Rotork p.l.c.

2010 Half Year Results

	HY 2010	HY 2009	% change	% change (constant currency)
Revenue	**£183.5m**	£179.5m	+2.2%	+2.4%
Operating profit	**£47.4m**	£44.9m	+5.7%	+4.3%
Profit before tax	**£47.5m**	£44.4m	+6.8%	+5.4%
Adjusted* profit before tax	**£48.3m**	£44.3m	+9.0%	+7.6%
Basic earnings per share	**38.8p**	36.1p	+7.5%	+5.5%
Adjusted* basic earnings per share	**39.5p**	36.0p	+9.7%	+7.8%
Interim dividend	**12.75p**	11.15p	+14.3%	

* Adjusted figures are before the amortisation of acquired intangible assets and property disposal in 2009

Key Points

- Achieved record sales and profit in the period
- Order intake up 8.5% with the second quarter showing considerable improvement
- Acquired Ralph A. Hiller Company Inc. for $7.8m
- Production began at new Indian facility, supporting both Controls and Gears
- Excellent cash generation, with period-end cash balances of £86.7m
- All markets experienced improved conditions, with further progress anticipated

Peter France, Chief Executive, commenting on the results, said:

"Market conditions have improved during the period and we expect a similar level of activity in the second half. We remain cautious with regard to currency movements, commodity price increases and the resulting impact these may have on the competitive landscape. However, our lean business model, strong balance sheet and existing order book provide us with confidence in achieving further progress in the full year."

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Jonathan Davis, Finance Director

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Jon Simmons/Sophie McMillan

Review of operations

Business Review

Rotork achieved first half revenue and profit at record levels, despite a continued challenging trading environment. Revenue at £183.5m was 2.2% higher than the first half of 2009 and profit before tax was up 6.8% at £47.5m. Adjusted profit before tax, before amortisation of intangible assets and a gain on the disposal of property in 2009, was 9.0% higher at £48.3m.

Order intake was 8.5% higher compared to the previous year, with the second quarter showing a significant improvement, up 19.3% against the same period a year ago. The value of the order book is 7.4% higher than at 31 December 2009 at £138.6m.

All three divisions showed an improvement in order intake compared with the first half of 2009 and higher quotation activity continues to support this positive trend. Announcements by customers and potential customers related to new projects in the energy sector were positive in the first quarter and we expect to benefit from some of these coming through in the third and fourth quarters of 2010 and into 2011. The upstream oil and gas market may see some short term delays as regulatory approval is taking longer and existing assets are reviewed, however the medium to longer term opportunities remain strong. The midstream and downstream markets have benefited, and will continue to benefit, from increased investment in tank storage globally and through investment in safety related projects. A number of new refineries have been announced globally, although some of those in Western Europe have been subject to delay or cancellation. Power, including the renewable and Nuclear sectors, continues to see increased investment, albeit this is regional in focus. The water market remains a growing and important market sector for us, especially in India and China, where significant investment is planned over the next few years.

Financial results

Currency movements had little impact on these results when comparing them with the first half of 2009. Despite sterling strengthening against both the US dollar and Euro, a number of the other currencies in which Rotork trades have strengthened against sterling to a much greater extent, led by the Australian dollar, Canadian dollar and South African rand. The net result is that at constant currency, revenue is 2.4% higher and adjusted profit before tax is 7.6% higher, currency actually moving these two figures in opposite directions. The impact was small in each division but varied in direction, Fluid Systems suffering a headwind whilst Controls benefited from a tailwind.

Cash generation remained strong in the first half and after the £5.5m acquisition of Hiller and paying the £14.9m final dividend in May, the cash balance rose to £86.7m. In the second half, dividend payments will total £21.0m with the additional dividend payment in July and the interim dividend in September. We continue to carefully control working capital and whilst receivables have increased fractionally ahead of rising activity levels, inventory has reduced further from the year end value. The combined result of this is that net working capital now represents 22% of annualised revenue compared with 21% at the end of last year.

