rotork

Rotork p.l.c.

2009 Half Year Results

Financial Highlights

	HY 2009	HY 2008	% change	% change (constant currency)
Revenue	**£179.5m**	**£143.5m**	**+25.1%**	**+5.9%**
Operating profit	**£44.9m**	**£32.9m**	**+36.3%**	**+6.5%**
Profit before tax	**£44.4m**	**£33.3m**	**+33.6%**	**+5.3%**
Adjusted* profit before tax	**£44.3m**	**£34.0m**	**+30.2%**	**+2.6%**
Basic Earnings per share	**36.1p**	**26.7 p**	**+35.2%**	
Adjusted* Basic Earnings per share	**35.9p**	**27.6 p**	**+30.1%**	
Interim dividend	**11.15p**	**9.25p**	**+20.5%**	

* = Adjusted figures before the amortisation of acquired intangible assets and profit on disposal of property

Key Points

- Revenue and profit at record levels
- Order book up 2.7% year on year to £138.7m
- Rotork Controls revenue up 26.6%, order book up 11.7%
- Rotork Fluid Systems revenue up 24.4%, operating margin up to 13.8%
- Strong balance sheet at the Half Year, with net cash of £52.4m

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

"The markets that we serve remain challenging and project delays are affecting the timing of order placements. We expect the current market conditions to continue in the second half of the year, although quotation activity and project visibility remain positive.

The current weakness of sterling continues to benefit the group's competitive position and reported trading results.

Our existing order book, low cost base and international presence provide a solid platform and give us confidence in meeting market expectations for the current year."

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Review of operations

Business review

We are pleased to report first half revenue and profit at record levels. Revenue at £179.5m is 25.1% up on the first half of 2008 and profit before tax is up 33.6% to £44.4m. As anticipated we have seen a slowing of order intake in the second quarter following a strong start to the year. Overall order intake in the first six months of 2009 is 1.6% down on the comparative period but our order book remains at a seasonally high level, £138.7m, slightly above that at June 2008.

The majority of our offices have experienced the effects of project delays. However, as we enter the third quarter there are signs that stimulus funding is encouraging project activity. The number of quotations is significantly up on levels seen one year ago and the second quarter represents an all time high in terms of actuators quoted and number of quotes prepared. This increase in quotation activity is supported by an increase in the number of projects at the Front End Engineering and Design (FEED) stage although there is presently a longer lead time from this activity to firm orders being received. To position ourselves for the future and recognising the economic outlook we have instigated cost reduction programmes in a number of locations whilst cautiously expanding in areas of opportunity.

Financial results

Revenue and profit were significantly up on 2008 supported by the positive currency environment. Net operating margin increased by 2.1 percentage points to 25.0%. At constant currency, revenue increased by 5.9%, and operating profit by 6.5%. The currency environment continues to help our competitive position internationally, however in the second half of the year we do not anticipate the magnitude of translation and transaction gains that we saw in the first half. Cash flow has continued to be strong in the period and cash balances now stand at £52.4m, after paying the final dividend of £14.5m in May. We anticipate strong cash generation in the second half despite the general lengthening of payment terms. Working capital has reduced since the year end although currency has played a major part in some areas.

Operating review

Rotork Controls

This is our largest divisional business making up 62.4% of group revenue. The division covers a wide range of industries mainly focussed on infrastructure development around the world. Sales revenue increased by 26.6% and the order book is 11.7% higher than at the same point last year. Progress continues to be made with regard to operating margin and this has increased by 2.3 percentage points to 30.7%.

Although the results have been affected by project delays we have continued to maintain momentum in the developing markets and have increased our market share. The slow down has been particularly felt by Rotork Process Control. We have experienced a significant reduction in input during the period, and have taken action on the cost base as a result of this. The Control Valve Actuator (CVA) has only just been launched and this business will not see the benefits of this product for at least another year. The core electric actuator business, however, continues to hold a market leading position and order intake here was up over 8% on the first half of 2008.

Sales revenue from the Americas was good with both our US and Canadian operations showing improved revenues and profit. All of our Asian companies saw revenues increase, with China being particularly strong. In Europe we had excellent results from both Italy and Spain, where we are making good progress, and from actively promoting our Rotork Site Services business in a number of areas.

The difficulties related to the timing of projects remain but the visibility of projects is strong. We are seeing more activity in the USA and China due to stimulus funding becoming available and projects are being reactivated. We expect this to benefit order input in the second half.

