

**rotork**

**Rotork plc**

**IFRS restated Accounts**

**Lucca, 21 June 2005**

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## IFRS Restated Accounts



**To recap – the main reported numbers have been:**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
<b>Turnover</b>	<b>146,883</b>	<b>135,964</b>
<b>Operating profit</b>	<b>29,854</b>	<b>27,110</b>
<b>Profit before tax and goodwill</b>	<b>31,784</b>	<b>29,473</b>
<b>Profit before tax</b>	<b>30,491</b>	<b>28,168</b>
<b>EPS (before goodwill)</b>	<b>24.7p</b>	<b>23.3p</b>

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## IFRS Restated Accounts



**The main impacts on Rotork have been:**

- **Cost of share schemes**
- **Treatment of intangibles**
- **Capitalised development costs**
- **Treatment of exchange gains / losses**

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# IFRS Restated Accounts

## COST OF SHARE SCHEMES



**IFRS2 – provides a prescriptive methodology for calculating and accounting for these scheme costs**

### **Options / SAYE**

- Rotork does not have a senior executive option scheme
- There is a general SAYE scheme applicable to all UK employees
- Satisfied by the issue of new shares, with no P&L charge

The effect on the accounts is to reduce profit by £49k in 2004

### **LTIP**

- Performance related scheme for Directors and senior managers
- Satisfied by buying shares in the market through a trustee
- Costs have been charged to the P&L since 2000

The effect of IFRS2 on the 2004 accounts is to increase profit by £61k

# IFRS Restated Accounts

## TREATMENT OF INTANGIBLES

**IFRS3 – Business Combinations** (Changes the treatment of goodwill in the accounts)

- New rules on how purchase price is allocated to intangible assets
- Goodwill no longer amortised
- Stricter application of impairment

### Effect on the 2004 accounts

- No longer write off the £1,293k goodwill, although we have always quoted before and after figure since FRS10 (& 11) were introduced in 1998
- There is a small adjustment in respect of Deanquip, £70k, due to amortisation of opening order book, customer relationships and agency agreements

\*Note IFRS3 Business Combinations will affect the 2005 PCI acquisition in relation to the value of the opening order book etc.

# **IFRS Restated Accounts**

## **CAPITALISED DEVELOPMENT COSTS**

**IAS38 – Requires certain development costs to be capitalised as an asset**

- From the point of technical and commercial feasibility
- Amortised over 5 years

### **Effect on the 2004 accounts**

- Have to go back 5 years to create cumulative Asset and Depreciation figures
- Balance sheet – add a gross asset of £1,712k and cumulative amortisation of £940k, net asset value of £772k
- Income statement effect – additional costs in 2004 of £220k

# **IFRS Restated Accounts**

## **TREATMENT OF EXCHANGE GAINS**

**IAS21 – Changes where exchange movements are reported in the income statement**

### **Effect on the 2004 accounts**

- Exchange gain of £440k is removed from Operating income and credited to Financial income / expenses
  - Profit from operations reduced by £440k
  - Profit before tax is unchanged

**IFRS Restated Accounts**  
**PROFIT BEFORE TAX RECONCILIATION**

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	<b>2004</b>
	<b>£000</b>
<b>UK GAAP PBT</b>	<b>30,491</b>
<b>Add back goodwill</b>	<b>1,293</b>
	<hr/>
<b>UK GAAP PBT before goodwill</b>	<b>31,784</b>
<b>Share scheme adjustments</b>	<b>12</b>
<b>Amortisation of intangibles</b>	<b>(70)</b>
<b>Development cost adjustment</b>	<b>(220)</b>
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<b>IFRS basis PBT</b>	<b>31,506</b>
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## IFRS Restated Accounts



	<b>2004</b> <b>As reported</b> <b>£000</b>	<b>2004</b> <b>IFRS</b> <b>£000</b>
<b>Turnover</b>	<b>146,883</b>	<b>146,883</b>
<b>Operating profit</b>	<b>29,854</b>	<b>30,432</b>
<b>Profit before tax and goodwill</b>	<b>31,784</b>	<b>31,506</b>
<b>Profit before tax</b>	<b>30,491</b>	<b>31,506</b>
<b>EPS (before goodwill)</b>	<b>24.7p</b>	<b>24.5p</b>

The total effect on profit before tax is to increase 2004 by £1,015k.

