rotork

Rotork p.l.c.

2008 Half Year Results

Continued double digit revenue and profit growth in all three divisions

Financial Highlights

	2008	2007	% change	% change (constant currency)
Revenue	£143.5m	£113.3m	+27%	+18%
Operating profit	£32.9m	£26.0m	+27%	+20%
Profit before tax	£33.3m	£26.9m	+24%	+18%
Adjusted* profit before tax	£34.0m	£26.9m	+26%	+20%
Basic Earnings per share	26.7 p	21.3 p	+25%	+19%
Adjusted* Basic Earnings per share	27.6 p	21.3 p	+30%	+23%
Interim dividend	9.25p	7.7p	+20%	-

* = Adjusted figures add back the amortisation of acquired intangible assets

- Order intake up 34% period on period (25% at constant currency)
- Record order book of £135m, up 38% on the start of year
- Rotork Controls revenue up 15% to £91m, operating profit up 24% to £26m
- Rotork Fluid Systems grew strongly, aided by Remote Control Sweden acquisition, now 28% of group revenue
- Acquisition of Remote Control Sweden for £13.3m now successfully integrated

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

“We are pleased to announce record results, with revenue and profit before tax increasing by 27% and 24%, against a strong first half in 2007. At constant currency, revenue increased by 18% and profit before tax by 18%. Our end user industrial markets, the oil & gas, power and water sectors, remain very active.

“Rotork is well positioned to capitalise on the exciting growth prospects in our key markets. We continue to improve our market share and actively search for further growth opportunities. Our order book is at a record high level and market and project activity is strong with investment in infrastructure around the world encouraging. The strong order book, continued good order intake and project activity give us confidence that the outcome for the full year will be at the upper end of the current range of market expectations.”

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REVIEW OF OPERATIONS

Business review

These record results demonstrate that Rotork's proven business model provides a sound platform from which to address the prospects in our markets. During the past nine months, the executive management team have undertaken an extensive, on the ground appraisal of the main operations worldwide to identify the full scope of the growth opportunities available to Rotork. We have strengthened our Group operational management structure to position ourselves for future growth and we continue to invest in our products, staff and facilities.

The two acquisitions made earlier in the year have both been successfully integrated into the Rotork Fluid Systems division. Remote Control Sweden ('RCS') was acquired in January for £13.3m, and the Drallim SVM partial and full stroke valve testing product in February for £0.7m. Operational efficiencies have been achieved in the RCS business by integrating their overseas offices into Rotork's existing facilities. The SVM product is generating positive interest and will benefit from further in house development.

The oil & gas, power and water sectors remain strong. Each of our operating divisions has seen very positive market activity and all are reporting improvements in performance with double digit increases in revenue and profit. We have achieved growth across all geographic markets, with two-thirds of our subsidiary offices recording significant growth in revenue of more than 20%.

Financial Results

The Group had a strong first half with both revenue and operating profit up 27% compared with the first half of 2007. The continued strengthening of the Euro benefited us during the period, whilst the effect of the US dollar has remained broadly neutral. At constant currency, revenue would have been up 18% and operating profit would have been up 20%. The major part of this currency impact is on translation of overseas earnings. Net operating margin was maintained period on period at 22.9%. If we exclude the RCS results and the amortisation of acquired intangibles, the margin would have been 24.3%, up 1.4 percentage points on the comparable period.

Our three divisional businesses each performed well, growing revenues and profit strongly. The rapid increase in growth of the RFS division means that it now makes up nearly 28% of total revenue, up from 20% in the last equivalent period.

The RCS business in Sweden, purchased in January, had a good first half, posting revenue of £9.1m and operating profit of £0.9m. However, the impact of IFRS amortisation of acquired intangibles has been to reduce group operating profit by £0.7m, leaving RCS as a net profit contributor of £0.2m.

The order book at the end of June reached a new high of £135m, much of it for shipment in the second half. This reflects a trend of order intake exceeding shipments across the three divisions through most of the period under review. This has had an impact on working capital, particularly inventory, as work in progress and finished goods increased to meet second half shipments.