Product development has been focused on completing the CVA range and on product initiatives such as the wireless Pakscan offering, upgrading the RPC product portfolio and continued value engineering of the product range.

Rotork Fluid Systems
Sales revenue was strong in the period at £49.3m, up 24.4% on the prior year comparative number. Operating profit was £6.8m, up 45.3% year on year. The operating margin increased by 2 percentage points to 13.8%. Shipments have outpaced input resulting in a reduced order book compared with the half year 2008, nevertheless the order book remains at a seasonally high level.

Business in the US and Canada has been very active in the period with sales revenue showing significant growth and this has been helped by the more favourable currency environment.

The Spanish business has increased its market penetration and showed significant sales growth in the period. Other European businesses have also done well, with the German production facility making good progress. Asia is an important market for the division and although we have been making advancements there over the past few years there still remain opportunities for growth.

The Lucca plant completed its reorganisation following the increase of footprint after leasing additional space last year. The production difficulties that we had in Italy last year due to space constraints are now behind us and the expansion has helped create a world class facility able to support market growth for many years to come.

This division is heavily exposed to the oil and gas markets around the world and there has been a slowing of order intake as major projects have been reviewed by customers, causing delays in the release of these projects. Order input was down on the comparative period by 11.9%. The positive announcements on capital spending programmes by the oil majors and NOCs, the number of projects being tracked by our sales force and the number of active quotations all support the view that the second half should see an increase in order input.

Within the industry the division is regarded as a strong, technically able supplier which is bringing real innovation, a wide product range and consistent and reliable customer support in a conservative market segment. Our centres of excellence are achieving their targets in terms of customer support and exposure, and we are increasing our focus on the opportunities presented by our Rotork Site Services offering and see this as an important pillar of our future structure.

Rotork Gears
The Gears division saw good shipment levels during the period although as the business with the shortest lead times and smallest order book in the group, we are here most exposed to short term slowing in order intake. Sales revenue was £20.1m in the period, a year on year increase of nearly 17%. Order intake was down year on year by 4.5% reflecting lower valvemaker activity across the businesses.

Operating profit for the period was up 9.1%, lower than the increase in sales revenue, reflecting in the main a number of vendor cost issues impacted in part by the strengthening of the Chinese currency over the last year or so. This affects a number of our assembly plants. We are currently working to bring the cost base back into balance and have made progress in this recently and are continuing to look at improved supply sources.

The Leeds and Shanghai plants saw good increases in output in the period particularly in relation to the motorised valve market. The commodity end of this division’s business experienced some reduction due to lower activity levels and the plant in Losser saw shipments fall 3% over last year’s levels. The Italian plant had a good rate of increase in orders going through production, but is suffering cost pressures due to predominantly European sourcing.

We continue to develop new customer opportunities and the period saw good levels of growth from domestic Chinese valve manufacturers.

Principal risks and uncertainties
The group has an established risk management process which works within the corporate governance framework set out in the 2008 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 page 24 of the 2008 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 principle risks and uncertainties identified in the 2008 Annual Report & Accounts.

Dividend
The interim dividend is to be increased by 20.5% to 11.15 p per ordinary share and will be paid on 25 September 2009 to all shareholders on the register at the close of business on 4 September 2009. The 2008 final dividend was paid on 8 May (16.75 p per ordinary share at a cash cost of £14.5 m).

Outlook
The markets that we serve remain challenging and project delays are affecting the timing of order placements. We expect the current market conditions to continue in the second half of the year, although quotation activity and project visibility remain positive.

The current weakness of sterling continues to benefit the group’s competitive position and reported trading results.

Our existing order book, low cost base and international presence provide a solid platform and give us confidence in meeting market expectations for the current year.