Operating Review

Rotork Controls

The expanding portfolio of products enables Controls to sell into a wide range of industries, although the majority of sales are focused on global infrastructure development. Sales revenue increased by 4.2% to £120.2m and the order book was slightly higher than the year end position after the benefit of currency gains. The operating margin improved due to various cost reduction programmes, the product mix and a modest positive currency impact resulting in a record 32.7% return on sales.

Whilst Controls has seen some delays in targeted projects due to the economic crisis and financing concerns, sales initiatives have continued to deliver increased market share and new opportunities. Rotork Process Controls experienced the most difficult trading environment in 2009. There are now signs of an improving market with increasing quotation activity and order intake up 16%, albeit from a low level.

Revenue in the first half was strong in Europe, led by the UK operations, France and Spain. The American market was down against a strong first half in 2009. Australia, China and India were all positive. The Rotork Site Services business continued to grow with the extension of service activities in the USA, South Africa, UK, Middle East, Malaysia and Russia.

Production has commenced at our newest Indian facility. The Bangalore plant is a modern 3,200 Sq M facility, supporting both the Controls and Gears divisions.

Rotork Fluid Systems
This division experienced the most difficult trading environment in 2009, leading to flat revenue in the first half of 2010 despite including the benefit of the recent acquisitions of Flow-Quip and Hiller. Reduced volumes from the core business, the two acquisitions currently having lower margins than the rest of the division and a slight currency headwind in this division, all combined to reduce adjusted operating profit to £6.6m from £7.2m and margins by 130 basis points to 13.3%. Encouragingly, order intake is up 20.9% on the first half of 2009 and supports improved second half trading. The order book at the end of June, including the benefit of the acquisition, was £46.2m, 17.9% up on the year-end total.

The main plant in Italy began the year with a significantly lower order book and this has resulted in lower revenue in the first half. The drop in revenue at this plant has impacted its profitability at a time when overheads had increased with the expansion of the facility. However order intake in the first half is up 37.3%.

Rotork Fluid Systems is strengthening its presence in India and China this year to recognise the importance of both these markets to the growth of the division.

Flow-Quip was acquired in November 2009 and Hiller was acquired in May this year. Both businesses are based in the USA with Flow-Quip headquartered in Tulsa and Hiller in Pittsburgh. Flow-Quip was acquired to support our activities in the liquid pipeline market and our focus on South America, whilst Hiller provides improved access to the Nuclear power market for our pneumatic and hydraulic product. The integration of both businesses is going well. We have retained the existing management team at Hiller, which we have found to be very experienced and well structured. At Flow-Quip, the hand over is almost complete between the previous owner manager, who will retire later this year, and the newly appointed Rotork general manager.

Rotork Gears
Revenue in the first half of 2010 declined by 9.2% to £18.2m, resulting in a 7.0% fall in adjusted operating profit to £4.0m. The cost reduction programmes and sourcing initiatives undertaken led to an improvement in the operating profit margin to 22.1%, just ahead of last year. Encouragingly, order intake was 21.4% up on the period a year earlier, reflecting improving valvemaker activity and the results of sales initiatives.

The Gears operation in China saw significant revenue growth and this offset reductions in some of our European operations.

Gearbox manufacture commenced in India and we expect to see the benefits of this in the second half of 2010 and beyond.

Rotork Business initiatives
Product development continues in a number of areas. We have also begun a range of Group-wide initiatives to share best practices throughout the organisation and examine opportunities to leverage our combined capability and the resources within the divisions. This includes the setting up of a Group wide engineering centre in Chennai India called RIDEC (Rotork Innovation and Design Engineering Centre). This facility will augment our current engineering resource and support our ambitions going forward.

The focus continues on developing our people and providing them with the right tools to do their job in a safe working environment. Following our latest Employee Satisfaction Survey, it is evident that training has a key part to play in retaining and developing a motivated workforce throughout the Group. To that end, we have initiated a review of the training on offer with a view to widening its breadth and the number of people actively engaging in the programmes. The project to develop a new global system to provide a common IT platform for our sales and service companies is now underway. This will provide efficiencies within the sales and service companies as well as simplify the collection of information from across the Group. We continue to embed health and safety awareness throughout the organisation, disseminating best practice across the Group and verified by a rolling programme of audits. The KPI we monitor for health and safety, accident frequency rate, has fallen to a record low in the period.