Operating Review

Rotork Controls

This is our largest division representing 63% of group revenue. Revenue increased by 15% to £91m compared with the prior period, with operating profit rising by 24% to £26m. Significant growth was recorded from our offices in the UK, Spain, USA, Canada, Malaysia, China and Australia. Although we have experienced some cost pressures in the period, we have continued to receive benefits from our procurement activities and operational gearing. As a result, the operating margin has increased to 28.4%. At the end of the half year the order book was up 38% compared to the 2007 year end.

In North America we have seen increased investment in hydrocarbons reflecting the price of oil and the drive to increase capacity, improve refining efficiency and increase output. In addition the need to improve safety levels is encouraging plant owners to invest in automation. The water utilities continue to invest and this is a significant part of our business in the US. We have also increased our presence in the power market. Earlier in the period we re-branded Jordan Controls as Rotork

Process Control. Marketing our full range of process control actuators under the Rotork Process Control banner, and through all of our existing sales channels, will provide significant opportunities both in the USA and internationally.

In the period we had a particularly strong result from China where we are very active in the oil & gas and power markets. Our strategy for growth in China includes developing a stronger presence in the water market where we are significantly underrepresented. We believe we can bring real benefits to regional water treatment companies who are investing in treatment of waste water and provision of potable water to meet the needs of China's growing urbanisation.

With the exception of the UK and Spain, European growth has been more modest than in other regions and the strength of the Euro has been a factor. However, the valve manufacturers continue to have full order books and extended lead times and they continue to invest in expanding their capacity.

The Rotork Site Services business, which is present in all three divisions, is an important component of our growth strategy and we believe that we have made real progress during the period. We are continuing to increase the focus on our approach to customers and markets and extending our reach both geographically and structurally in the level of support that we are able to offer.

Product development in the Controls division currently centres around our new control valve actuator which is presently undergoing beta tests with selected customers in the US and UK. This is adding cost at the moment, but we should see positive feedback from the market when we launch it in the fourth quarter. It is expected to become profitable by 2010.

Rotork Fluid Systems
The significant growth in revenue in this division reflects, in large part, the underlying strength of the oil & gas markets. We have, in addition, been increasing our market share across the world as Rotork continues to become the actuator of choice in the sectors where we operate. Order intake was up 62% period on period and the order book in this division now stands at £51m. Overall, revenue was up 75% compared with the first half last year, and operating profit was up 59%. Excluding the acquisition of RCS, revenue rose 35% and adjusted operating profit increased 51%.

Currency has a mixed impact in this division. While the translation impact of Euro based profits is a positive over the prior period for the group overall, with the average Euro rate being €1.29 compared with €1.48 in the comparable period, this is counter balanced by exporting from a Euro cost base into the US. The significant weakening of the US dollar against the Euro has made it more expensive to our US businesses to import product from our European facilities, and this has had an impact on margins. Overall however we have been able to maintain the margin in this division at a level broadly similar to last year, due to the effects of throughput on the production facilities, and we expect this to improve in the second half.

The main plant in Lucca, Italy, had some particularly interesting projects in the first half reflecting, in part, the fact that we are seeing pipelines becoming ever larger. The move to the increased size requires larger valves and actuators. To accommodate both this and the volume of orders, we have recently extended the footprint of the Lucca plant by renting the final part of the site which we did not previously occupy, expanding factory space by 40%. This will not impact trading until the second half of 2008. Notwithstanding this, the Lucca plant increased revenue by over 45% period on period and contributes significantly to the profits of the division.

The US and Canada both performed well and have continued to benefit from domestic valvemakers who are more competitive internationally due to the weakness of the US dollar.

Our centres of excellence around the world have done well and in all cases significantly increased their revenue. This continues to be a central component of our strategy, providing technical and application support locally to our customers.

The RCS business has now been successfully integrated into RFS and we are rolling out its products to our sales force across the world as we assess how best to approach each market. RCS had revenue of £9.1m in the period with operating profit before the amortisation of acquired intangibles of £0.9m. The operating margin of under 10% had a dilutive effect on the results of the division as a whole. However, we are confident that with our international marketing capabilities and the close fit with our other ranges of fluid power products, that, over time, we will raise margins in this business to the level we aspire to for the division as a whole.

The SVM product line that we purchased from Drallim Industries Limited earlier in the year is an important one for us. Although small in cost terms, it represents an extension of our ability to address the increasing attention being given to plant safety. This product, together with our existing range of fluid power actuators, will enable plant operators to undertake necessary safety assessments while reducing the number of costly plant shutdowns. This will help create real improvements in plant efficiency and optimise the use of resources. We are encouraged by the customer response to this product.

