868
Other costs	<b>1,224</b>	1,372
Russia market exit	—	3,555
Tax effect on adjusted items	<b>(3,567)</b>	(3,440)
<b>Adjusted net profit attributable to ordinary shareholders</b>	<b>125,629</b>	109,399

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

### d. Adjusted dividend cover

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

### e. Total shareholder return

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

### f. Return on capital employed

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

	<b>2023</b>	2022
<b>Adjusted operating profit</b>	<b>164,475</b>	143,245
<b>Capital employed</b>		
Shareholders' funds	<b>622,295</b>	589,907
Cash and cash equivalents	<b>(146,372)</b>	(114,770)
Interest bearing loans and borrowings	<b>11,957</b>	8,836
Pension (surplus)/deficit net of deferred tax	<b>(6,904)</b>	6,065
<b>Capital employed</b>	<b>480,976</b>	490,038

<b>Average capital employed</b>	<b>485,507</b>	458,002
<b>Return on capital employed</b>	<b>33.9%</b>	31.3%

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

#### g. Working capital as a percentage of revenue

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

#### h. Organic constant currency (OCC)

OCC results remove the results of businesses acquired or disposed of during the period that are not consistently presented in both periods' results. The 2023 results are restated at 2022 exchange rates.

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

	<b>31 December 2023</b>	Currency adjustment	Acquisition adjustment	<b>OCC 31 December 2023</b>
<b>Revenue</b>	<b>719,150</b>	11,857	(1,599)	729,408
Cost of sales	<b>(380,054)</b>	(6,233)	714	(385,573)
<b>Gross margin</b>	<b>339,096</b>	5,624	(885)	343,835
Overheads	<b>(174,621)</b>	(1,454)	324	(175,751)
<b>Adjusted operating profit</b>	<b>164,475</b>	4,170	(561)	168,084
Interest	<b>1,871</b>	(268)	54	1,657
<b>Adjusted profit before tax</b>	<b>166,346</b>	3,902	(507)	169,741
Adjusted taxation	<b>(40,717)</b>	(956)	137	(41,536)
<b>Adjusted profit after tax</b>	<b>125,629</b>	2,946	(370)	128,205

#### i. Cash conversion

Cash conversion is calculated as adjusted operating cash flow as a percentage of adjusted operating profit. It is monitored to illustrate how efficiently adjusted operating profits are converted into cash. Adjusted operating cash flow is calculated as follows:

	<b>2023</b>	2022
<b>Adjusted operating cash flow</b>		
Operating cash flow	<b>157,719</b>	89,733
Operating cash flow impact of other adjustments	<b>13,496</b>	12,056
Difference between pension charge and cash contribution	<b>26,628</b>	6,979
<b>Adjusted operating cash flow</b>	<b>197,843</b>	108,768
<b>Adjusted operating profit</b>	<b>164,475</b>	143,245
<b>Cash conversion</b>	<b>120%</b>	76%

### 3. OPERATING SEGMENTS

The three identifiable operating segments where the financial and operating performance is reviewed monthly by the chief operating decision maker are as follows:

Oil & Gas  
 Chemical, Process & Industrial  
 Water & Power

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

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

Unallocated expenses comprise corporate expenses.

### Geographic analysis

Rotork has a worldwide presence in all three operating segments through its subsidiary selling offices and through an agency network. A full list of locations can be found at [www.rotork.com](http://www.rotork.com).

### Analysis by operating segment:

	Oil & Gas 2023	Chemical, Process & Industrial 2023	Water & Power 2023	Unallocated 2023	Group 2023
Revenue from external customers	328,391	213,712	177,047	—	719,150
Adjusted operating profit*	83,627	51,253	46,445	(16,850)	164,475
Amortisation of acquired intangible assets	(1,100)	(848)	(162)	—	(2,110)
Segment result	82,527	50,405	46,283	(16,850)	162,365
Other adjustments					(13,598)
Operating profit					148,767
Net finance income					1,871
Income tax expense					(37,150)
Profit for the year					113,488

	Oil & Gas 2022	Chemical, Process & Industrial 2022	Water & Power 2022	Unallocated 2022	Group 2022
Revenue from external customers	283,266	198,355	160,191	—	641,812
Adjusted operating profit*	63,960	51,206	40,293	(12,214)	143,245
Amortisation of acquired intangible assets	(5,063)	(1,410)	(578)	—	(7,051)
Segment result	58,897	49,796	39,715	(12,214)	136,194
Other adjustments					(12,587)
Operating profit					123,607
Net finance income					495
Income tax expense					(30,901)

Profit for the year	93,201
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\*Adjusted operating profit is operating profit before the amortisation of acquired intangible assets and other adjustments (see note 4).

