2 March 2010

Rotork p.l.c.

2009 Full Year Results

	2009	2008	% change	% change (constant currency)
Revenue	£353.5m	£320.2m	+10.4%	+0.5
Operating profit	£91.5m	£74.9m	+22.2%	+7.2
Profit before tax	£90.9m	£75.8m	+20.0%	+5.1
Adjusted* profit before tax	£91.5m	£76.9m	+19.0%	+4.3
Basic earnings per share	74.2p	62.0p	+19.7%	+4.5
Adjusted* basic earnings per share	74.9p	63.3p	+18.2%	+3.4
Final dividend	17.25p	16.75p		
Special dividend	11.5p	0.0p		

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

- Strong growth in operating profits
- Improved operating margins, reflecting management discipline and good competitive position
- Excellent cash generation, with year end cash balances of £78.7m
- Improved return on capital employed
- EPS growth of 19.7%
- High quality order book of £129.1m, down 16% at constant currency, but off an historic high
- Growth opportunities in all markets served
- Special dividend to return £10.0m to shareholders

Outlook

Rotork benefits from a focused long term strategy. Our breadth of product offering, strong balance sheet and international presence provide us with a solid platform for growth.

Although market conditions remain unsettled we continue to benefit from investment in product development, new facilities, expanded service capabilities and improved market penetration.

Quotation activity and the number of projects on our internal tracking system remain at high levels and whilst uncertainty remains on the timing of projects, we anticipate continued improvement in infrastructure and energy related markets.

The board looks forward with confidence to 2010.

For further information, please contact:

Rotork p.l.c. Tel: 01225 733200
Peter France, Chief Executive
Bob Slater, Finance Director

Financial Dynamics Tel: 020 7831 3113
Jon Simmons/Sophie Kernon

Chairman's Statement

2009 saw Rotork achieve further significant revenue and profit growth - despite a subdued trading environment in a number of our markets. General market conditions are showing signs of improvement with increasing project activity and encouraging levels of quotations. We serve long term growth industries, and are targeting the Group wide opportunities that these present. We have continued to invest in our production facilities and product development programmes and are therefore well positioned to capitalise internationally on the improving market conditions through the delivery of high quality competitively presented products and services.

Financial Highlights

For the year, revenue at £353.5m was up 10.4% on the prior year and profit before tax increased by 20.0% to £90.9m. We improved Group operating margin from 23.4% to 25.9%, and closed the year with strong cash balances and a good order book.

Currency has certainly been a positive influence in the year, both in terms of our competitive position internationally and in the translation of results of our international businesses although the volatility that we saw in the first half settled later in the year. At constant currency the increase in profit before tax was 5.1% on revenue that was up less than 1%.

Divisional Highlights

Rotork Controls, our largest division accounting for 64.3% of Group revenue, is the market leader in electric valve actuation. Sales revenue grew in the year by 11.2% to £227.3m and operating profit increased by 26.4% to £72.6m. While there have been project delays in a number of sectors and markets, the level of project activity and quotations made, show that the medium term demand for our products remains strong across all sectors and geographies that we support. We continue to reinforce our position as market leader.

Rotork Fluid Systems ('RFS') has been the division most impacted by delays in activity with around 95% of its business exposed to the oil & gas sector. Nevertheless revenue grew by 12.6% and operating profit by 17.8%, and improved operating margin to 14.3% (2008 13.6%). We are now starting to see operational gains from the restructuring of some of our production facilities and this should benefit the current year. We believe that we have grown our market share substantially over the last few years and have brought innovation and technology to a relatively conservative market and product line. The acquisition of Flow-Quip in November is a positive step for us, giving access to improved product application offerings in some new geographic markets, and we expect to see the benefit of this in 2010.

Rotork Gears performed well in a difficult market although revenue at £36.8m showed no increase over the prior year and operating profit slipped back. Higher costs of material were experienced during the year and this is taking some time to be resolved. However, opportunities for growth continue to be good and our strong position with international valvemakers, supported by our wide product range and technical excellence, give us confidence for the coming year. Our new facility in India will begin production in the second quarter and this is an important development for us in what is an important market that is increasingly difficult to access through imports.

Cash

Cash generation in the year has again been strong with year end net cash balances increasing to £78.7m which represented cash conversion of 117.1% of profit in terms of our key performance indicators. Working capital management has been helped by our inventory reduction programme and good receivables management. The cash balance was of course after the purchase of Flow-Quip in November which was settled for £4.9m.

Dividend

The Board is recommending a final dividend of 17.25p, which together with the interim dividend paid in May represents an increase of 9.2% over the 2008 equivalent. This will be payable on 7 May to shareholders on the register on 9 April 2010. In addition the Directors are intending paying a special dividend of 11.5p per share on 23 July to shareholders on the register on 25 June 2010. This represents a further cash distribution of £10.0m.

Corporate governance
Our stakeholders rightly expect us to act in a fair and responsible manner both inside and outside our companies, and our commitment to high standards of conduct and performance across our businesses is as strong as ever. We keep Corporate and Social Responsibility ('CSR') issues high on the agenda at management meetings and have an ongoing process of refreshing all of our policies and procedures in these areas. This is dealt with comprehensively in the business review under Corporate Governance.

Board Changes
Bob Slater joined Rotork in 1989 and has served as Group Finance Director for the last 12 years. Having aided the recent successful CEO transition Bob has expressed his wish to retire and consequently will be leaving at the end of March. On behalf of the Board I would like to thank Bob for his contribution over many years to the Group's success and wish him well for the future.

Bob will be succeeded by Jonathan Davis who we welcome to the Board. Jonathan has gained considerable experience of the business initially as Group Financial Controller and currently as Finance Director of Rotork Controls.