Consolidated Income Statement

Unaudited

	Notes	**First half 2009 £000**	First half 2008 £000	Full year 2008 £000
Revenue	*2*	**179,502**	143,493	320,207
Cost of sales		**(98,299)**	(78,108)	(176,046)
Gross profit		**81,203**	65,385	144,161
Other income		**624**	32	42
Distribution costs		**(1,631)**	(1,561)	(3,535)
Administrative expenses		**(35,317)**	(30,950)	(65,697)
Other expenses		**(24)**	(4)	(82)
Operating profit before the amortisation of acquired intangible assets and profit on disposal of property		**44,688**	33,627	76,014
Profit on disposal of property		**587**	-	-
Amortisation of acquired intangible assets		**(420)**	(725)	(1,125)
Operating profit	*2*	**44,855**	32,902	74,889
Financial income	*3*	**3,054**	3,410	7,073
Financial expenses	*3*	**(3,465)**	(3,037)	(6,211)
		(411)	373	862
Profit before tax		**44,444**	33,275	75,751
Income tax expense	*11*			
UK		**(2,974)**	(3,325)	(6,425)
Overseas		**(10,359)**	(6,923)	(15,906)
		(13,333)	(10,248)	(22,331)
Profit for the period		**31,111**	23,027	53,420
		pence	pence	pence
Basic earnings per share	*5*	**36.1**	26.7	62.0
Diluted earnings per share	*5*	**35.9**	26.6	61.6

Consolidated Statement of Comprehensive Income and Expense

Unaudited

	First half 2009 £000	First half 2008 £000	Full year 2008 £000
Profit for the period	**31,111**	23,027	53,420
Other comprehensive income and expense			
Foreign exchange translation differences	**(19,645)**	3,132	23,824
Actuarial loss in pension scheme	**-**	-	1,290
Movement on deferred tax relating to actuarial loss	**-**	-	(161)
Effective portion of changes in fair value of cash flow hedges	**5,237**	(27)	(4,719)
	(14,408)	3,105	20,234
Total comprehensive income for the period	**16,703**	26,132	73,654

Consolidated Balance Sheet

Unaudited

	Notes	**30 June 2009 £000**	30 June 2008 £000	31 Dec 2008 £000
Property, plant and equipment		**21,691**	20,136	23,868
Intangible assets		**35,904**	34,754	39,696
Deferred tax assets		**7,353**	4,953	10,925
Other receivables		**1,172**	1,242	1,137
Total non-current assets		**66,120**	61,085	75,626
Inventories	*6*	**50,496**	49,472	59,410
Trade receivables		**59,285**	53,228	63,694
Current tax		**1,912**	1,448	1,752
Other receivables		**6,269**	7,199	5,578
Derivative Financial Instruments		**1,048**	-	-
Cash and cash equivalents		**52,444**	26,042	41,390
Total current assets		**171,454**	137,389	171,824
Total assets		**237,574**	198,474	247,450
Issued equity capital	*7*	**4,326**	4,325	4,325
Share premium		**6,687**	6,608	6,666
Reserves		**6,880**	5,285	21,288
Retained earnings		**129,614**	99,882	112,117
Total equity		**147,507**	116,100	144,396
Interest-bearing loans and borrowings		**223**	205	190
Employee benefits		**9,313**	10,249	8,637
Deferred tax liabilities		**2,115**	837	2,806
Derivative Financial Instruments		**-**	-	1,686
Provisions		**1,679**	1,285	1,660
Total non-current liabilities		**13,330**	12,576	14,979
Interest-bearing loans and borrowings		**103**	112	157
Trade payables		**28,552**	30,668	32,803
Employee benefits		**4,556**	3,504	7,001
Current tax		**12,309**	11,903	12,197
Derivative Financial Instruments		**1,207**	-	5,624
Other payables		**26,481**	20,694	26,781
Provisions		**3,529**	2,917	3,512
Total current liabilities		**76,737**	69,798	88,075
Total liabilities		**90,067**	82,374	103,054
Total equity and liabilities		**237,574**	198,474	247,450

Consolidated Statement of Changes in Equity

Unaudited

	Share Capital	Share premium	Translation reserve	Capital redemption reserve	Hedging reserve	Retained earnings	Total
Balance at 1 January 2008	4,323	6,519	1,085	1,639	(544)	89,430	102,452
Profit for the period	-	-	-	-	-	23,027	23,027
Other comprehensive income and expense	-	-	3,132	-	(27)	-	3,105
Equity settled transactions net of tax	-	-	-	-	-	(2,286)	(2,286)
Share options exercised by employees	2	89	-	-	-	-	91
Own ordinary shares acquired	-	-	-	-	-	(2,261)	(2,261)
Own ordinary shares awarded under share schemes	-	-	-	-	-	4,047	4,047
Dividends to shareholders	-	-	-	-	-	(12,075)	(12,075)
Balance at 30 June 2008	4,325	6,608	4,217	1,639	(571)	99,882	116,100
Profit for the period	-	-	-	-	-	30,393	30,393
Other comprehensive income and expense	-	-	20,692	-	(4,692)	1,129	17,129
Equity settled transactions net of tax	-	-	-	-	-	(133)	(133)
Share options exercised by employees	-	58	-	-	-	-	58
Own ordinary shares acquired	-	-	-	-	-	(1,257)	(1,257)
Own ordinary shares awarded under the share schemes	-	-	-	-	-	3	3
Preference shares redeemed	-	-	-	3	-	(5)	(2)
Dividends to shareholders	-	-	-	-	-	(17,895)	(17,895)
Balance at 31 December 2008	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 and expense	-	-	(19,645)	-	5,237	-	(14,408)
Equity settled 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 to shareholders	-	-	-	-	-	(14,470)	(14,470)
Balance at 30 June 2009	**4,326**	**6,687**	**5,264**	**1,642**	**(26)**	**129,614**	**147,507**