Principal risks and uncertainties

The Group has an established risk management process which works within the corporate governance framework set out in the 2009 Annual Report & Accounts. We regularly review the principal risks and uncertainties facing our businesses and examine the potential impacts on our processes and procedures. The risk management process is described in detail on pages 22 and 23 of the 2009 Annual Report & Accounts. We identify risks in the form of strategic, financial and operational risks and set out improvements to our processes and procedures as necessary to adapt to these. There have been no changes to the principal risks and uncertainties from those identified in the 2009 Annual Report & Accounts which therefore continue to be applicable to the remaining six months of the year.

Statement of Directors' Responsibilities

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors of Rotork p.l.c. are listed in the Rotork p.l.c. Annual Report & Accounts for 31 December 2009. Bob Slater and Alex Walker retired on 31 March 2010 and 24 April 2010 respectively. Jonathan Davis was appointed Group Finance Director from 1 April 2010 and Gary Bullard was appointed as a non-executive Director from 25 June 2010. A list of current directors is maintained in the About Us section of the Rotork website: www.rotork.com.

Dividend

The interim dividend is to be increased by 14.3% to 12.75p per ordinary share and will be paid on 24 September 2010 to shareholders on the register at the close of business on 3 September 2010. The 2009 final dividend of 17.25p per ordinary share was paid on 7 May at a cash cost of £14.9m. An additional dividend of 11.50p per ordinary share was paid on 23 July at a cash cost of £10.0m.

Outlook

Market conditions have improved during the period and we expect a similar level of activity in the second half. We remain cautious with regard to currency movements, commodity price increases and the resulting impact these may have on the competitive landscape. However, our lean business model, strong balance sheet and existing order book provide us with confidence in achieving further progress in the full year.

By order of the Board
Peter France
Chief Executive
2 August 2010

Consolidated Income Statement

Unaudited

	Notes	First half 2010 £000	First half 2009 £000	Full year 2009 £000
Revenue	2	**183,531**	179,502	353,521
Cost of sales		**(94,529)**	(98,299)	(187,600)
Gross profit		**89,002**	81,203	165,921
Other income		**9**	624	688
Distribution costs		**(1,661)**	(1,631)	(3,428)
Administrative expenses		**(39,937)**	(35,317)	(71,585)
Other expenses		**(2)**	(24)	(59)
Operating profit before the amortisation of acquired intangible assets and profit on disposal of property		**48,209**	44,688	92,103
Profit on disposal of property		**-**	587	587
Amortisation of acquired intangible assets		**(798)**	(420)	(1,153)
Operating profit	2	**47,411**	44,855	91,537
Financial income	3	**3,378**	3,054	5,784
Financial expenses	3	**(3,318)**	(3,465)	(6,405)
Profit before tax		**47,471**	44,444	90,916
Income tax expense	11			
UK		**(3,840)**	(2,974)	(8,333)
Overseas		**(10,110)**	(10,359)	(18,551)
		(13,950)	(13,333)	(26,884)
Profit for the period		**33,521**	31,111	64,032
		pence	pence	pence
Basic earnings per share	5	**38.8**	36.1	74.2
Diluted earnings per share	5	**38.6**	35.9	73.9

Consolidated Statement of Comprehensive Income and Expense

Unaudited

	First half 2010 £000	First half 2009 £000	Full year 2009 £000
Profit for the period	**33,521**	31,111	64,032
Other comprehensive income and expense			
Foreign exchange translation differences	**(1,319)**	(19,645)	(11,928)
Actuarial loss in pension scheme	**-**	-	(15,547)
Movement on deferred tax relating to actuarial loss	**-**	-	4,257
Effective portion of changes in fair value of cash flow hedges	**570**	5,237	5,046
Income and expenses recognised directly in equity	**(749)**	(14,408)	(18,172)
Total comprehensive income for the period	**32,772**	16,703	45,860