Alex Walker has been a non-executive director since 2001 and for the last few years has chaired the Remuneration Committee. Having now completed nine years on the Board Alex will retire at the forthcoming AGM. He leaves with our best wishes and appreciation of his valued advice and support.

Outlook
Rotork benefits from a focused long term strategy. Our breadth of product offering, strong balance sheet and international presence provide us with a solid platform for growth.

Although market conditions remain unsettled we continue to benefit from investment in product development, new facilities, expanded service capabilities and improved market penetration.

Quotation activity and the number of projects on our internal tracking system remain at high levels and whilst uncertainty remains on the timing of projects, we anticipate continued improvement in infrastructure and energy related markets.

The board looks forward with confidence to 2010.

Roger Lockwood
Chairman
1 March 2010

Business review

Introduction

Rotork is an international business with operations which span the globe. We supply actuators, systems and associated products wherever there is a need to control the flow of liquids or gases through pipes or channels, as well as into other specialist applications. The end-user industries that we support are diverse and while we broadly categorise them into the general headings of Oil & Gas, Water and Power, this does not totally define the very wide range of engineering applications for our products. Rotork actuators are used in chemical, energy & power, food, transport and many other industries across the world and can be broadly classed as being related to infrastructure development and management.

We have a direct presence in 29 countries, with 15 manufacturing plants, 96 direct service and marketing outlets, and around 1800 staff. In addition to these facilities we have over 300 sales outlets in a further 59 countries where we operate through agents and distributors. This network enables Rotork to give direct local support to customers across the world and is an important facet of our approach to our markets.

As our operations have grown, both organically and by acquisition, so has the range of products within the Group's portfolio. With the addition of new locations this has enabled Rotork to supply into increasingly diverse applications, industries and geographies.

Year under review

During the past year we have seen disruption in many of our markets as companies and governments have adopted strategies to deal with the financial issues left by the financial crisis. As the year unfolded we saw initiatives in many geographical areas being taken to address this in the form of stimulus packages. For Rotork, the first quarter was buoyant with order intake ahead of the prior year, but by the half year we saw some slowing, influenced by project delays and funding issues in a number of areas. Order intake continued to be slow through the second half, failing to reflect the buoyant project activity and good level of sales quotations that we had seen in the various businesses. By the year end we started to see improved optimism in many areas and indications of projects being released into live status.

Overall, order intake was £326.3m, down approximately 5% on the 2008 figure. A number of our businesses reported order intake higher than the prior year, including Iberia (up 20%), Russia (up 35%) and Malaysia (up 25%). Asia generally was the least affected with all but one company showing order intake growth in the year.

Shipments were strong and at £353.5m, Group revenue was up 10.4% on the prior year and with operating margin increasing in the year by 2.5 points. Profit before tax was up 20.0% to £90.9m, a new record level. The closing order book was lower than at the start of the year (which itself had been heavily flattered by currency) but at £129.1m it represents a strong position going into 2010. These figures include the acquisition of Flow-Quip made in November, although its contribution to the year was modest.

We continue to see medium and long term growth opportunities in all of the markets that we serve and our margin resilience reflects our competitive position in many of these markets. Our strengths continue to be in product design, approach to market and above all close contact with and support of our customers everywhere. Our growing site service operations are particularly important to us, not only in growing our direct income streams, but also in maintaining close customer contact enabling us to also influence future investment decisions. Our site service businesses continue to be deeply imbedded within our divisional businesses and we therefore report on them within the context of each division's performance.

Rotork Controls

This is our largest division accounting for 64.3% of sales revenue. It reported sales of £227.3m in the year, up 11.2% on the prior year. Order intake was 1.7% down on the prior year figure, and at the end of the year Controls made up nearly 66% of our order book. Both project activity and the level of sales quotations was good in 2009 and many of the projects that we are working on with our customers already have engineering clearance and operational support, and where there have been holdups, this has in most cases been due to issues relating to the release of funding.

During the year we have invested in our UK, India and Russia businesses in terms of facilities, systems and people. We are continuing to invest and ensure that we create further capacity to support our markets in the future. The site services business in Controls has continued to prosper and we see this as an important part of our business going forward enabling deeper partnerships with customers to give them greater on site technical support and visibility of the performance of their processes.

This is a business that is well established in most of its industrial markets. The operating margin of the business continues to improve due to operational gearing as our throughput increases, product mix and attention to cost control.

Rotork Fluid Systems

Supplying pneumatic and hydraulic actuators and systems, Rotork Fluid Systems ('RFS') has been our fastest growing division in recent years. In the year under review we grew sales revenue by 12.6% to £99.7m. Over the last three years RFS' revenue has grown from £40.5m to £99.7m, an increase of 146%. This has been achieved in a growing market, but we have undoubtedly made great progress in building the business through market share gains due to our customer-oriented approach and increased variety of product offering through organic product development, and latterly by acquisition.

The business is largely aimed at supporting the Oil & Gas market, which has been the most impacted by project delays in 2009. Our order intake into this division was down 11.9% over the prior year and while there are a number of large projects available to us, the delays here were worse than in the other parts of the Group. We have been able to maintain margins during this period and have improved our engineering and production processes at the major plants in Italy and Germany, and are able to demonstrate to customers that we have market leading technology, and the capability and capacity to handle even the largest projects in the industry.

The site services business within RFS is now gaining critical mass and we are successfully weaving this into our core product offerings to our customers internationally. Despite the recent slowing of order intake, we have a high degree of confidence in this business and the opportunities for us in the medium term.