Consolidated Statement of Cash Flows

Unaudited

	First half 2009 £000	First half 2008 £000	Full year 2008 £000
Profit for the period	**31,111**	23,027	53,420
Amortisation of acquired intangibles	**420**	725	1,125
Amortisation of development costs	**201**	176	352
Depreciation	**1,611**	1,685	3,281
Equity settled share based payment expense	**390**	380	718
(Profit) / loss on sale of property, plant and equipment	**(600)**	(46)	25
Financial income	**(3,054)**	(3,410)	(7,073)
Financial expenses	**3,465**	3,037	6,211
Income tax expense	**13,333**	10,248	22,331
	46,877	35,822	80,390
Decrease / (increase) in inventories	**2,777**	(9,253)	(8,621)
Increase in trade and other receivables	**(2,621)**	(7,355)	(4,293)
(Decrease) / increase in trade and other payables	**(1,019)**	6,371	5,955
Difference between pension charge and cash contribution	**(369)**	(771)	(823)
Increase in provisions	**559**	634	1,554
(Decrease) in employee benefits	**(2,695)**	(1,378)	(299)
	43,509	24,070	73,863
Income taxes paid	**(11,852)**	(7,054)	(22,547)
Cash flows from operating activities	**31,657**	17,016	51,316
Purchase of property, plant and equipment	**(1,835)**	(2,172)	(4,353)
Purchase of intangible fixed assets	**-**	(386)	(666)
Development costs capitalised	**(398)**	(337)	(817)
Sale of property, plant and equipment	**908**	64	90
Acquisition of subsidiary net of cash acquired	**-**	(12,714)	(12,714)
Interest received	**109**	382	564
Cash flows from investing activities	**(1,216)**	(15,163)	(17,896)
Issue of ordinary share capital	**22**	91	149
Purchase of ordinary share capital	**(1,300)**	(2,261)	(3,518)
Purchase of preference shares treated as debt	**-**	-	(5)
Interest paid	**(76)**	(98)	(294)
Repayment of amounts borrowed	**(12)**	(65)	(82)
Repayment of finance lease liabilities	**(56)**	(59)	(87)
Dividends paid on ordinary shares	**(14,470)**	(12,075)	(29,970)
Cash flows from financing activities	**(15,892)**	(14,467)	(33,807)
Net increase / (decrease) in cash and cash equivalents	**14,549**	(12,614)	(387)
Cash and cash equivalents at 1 January	**41,390**	38,253	38,253
Effect of exchange rate fluctuations on cash held	**(3,495)**	403	3,524
Cash and cash equivalents at end of period	**52,444**	26,042	41,390

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.

These condensed consolidated interim financial statements were approved by the Board of Directors on 3 August 2009.

The interim financial statements for the 6 months ended 30 June 2009 and 30 June 2008 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'. These interim financial statements do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985, statutory accounts for the year ended 31 December 2008 were approved by the Board on 2 March 2009 and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237 of the Companies Act 1985.

The consolidated financial statements of the Group for the year ended 31 December 2008 are available from the Company's registered office or website – see note 13.

Basis of preparation

The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2009 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 2008, which have been prepared in accordance with IFRSs as adopted by the European Union.

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 2008.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ending 31 December 2009:

- IAS1 (revised), 'Presentation of financial statements' has become effective from 1 January 2009. The revision has resulted in minor changes to the presentation of the primary statements.
- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. Management does not expect this standard to alter the disclosure of the segmental results of the Group as set out in the 2008 annual report.
- IAS23 'Borrowing costs' amendment is effective from 1 January 2009 and requires borrowing costs which meet certain criteria to be capitalised. Management do not expect the amendment to have any impact on the Group.
- Amendments to IAS32, 'Presentation', IAS39, 'Financial instruments' (November 2008) and IFRS2, 'Share-based payment' are not expected to have a material impact on the Group.
- IFRIC13, 'Customer loyalty programmes' and IFRIC 16, 'Hedges of a net investment in a foreign operation' are not expected to have a material impact on the Group.