Consolidated Balance Sheet

Unaudited

	Notes	**30 June 2010 £000**	30 June 2009 £000	31 Dec 2009 £000
Property, plant and equipment		**24,837**	21,691	23,521
Intangible assets		**43,016**	35,904	40,780
Deferred tax assets		**11,434**	7,353	11,631
Derivative Financial Instruments		**478**	-	-
Other receivables		**1,163**	1,172	1,119
Total non-current assets		**80,928**	66,120	77,051
Inventories	*6*	**44,581**	50,496	46,712
Trade receivables		**63,028**	59,285	53,791
Current tax		**1,937**	1,912	1,818
Other receivables		**7,623**	6,269	6,197
Derivative Financial Instruments		**987**	1,048	942
Cash and cash equivalents		**86,717**	52,444	78,676
Total current assets		**204,873**	171,454	188,136
Total assets		**285,801**	237,574	265,187
Ordinary shares	*7*	**4,331**	4,326	4,330
Share premium		**7,118**	6,687	7,033
Reserves		**13,657**	6,880	14,406
Retained earnings		**159,776**	129,614	140,402
Total equity		**184,882**	147,507	166,171
Interest-bearing loans and borrowings		**163**	223	162
Employee benefits		**21,537**	9,313	22,549
Deferred tax liabilities		**1,794**	2,115	1,970
Derivative Financial Instruments		**238**	-	127
Provisions		**1,967**	1,679	1,664
Total non-current liabilities		**25,699**	13,330	26,472
Interest-bearing loans and borrowings		**90**	103	104
Trade payables		**25,936**	28,552	26,350
Employee benefits		**5,378**	4,556	7,252
Current tax		**12,844**	12,309	9,768
Derivative Financial Instruments		**824**	1,207	1,130
Other payables		**26,213**	26,481	24,690
Provisions		**3,935**	3,529	3,250
Total current liabilities		**75,220**	76,737	72,544
Total liabilities		**100,919**	90,067	99,016
Total equity and liabilities		**285,801**	237,574	265,187

Consolidated Statement of Changes in Equity

Unaudited

	Issued equity capital	Share premium	Translation reserve	Capital redemption reserve	Hedging reserve	Retained earnings	Total
Balance at 1 January 2009	4,325	6,666	24,909	1,642	(5,263)	112,117	144,396
Profit for the period	-	-	-	-	-	31,111	31,111
Other comprehensive income							
Foreign exchange translation differences	-	-	(19,645)	-	-	-	(19,645)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	5,237	-	5,237
Actuarial gains and losses on defined benefit pension plans net of tax	-	-	-	-	-	-	-
Total other comprehensive income	-	-	(19,645)	-	5,237	-	(14,408)
Total comprehensive income	-	-	(19,645)	-	5,237	31,111	16,703
Transactions with owners, recorded directly in equity							
Equity settled share based payment transactions net of tax	-	-	-	-	-	(1,141)	(1,141)
Share options exercised by employees	1	21	-	-	-	-	22
Own ordinary shares acquired	-	-	-	-	-	(1,300)	(1,300)
Own ordinary shares awarded under share schemes	-	-	-	-	-	3,297	3,297
Dividends	-	-	-	-	-	(14,470)	(14,470)
Balance at 30 June 2009	4,326	6,687	5,264	1,642	(26)	129,614	147,507
Profit for the period	-	-	-	-	-	32,921	32,921
Other comprehensive income							
Foreign exchange translation differences	-	-	7,717	-	-	-	7,717
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(191)	-	(191)
Actuarial gains and losses on defined benefit pension plans net of tax	-	-	-	-	-	(11,290)	(11,290)
Total other comprehensive income	-	-	7,717	-	(191)	(11,290)	(3,764)
Total comprehensive income	**-**	**-**	7,717	-	(191)	21,631	29,157
Transactions with owners, recorded directly in equity							
Equity settled share based payment transactions net of tax	-	-	-	-	-	1,189	1,189
Share options exercised by employees	4	346	-	-	-	-	350
Own ordinary shares acquired	-	-	-	-	-	(2,400)	(2,400)
Own ordinary shares awarded under share schemes	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(9,632)	(9,632)
Balance at 31 December 2009	4,330	7,033	12,981	1,642	(217)	140,402	166,171