Rotork Gears

We continue to make good progress in the Gears division with revenue increasing 11% and operating profit 13% in the period. Operating margin improved to 23%. The order book was up 31% at the half year from the 2007 year end.

The main production facility in Leeds improved revenue and operating profit and continues to represent the major part of the division's revenue.

The operation in Shanghai is performing well with revenue double that of the prior period as we continue to expand our customer base. However, much of this is for export, reflecting increased valvemaker activity internationally. Our near term strategy is to improve support for customers in China and we are making progress in this area with some important relationships being developed.

The Losser facility had a good trading period and made strong improvements in revenue and operating profit.

The sales process is often lengthy within this division as we are aiming to be a long-term supplier to the valve industry. In the period we secured a number of new accounts and this will provide continued growth in the second half of the year.

The product range is being extended through the development of improved motorised gearboxes aimed at increased efficiency and reliability. Due to the growth in the oil and gas sector, we are seeing increased demand for our range of subsea products. The trend to larger pipelines seen in the RFS division is also apparent here and some very large gearboxes have been produced by the plant in Italy over the last six months.

Component supply for these businesses is increasingly focussed on sourcing from Asia, especially China. We pay particular attention to quality assurance in our supply programmes to ensure that we can continue to provide our customers with the right products at the right price. In the last few months we have seen a trend toward selective cost increases from some of our China vendors, although this is not impacting the Controls business for electric actuators. We are improving our infrastructure in the Shanghai operation to extend our reach beyond the present supplier base in the constant drive for reduced costs and improved quality and, while this is a medium term objective, the initial signs are encouraging.

Principal risks and uncertainties

The group has an established risk management process which works within the corporate governance framework set out in the 2007 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 18 and 19 of the 2007 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. In terms of principal risks facing the group in the coming six months, management has identified a number of specific priorities and set out plans to mitigate these where possible.

The five areas of greatest risk identified are:

1. Political risk relating to instability in a key market.
2. Loss of market leadership in actuator control systems.
3. Currency risk relating to instability in and volatility of currency markets.
4. The human resources issues relating to the risk of failing to manage succession planning.
5. Market risk of failing to rise to the challenges posed by competitor action.

Dividend
The interim dividend is to be increased by 20% to 9.25p per ordinary share and will be payable on 26 September 2008 to all shareholders on the register at the close of business on 5 September 2008. So far this year, we have already paid two dividends, the 2007 final on 9 May (14p per ordinary share at a cash cost of £12.1m), and an additional interim dividend for 2008 of 11.5p per ordinary share on 18 July (at a cash cost of £9.9m).

Outlook
Rotork is well positioned to capitalise on the exciting growth prospects in our key markets. We continue to improve our market share and actively search for further growth opportunities. Our order book is at a record high level and market and project activity is strong with investment in infrastructure around the world encouraging. The strong order book, continued good order intake and project activity give us confidence that the outcome for the full year will be at the upper end of the current range of market expectations.

Peter France
Chief Executive
4 August 2008

Statement of directors' responsibilities

The interim report complies with the Disclosure and Transparency Rules ("DTR") of the United Kingdom's Financial Services Authority in respect of the requirement to produce a half-yearly financial report. The interim report is the responsibility of, and has been approved by the directors.

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union;

- the interim management report includes a fair review of the important events 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 year, as required by DTR 4.2.7R; and

- the interim management report includes a fair review of disclosure of related party transactions and changes therein, as required by DTR 4.2.8R.

