



Rotork p.l.c.

2008 Full Year Results

	2008	2007	% change	% change (constant currency)
Revenue	£320.2m	£235.7m	+35.9%	+22.1
Operating profit	£74.9m	£55.4m	+35.2%	+19.3
Profit before tax	£75.8m	£57.3m	+32.3%	+17.0
Adjusted* profit before tax	£76.9m	£57.3m	+34.1%	+18.8
Basic earnings per share	62.0p	45.6p	+36.0%	+20.2
Adjusted* basic earnings per share	63.0p	45.7p	+37.7%	+22.0
Final dividend	16.75p	14.0p	+19.6%	

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

- Continued strong performance across all three divisions, aided by currency benefits
- Rotork Controls revenue up 24.5% to £204.5m, operating profit up 32.0% to £57.5m
- Impressive growth from Rotork Fluid Systems, with sales up 84.8% to £88.6m and operating profit up 68.6% to £12.1m, boosted by acquisition of Remote Control Sweden
- Rotork Gears maintained consistent growth – sales up 15.3% to £36.8m, operating profit of £8.6m
- Strong balance sheet at year end with net cash of £41.4m
- New Control Valve Actuator launched during 2008 – good initial reception from customers
- Order intake up 36.8% year on year
- Record order book of £162.0m, up 66% on the start of year

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

“Rotork started 2009 with an order book at record levels and a strong balance sheet. We continue to invest in our future and have identified a number of growth opportunities as part of our business development plans.”

“Rotork is not immune to wider economic trends and we may see some slowing in the growth of order intake. However quotation activity and project visibility for medium and long term projects are up on levels seen one year ago.”



“In addition, the Group’s trading results would be expected to benefit from a continued weakness of sterling against the US dollar and the euro.”

“Taken together, these factors underpin our confidence in making progress during 2009.”

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Rotork p.l.c.

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Chairman's Statement

I am pleased to report another year of strong growth for the Group during a period of significant volatility in markets generally. Although the progressive strengthening of the US dollar and euro throughout the year has aided performance, nonetheless both revenues and profits advanced substantially in real terms across the Group. The year closed with a record order book and measured optimism across all divisional businesses.

The appointment of Peter France as Chief Executive saw a review of all our business activities resulting in changes to our operating structure and to the way we target specific geographical regions to further increase our product and market reach. Whilst important to our continued growth, these changes are not intended to be fundamentally revolutionary and we therefore refer to this approach as accelerated evolution. The benefits of these actions are already beginning to be felt progressively throughout the whole Group.

Financial Highlights

Total sales increased by 35.9% on 2007 to £320.2m and profit before tax (before amortisation of intangible assets arising on acquisitions) was up 34.1% to £76.9m. At £162.0m the closing order book increased by 66% year on year. Due to the nature of our business and the point in the demand cycle when business is placed with Rotork, it is unusual for orders to be cancelled and we have experienced virtually no instances of this during the year.

Notwithstanding its positive influence on the business in 2008, the impact of currency extends beyond the conversion of reported figures in that it increases our competitive edge in markets where previously sterling's strength has been a constraining factor.

Divisional Highlights

Rotork Controls is the market leader in electric valve actuation and is our largest divisional business accounting for 63.9% of Group turnover. In 2008, sales revenue advanced by 24.5% to £204.5m and operating profit increased by 32.0% to £57.5m. Demand for our products remained strong and with growth spread across all sectors and geographical areas we continue to reinforce our position as market leader.

Rotork Fluid Systems ('RFS') continued its expansion delivering an impressive 84.8% increase in sales and 68.6% in operating profit to new highs of £88.6m and £12.1m respectively. We have won a number of prestigious projects in the year and are now well established in this market. 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 Remote Control Sweden ('RC') in January was an important step for the division and has been well received by our customers. It provides access to market areas that we can develop with these products as well as with the wider RFS portfolio.