Consolidated Statement of Changes in Equity (continued)
Unaudited

	Issued equity capital	Share premium	Translation reserve	Capital redemption reserve	Hedging reserve	Retained earnings	Total
Balance at 31 December 2009	4,330	7,033	12,981	1,642	(217)	140,402	166,171
Profit for the period	-	-	-	-	-	33,521	33,521
Other comprehensive income							
Foreign exchange translation differences	-	-	(1,319)	-	-	-	(1,319)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	570	-	570
Actuarial gains and losses on defined benefit pension plans net of tax	-	-	-	-	-	-	-
Total other comprehensive income	-	-	(1,319)	-	570	-	(749)
Total comprehensive income	-	-	(1,319)	-	570	33,521	32,772
Transactions with owners, recorded directly in equity							
Equity settled share based payment transactions net of tax	-	-	-	-	-	(1,300)	(1,300)
Share options exercised by employees	1	85	-	-	-	-	86
Own ordinary shares acquired	-	-	-	-	-	(1,426)	(1,426)
Own ordinary shares awarded under share schemes	-	-	-	-	-	3,507	3,507
Dividends	-	-	-	-	-	(14,928)	(14,928)
Balance at 30 June 2010	4,331	7,118	11,662	1,642	353	159,776	184,882

Consolidated Statement of Cash Flows

Unaudited

	First half 2010 £000	First half 2009 £000	Full year 2009 £000
Profit for the period	**33,521**	31,111	64,032
Amortisation of acquired intangibles	**798**	420	1,153
Amortisation of development costs	**346**	201	402
Depreciation	**1,882**	1,611	3,549
Equity settled share based payment expense	**436**	390	872
Net (profit) on sale of property, plant and equipment	**(28)**	(600)	(598)
Financial income	**(3,378)**	(3,054)	(5,784)
Financial expenses	**3,318**	3,465	6,405
Income tax expense	**13,950**	13,333	26,884
	50,845	46,877	96,915
Decrease in inventories	**3,513**	2,777	9,680
(Increase) / decrease in trade and other receivables	**(8,931)**	(2,621)	5,967
Decrease in trade and other payables	**(1,316)**	(1,019)	(4,032)
Difference between pension charge and cash contribution	**(293)**	(369)	(1,350)
Increase / (decrease) in provisions	**417**	559	(257)
(Decrease) / increase in employee benefits	**(1,619)**	(2,695)	272
	42,616	43,509	107,195
Income taxes paid	**(12,782)**	(11,852)	(27,548)
Cash flows from operating activities	**29,834**	31,657	79,647
Purchase of property, plant and equipment	**(2,315)**	(1,835)	(4,238)
Development costs capitalised	**(308)**	(398)	(768)
Proceeds from sale of property, plant and equipment	**26**	908	908
Acquisition of subsidiary (note 12)	**(5,621)**	-	(4,892)
Interest received	**154**	109	270
Cash flows from investing activities	**(8,064)**	(1,216)	(8,720)
Issue of ordinary share capital	**86**	22	372
Purchase of ordinary share capital	**(1,426)**	(1,300)	(3,700)
Interest paid	**(48)**	(76)	(176)
Repayment of amounts borrowed	**(632)**	(12)	(27)
Repayment of finance lease liabilities	**(45)**	(56)	(94)
Dividends paid on ordinary shares	**(14,928)**	(14,470)	(24,102)
Cash flows from financing activities	**(16,993)**	(15,892)	(27,727)
Net increase in cash and cash equivalents	**4,777**	14,549	43,200
Cash and cash equivalents at 1 January	**78,676**	41,390	41,390
Effect of exchange rate fluctuations on cash held	**3,226**	(3,495)	(5,914)
Cash, cash equivalents and bank overdrafts at end of period	**86,679**	52,444	78,676

Notes to the Half Year Report

1. Status of condensed consolidated interim statements, accounting policies and basis of significant estimates

General information

Rotork p.l.c. is a company domiciled in England.