On behalf of the Board

Stephen Rhys Jones
Company Secretary
4 August 2008

Consolidated Income Statement

Unaudited	Notes	**First half 2008 £000**	First half 2007 £000	Full year 2007 £000
Revenue	2	**143,493**	113,346	235,688
Cost of sales		**(78,108)**	(61,839)	(127,748)
Gross profit		**65,385**	51,507	107,940
Other income		**32**	145	227
Distribution costs		**(1,561)**	(1,287)	(2,954)
Administrative expenses		**(30,950)**	(24,358)	(49,811)
Other expenses		**(4)**	(38)	(15)
Operating profit before the amortisation of acquired intangible assets		**33,627**	26,006	55,461
Amortisation of acquired intangible assets		**725**	37	74
Operating profit	2	**32,902**	25,969	55,387
Financial income	3	**3,410**	3,302	6,607
Financial expenses	3	**(3,037)**	(2,370)	(4,741)
		373	932	1,866
Profit before tax		**33,275**	26,901	57,253
Income tax expense	11			
UK		**(3,325)**	(3,386)	(7,494)
Overseas		**(6,923)**	(5,116)	(10,463)
		(10,248)	(8,502)	(17,957)
Profit for the period	7	**23,027**	18,399	39,296
		pence	pence	Pence
Basic earnings per share	5	**26.7**	21.3	45.6
Diluted earnings per share	5	**26.6**	21.2	45.2
Adjusted basic earnings per share	5	**27.6**	21.3	45.6

Consolidated Statement of Recognised Income and Expense

Unaudited	**First half 2008 £000**	First half 2007 £000	Full year 2007 £000
Foreign exchange translation differences	**3,133**	(186)	3,855
Actuarial loss in pension scheme	**-**	-	(4,883)
Movement on deferred tax relating to actuarial loss	**-**	-	1,241
Effective portion of changes in fair value of cash flow hedges	**(27)**	461	(254)
Income and expenses recognised directly in equity	**3,106**	275	(41)
Profit for the period	**23,027**	18,399	39,296
Total recognised income for the period	**26,133**	18,674	39,255

Consolidated Balance Sheet

Unaudited	Notes	30 June 2008 £000	30 June 2007 £000	31 Dec 2007 £000
Property, plant and equipment		**20,136**	16,722	17,549
Intangible assets		**34,754**	22,288	23,141
Deferred tax assets		**4,953**	4,606	6,614
Other receivables		**1,242**	849	850
Total non-current assets		**61,085**	44,465	48,154
Inventories	*6*	**49,472**	34,434	35,993
Trade receivables		**53,228**	40,961	44,262
Current tax		**1,448**	2,107	1,330
Other receivables		**7,199**	5,134	4,745
Cash and cash equivalents		**26,042**	22,371	38,253
Total current assets		**137,389**	105,007	124,583
Total assets		**198,474**	149,472	172,737
Issued equity capital	*7*	**4,325**	4,321	4,323
Share premium	*7*	**6,608**	6,346	6,519
Reserves	*7*	**5,285**	(1,146)	2,180
Retained earnings	*7*	**99,882**	80,862	89,430
Total equity	*7*	**116,100**	90,383	102,452
Interest-bearing loans and borrowings		**205**	178	209
Employee benefits		**10,249**	5,002	11,047
Deferred tax liabilities		**837**	1,203	906
Provisions		**1,285**	1,016	1,157
Total non-current liabilities		**12,576**	7,399	13,319
Bank overdraft		**-**	314	-
Interest-bearing loans and borrowings		**112**	90	118
Trade payables		**30,668**	18,796	21,567
Employee benefits		**3,504**	3,332	4,890
Current tax		**11,903**	8,570	8,791
Other payables		**20,694**	18,125	19,138
Provisions		**2,917**	2,463	2,462
Total current liabilities		**69,798**	51,690	56,966
Total liabilities		**82,374**	59,089	70,285
Total equity and liabilities		**198,474**	149,472	172,737