Profit before goodwill reduces by only £278k (0.9%)

\*Reconciliation attached in appendix

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# IFRS Restated Accounts

## BALANCE SHEET



- A complete reshuffle of what goes where
- Largely presentational
- Issues of substance are:
  - Dividends no longer accrued for (increases equity £8million)
  - Goodwill Increases as an asset as it isn't amortised
  - IAS 19 numbers now gross not netted off
  - Deferred tax adjustments elsewhere
  - Provisions < > 1 year separated

**IFRS Restated Accounts**



Appendices

**IFRS Restated Accounts – Appendix 1**  
**OPERATING PROFIT RECONCILIATION**

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	<b>2004</b>
	<b>£000</b>
<b>UK GAAP Operating profit</b>	<b>29,857</b>
<b>Add back goodwill</b>	<b>1,293</b>
	<hr/>
<b>UK GAAP Operating profit before goodwill</b>	<b>31,150</b>
<b>Share scheme adjustments</b>	<b>12</b>
<b>Amortisation of intangibles</b>	<b>(70)</b>
<b>Development cost adjustment</b>	<b>(220)</b>
<b>Currency gains</b>	<b>(440)</b>
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<b>IFRS basis Operating profit</b>	<b>30,432</b>
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# IFRS Restated Accounts – Appendix 2

## INCOME STATEMENT RECONCILIATION



	UK GAAP	Share based payments	Amortisation of acquired intangibles	Capitalised development costs	Disclosure of exchange gains	Reverse goodwill write down	IFRS
Revenue	146,883						146,883
Cost of sales	(79,030)	(17)	(50)				(79,097)
Gross profit	67,853	(17)	(50)	0	0	0	67,786
Overheads	(37,996)	29	(20)	(220)	(440)	1,293	(37,354)
Profit from operation	29,857	12	(70)	(220)	(440)	1,293	30,432
Net financing income	634	0	0	0	440	0	1,074
Profit before tax	30,491	12	(70)	(220)	0	1,293	31,506
Tax expense	(10,591)	(4)	21	66	0	0	(10,508)
Net profit for the year	19,900	8	(49)	(154)	0	1,293	20,998

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# IFRS Restated Accounts – Appendix 3

## BALANCE SHEET RECONCILIATION



Assets	UK GAAP	Share based payments	Intangibles acquired	Capitalised development	Reverse goodwill write down	Presentation adjustment	IFRS
Property, plant & equipment	13,877						13,877
Intangible assets	18,174		(70)	772	1,293		20,169
Deferred tax asset		173	21			6,794	6,988
Other receivables	489						489
Total non-current assets	32,540	173	(49)	772	1,293	6,794	41,523
Inventories	21,015						21,015
Trade receivables	34,060						34,060
Current tax receivable	2,176						2,176
Other receivables	3,442					(917)	2,525
Cash and cash equivalents	25,298						25,298
Total current assets	85,991	0	0	0	0	(917)	85,074
Total assets	118,531	173	(49)	772	1,293	5,877	126,597

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# IFRS Restated Accounts – Appendix 4

## BALANCE SHEET RECONCILIATION



Liabilities	UK GAAP	Share based payments	Intangibles acquired	Capitalised development	Reverse goodwill write down	Reverse declared dividend	Presentation adjustment	IFRS
Equity	58,135	716	(49)	541	1,293	8,342	(724)	68,254
Interest bearing borrowings	268							268
Employee benefits	13,885	(543)					10,227	23,569
Deferred tax liabilities	275			231			649	1,155
Provisions	1,159						(638)	521
<b>Total non-current liabilities</b>	<b>15,587</b>	<b>(543)</b>	<b>0</b>	<b>231</b>	<b>0</b>	<b>0</b>	<b>10,238</b>	<b>25,513</b>
Bank overdraft	473							473
Interest bearing borrowings	253							253
Trade payables	15,609							15,609
Current tax payable	5,779							5,779
Other payables	21,653					(8,342)	(3,637)	9,674
Provisions	1,042							1,042
<b>Total current liabilities</b>	<b>44,809</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(8,342)</b>	<b>(3,637)</b>	<b>32,830</b>
<b>Total equity and liabilities</b>	<b>118,531</b>	<b>173</b>	<b>(49)</b>	<b>772</b>	<b>1,293</b>	<b>0</b>	<b>5,877</b>	<b>126,597</b>

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