The company has its primary listing on the London Stock Exchange.

The condensed consolidated interim financial statements for the 6 months ended 30 June 2010 and 30 June 2009 are unaudited and the auditors have not reported in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

The information shown for the year ended 31 December 2009 does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006, statutory accounts for the year ended 31 December 2009 were approved by the Board on 1 March 2010 and delivered to the Registrar of Companies. The Auditors' report on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The consolidated financial statements of the Group for the year ended 31 December 2009 are available from the Company's registered office or website – see note 14.

Basis of preparation

The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as 'the Group').

These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Going concern

The company has considerable financial resources together with a significant order book, with customers across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the business has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the condensed consolidated interim financial information.

Critical Accounting Estimates and Judgements

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current financial year are discussed in the financial statements for the year ended 31 December 2009.

Accounting policies

The accounting policies applied and significant estimates used by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2009.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ending 31 December 2010:

- IFRS 3 'Business combinations' (revised) is effective from 1 January 2010. The revised standard has resulted in acquisition costs being expensed rather than being included in the cost of investment. The impact of adopting this standard has not had a material impact.
- Amendments to IFRS 2, Group Cash-settled Share-based Payment Transactions is effective from 1 January 2010 and its adoption has not had a material impact.
- Amendments to IFRS 1, Additional Exemptions for First-time Adopters is not applicable to the Group.

Recent accounting developments

The following standards and interpretations have been issued but not adopted as application was not mandatory for the period:

- IFRS 9 Financial Instruments
- IAS 24 Related Party disclosures
- Amendments to IAS 32, Classification of Rights Issues
- IFRIC 18 'Transfers of Assets from Customers'
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'
- Amendment to IFRIC 14, Prepayment of a Minimum Funding Requirement.

2. Operating segments

Analysis by operating segment

	First half 2010 £000	First half 2009 £000	Full year 2009 £000	**First half 2010 £000**	First half 2009 £000	Full year 2009 £000
		Revenue			**Operating profit**	
Controls	**120,162**	**115,338**	227,344	**39,348**	**35,422**	72,620
Fluid Systems	**49,309**	**49,347**	99,726	**5,809**	**6,824**	14,220
Gears	**18,244**	**20,092**	36,824	**4,004**	**4,310**	8,026
Unallocated costs	**-**	**-**	-	**(1,750)**	**(1,701)**	(3,329)
Inter-segmental elimination	**(4,184)**	**(5,275)**	(10,373)	**-**	**-**	-
	183,531	**179,502**	353,521	**47,411**	**44,855**	91,537

The Controls operating profit in the first half and the full year of 2009 is stated after crediting a profit on disposal of property of £587,000. No property was sold in 2010.

The depreciation and other intangibles amortisation charges are split as follows:

		Depreciation			**Amortisation: Other intangibles**	
	First half 2010 £000	First half 2009 £000	Full year 2009 £000	**First half 2010 £000**	First half 2009 £000	Full year 2009 £000
Controls	**1,284**	1,028	2,262	**-**	-	-
Fluid Systems	**485**	450	1,040	**768**	391	1,093
Gears	**113**	133	247	**30**	29	60
	1,882	1,611	3,549	**798**	420	1,153

Revenue from external customers by location of customer

	First half 2010 £000	**First half 2009 £000**	Full year 2009 £000
UK	**15,498**	**18,006**	29,314
Rest of Europe	**57,728**	**56,610**	117,098
USA	**38,242**	**35,400**	65,370
Other Americas	**14,236**	**14,089**	33,081
Rest of the World	**57,827**	**55,397**	108,658
	183,531	**179,502**	353,521