Rotork Gears maintained its consistent growth trend with year on year sales up 15.3% to £36.8m and with an operating profit of £8.6m being 18.8% ahead of 2007. We are the largest manufacturer in our field and the market leader in terms of size and product range.

Cash

Cash generation in the year has been strong resulting in year end net cash balances increasing to £41.4m. During the year we spent a total of £14.0m on the RC acquisition and the intangible asset relating to the Drallim SVM product. A further £10m was paid as an additional dividend to shareholders in July.

The strong order intake in 2008 has required working capital increases in some areas to support the year end order book and the increase in inventory reflects this. As a result the conversion of profit into cash has been partially suppressed as the group prepares for what will be strong shipments in the first quarter of 2009.

Dividend

The Board is recommending an increase of 19.6% for the 2008 final dividend. This equates to a payment of 16.75p per share payable on 8 May to shareholders on the register at 14 April 2009.

Board Performance

One of my principal responsibilities is to ensure Rotork is headed by an effective Board accountable to shareholders for the Company's performance. To this end the Board continues, annually, to evaluate its performance and that of its Committees through a structured process the results of which are then reviewed and, where appropriate, acted upon.

Performance and Risk

Our approach to performance measurement and the assessment and mitigation of risk are dealt with in the CSR section of our annual reports. There we explain how we ensure that we have correct health & safety and environmental policies, a robust system for dealing with the assessment and management of risk through the organisation, and appropriate KPIs to ensure focus on those performance issues that are really relevant to the business. We take great care to ensure that we deal with these matters responsibly and our reformatted disclosure is intended to bring increased clarity to the underlying issues.

Outlook

Rotork started 2009 with an order book at record levels and a strong balance sheet. We continue to invest in our future and have identified a number of growth opportunities as part of our business development plans.

Rotork is not immune to wider economic trends and we may see some slowing in the growth of order intake. However quotation activity and project visibility for medium and long term projects are up on levels seen one year ago.

In addition, the Group's trading results would be expected to benefit from a continued weakness of sterling against the US dollar and the euro.

Taken together, these factors underpin our confidence in making progress during 2009.

Roger Lockwood

Chairman

2 March 2009

Business review

Introduction

In 2008 Rotork saw a change in leadership for only the 4th time in its history of over 50 years. From its beginnings in 1957, Rotork has been associated with quality and innovative solutions to customer requirements, and from the very early days has been a truly international business with products that are used in a wide variety of industries and applications. Technological leadership has also been instrumental in the growth of its products in the safety critical emergency shut-down market with customers looking for Rotork to provide them with high quality solutions. Rotork is often trusted solely in introducing significant technology change into what are often quite conservative market areas.

Rotork today is a truly global business with direct operations in 29 countries, 14 manufacturing plants and over 1700 staff. Add to these facilities over 300 sales outlets in a further 47 countries and Rotork's extensive international coverage within the business becomes clear. As operations have grown 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 and industries. Rotork supplies 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. Rotork actuators are used for example in a sugar factory to control the movement of products in the process, and on the world's largest natural gas pipeline where we control the flow of hydrocarbons in their system.

Business Strategy

Rotork aims to increase shareholder value each year by focussing on valve actuation and associated activities, principally wherever there is a need to control the movement of fluids or gases. As world market leader our aim is to provide high quality, advanced, innovative products and services that constitute superior solutions to customers' requirements in these focussed technical areas. We support these operations around the world through our extensive and continually expanding network of offices and manufacturing plants.

We operate an asset light business model which is highly cash generative. We will also seek to deliver quality margins, consistent year on year growth in revenues, profit and core dividends through organic growth and acquisitions.

The group provides products and a working environment where health & safety is paramount for the benefit and protection of our employees and customers. We develop and train our people to deliver our strategy and satisfy our customers' requirements while maintaining high ethical and safety standards across the Group and acting as a responsible international corporate entity.