Consolidated Statement of Cash Flows

Unaudited	**First half 2008 £000**	First half 2007 £000	Full year 2007 £000
Profit for the period	**23,027**	18,399	39,296
Amortisation of acquired intangibles	**725**	36	74
Amortisation of development costs	**484**	154	309
Depreciation	**1,685**	1,399	2,630
Equity settled share based payment expense	**380**	327	680
Profit on sale of fixed assets	**(46)**	(42)	(159)
Financial income	**(3,410)**	(3,302)	(6,607)
Financial expenses	**3,037**	2,370	4,741
Income tax expense	**10,248**	8,502	17,957
	36,130	27,843	58,921
Increase in inventories	**(9,253)**	(5,510)	(5,580)
Increase in trade and other receivables	**(7,355)**	(4,322)	(4,873)
Increase in trade and other payables	**6,549**	5,450	7,001
Difference between pension charge and cash contribution	**(771)**	(2,468)	(2,938)
Increase in provisions	**634**	247	713
(Decrease) / increase in employee benefits	**(1,378)**	(1,316)	2,875
	24,556	19,924	56,119
Income taxes paid	**(7,054)**	(5,819)	(15,071)
Cash flows from operating activities	**17,502**	14,105	41,048
Purchase of tangible fixed assets	**(2,172)**	(1,311)	(2,762)
Purchase of intangible fixed assets	**(386)**	-	-
Development costs capitalised	**(1,023)**	(328)	(687)
Sale of tangible fixed assets	**264**	78	228
Acquisition of subsidiary net of cash acquired	**(12,714)**	-	(8)
Interest received	**382**	474	932
Cash flows from investing activities	**(15,649)**	(1,087)	(2,297)
Issue of ordinary share capital	**91**	489	671
Purchase of ordinary share capital	**(2,261)**	(1,186)	(4,249)
Interest paid	**(98)**	(62)	(112)
Repayment of amounts borrowed	**(65)**	(430)	(456)
Repayment of finance lease liabilities	**(59)**	(31)	(95)
Dividends paid on ordinary shares	**(12,075)**	(18,087)	(24,732)
Cash flows from financing activities	**(14,467)**	(19,307)	(28,973)
Net (decrease) / increase in cash and cash equivalents	**(12,614)**	(6,289)	9,778
Cash and cash equivalents at 1 January	**38,253**	28,398	28,398
Effect of exchange rate fluctuations on cash held	**403**	(52)	77
Cash and cash equivalents at end of period	**26,042**	22,057	38,253

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 4 August 2008.

The interim financial statements for the 6 months ended 30 June 2008 and 30 June 2007 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 2007 were approved by the Board on 29 February 2008 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 2007 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 2008 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 2007, 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 2007.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ending 31 December 2008:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions', effective for annual periods beginning on or after 1 March 2007. Management do not expect this interpretation to be relevant for the Group.
- IFRIC 12, 'Service concession arrangements', effective for annual periods beginning on or after 1 January 2008. Management do not expect this interpretation to be relevant for the Group.
- IFRIC 14, 'Recognition of a Defined Benefit Pension Scheme Surplus', effective for annual periods beginning on or after 1 January 2008. While the UK defined benefit scheme is in deficit, management do not expect this interpretation to be relevant for 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. IFRS 8 has been endorsed, and the other standards, amendments and interpretations are being considered for endorsement.

- • IFRS 8 ‘Operating segments’
- • IAS 23 ‘Borrowing costs’ (revised)
- • IFRIC 13 ‘Customer loyalty programmes’
- • IAS 27 ‘Consolidated and separate financial statements’ (revised)
- • IFRS 3 ‘Business combinations’ (revised)

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

	First half 2008 £000	First half 2007 £000	Full year 2007 £000	**First half 2008 £000**	First half 2007 £000	Full year 2007 £000
		Revenue			**Operating profit**	
Analysis by operation						
Controls	**91,087**	79,278	164,226	**25,847**	20,885	43,536
Fluid Systems	**39,671**	22,637	47,919	**4,696**	2,962	7,164
Gears	**17,196**	15,535	31,890	**3,952**	3,494	7,259
Unallocated costs	**-**	-	-	**(1,593)**	(1,372)	(2,572)
Inter-segmental elimination	**(4,461)**	(4,104)	(8,347)	**-**	-	-
	143,493	113,346	235,688	**32,902**	25,969	55,387

The Fluid Systems operating profit is stated after charging £699,000 (First half 2007:£14,000; Full year 2007: £28,000) of amortisation of acquired intangibles. The Gears operating profit is stated after charging £26,000 (First half 2007:£23,000; Full year 2007: £46,000) of amortisation of acquired intangibles.