3. Net financing income

	First half 2010 £000	First half 2009 £000	Full year 2009 £000
Interest income	**189**	141	226
Expected return on assets in the pension schemes	**3,071**	2,704	5,408
Foreign exchange gain	**118**	209	150
	3,378	3,054	5,784
Interest expense	**(56)**	(90)	(167)
Interest charge on pension scheme liabilities	**(3,171)**	(2,725)	(5,449)
Foreign exchange loss	**(91)**	(650)	(789)
	(3,318)	(3,465)	(6,405)

4. Dividends

	First half 2010 £000	First half 2009 £000	Full year 2009 £000
The following dividends were paid in the period per qualifying ordinary share:			
17.25p *(2009: 16.75p)* final dividend	**14,928**	14,470	14,470
11.15p interim dividend	**-**	-	9,632
	14,928	14,470	24,102
The following dividends per qualifying ordinary share were declared / proposed at the balance sheet date:			
17.25p final dividend proposed	**-**	-	14,943
11.5p 2010 additional dividend declared	**9,963**	-	-
12.75p *(2009: 11.15p)* interim dividend declared	**11,046**	9,646	-
	21,009	9,646	14,943

5. Earnings per share

Earnings per share is calculated using the profit attributable to the ordinary shareholders for the period and 86.4m shares *(six months to 30 June 2009: 86.2m; year to 31 December 2009: 86.3m)* being the weighted average ordinary shares in issue.

Diluted earnings per share is calculated using the profit attributable to the ordinary shareholders for the period and the weighted average ordinary shares in issue adjusted to assume conversion of all potentially dilutive ordinary shares under the Group's option schemes, Sharesave plan and Long-term incentive plan.

6. *Inventories*

	First half 2010 £000	First half 2009 £000	Full year 2009 £000
Raw materials and consumables	**27,512**	28,234	26,998
Work in progress	**6,854**	7,067	13,692
Finished goods	**10,215**	15,195	6,022
	44,581	50,496	46,712

7. *Share capital and reserves*

The number of ordinary 5p shares in issue at 30 June 2010 was 86,637,000 (30 June 2009: 86,515,000; 31 December 2009: 86,613,000).

The group acquired 108,919 of its own shares through purchases on the London Stock Exchange during the period, (30 June 2009: 157,872; 31 December 2009: 366,457). The total amount paid to acquire the shares was £1,426,000 (30 June 2009: £1,300,000; 31 December 2009: £3,700,000), and this has been deducted from shareholders equity. The shares are held in trust for the benefit of Directors and employees for future payments under the Share Incentive Plan and Long-term incentive plan. All issued shares are fully paid.

Awards under the Group's long-term incentive plan and share investment plan vested during the period and 121,402 and 177,730 Treasury shares respectively were transferred to employees.

Employee share options schemes: options exercised during the period to 30 June 2010 resulted in 24,641 ordinary 5p shares being issued (30 June 2009: 4,935 shares), with exercise proceeds of £86,000 (30 June 2009: £22,000). The related weighted average price at the time of exercise was £12.71 (30 June 2009: £8.26) per share.

8. *Related parties*

The Group has a related party relationship with its subsidiaries and with its directors and key management. A list of subsidiaries is shown in the 2009 Annual Report & Accounts. Transactions between key subsidiaries for the sale and purchase of products or between the subsidiary and parent for management charges are priced on an arms length basis.

Sales to subsidiaries and associates of BAE Systems plc, a related party by virtue of non-executive director IG King's directorship of that company, totalled £nil during the period (First half 2009: £4,000; Full year 2009: £20,000) and there were no amounts outstanding at 30 June 2010 (30 June 2009: £Nil; 31 December 2009: £19,000).