Rotork Gears

Rotork Gears is a supplier of gearboxes, adaptors and ancillaries for the valve industry worldwide and is now the world leader in terms of product portfolio and geographic reach across many industrial sectors. The division is often a sole original equipment supplier to major industrial groups. It has created close partnering arrangements with customers and provides a high quality OEM service, giving the customer base real product improvements and cost savings in a long term relationship. We saw softening in valvemaker activity across the world during the year, and additionally the division was negatively impacted by the strengthening of the Chinese currency which affected material costs. As a result operating margin fell by 1.6 points to 21.8% on sales revenue of £36.8m. Going forward, we are very positive about our new production facility in India where we see good growth prospects and production costs which will support our margin in 2010.

Rotork Site Services

Rotork Site Services operates through each of the three divisions with dedicated teams providing on site and workshop support to our customers for the complete range of products including essential repair, maintenance, factory fit and outsource maintenance programmes tailored to the customer's requirements. This business is an important feature in our strategy going forward and we can demonstrate that we are able to genuinely support customers across the range of products and the applications that they cover. We are continually making improvements and structural changes in this business to better enable it to respond to our customers' increasing demands for an outsourcing business model in the fields of site service and plant repair and maintenance.

R&D

Investment in our product portfolio is an important part of Rotork's success, and a major differentiating factor in our competitive landscape. Each of the three divisions has an active programme of research and development aimed at refining the product offering, widening its market appeal across sectors, and bringing technical developments into the product range where they would provide value for our customers.

The year saw the initial launch of the Control Valve Actuator ('CVA') which has achieved accolades in many quarters including receiving a flow control innovation award from an influential US magazine. The range is not yet fully developed and remains an active part of our development programme into 2010. During 2009 we also widened our network offering to include the HART protocol which has become the de-facto standard in the process control industry and have continued our development of a wireless interface to complement our proprietary Pakscan system. A second wireless trial site, located in the US, has also been installed and a product launch is anticipated during the coming year.

We have continued to increase our development resources within the Bath facility where we are focussing on developing technology for future generation electric products whilst working with our international supply chain to advance our current products from both a cost and features perspective.

This has been an important year within the Fluid Systems division where a Technical Director has been appointed to provide focus for the successful and growing range of current and planned product developments. A product and technology roadmap is being put in place to ensure a longer term focus on both existing products within the portfolio and new products. RFS has also supplied the largest sub-sea rack and pinion actuator ever built at the Lucca factory. Measuring over two metres high and five metres in length, the single-acting spring-return actuator is designed to operate a 24 inch, ANSI class 900 sub-sea safety isolation ball valve ('SSIV') for the Tuna Gas Gathering Project, off the coast of Egypt. This project is a continuation of the work with the Gears division and the hydraulically operated package incorporates a special gearbox and de-clutch system which enables the actuator's output drive to the valve to be automatically disconnected and reconnected when maintenance is required.

Following the acquisition in 2008 of the Smart Valve Monitor ('SVM') product consolidation has been completed and we now look towards building the brand and additional sales. Further significant developments for the SVM range are now planned.

The product offering of the Gears division has also been extended with the development of gearboxes for the American water industry. This project was completed during 2009 and the product range is now in production. A complete range of quarter-turn gearboxes has also been designed for building fire-protection systems and these are now at the product testing and approval stage. Other gearbox ranges have also benefited from continuous improvement and design optimisation programmes.

Quality

Commitment to product excellence and customer satisfaction is fundamental to Rotork and we ensure that it is embedded into our business processes across design, vendor assurance and production. Rotork manufacturing sites are required to be registered to the international Quality Management System Standard ISO9001 and also adopt Rotork systems and working practices that are proven and used across the Group. This process is planned and managed from the main production site and Group headquarters in Bath.

Our research and development function has a robust design review process for all new products which ensures that our quality ethos is built in at our own and our suppliers' facilities. Our business model requires exact control of our component procurement processes and through our global supply chains we have created a mutually supportive network of Rotork supplier quality assurance ('SQA') and procurement teams to ensure that our requirements are achieved.

Peter France
Chief Executive
1 March 2010

Consolidated Income Statement
for the year ended 31 December 2009

	Notes	**2009 £'000**	2008 £'000
Revenue	2	**353,521**	320,207
Cost of sales		**(187,600)**	(176,046)
Gross profit		**165,921**	144,161
Other income	4	**688**	42
Distribution costs		**(3,428)**	(3,535)
Administrative expenses		**(71,585)**	(65,697)
Other expenses		**(59)**	(82)
Operating profit before the amortisation of acquired intangible assets and the disposal of property		**92,103**	76,014
Amortisation of acquired intangible assets		**(1,153)**	(1,125)
Disposal of property		**587**	-
Operating profit	2	**91,537**	74,889
Financial income	5	**5,784**	7,073
Financial expenses	5	**(6,405)**	(6,211)
Profit before tax		**90,916**	75,751
Income tax expense	6	**(26,884)**	(22,331)
Profit for the year		**64,032**	53,420
		=====	=====
		Pence	Pence
Basic earnings per share	13	**74.2**	62.0
Diluted earnings per share	13	**73.9**	61.6

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2009

	2009 £'000	2008 £'000
Profit for the year	**64,032**	53,420
Other comprehensive income		
Foreign exchange translation differences	**(11,928)**	23,824
Actuarial (loss) / gain in pension scheme	**(15,547)**	1,290
Movement on deferred tax relating to actuarial loss / (gain)	**4,257**	(161)
Effective portion of changes in fair value of cash flow hedges, net of tax	**5,046**	(4,719)
Income and expenses recognised directly in equity	**(18,172)**	20,234
Total comprehensive income for the year	**45,860**	73,654
	=====	=====