Recent accounting developments

The following standards, amendments and interpretations have been issued by the International Accounting Standards Board or by the IFRIC but have not yet been adopted. Subject to endorsement by the European Union, these will be adopted in future periods. Revisions to IFRS 3 and IAS 27 have been endorsed, and the other standards, amendments and interpretations are being considered for endorsement.

- IFRS 3 ‘Business combinations’ (revised)
- IAS 27 ‘Consolidated and separate financial statements’ (revised)
- Amendment to IFRS7 ‘Financial instruments: Disclosures’ (March 2009)
- Amendments to IAS39 ‘Financial Instruments: Recognition and measurement (July and November 2008)
- IFRIC 15, ‘Agreements for the construction of real estate’
- IFRIC 17 ‘Distributions of non-cash assets to Owners’
- IFRIC 18 ‘Transfers of Assets from Customers’

2. *Analysis of revenue, operating profit and net assets*

	First half 2009 £000	First half 2008 £000	Full year 2008 £000	**First half 2009 £000**	First half 2008 £000	Full year 2008 £000
		Revenue			**Operating profit**	
Analysis by operation						
Controls	**115,338**	**91,087**	204,510	**35,422**	**25,847**	57,466
Fluid Systems	**49,347**	**39,671**	88,570	**6,824**	**4,696**	12,075
Gears	**20,092**	**17,196**	36,781	**4,310**	**3,952**	8,621
Unallocated costs	**-**	**-**	-	**(1,701)**	**(1,593)**	(3,273)
Inter-segmental elimination	**(5,275)**	**(4,461)**	(9,654)	**-**	**-**	-
	179,502	**143,493**	320,207	**44,855**	**32,902**	74,889

The Fluid Systems operating profit is stated after charging £391,000 (First half 2008 £699,000; Full year 2008: £1,070,000) of amortisation of acquired intangibles. The Gears operating profit is stated after charging £29,000 (First half 2008 £26,000; Full year 2008: £55,000) of amortisation of acquired intangibles.

The Controls operating profit is stated after crediting a profit on disposal of property of £587,000. No property was sold in 2008.

	First half 2009 £000	First half 2008 £000	Full year 2008 £000	**First half 2009 £000**	First half 2008 £000	Full year 2008 £000
		Segment assets			**Segment liabilities**	
Controls	**82,788**	78,539	101,160	**46,626**	42,606	58,049
Fluid Systems	**73,781**	66,971	74,564	**23,735**	20,364	23,734
Gears	**19,296**	20,521	19,707	**4,956**	6,347	6,998
Unallocated	**61,709**	32,443	52,019	**14,750**	13,057	14,273
	237,574	198,474	247,450	**90,067**	82,374	103,054

Revenue from external customers by location of customer

	First half 2009 £000	First half 2008 £000	Full year 2008 £000
Europe	**74,616**	70,813	145,996
Americas	**49,489**	33,211	84,049
Rest of the World	**55,397**	39,469	90,162
	179,502	143,493	320,207

Segment assets by location of assets

	First half 2009 £000	First half 2008 £000	Full year 2008 £000
Europe	**116,988**	116,701	131,330
Americas	**34,110**	28,737	37,658
Rest of the World	**24,767**	20,593	26,443
Unallocated	**61,709**	32,443	52,019
	237,574	198,474	247,450

3. *Net financing income*

	First half 2009 £000	First half 2008 £000	Full year 2008 £000
Interest income	**141**	386	562
Expected return on assets in the pension schemes	**2,704**	2,948	5,896
Foreign exchange gain	**209**	76	615
	3,054	3,410	7,073
Interest expense	**(90)**	(152)	(296)
Interest charge on pension scheme liabilities	**(2,725)**	(2,767)	(5,538)
Foreign exchange loss	**(650)**	(118)	(377)
	(3,465)	(3,037)	(6,211)