Year under review

The year has seen Rotork achieve strong improvement in performance, setting new records across the business. We experienced growth in each of our three divisions, and all of our markets and territories. A number of our facilities have received infrastructure investment in the year, and this process of development and improvement is continuing into 2009. This investment is impacting each of our operating divisions across our global reach. In addition we have extended our initiatives on cross divisional co-operation and joint development in specific market areas.

Overall, order intake was £344.2m up 36.8% and revenue increased to £320.2m, up 35.9%. The order book increased to an impressive £162.0m which is 66.0% up on the start of 2008. However this included the impact of currency movements during the year, and the inclusion of the opening order book of Remote Control ('RC') – the acquisition we made in the early part of the year. If these are excluded then the order book at the end of 2008 would have been up 30.7% on the prior year position.

Sales revenue growth was strong across all three divisions, with Controls up 24.5%, RFS up 84.8% and Gears up 15.3%. Profit before tax and before amortisation of acquired intangibles, was £76.9m, an increase of 34.1% over the prior year. Each of the divisions performed well with operating profits in Controls up 32.0%, RFS up 68.6% and Gears up 18.8%. Currency had some impact on this as sterling weakened through the latter part of the year, but the underlying performance of the businesses at constant currency was strong.

Overall 60% of our companies achieved sales revenue growth of more than 20% in the year and two thirds achieved profit growth of over 20%.

Return on sales continues to be a key driver of the business and this has slightly reduced from 24.3% to 23.7%. This was partly as a result of currency affecting sales more than profit and the increased proportion of operating profits produced by the RFS division. At constant currency the rate for 2008 would have been 23.3%. Overall if the impact of currency was removed by restating the 2008 figures at 2007 rates, then sales would have shown an increase of 22.1%, and profit before tax an increase of 17.0%.

Rotork Controls is still our largest division, supplying electric actuator products across a number of sectors. Here we saw investment across the business and we believe that we continued to take market share even when currency rates were not in our favour. The current market makes our products more competitive and this combined with a strong underlying demand for Rotork quality and technology is an important fundamental as we go into 2009.

Rotork Fluid Systems is our fastest growing division supplying pneumatic, hydraulic and electrohydraulic actuators and systems. We are undoubtedly now seen as a major force in this field and we have the widest range of products in the market. We also provide a tailored response to customer application issues and a real focus on delivery of a sound commissioned solution with support at all levels of the process.

Rotork Gears, a supplier of gearboxes, adaptors and ancillaries for the valve industry, has been a consolidator of businesses in this area and is now the world leader in terms of product portfolio and geographic reach. This is a slower growing business than the other divisions, but is involved in closer partnering with its customers and provides high quality outsourcing, giving the customer base real product improvements and cost savings in a long term relationship.

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. This is an important feature in our business strategy going forward as we become the only actuator business to be able to genuinely support our customers across this range of products and the applications that they cover. We are 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.

The growth and success of the business in recent times has required that the management structure be strengthened to support the ongoing opportunities of the markets that we serve. The Rotork Management Board was created at the start of the year to improve our level of co-ordination and control of the three divisions and this, supported by the Executive management teams of the divisions, gives us a more responsive and dynamic management structure able to take advantage of the substantial opportunities that we believe are still available to us.

Quality

Commitment to product excellence and customer satisfaction is fundamental to Rotork and we ensure that it is embedded into our systems and procedures for both 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. For example the recently launched Control Valve Actuator ('CVA') has been subject to rigorous review at every stage in its development and can now rely on the robust quality assurance systems in place at our own and our supplier's facilities.

Our business model requires exact control of 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.

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 main event of the year was the release of the initial size of the control valve actuator. This had been showcased prior to launch at a number of trade exhibitions, and had generated considerable enthusiasm amongst both our sales force and end-users. This product extends the range of Rotork's electric actuators to cover the demanding process control market. The product range will be augmented with additional sizes and further options during 2009.