Consolidated Balance Sheet
at 31 December 2009

	Notes	**2009 £'000**	2008 £'000
Assets			
Property, plant and equipment		**23,521**	23,868
Intangible assets	7	**40,780**	39,696
Deferred tax assets		**11,631**	10,925
Other receivables		**1,119**	1,137
Total non-current assets		**77,051**	75,626
Inventories	8	**46,712**	59,410
Trade receivables	9	**53,791**	63,694
Current tax		**1,818**	1,752
Derivative financial instruments		**942**	-
Other receivables		**6,197**	5,578
Cash and cash equivalents	10	**78,676**	41,390
Total current assets		**188,136**	171,824
Total assets		**265,187**	247,450
Equity			
Issued equity capital	12	**4,330**	4,325
Share premium		**7,033**	6,666
Reserves		**14,406**	21,288
Retained earnings		**140,402**	112,117
Total equity		**166,171**	144,396
Liabilities			
Interest bearing loans and borrowings		**162**	190
Employee benefits		**22,549**	8,637
Deferred tax liabilities		**1,970**	2,806
Derivative financial instruments		**127**	1,686
Provisions	11	**1,664**	1,660
Total non-current liabilities		**26,472**	14,979
Interest bearing loans and borrowings		**104**	157
Trade payables	14	**26,350**	32,803
Employee benefits		**7,252**	7,001
Current tax		**9,768**	12,197
Derivative financial instruments		**1,130**	5,624
Other payables		**24,690**	26,781
Provisions	11	**3,250**	3,512
Total current liabilities		**72,544**	88,075
Total liabilities		**99,016**	103,054
Total equity and liabilities		**265,187**	247,450

These financial statements were approved by the Board of Directors on 1 March 2010 and were signed on its behalf by:

PI France and **RE Slater**, Directors.

Consolidated Statement of Changes in Equity

	Issued equity capital	Share premium	Translation reserve	Capital redemption reserve	Hedging reserve	Retained earnings	Total
Balance at 31 December 2007	4,323	6,519	1,085	1,639	(544)	89,430	102,452
Profit for the year	-	-	-	-	-	53,420	53,420
Other comprehensive income							
Foreign exchange translation differences	-	-	23,824	-	-	-	23,824
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(4,719)	-	(4,719)
Actuarial gains and losses on defined benefit pension plans net of tax	-	-	-	-	-	1,129	1,129
Total other comprehensive income	-	-	23,824	-	(4,719)	1,129	20,234
Total comprehensive income	-	-	23,824	-	(4,719)	54,549	73,654
Transactions with owners, recorded directly in equity							
Equity settled share based payment transactions net of tax	-	-	-	-	-	(2,419)	(2,419)
Share options exercised by employees	2	147	-	-	-	-	149
Own ordinary shares acquired	-	-	-	-	-	(3,518)	(3,518)
Own ordinary shares awarded under share schemes	-	-	-	-	-	4,050	4,050
Preference shares redeemed	-	-	-	3	-	(5)	(2)
Dividends	-	-	-	-	-	(29,970)	(29,970)
Balance at 31 December 2008	4,325	6,666	24,909	1,642	(5,263)	112,117	144,396
Profit for the year	**-**	**-**	**-**	**-**	**-**	**64,032**	**64,032**
Other comprehensive income							
Foreign exchange translation differences	**-**	**-**	**(11,928)**	**-**	**-**	**-**	**(11,928)**
Effective portion of changes in fair value of cash flow hedges	**-**	**-**	**-**	**-**	**5,046**	**-**	**5,046**
Actuarial gains and losses on defined benefit pension plans net of tax	**-**	**-**	**-**	**-**	**-**	**(11,290)**	**(11,290)**
Total other comprehensive income	**-**	**-**	**(11,928)**	**-**	**5,046**	**(11,290)**	**(18,172)**
Total comprehensive income	**-**	**-**	**(11,928)**	**-**	**5,046**	**52,742**	**45,860**
Transactions with owners, recorded directly in equity							
Equity settled share based payment transactions net of tax	**-**	**-**	**-**	**-**	**-**	**48**	**48**
Share options exercised by employees	**5**	**367**	**-**	**-**	**-**	**-**	**372**
Own ordinary shares acquired	**-**	**-**	**-**	**-**	**-**	**(3,700)**	**(3,700)**
Own ordinary shares awarded under share schemes	**-**	**-**	**-**	**-**	**-**	**3,297**	**3,297**
Dividends	**-**	**-**	**-**	**-**	**-**	**(24,102)**	**(24,102)**
Balance at 31 December 2009	**4,330**	**7,033**	**12,981**	**1,642**	**(217)**	**140,402**	**166,171**

Detailed explanations for equity capital, translation reserve, capital redemption reserve and hedging reserve can be seen in note 12.