	First half 2008 £000	First half 2007 £000	Full year 2007 £000	**First half 2008 £000**	First half 2007 £000	Full year 2007 £000
		Segment assets			**Segment liabilities**	
Controls	**78,539**	68,759	72,937	**42,606**	33,815	40,728
Fluid Systems	**66,971**	34,082	37,420	**20,364**	9,802	14,002
Gears	**20,521**	17,547	16,183	**6,347**	5,117	5,322
Unallocated	**32,443**	29,084	46,197	**13,057**	10,355	10,233
	198,474	149,472	172,737	**82,374**	59,089	70,285

Revenue from external customers by location of customer

	First half 2008 £000	First half 2007 £000	Full year 2007 £000
Europe	**70,813**	54,521	110,679
Americas	**33,211**	27,295	56,298
Rest of the World	**39,469**	31,530	68,711
	143,493	113,346	235,688

Segment assets by location of assets

	First half 2008 £000	First half 2007 £000	Full year 2007 £000
Europe	**116,701**	81,948	86,538
Americas	**28,737**	21,123	22,307
Rest of the World	**20,593**	17,317	17,695
Unallocated	**32,443**	29,084	46,197
	198,474	149,472	172,737

3. Net financing income

	First half 2008 £000	First half 2007 £000	Full year 2007 £000
Interest income	**386**	503	958
Expected return on assets in the pension schemes	**2,948**	2,779	5,574
Foreign exchange gain	**76**	20	75
	3,410	3,302	6,607
Interest expense	**(152)**	(81)	(112)
Interest charge on pension scheme liabilities	**(2,767)**	(2,272)	(4,541)
Foreign exchange loss	**(118)**	(17)	(88)
	(3,037)	(2,370)	(4,741)

4. Dividends

	First half 2008 £000	First half 2007 £000	Full year 2007 £000
The following dividends were paid in the period per qualifying ordinary share:			
14.00p *(2007: 11.65p)* final dividend	**12,075**	10,051	10,051
7.7p interim dividend	**-**	-	6,645
9.3p 2007 additional dividend	**-**	8,036	8,036
	12,075	18,087	24,732
The following dividends per qualifying ordinary share were declared / proposed at the balance sheet date:			
14.00p final dividend proposed	**-**	-	12,116
9.25p *(2007: 7.7p)* interim dividend declared	**7,977**	6,654	-
11.5p 2008 additional dividend declared	**9,920**	-	10,000
	17,897	6,654	22,116

5. Earnings per share

Earnings per share is calculated using the profit attributable to the ordinary shareholders for the period and 86.1m shares *(six months to 30 June 2007: 86.2m; year to 31 December 2007: 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.

Adjusted basic earnings per share is calculated using the profit attributable to the ordinary shareholders for the period before the charge for amortisation of acquired intangible assets and 86.1m shares *(six months to 30 June 2007: 86.2m; year to 31 December 2007: 86.1m)* being the weighted average ordinary shares in issue.

6. *Inventories*

	First half 2008 £000	First half 2007 £000	Full year 2007 £000
Raw materials and consumables	**28,450**	18,733	20,419
Work in progress	**7,743**	8,262	10,521
Finished goods	**13,279**	7,439	5,053
	49,472	34,434	35,993

7. *Capital and reserves*

	Share Capital	Share premium	Translation reserve	Capital redemption reserve	Hedging reserve	Retained earnings	Total
Balance at 1 January 2007	4,314	5,857	(2,770)	1,639	(290)	80,386	89,136
Profit for the period	-	-	-	-	-	18,399	18,399
Other items in the statement of recognised income and expense	-	-	(186)	-	461	-	275
Equity settled transactions net of tax	-	-	-	-	-	(657)	(657)
Share options exercised by employees	7	489	-	-	-	-	496
Own ordinary shares acquired	-	-	-	-	-	(1,186)	(1,186)
Own ordinary shares awarded under share schemes	-	-	-	-	-	2,007	2,007
Dividends to shareholders	-	-	-	-	-	(18,087)	(18,087)
Balance at 30 June 2007	4,321	6,346	(2,956)	1,639	171	80,862	90,383
Profit for the period	-	-	-	-	-	20,897	20,897
Other items in the statement of recognised income and expense	-	-	4,041	-	(715)	(3,642)	(316)
Equity settled transactions net of tax	-	-	-	-	-	1,021	1,021
Share options exercised by employees	2	173	-	-	-	-	175
Own ordinary shares acquired	-	-	-	-	-	(3,063)	(3,063)
Dividends to shareholders	-	-	-	-	-	(6,645)	(6,645)
Balance at 31 December 2007	4,323	6,519	1,085	1,639	(544)	89,430	102,452
Profit for the period	-	-	-	-	-	23,027	23,027
Other items in the statement of recognised 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**

The number of ordinary 5p shares in issue at 30 June 2008 was 86,497,000 (30 June 2007: 86,447,000; 31 December 2007: 86,469,000).