4. *Dividends*

	First half 2009 £000	First half 2008 £000	Full year 2008 £000
The following dividends were paid in the period per qualifying ordinary share:			
16.75p *(2008: 14.0p)* final dividend	**14,470**	12,075	12,075
9.25p interim dividend	**-**	-	7,979
11.5p 2008 additional dividend	**-**	-	9,916
	14,470	12,075	29,970
The following dividends per qualifying ordinary share were declared / proposed at the balance sheet date:			
16.75p final dividend proposed	**-**	-	14,490
11.15p *(2008: 9.25p)* interim dividend declared	**9,646**	7,977	-
11.5p 2008 additional dividend declared	**-**	9,920	-
	9,646	17,897	14,490

5. *Earnings per share*

Earnings per share is calculated using the profit attributable to the ordinary shareholders for the period and 86.2m shares *(six months to 30 June 2008: 86.1m; year to 31 December 2008: 86.1m)* 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 2009 £000	First half 2008 £000	Full year 2008 £000
Raw materials and consumables	**28,234**	28,450	31,937
Work in progress	**7,067**	7,743	18,411
Finished goods	**15,195**	13,279	9,062
	50,496	49,472	59,410

7. *Share capital and reserves*

The number of ordinary 5p shares in issue at 30 June 2009 was 86,515,000 (30 June 2008: 86,497,000; 31 December 2008: 86,510,000).

The group acquired 157,872 of its own shares through purchases on the London Stock Exchange during the period, (30 June 2008: 215,873; 31 December 2008: 374,461). The total amount paid to acquire the shares was £1,300,000 (30 June 2008: £2,261,000; 31 December 2008: £3,518,000), 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.

The Group's long-term incentive plan and share investment plan vested during the period and 196,862 and 219,701 Treasury shares, respectively, were re-issued to employees.

Employee share options schemes: options exercised during the period to 30 June 2009 resulted in 4,935 ordinary 5p shares being issued (30 June 2008: 28,139 shares), with exercise proceeds of £21,250 (30 June 2008: £91,000). The related weighted average price at the time of exercise was £8.26 (30 June 2008: £10.41) 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 Annual Report & Accounts. Transactions between subsidiaries for the sale and purchase of products or 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 £4,000 (First half 2008: £31,000; Full year 2008: £32,000) during the period and there were no amounts outstanding at 30 June 2009 (First Half 2008: £28,000; No amounts outstanding 31st December 2008)

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 2009 £000	First half 2008 £000	Full year 2008 £000
Emoluments including social security costs	**1,227**	1,289	2,535
Post employment benefits	**212**	189	388
Share based payments	**157**	471	760
	1,596	1,949	3,683

9. Interest-bearing loans and borrowings

The following loans and borrowings were issued and repaid during the six months ended 30 June 2009:

	Currency	Interest rate	Carrying value £000	Year of maturity
Balance at 1 January 2009			347	
Repayments:				
Bank loan	ZAR	9% - 11%	(12)	2009
Finance leases	Eur	3% - 10%	(56)	2010
New borrowings:				
Finance leases	Eur	3% - 10%	82	2011
Currency adjustment			(35)	
Balance at 30 June 2009			**326**	

10. Share-based payments

A grant of shares under the Group long-term incentive plan ('LTIP') was made on 4 March 2009 to selected members of senior management at the discretion of the Remuneration Committee. An explanation of the terms and conditions of the LTIP are contained in the 2008 Annual Report & Accounts. The terms and conditions of this grant were:

	Share scheme
Grant date	4 March 2009
Share price at grant date	£7.59
Shares / Share equivalents under scheme	220,382
Vesting period	3 years
Expected volatility	37.1%
Risk free rate	1.7%
Expected dividends expressed as a dividend yield	3.4%
Probability of ceasing employment before vesting	3% p.a.
Fair value	£4.31

The basis of measuring fair value is consistent with that disclosed in the 2008 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 30.0% (the effective tax rate for the year ended 31 December 2008 was 29.5 %). The increase is mainly due to the increase in the tax rate in china after the end of a short-term tax holiday.

12. 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.

We offer shareholders a dividend reinvestment plan ('DRIP') under which shareholders can reinvest their cash dividends in the company, by buying shares in the market at competitive dealing rates. If you have already elected to join the DRIP, there is no further action for you to take.

If you would like to join for the first time, please contact our registrars below.

Equiniti
The Causeway
Worthing
West Sussex
BN99 6DA

Share dividend helpline number - 0870 241 3018

13. Group information

Secretary and registered office:
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Rotork plc
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Bath
BA1 3JQ

Company website:
www.rotork.com

Investor Section:
http://www.rotork.com/en/investors/index/