Consolidated Statement of Cash Flows
for the year ended 31 December 2009

	Notes	**2009 £'000**	**2009 £'000**	2008 £'000	2008 £'000
Cash flows from operating activities					
Profit for the year		**64,032**		53,420	
Adjustments for:					
Amortisation of intangibles		**1,153**		1,125	
Amortisation of development costs		**402**		352	
Depreciation		**3,549**		3,281	
Equity settled share-based payment expense		**872**		718	
(Profit) \ Loss on sale of property, plant and equipment		**(598)**		25	
Financial income		**(5,784)**		(7,073)	
Financial expenses		**6,405**		6,211	
Income tax expense		**26,884**		22,331	
		96,915		80,390	
Decrease \ (Increase) in inventories		**9,680**		(8,621)	
Decrease \ (Increase) in trade and other receivables		**5,967**		(4,293)	
(Decrease) \ Increase in trade and other payables		**(4,032)**		5,955	
Difference between pension charge and cash contribution		**(1,350)**		(823)	
(Decrease) \ Increase in provisions		**(257)**		1,554	
Increase \ (Decrease) in other employee benefits		**272**		(299)	
		107,195		73,863	
Income taxes paid		**(27,548)**		(22,547)	
Cash flows from operating activities			**79,647**		51,316
Investing activities					
Purchase of property, plant and equipment		**(4,238)**		(4,353)	
Purchase of intangible assets		**-**		(666)	
Development costs capitalised		**(768)**		(817)	
Sale of property, plant and equipment		**908**		90	
Acquisition of subsidiary, net of cash acquired		**(4,892)**		(12,714)	
Interest received		**270**		564	
Cash flows from investing activities			**(8,720)**		(17,896)
Financing activities					
Issue of ordinary share capital		**372**		149	
Purchase of ordinary share capital		**(3,700)**		(3,518)	
Purchase of preference shares treated as debt		**-**		(5)	
Interest paid		**(176)**		(294)	
Repayment of amounts borrowed		**(27)**		(82)	
Repayment of finance lease liabilities		**(94)**		(87)	
Dividends paid on ordinary shares		**(24,102)**		(29,970)	
Cash flows from financing activities			**(27,727)**		(33,807)
Net Increase \ (decrease) in cash and cash equivalents			**43,200**		(387)
Cash and cash equivalents at 1 January			**41,390**		38,253
Effect of exchange rate fluctuations on cash held			**(5,914)**		3,524
Cash and cash equivalents at 31 December	10		**78,676**		41,390
			=====		=====

Notes to the Financial Statements
for the year ended 31 December 2009

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

Rotork p.l.c. is a Company domiciled in England. The consolidated financial statements of the Company for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the 'Group').

1. Accounting policies

<u>Basis of preparation</u>

The consolidated financial statements of Rotork p.l.c. have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention subject to the items referred to in the derivative financial instruments accounting policy below.

New, revised or changes to existing standards in 2009 which have been adopted by the Group

IAS1 (revised), 'Presentation of financial statements' became effective on 1 January 2009. The revision has resulted in minor changes to the presentation of the primary statements.

IFRS 8 'Operating segments', became effective on 1 January 2009. The new standard has not required any additional disclosure or changes to segmental reporting from that reported in 2008.

IAS23 'Borrowing costs' amendment became effective on 1 January 2009 and requires borrowing costs which meet certain criteria to be capitalised. The Group does not currently have any material borrowings or interest costs.

Amendments to IAS32, 'Presentation', IAS39, 'Financial instruments', IFRS2, 'Share-based payment', IFRS7 'Financial instruments: Disclosures' and IAS27 'Consolidated and separate financial statements' became effective in 2009 and did not have a material impact on the Group.

Interpretations which became effective in 2009

No interpretations which became effective in 2009 were relevant to the Group.

Standards, amendments and interpretations to existing standards that are effective and have not been early adopted by the Group

IFRS3, 'Business combinations (revised)', will be adopted from 1 January 2010 and will result in future acquisition costs being expensed. The policy up until 31 December 2009 was to include the acquisition costs in the cost of the investment. The change is not expected to have a material impact on the financial statements.

Recent accounting developments

Standards, amendments or interpretations which have been issued by the International Accounting Standards Board or by the IFRIC which have not yet been adopted are not expected to have a material impact on the Group. Subject to endorsement by the European Union, these standards, amendments or interpretations will be adopted in future periods.

<u>Going concern</u>
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 company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year to 31 December 2009. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. Intragroup balances and any unrealised gains or losses or income and expenses arising from intragroup 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 2009 or 2008. Statutory accounts for 2008, which were prepared under International Financial Reporting Standards as adopted by the EU, have been delivered to the registrar of companies, and those for 2009 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 237 (2) or (3) of the Companies Act 1985 in respect of the accounts for 2008 nor a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2009. Full financial statements for the year ended 31 December 2009, will shortly be posted to shareholders, and after adoption at the Annual General Meeting on 23 April 2010 will be delivered to the registrar.

Notes to the Financial Statements

2. Operating segments

The management structure and reporting of financial information to the chief operating decision maker is the basis used to define operating segments.

The Group comprises the following operating segments:

Controls – the design, manufacture and sale of electric valve actuators
Fluid Systems – the design, manufacture and sale of heavy duty pneumatic and hydraulic valve actuators
Gears – the design, manufacture and sale of gearboxes, adaption and ancillaries for the valve industry

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 or on pages 84 and 85 of the 2008 Rotork Annual Report and Accounts.

Analysis by Operating Segment:

	Controls 2009	**Fluid Systems 2009**	**Gears 2009**	**Eliminations 2009**	**Consolidated 2009**
Revenue from external customers	**227,344**	**99,726**	**26,451**	**-**	**353,521**
Inter segment revenue	**-**	**-**	**10,373**	**(10,373)**	**-**
Total revenue	**227,344**	**99,726**	**36,824**	**(10,373)**	**353,521**
Segment result	**72,620**	**14,220**	**8,026**	**-**	**94,866**
Unallocated expenses					**(3,329)**
Operating profit					**91,537**
Net financing expense					**(621)**
Income tax expense					**(26,884)**
Profit for the year					**64,032**

	Controls 2008	Fluid Systems 2008	Gears 2008	Eliminations 2008	Consolidated 2008
Revenue from external customers	204,510	88,570	27,127	-	320,207
Inter segment revenue	-	-	9,654	(9,654)	-
Total revenue	204,510	88,570	36,781	(9,654)	320,207
Segment result	57,466	12,075	8,621	-	78,162
Unallocated expenses					(3,273)
Operating profit					74,889
Net financing income					862
Income tax expense					(22,331)
Profit for the year					53,420