2008 also saw the introduction of a new controller family for the ROM series of actuators. This development enables users of small quarter turn valves to benefit from Rotork's experience in networking and valve diagnostics with the actuator sharing the Bluetooth capability of the CVA. First shipments of this product were despatched to a Turkish customer for shipboard use.

The first field trial of our wireless network was successfully commissioned in the last quarter of the year and this is now providing useful feedback. Further site trials are to be installed during 2009. It is expected that take-up of this technology will occur in 2010 and beyond as standardisation activities are completed and user confidence in wireless technology increases.

The Smart Valve Monitor partial stroking product acquired from Drallim Industries Ltd has now been fully integrated into Rotork's manufacturing system in a joint development between engineers within the Controls and Fluid Power Divisions. In addition to ensuring that the product meets Rotork's stringent quality requirements the opportunity was taken to include additional features such as the ability to gain credit from unscheduled plant shut-downs.

Maintaining technological leadership within the valve actuation industry continues to be our goal and we have further increased our resources in Bath to assist in focussing on the many opportunities available to us. In addition to major developments we continue to focus on reducing material costs through design optimisation and the use of alternate materials such as engineering plastics. We also work with external partners to bring both specialised skills and cost savings to the design process.

During 2008, the Process Control Division has undertaken some important projects aimed at widening their products' market appeal in terms of ruggedness and style, bringing some commonality with the IQ actuator and further developing a common image.

Last year we reported on our work with high integrity pressure protection systems ('HIPPS'). This specialist solution with can assist customers in applications where safety integrity is an important issue, and in certain applications the enhanced design can be used to prolong the design life of the valve. The challenging demands of these systems also provide an opportunity for the unique benefits of the SVM technology.

Subsea actuator development has been an important feature of our product development across the divisional businesses. In a joint development between the Fluid Systems and Gears divisions, we have brought some innovative products to the market.

Value engineering and development has continued across the RFS high pressure gas pipeline actuator range with the high pressure gas block being optimised for size and assembly, reducing cost and providing a more competitive product whilst maintaining the features differentiating it in the market place.

In the Gears division, the focus for 2009 is to launch a new range of quarter-turn gearboxes focussed on water industry specifications in the USA. Following the international growth of this business a number of smaller projects will look at the strengths of each manufacturing site to create a more comprehensive and effective complete gearbox range.

Our people

Rotork has a good relationship with its employees, with a number of initiatives in place across the world to ensure regular and effective communication of objectives and targets, and to enable feedback from people on issues that really matter to them. During the year we undertook an employee satisfaction survey for the first time, across the worldwide operations of the business. This was aimed at obtaining input from our people on a wide range of issues including conditions, the reward system, and the sense of fulfilment that people get from their involvement with Rotork. We were pleased with the level of response that we received from our staff and the level of involvement and reward that people generally felt from being a part of the business. We have a number of residual tasks emanating from the results of the survey and we intend to repeat the process again in the next year.

We believe that our reward system is appropriate and fair, and employees in the UK and many overseas subsidiary companies enjoy participation in long-standing Rotork profit sharing and share schemes. At the Bath plant, an Employee Committee sits regularly to discuss staff issues and suggests improvements in working conditions and practices with all issues being reviewed by directors and acted on as appropriate.

An Equal Opportunities policy is applied throughout the Group and in almost all cases, it is nationals from countries in which the Company operates who manage those companies locally. Financial support for training and learning programmes directly related to employees' working roles are provided. We have permanent full time training officers in many of our facilities who co-ordinate product training for employees and customers. Our commitment to staff development over the long term is evidenced by initiatives on four year apprenticeship programmes, our extended graduate recruitment programme and other training initiatives across the group.