	Oil & Gas 2023	Chemical, Process & Industrial 2023	Water & Power 2023	Unallocated 2023	Group 2023
Depreciation	6,180	4,022	3,331	–	13,533
Amortisation:					
– Acquired intangible assets	1,100	848	162	–	2,110
– Development costs	774	504	417	–	1,695

	Oil & Gas 2022	Chemical, Process & Industrial 2022	Water & Power 2022	Unallocated 2022	Group 2022
Depreciation	6,591	4,615	3,727	–	14,933
Amortisation:					
– Acquired intangible assets	5,063	1,410	578	–	7,051
– Development costs	1,239	701	868	–	2,808

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

Geographical analysis:

Revenue by location of subsidiary	2023	2022
UK	75,568	55,146
Italy	65,553	52,997
Rest of Europe	105,293	96,627
USA	141,046	129,499
Other Americas	59,419	44,161
China	102,133	120,188
Rest of World	170,138	143,194
	<b>719,150</b>	641,812

#### 4. OTHER ADJUSTMENTS

Refer to note 1 for details on the adjustments to profit, including an explanation of 'other adjustments'.

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

	2023	2022
Gain on disposal of property	723	1,208
Other costs	(1,224)	(1,372)
Business Transformation costs	(13,097)	(8,868)
Russia market exit	–	(3,555)
<b>Other adjustments</b>	<b>(13,598)</b>	(12,587)

**Gain on disposal of property**

The £723,000 (2022: £1,208,000) gain on disposal of property relates to the sales of property in Ballarat, Australia and Radstock, UK. These disposals are the last of the Growth Acceleration Programme operational footprint actions.

#### Other costs

£1,224,000 (2022: £1,372,000) of other costs have been incurred, largely in relation to acquisition and pension buy-in advisory costs.

#### Business Transformation costs

During the year £13,097,000 (2022: £8,868,000) of costs were incurred on Business Transformation. The multi-year transformation includes the implementing and integrating of common systems and processes throughout the Group, including a new cloud-based ERP system. This brings the total expensed under the programme to £44,920,000. These costs were expensed as they do not meet the capitalisation criteria under IAS 38. Costs include an allocation of personnel expenses in respect of employees directly involved in the programme.

The new ERP system launched at the Bath, UK factory in Q1 2023 and also went live at the Head Office site in Q3 2023. These costs will continue to be reported in adjusted items. Over the next 3 – 3.5 years we will deploy the Business Transformation programme, including the new ERP system, across all other Group entities at an estimated further cost of £45m to £50m.

#### Russia market exit

The Russia market exit costs are in relation to the ceasing of operations in Russia and the impairment of the gross assets of the Russian entity.

#### Income statement disclosure

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

#### Cash flow statement disclosure

Other adjustments have a net operating cash outflow of £13,496,000 (2022: £12,056,000) and a net investing cash inflow of £955,000 (2022: £4,049,000).

### 5. FINANCE INCOME AND EXPENSE

	2023	2022
Interest income	4,203	1,235
Net interest income on pension scheme liabilities	352	—
Foreign exchange gains	746	1,814
Finance income	5,301	3,049

	2023	2022
Interest expense	(807)	(744)
Interest expense on lease liabilities	(495)	(406)
Net interest charge on pension scheme liabilities	—	(110)
Foreign exchange losses	(2,128)	(1,294)
Finance expense	(3,430)	(2,554)

### 6. INCOME TAX EXPENSE

	2023	2023	2022	2022
<b>Current tax:</b>				
UK corporation tax on profits for the year	4,865		3,173	
Adjustment in respect of prior years	435		(942)	
		5,300		2,231



Overseas tax on profits for the year	<b>32,091</b>	30,242
Adjustment in respect of prior years	<b>146</b>	(287)
	<b>32,237</b>	29,955
<b>Total current tax</b>	<b>37,537</b>	32,186
<b>Deferred tax:</b>		
Origination and reversal of other temporary differences	<b>1,187</b>	(1,935)
Impact of rate change	<b>(591)</b>	252
Adjustment in respect of prior years	<b>(983)</b>	398
<b>Total deferred tax</b>	<b>(387)</b>	(1,285)
<b>Total tax charge for year</b>	<b>37,150</b>	30,901
Profit before tax	<b>150,638</b>	124,102
Profit before tax multiplied by the blended standard rate of corporation tax in the UK of 23.5% (2022: 19.0%)	<b>35,400</b>	23,579
<i>Effects of:</i>		
Different tax rates on overseas earnings	<b>4,552</b>	9,339
Permanent differences	<b>(118)</b>	404
Losses not recognised	<b>166</b>	93
Tax incentives	<b>(1,587)</b>	(1,935)
Impact of rate change	<b>(861)</b>	252
Adjustments to tax charge in respect of prior years	<b>(402)</b>	(831)
<b>Total tax charge for year</b>	<b>37,150</b>	30,901
<b>Effective tax rate</b>	<b>24.7%</b>	24.9%
Adjusted profit before tax (note 2b)	<b>166,346</b>	143,740
Total tax charge for the year	<b>37,150</b>	30,901
Amortisation of acquired intangible assets	<b>286</b>	1,109
Business Transformation costs	<b>3,220</b>	2,217
Other adjustments (note 4)	<b>61</b>	114
<b>Adjusted total tax charge for the year</b>	<b>40,717</b>	34,341
<b>Adjusted effective tax rate</b>	<b>24.5%</b>	23.9%