	Controls	Fluid Systems	Gears	Unallocated	Consolidated
	2009	**2009**	**2009**	**2009**	**2009**
Depreciation	**2,262**	**1,040**	**247**	**-**	**3,549**
Amortisation:					
Other intangibles	**-**	**1,093**	**60**	**-**	**1,153**
Development costs	**402**	**-**	**-**	**-**	**402**
Non-cash items : equity settled share-based payments	**508**	**72**	**51**	**117**	**748**
Net financing expense	**-**	**-**	**-**	**621**	**621**
Intangible assets acquired as part of a business combination	**-**	**3,595**	**-**	**-**	**3,595**
Capital expenditure	**3,083**	**1,094**	**135**	**-**	**4,312**

	Controls	Fluid Systems	Gears	Unallocated	Consolidated
	2008	2008	2008	2008	2008
Depreciation	2,167	867	247	-	3,281
Amortisation:					
Other intangibles	-	1,070	55	-	1,125
Development costs	352	-	-	-	352
Non-cash items : equity settled share-based payments	365	37	51	265	718
Net financing income	-	-	-	(862)	(862)
Intangible assets acquired as part of a business combination	-	10,466	-	-	10,466
Capital expenditure	2,585	2,077	232	-	4,894

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

Geographical analysis:	**UK**	**Rest of Europe**	**USA**	**Other Americas**	**Rest of the World**	**Consolidated**
	2009	**2009**	**2009**	**2009**	**2009**	**2009**
Revenue from external customers by location of customer	**29,314**	**117,098**	**65,370**	**33,081**	**108,658**	**353,521**
Non- current assets						
- Intangible assets	**6,869**	**19,217**	**10,207**	**213**	**4,274**	**40,780**
- Property, plant and equipment	**5,200**	**11,060**	**3,360**	**220**	**3,681**	**23,521**

	UK	Rest of Europe	USA	Other Americas	Rest of the World	Consolidated
	2008	2008	2008	2008	2008	2008
Revenue from external customers by location of customer	28,966	117,030	58,070	25,979	90,162	320,207
Non- current assets						
- Intangible assets	6,503	21,073	7,477	213	4,430	39,696
- Property, plant and equipment	5,340	12,170	3,174	156	3,028	23,868

3. Acquisition of subsidiaries

On 6 November 2009 the Group acquired the trade and assets of Flow-Quip a designer and manufacturer of valve actuators based in Tulsa, USA. The acquisition was accounted for using the purchase method.

In the 2 months to 31 December 2009 the business contributed £1,378,000 to Group revenue and £163,000 to consolidated operating profit before the £235,000 amortisation charge from the acquired intangible assets. If the acquisition had occurred on 1 January 2009 the business would have contributed £9,274,000 to Group revenue and £1,145,000 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	Fair value adjustments	Carrying amounts
Property, plant and equipment	550	-	550
Intangible assets	-	1,487	1,487
Inventories	955	-	955
Trade and other receivables	1,293	-	1,293
Trade and other payables	(1,501)	-	(1,501)
	1,297	1,487	2,784
Goodwill on acquisition			2,108
Consideration paid, satisfied in cash			4,892
			=====
Purchase consideration settled in cash			4,892
Cash and cash equivalents in subsidiary acquired			-
Cash outflow on acquisition			4,892
			=====

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

Acquisitions during 2008

On 30 January 2008 the Group acquired 100% of the share capital of Remote Controls Sweden AB a designer and manufacturer of valve actuators based in Falun, Sweden. The acquisition was accounted for using the purchase method of consolidation.

In the 12 months to 31 December 2008 the subsidiary contributed £18,261,000 to Group revenue and £2,208,000 to consolidated operating profit before the £985,000 amortisation charge from the acquired intangible assets. It is not practicable to disclose profit before tax as the Group manages its Treasury function on a group basis. Similarly it is not practicable to disclose profit attributable to equity shareholders, as acquired businesses have been merged with existing group companies in the period since the acquisition. If the acquisition had occurred on 1 January 2008 the results would not have been materially different.

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, and post acquisition synergies within the Fluid Systems division.

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

	Pre acquisition carrying amounts	Fair value adjustments	Carrying amounts
Property, plant and equipment	1,115	-	1,115
Intangible assets	-	4,755	4,755
Inventories	2,905	-	2,905
Trade and other receivables	2,335	-	2,335
Cash and cash equivalents	587		587
Trade and other payables	(2,616)	-	(2,616)
Deferred tax liabilities	(105)	(1,331)	(1,436)
Borrowings	(55)	-	(55)
	4,166	3,424	7,590
Goodwill on acquisition			5,711
Consideration paid, satisfied in cash (including £162,000 expenses)			13,301
			=====
Purchase consideration settled in cash			13,301
Cash and cash equivalents in subsidiary acquired			(587)
Cash outflow on acquisition			12,714
			=====

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

4. Other income

	2009	2008
Gain on disposal of property, plant and equipment	**654**	32
Non-executive fees receivable	**34**	10
Other	**-**	-
	688	42
	=====	=====

Included in gain on disposal of property, plant and equipment is a profit of £587,000 in relation to the sale of a Spanish building.