The group acquired 215,873 of its own shares through purchases on the London Stock Exchange during the period, (30 June 2007: 131,905; 31 December 2007: 433,117). The total amount paid to acquire the shares was £2,261,000 (30 June 2007: £1,186,000; 31 December 2007: £4,249,000), 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 166,075 and 145,952 Treasury shares, respectively, were re-issued to employees.

Employee share options schemes: options exercised during the period to 30 June 2008 resulted in 28,139 ordinary 5p shares being issued (30 June 2007: 132,889 shares), with exercise proceeds of £91,000 (30 June 2007: £496,000). The related weighted average price at the time of exercise was £10.41 (30 June 2007: £8.65) 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 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 plc, a related party by virtue of non-executive director IG King’s directorship of that company, totalled £31,000 (First half 2007: £3,000; Full year 2007: £20,000) during the period and there was an amount of £28,000 outstanding at 30 June 2008 (No amounts at 30 June 2007 or 31 December 2007).

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 2008 £000	First half 2007 £000	Full year 2007 £000
Emoluments including social security costs	**1,289**	1,168	2,331
Post employment benefits	**189**	136	316
Share based payments	**471**	374	898
	1,949	1,678	3,545

9. Interest-bearing loans and borrowings

The following loans and borrowings were issued and repaid during the six months ended 30 June 2008:

	Currency	Interest rate	Carrying value £000	Year of maturity
Balance at 1 January 2008			327	
Borrowings acquired as part of a business combination				
Bank loan	US$	6.25%	55	2008
Repayments:				
Bank loan	ZAR	9% - 11%	(10)	2009
Bank loan	US$	6.25%	(55)	2008
Finance leases	Eur	3% - 10%	(59)	2010
New borrowings:				
Finance leases	Eur	3% - 10%	49	2011
Currency adjustment			10	
Balance at 30 June 2008			317	

10. Share-based payments

A grant of shares under the Group long-term incentive plan ('LTIP') was made on 29 February 2008 and 29 May 2008 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 2007 Annual Report & Accounts. The terms and conditions of this grant were:

	Cash scheme	**Share scheme**	**Share scheme**
Grant date	29 February 2008	29 February 2008	29 May 2008
Share price at grant date	£9.93	£9.93	£11.37
Shares / Share equivalents under scheme	75,318	103,028	9,674
Vesting period	3 years	3 years	3 years
Expected volatility	30%	28%	28%
Risk free rate	5.1%	4.0%	4.0%
Expected dividends expressed as a dividend yield	2.0%	2.0%	2.0%
Probability of ceasing employment before vesting	3% p.a.	3% p.a.	3% p.a.
Fair value	£7.28	£5.96	£7.45

The basis of measuring fair value is consistent with that disclosed in the 2007 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 2008 is 30.8% (the estimated tax rate for the first half to 30 June 2007 was 31.6%). This decrease is mainly due to a reduction in the UK corporation tax rate from 30% to 28%, effective from 1 April 2008 and a short-term tax holiday at our Chinese production facility.

12. *Business combinations*

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

In the 6 months to 30 June 2008 the subsidiary contributed £9,067,000 to Group revenue and £895,000 to the consolidated net profit for the period before the £661,000 amortisation of acquired intangible assets charge. 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	Provisional Fair value adjustments	Carrying amounts
	£000	£000	£000
Property, plant and equipment	1,115	-	1,115
Provisional Intangible assets	-	4,755	4,755
Inventories	2,905		2,905
Trade and other receivables	2,336		2,336
Cash and cash equivalents	587		587
Trade and other payables	(2,616)		(2,616)
Provision for deferred taxation	(105)	(1,474)	(1,579)
Borrowings	(55)		(55)
	4,167	3,281	7,448
Provisional Goodwill on acquisition			5,853
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

A preliminary valuation of the intangible assets has been undertaken for purposes of the half year accounts. This preliminary valuation will be finalised during the second half of the year. The intangible assets identified comprise customer relationships, brand and acquired order book.

13. Shareholder information

This interim report is being sent to all shareholders 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

14. Group information

Secretary and registered office:
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