Key management emoluments
The emoluments of those members of the management team, including directors, who are responsible for planning, directing and controlling the activities of the Group are:

	First half 2010 £000	First half 2009 £000	Full year 2009 £000
Emoluments including social security costs	**1,393**	1,325	2,455
Post employment benefits	**189**	218	424
Share based payments	**390**	383	843
	1,972	1,926	3,722

9. *Interest-bearing loans and borrowings*

The following loans and borrowings were issued and repaid during the six months ended 30 June 2010:

	Currency	Interest rate	Carrying value £000	Year of maturity
Balance at 1 January 2010			266	
Movement in the period				
- Debt acquired with subsidiary			632	
- Repayment of debt acquired with subsidiary			(632)	
- Repayment of finance leases	Eur	3% - 10%	(45)	2011-13
- Overdraft utillised	Eur	1.33%	38	2010
Currency adjustment			(6)	
Balance at 30 June 2010			**253**	

10. *Share-based payments*

After approval of the proposed Long Term Incentive Plan at the Annual General Meeting ("AGM") on 23 April 2010, a grant of shares was made on 26 April 2010 to selected members of senior management at the discretion of the Remuneration Committee. The key information and assumptions from this grant were:

	Equity Settled TSR condition	**Equity Settled EPS condition**
Grant date	26 April 2010	26 April 2010
Share price at grant date	£13.87	£13.87
Shares / Share equivalents under scheme	69,454	69,454
Vesting period	3 years	3 years
Expected volatility	38.4%	38.4%
Risk free rate	1.8%	1.8%
Expected dividends expressed as a dividend yield	2.1%	2.1%
Probability of ceasing employment before vesting	1% p.a.	1% p.a.
Fair value	£8.73	£13.13

The basis of measuring fair value is consistent with that disclosed in the 2009 Annual Report & Accounts.

11. *Income taxes*

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ended 31 December 2009 is 29.4% (the effective tax rate for the year ended 31 December 2009 was 29.6 %).

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

12. Acquisitions

On 19 May 2010 the Group acquired 100% of the share capital of Ralph A. Hiller Company Inc. (“Hiller”) for £5,453,000. Hiller is a designer and manufacturer of nuclear actuators and a distributor of related products based in Pittsburgh, Pennsylvania, United States. The acquired business will be integrated into the Fluid Systems division.

In the 2 months to 30 June 2010 Hiller contributed £1,316,000 to Group revenue and £47,000 to consolidated operating profit before the £102,000 amortisation charge from the acquired intangible assets. If the acquisition had occurred on 1 January 2010 the business would have contributed £4,922,000 to Group revenue and £152,000 to Group operating profit. It is not practicable to disclose profit before tax or profit attributable to equity shareholders as the Group manages its Treasury function on a Group basis.

Goodwill has arisen on this acquisition as a result of the value attributed to staff expertise and the assembled workforce, which did not meet the recognition criteria for an intangible asset.

The acquisition had the following effect on the Group’s assets and liabilities.

	Pre acquisition carrying amounts	Alignment of accounting policies	Fair value adjustments	Provisional Fair value
Property, plant and equipment	1,075	-	-	1,075
Intangible assets	-	-	1,629	1,629
Inventories	1,085	156	-	1,241
Trade and other receivables	2,104	(35)	-	2,069
Trade and other payables	(641)	(1,358)	-	(1,999)
Overdraft	(168)	-	-	(168)
Borrowings	(464)	-	-	(464)
	2,991	(1,237)	1,629	3,383
Goodwill on acquisition				2,070
Consideration paid, satisfied in cash				5,453
Purchase consideration settled in cash				5,453
Overdraft in subsidiary acquired				168
Cash outflow on acquisition				5,621

Accounting policy adjustments were required to align Hiller accounting policies to Rotork Group policies. Adjustments were made in respect of revenue recognition, inventory provisioning and other accruals.

The intangible assets identified comprise customer relationships, brand and acquired order book.

13. *Shareholder information*

This interim report is being sent to shareholders who requested it and copies are available to the public from the Registered Office at the address below. The interim report is also available on the company's website at www.rotork.com.

General shareholder contact numbers:

Shareholder General Enquiry Number (UK):	0871 384 203
International Shareholders – General Enquiries:	(00) 44 121 415 7047

For enquires regarding the Dividend Reinvestment Plan (DRIP) contact:

The Share Dividend Team
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14. *Group information*

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