5. Net financing income

Recognised in the income statement	**2009**	2008
Interest income	**226**	562
Expected return on assets in the pension schemes	**5,408**	5,896
Foreign exchange gains	**150**	615
	5,784	7,073
	=====	=====
Interest expense	**167**	296
Interest charge on pension scheme liabilities	**5,449**	5,538
Foreign exchange losses	**789**	377
	6,405	6,211
	=====	=====

Recognised in equity

Effective portion of changes in fair value of cash flow hedges	**(217)**	(5,263)
Fair value of cash flow hedges transferred to income statement	**5,263**	544
Foreign currency translation differences for foreign operations	**(11,928)**	23,824
	(6,882)	19,105
	=====	=====
Recognised in:		
Hedging reserve	**5,046**	(4,719)
Translation reserve	**(11,928)**	23,824
	(6,882)	19,105
	=====	=====

6. Income tax expense

	2009	**2009**	2008	2008
Current tax:				
UK corporation tax on profits for the year	**13,757**		17,570	
Double tax relief	**(6,074)**		(8,789)	
Adjustment in respect of prior years	**(146)**		(152)	
		7,537		8,629
Overseas tax on profits for the year	**18,560**		15,921	
Adjustment in respect of prior years	**(9)**		(15)	
		18,551		15,906
Total current tax		**26,088**		24,535
Deferred tax:				
Origination and reversal of other temporary differences	**704**		(2,354)	
Adjustment in respect of prior years	**92**		150	
Total deferred tax		**796**		(2,204)
Total tax charge for year		**26,884**		22,331
Effective tax rate (based on profit before tax)		**29.6%**		29.5%
Profit before tax		**90,916**		75,751
Profit before tax multiplied by standard rate of corporation tax in the UK of 28.0% (2008: 28.5%)		**25,456**		21,589
Effects of:				
Non deductible items		**1,468**		1,640
Utilisation of overseas tax holidays and losses		**(898)**		(1,154)
Different tax rates on overseas earnings		**921**		273
Adjustments to tax charge in respect of prior years		**(63)**		(17)
Total tax charge for year		**26,884**		22,331

A tax credit of £670,000 *(2008: expense £471,000)* in respect of share based payments has been recognised directly in equity in the year.

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

There is an unrecognised deferred tax liability for temporary differences associated with investments in subsidiaries. Rotork p.l.c. controls the dividend policies of its subsidiaries and subsequently the timing of the reversal of the temporary differences. It is not practical to quantify the unprovided temporary differences as acknowledged within paragraph 40 of IAS 12.

7. Intangible assets

	Goodwill	Development costs	Other intangibles	Total	Goodwill	Development costs	Other intangibles	Total
	2009	**2009**	**2009**	**2009**	2008	2008	2008	2008
Cost								
Balance at 1 January	**32,792**	**3,879**	**6,941**	**43,612**	21,527	3,062	805	25,394
Exchange differences	**(1,696)**	**-**	**(19)**	**(1,715)**	5,554	-	715	6,269
Internally developed during the year	**-**	**768**	**-**	**768**	-	817	-	817
Reduction in deferred consideration	**-**	**-**	**-**	**-**	-	-	-	-
Additions	**-**	**-**	**-**	**-**	-	-	666	666
Acquisition through business combinations	**2,108**	**-**	**1,487**	**3,595**	5,711	-	4,755	10,466
Balance at 31 December	**33,204**	**4,647**	**8,409**	**46,260**	32,792	3,879	6,941	43,612
Amortisation								
Balance at 1 January	**-**	**2,153**	**1,763**	**3,916**	-	1,801	452	2,253
Exchange differences	**-**	**-**	**9**	**9**	-	-	186	186
Amortisation for the year	**-**	**402**	**1,153**	**1,555**	-	352	1,125	1,477
Balance at 31 December	**-**	**2,555**	**2,925**	**5,480**	-	2,153	1,763	3,916
Net book value at 31 December	**33,204**	**2,092**	**5,484**	**40,780**	32,792	1,726	5,178	39,696
	=====	**=====**	**=====**	**=====**	=====	=====	=====	=====
Net book value at 31 December 2007					21,527	1,261	353	23,141
					=====	=====	=====	=====

The amortisation charge in both years is recognised within administrative expenses in the income statement. Other intangibles include customer relationships, order books, intellectual property, agency agreements and trading names of acquired companies.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units ('CGUs') identified according to business segment. A segment level summary of goodwill allocation is presented below.

	2009	2008
Controls	**6,687**	7,240
Fluid Systems	**18,753**	17,490
Gears	**7,764**	8,062
	33,204	32,792
	=====	=====

The recoverable amounts of all CGUs are based on value in use calculations. These calculations use cash flow projections and are based on actual operating results and the latest Group three year plan. The three year plan is based on management's view of the future and experience of past performance. Cash flows for the remainder of the next twenty years are extrapolated using a 2% growth rate which reflects the long-term nature of many of the markets the Group serves. This rate has been consistently bettered in the past so is believed to represent a prudent estimate. The discount rate used is 9.8% (2008: 11%), this represents a reasonable rate for a market participant in this sector. The discount rate of each business segment is not materially different to 9.8%. For the Goodwill to become impaired in the CGU with the minimum headroom, the discount rate would have to increase by 40%. On this basis each business segment has sufficient headroom and therefore no impairment write downs are required.

8. Inventories

	2009	2008
Raw materials and consumables	**26,998**	31,937
Work in progress	**13,692**	18,411
Finished goods	**6,022**	9,062
	46,712	59,410
	=====	=====

Included in cost of sales was £140,728,000 *(2008: £134,769,000)* in respect of inventories consumed in the year.