Peter France
Chief Executive
2 March 2009

Consolidated Income Statement
for the year ended 31 December 2008

	<i>Notes</i>	2008 £'000	2007 £'000
Revenue	2	320,207	235,688
Cost of sales		(176,046)	(127,748)
Gross profit		144,161	107,940
Other income		42	227
Distribution costs		(3,535)	(2,954)
Administrative expenses		(65,697)	(49,811)
Other expenses		(82)	(15)
Operating profit before the amortisation of acquired intangible assets		76,014	55,461
Amortisation of acquired intangible assets		(1,125)	(74)
Operating profit	2	74,889	55,387
Financial income	4	7,073	6,607
Financial expenses	4	(6,211)	(4,741)
Profit before tax		75,751	57,253
Income tax expense	5	(22,331)	(17,957)
Profit for the year		53,420	39,296
		=====	=====
		Pence	Pence
Basic earnings per share	13	62.0	45.6
Diluted earnings per share	13	61.6	45.2

Consolidated Balance Sheet
at 31 December 2008

	<i>Notes</i>	2008 £'000	2007 £'000
Assets			
Property, plant and equipment		23,868	17,549
Intangible assets	6	39,696	23,141
Deferred tax assets		10,925	6,614
Other receivables		1,137	850
Total non-current assets		75,626	48,154
Inventories	7	59,410	35,993
Trade receivables	8	63,694	44,262
Current tax		1,752	1,330
Other receivables		5,578	4,745
Cash and cash equivalents	9	41,390	38,253
Total current assets		171,824	124,583
Total assets		247,450 =====	172,737 =====
Equity			
Issued equity capital		4,325	4,323
Share premium		6,666	6,519
Reserves		21,288	2,180
Retained earnings		112,117	89,430
Total equity	12	144,396 =====	102,452 =====
Liabilities			
Interest bearing loans and borrowings		190	209
Employee benefits		8,637	11,047
Deferred tax liabilities		2,806	906
Derivative financial instruments		1,686	-
Provisions	10	1,660	1,157
Total non-current liabilities		14,979	13,319
Interest bearing loans and borrowings		157	118
Trade payables	11	32,803	21,567
Employee benefits		7,001	4,890
Current tax		12,197	8,791
Derivative financial instruments		5,624	544
Other payables	11	26,781	18,594
Provisions	10	3,512	2,462
Total current liabilities		88,075	56,966
Total liabilities		103,054	70,285
Total equity and liabilities		247,450 =====	172,737 =====

Consolidated Statement of Cash Flows
for the year ended 31 December 2008

	<i>Notes</i>	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Cash flows from operating activities					
Profit for the year		53,420		39,296	
Adjustments for:					
Amortisation of intangibles		1,125		74	
Amortisation of development costs		352		309	
Depreciation		3,281		2,630	
Equity settled share based payment expense		718		680	
Loss / (profit) on sale of property, plant and equipment		25		(159)	
Financial income		(7,073)		(6,607)	
Financial expenses		6,216		4,741	
Income tax expense		22,331		17,957	
		<u>80,395</u>		<u>58,921</u>	
Increase in inventories		(8,621)		(5,580)	
Increase in trade and other receivables		(4,293)		(4,873)	
Increase in trade and other payables		5,955		7,001	
Difference between pension charge and cash contribution		(823)		(2,938)	
Increase in provisions		1,554		713	
(Decrease) / increase in other employee benefits		(299)		2,875	
		<u>73,868</u>		<u>56,119</u>	
Income taxes paid		(22,547)		(15,071)	
Cash flows from operating activities			51,321		41,048
Investing activities					
Purchase of property, plant and equipment		(4,353)		(2,762)	
Purchase of intangible assets		(666)		-	
Development costs capitalised		(817)		(687)	
Sale of property, plant and equipment		90		228	
Acquisition of subsidiary net of cash acquired		(12,714)		(8)	
Interest received		564		932	
Cash flows from investing activities			(17,896)		(2,297)
Financing activities					
Issue of ordinary share capital		149		671	
Purchase of ordinary share capital		(3,517)		(4,249)	
Purchase of preference shares treated as debt		(5)		-	
Interest paid		(300)		(112)	
Repayment of amounts borrowed		(82)		(456)	
Repayment of finance lease liabilities		(87)		(95)	
Dividends paid on ordinary shares		(29,970)		(24,732)	
Cash flows from financing activities			(33,812)		(28,973)
Net (decrease) / increase in cash and cash equivalents			<u>(387)</u>		<u>9,778</u>
Cash and cash equivalents at 1 January			38,253		28,398
Effect of exchange rate fluctuations on cash held			3,524		77
Cash and cash equivalents at 31 December	9		41,390 =====		38,253 =====