A tax credit of £43,000 (2022: charge of £987,000) in respect of share-based payments has been recognised directly in equity in the year.

The effective tax rate for the year is 24.7% (2022: 24.9%). The adjusted effective tax rate is 24.5% (2022: 23.9%) and is lower than the effective tax rate for the year principally because of the tax treatment of expenses included in other adjustments.

The adjusted effective tax rate has increased from 23.9% in 2022 to 24.5% in 2023, principally because of an increase in the UK corporation tax rate. The UK corporation tax rate increased from 19% to 25% on 1 April 2023 leading to a blended rate of 23.5% in the Accounting Period. The Group expects its adjusted effective tax rate to continue to move in line with the trends in corporate tax rates in the jurisdictions where Rotork operates. The adjusted effective tax rate will continue to be higher than the standard UK rate principally due to higher rates of tax in China, the US, Germany and India.

On 20 June 2023 legislation was substantively enacted in the UK to introduce the OECD's Pillar Two global minimum tax rules together with a UK qualified domestic minimum top-up tax, with effect from 1 January 2024. Under the legislation Rotork plc will be required to pay to the UK tax authorities top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15 per cent.

Based on Pillar Two impact assessments carried out on prior years' data, Rotork plc considers that Pillar Two will not have a material impact on its current tax expense in future years.

The Group has applied the mandatory temporary IAS 12 exception from the accounting requirements for deferred taxes in IAS 12, such that the group will not recognise or disclose information on deferred tax assets and liabilities related to Pillar Two income taxes.

The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

There is an unrecognised deferred tax liability for temporary differences associated with investments in subsidiaries. Rotork plc controls the dividend policies of its subsidiaries and the timing of the reversal of the temporary differences. The value of temporary differences associated with unremitted earnings of subsidiaries for which deferred tax has not been recognised is £320,839,000 (2022: £272,249,000).

## 7. CAPITAL AND RESERVES

	0.5p Ordinary shares issued and fully paid up 2023	£1 Non- redeemable preference shares 2023	0.5p Ordinary shares issued and fully paid up 2022	£1 Non- redeemable preference shares 2022
At 1 January	4,304	40	4,302	40
Issued under employee share schemes	2	–	2	–
Share buyback programme	–	–	–	–
At 31 December	4,306	40	4,304	40
Number of shares (000)	861,201		860,771	

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

### Share issue

The Group received proceeds of £1,047,000 (2022: £1,133,000) in respect of the 429,946 (2022: 494,972) ordinary shares issued during the year: £2,000 (2022: £2,000) was credited to share capital and £1,045,000 (2022: £1,131,000) to share premium.

### Own shares held

Within the retained earnings reserve are own shares held. The Group acquired 773,000 of its own shares during the year (2022: 1,124,000). The total amount paid to acquire the shares was £2,444,000 (2022: £3,475,000), and this has been deducted from shareholders' equity. During the year, 1,038,000 (2022: 793,000) ordinary shares were released to satisfy share plan awards. The investment in own shares held is £4,314,000 (2022: £6,000,000) and represents 1,566,000 (2022: 1,831,000) ordinary shares of the Company held in trust for the benefit of directors and employees for future payments under the Share Incentive Plan and Long Term Incentive Plan. The dividends on these shares have been waived.

## 7. CAPITAL AND RESERVES (CONTINUED)

### Preference shares

The preference shareholders take priority over the ordinary shareholders when there is a distribution upon winding up the Company or on a reduction of equity involving a return of capital. The holders of preference shares are entitled to vote at a general meeting of the Company if a preference dividend is in arrears for six months or the business of the meeting includes the consideration of a resolution for winding up the Company or the alteration of the preference shareholders' rights.

### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

### Capital redemption reserve

The capital redemption reserve arises when the Company redeems shares wholly out of distributable profits.

### Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging

instruments that are determined to be an effective hedge.

## Dividends

The following dividends were paid in the year per qualifying ordinary share:

	<b>2023</b>		
	<b>Payment date</b>	<b>2023</b>	2022
4.30p final dividend for 2022 (final dividend for 2021: 4.05p)	24 May	<b>36,926</b>	34,787
2.55p interim dividend for 2023 (interim dividend for 2022: 2.40p)	22 September	<b>21,894</b>	20,597
		<b>58,820</b>	55,384

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

	<b>2023</b>	2022
<b>Final proposed dividend per qualifying ordinary share</b>		
4.65p	<b>40,046</b>	–
4.30p	–	37,013

## 8. EARNINGS PER SHARE

### Basic earnings per share

Earnings per share is calculated for both the current and previous years using the profit attributable to the ordinary shareholders for the year. The earnings per share calculation is based on 859.3m shares (2022: 858.9m shares) being the weighted average number of ordinary shares in issue (net of own ordinary shares held) for the year.

	<b>2023</b>	2022
<b>Net profit attributable to ordinary shareholders</b>	<b>113,488</b>	93,201
<b>Weighted average number of ordinary shares</b>		
Issued ordinary shares at 1 January	<b>858,940</b>	858,776
Effect of own shares held	<b>198</b>	6
Effect of shares issued under Sharesave plans	<b>122</b>	167
Weighted average number of ordinary shares during the year	<b>859,260</b>	858,949
Basic earnings per share	<b>13.2p</b>	10.9p

### Adjusted basic earnings per share

Adjusted basic earnings per share is calculated for both the current and previous years using the profit attributable to the ordinary shareholders for the year after adding back the after tax impact of the adjustments. The reconciliation showing how adjusted net profit attributable to ordinary shareholders is derived is shown in note 2.

	<b>2023</b>	2022
Adjusted net profit attributable to ordinary shareholders	<b>125,629</b>	109,399
Weighted average number of ordinary shares during the year	<b>859,260</b>	858,949
Adjusted basic earnings per share	<b>14.6p</b>	12.7p

### Diluted earnings per share

Diluted earnings per share is based on the profit for the year attributable to the ordinary shareholders and 862.4m shares (2022: 860.6m shares). The number of shares is equal to the weighted average number of ordinary shares in issue (net of own ordinary shares held) adjusted to assume conversion of all potentially dilutive ordinary shares. The Company has two categories of potentially dilutive ordinary shares: those share options granted to employees under the Sharesave plan where the exercise price is less than the average market price of the Company's ordinary shares during the year and contingently issuable shares

awarded under the Long Term Incentive Plan (LTIP).

	2023	2022
<b>Net profit attributable to ordinary shareholders</b>	<b>113,488</b>	93,201
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares for the year	<b>859,260</b>	858,949
Effect of Sharesave options	<b>730</b>	562
Effect of LTIP share awards	<b>2,398</b>	1,119
<b>Weighted average number of ordinary shares (diluted) during the year</b>	<b>862,388</b>	860,630
<b>Diluted earnings per share</b>	<b>13.2p</b>	10.8p

#### Adjusted diluted earnings per share

	2023	2022
<b>Adjusted net profit attributable to ordinary shareholders</b>	<b>125,629</b>	109,399
Weighted average number of ordinary shares (diluted) during the year	<b>862,388</b>	860,630
<b>Adjusted diluted earnings per share</b>	<b>14.6p</b>	12.7p

### 9. EMPLOYEE BENEFITS

	2023	2022
Recognised liability for defined benefit obligations	—	8,006
Other pension scheme liabilities	<b>673</b>	158
Employee bonuses	<b>25,497</b>	11,524
Employee indemnity provision	<b>2,016</b>	1,925
Other employee benefits	<b>5,765</b>	5,542
	<b>33,951</b>	27,155
Non-current	<b>4,197</b>	11,955
Current	<b>29,754</b>	15,200
	<b>33,951</b>	27,155

### 10. RELATED PARTIES

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

### FINANCIAL CALENDAR

5 March 2024	Preliminary announcement of annual results for 2023
18 April 2024	Ex-dividend date for proposed final 2023 dividend
19 April 2024	Record date for proposed final 2023 dividend
24 May 2024	Payment date for proposed final 2023 dividend
30 April 2024	Announcement of trading update
30 April 2024	Annual General Meeting to be held at Bailbrook House Hotel, Eveleigh Avenue, London Road West, Bath, Somerset, BA1 7JD
6 August 2024	Announcement of interim financial results for 2024
20 November 2024	Announcement of trading update