9. Trade and other receivables

	2009	2008
Non-current assets:		
Insurance policy	**995**	976
Other	**124**	161
Other receivables	**1,119**	1,137
	=====	=====
Current assets:		
Trade receivables	**55,384**	65,062
Less provision for impairment of receivables	**(1,593)**	(1,368)
Trade receivables – net	**53,791**	63,694
	=====	=====
Corporation tax	**1,818**	1,752
Current tax	**1,818**	1,752
	=====	=====
Other non-trade receivables	**3,729**	3,714
Prepayments and accrued income	**2,468**	1,864
Other receivables	**6,197**	5,578
	=====	=====

10. Cash and cash equivalents

	2009	2008
Bank balances	**29,704**	23,654
Cash in hand	**89**	92
Short-term deposits	**48,883**	17,644
Cash and cash equivalents	**78,676**	41,390
Bank overdrafts	**-**	-
Cash and cash equivalents in the consolidated statement of cash flows	**78,676**	41,390

11. Provisions

	Warranty	**Deferred consideration**	**Total**
	2009	**2009**	**2009**
Balance at 1 January 2009	**4,979**	**193**	**5,172**
Exchange differences	**(371)**	**-**	**(371)**
Provisions used during the year	**(1,133)**	**(193)**	**(1,326)**
Charged in the year	**1,439**	**-**	**1,439**
Balance at 31 December 2009	**4,914**	**-**	**4,914**
Maturity at 31 December 2009			
Non-current	**1,664**	**-**	**1,664**
Current	**3,250**	**-**	**3,250**
	4,914	**-**	**4,914**
Maturity at 31 December 2008			
Non-current	1,660	-	1,660
Current	3,319	193	3,512
	4,979	193	5,172

The warranty provision is based on estimates made from historical warranty data associated with similar products and services. The provision relates mainly to products sold during the last 12 months, the typical warranty period is now 18 months.

The deferred consideration arose on the acquisition of PC Intertechnik during 2005, this amount was settled during 2009.

12. Capital and reserves

Share capital and share premium

	5p Ordinary shares Authorised 2009	**5p Ordinary shares Issued and fully paid up 2009**	**£1 Non-redeemable preference shares 2009**	5p Ordinary shares Authorised 2008	5p Ordinary shares Issued and fully paid up 2008	£1 Non-redeemable preference shares 2008
At 1 January	**5,449**	**4,325**	**42**	5,449	4,323	45
Preference shares redeemed	**-**	**-**	**-**	-	-	(3)
Issued under employee share schemes	**-**	**5**	**-**	-	2	-
At 31 December	**5,449**	**4,330**	**42**	5,449	4,325	42
	=====	**=====**	**=====**	=====	=====	=====
Number of shares (000)	**108,990**	**86,613**		108,990	86,510	
	=====	**=====**		=====	=====	

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

The Group issued 12,246 Ordinary shares during the year under the Share option scheme (2008: 18,835) at prices between 285p and 387p (2008: 285p and 387p). The Group issued 90,615 (2008: 21,951) under the Sharesave plan at prices between 320p and 592p (2008: 462p).

The Group received proceeds of £372,000 (2008: £149,000) in respect of the 102,861 (2008: 40,786) Ordinary shares issued during the year: £5,000 (2008: £2,000) was credited to share capital and £367,000 (2008: £147,000) to share premium.

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.

Within the retained earnings reserve are own shares held. The investment in own shares represents 363,196 *(2008: 413,302)* 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.

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:

	2009	2008
16.75p final dividend (*2008: 14.0p)*	**14,470**	12,075
11.15p interim dividend *(2008: 9.25p)*	**9,632**	7,979
2008 additional interim dividend 11.5p	**-**	9,916
	24,102	29,970
	=====	=====

After the balance sheet date the following dividends per qualifying ordinary share were proposed by the directors. The dividends have not been provided for and there are no corporation tax consequences.

	2009	2008
Final proposed dividend per qualifying ordinary share		
17.25p	**14,943**	
	=====	
16.75p		14,490
		=====
Additional interim dividend per qualifying ordinary share proposed for 2010		
11.5p	**9,960**	
	=====	

13. 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 86.3m shares *(2008: 86.1m shares)* being the weighted average number of ordinary shares in issue (net of own ordinary shares held) for the year.

	2009	2008
Net profit attributable to ordinary shareholders	**64,032**	53,420
	=====	=====
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**86,096**	86,024
Effect of own shares held	**172**	99
Effect of shares issued under Share option schemes / Sharesave plans	**13**	21
Weighted average number of ordinary shares for the year ended 31 December	**86,281**	86,144
	=====	=====
Basic earnings per share	**74.2p**	62.0p

Diluted earnings per share

Diluted earnings per share is based on the profit for the year attributable to the ordinary shareholders and 86.7m shares *(2008: 86.7m 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 three categories of potentially dilutive ordinary shares: those share options granted to employees under the Share option scheme and 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.

	2009	2008
Net profit attributable to ordinary shareholders	**64,032**	53,420
	=====	=====
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares for the year ended 31 December	**86,281**	86,144
Effect of share options in issue	**11**	17
Effect of Sharesave options in issue	**68**	116
Effect of LTIP shares in issue	**327**	416
Weighted average number of ordinary shares (diluted) for the year ended 31 December	**86,687**	86,693
	=====	=====
Diluted earnings per share	**73.9p**	61.6p

14. Trade and other payables

	2009	2008
Trade payables	**26,031**	32,096
Bills of exchange	**319**	707
Trade payables	**26,350**	32,803
	=====	=====
Corporation tax	**9,768**	12,197
Current tax	**9,768**	12,197
	=====	=====
Other taxes and social security	**3,627**	3,636
Non-trade payables and accrued expenses	**21,063**	23,145
Other payables	**24,690**	26,781
	=====	=====

15. 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 on pages 84 to 85 of the 2008 Rotork Annual Report and Accounts. Transactions between two 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 p.l.c., a related party by virtue of non-executive director IG King's directorship of that company, totalled £20,000 during the year *(2008: £32,000)* and £19,000 was outstanding at 31 December 2009 *(2008: £nil).*

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 were:

	2009	2008
Emoluments including social security costs	**2,455**	2,535
Post employment benefits	**424**	388
Share-based payments	**843**	760
	3,722	3,683