Consolidated Statement of Recognised Income and Expense
for the year ended 31 December 2008

	2008	2007
	£'000	£'000
Foreign exchange translation differences	23,824	3,855
Actuarial gain / (loss) in pension scheme	1,290	(4,883)
Movement on deferred tax relating to actuarial (gain) / loss	(161)	1,241
Effective portion of changes in fair value of cash flow hedges	(4,719)	(254)
Income and expenses recognised directly in equity	20,234	(41)
Profit for the year	53,420	39,296
Total recognised income for the year	73,654	39,255
	=====	=====

Notes to the Financial Statements
for the year ended 31 December 2008

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 2008 comprise the Company and its subsidiaries (together referred to as the 'Group').

1. Accounting policies

Basis of preparation

The consolidated financial statements of Rotork plc 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 1985 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.

Interpretations effective in 2008

IFRIC 14 - Recognition of a Defined Benefit Pension Scheme Surplus and IFRIC 11, IFRS 2: Group and Treasury Share Transactions have been applied in the year and they have not had a material effect on the reported results or financial position of the Group for 2007 or 2008.

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

IFRS 8 - Operating Segments, IFRIC 13 - Customer loyalty programmes and IAS1 (revised) – Presentation of Financial Statements, together with the amendments to IAS 23, IAS 27, IAS32 and IFRS 3 which are adopted by the European Union but not effective as at 31 December 2008 will be applied in 2009, 2010 or 2011 as applicable. They are not expected to have a material effect on the reported results or financial position of the Group.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year to 31 December 2008. 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 2008 or 2007. Statutory accounts for 2007, which were prepared under International Financial Reporting Standards as adopted by the EU, have been delivered to the registrar of companies, and those for 2008 will be delivered in due course. The auditors have reported on these accounts, their reports were unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985. Full financial statements for the year ended 31 December 2008, will shortly be posted to shareholders, and after adoption at the Annual General Meeting on 24 April 2009 will be delivered to the registrar.

Notes to the Financial Statements

2. Analysis of revenue, profit and net assets

The primary format used for segmental reporting is by business segment as this reflects the internal management structure and reporting of the Group. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated expenses comprise corporate expenses and unallocated assets and liabilities comprise cash, borrowings, tax assets and liabilities respectively. Intra group trading is determined on an arm's length basis.

Business segments

The Group comprises the following business 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

Geographic segments

Rotork has a worldwide presence in all three business segments through its subsidiary selling offices and through an agency network. A full list of locations can be found at www.rotork.com.

Analysis by operation:

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

	Controls	Fluid Systems	Gears	Eliminations	Consolidated
	2007	2007	2007	2007	2007
Revenue from external customers	164,226	47,919	23,543	-	235,688
Inter segment revenue	-	-	8,347	(8,347)	-
Total revenue	<u>164,226</u> =====	<u>47,919</u> =====	<u>31,890</u> =====	<u>(8,347)</u> =====	<u>235,688</u> =====
Segment result	<u>43,536</u> =====	<u>7,164</u> =====	<u>7,259</u> =====	<u>-</u> =====	<u>57,959</u> =====
Unallocated expenses					(2,572)
Operating profit					<u>55,387</u>
Net financing income					1,866
Income tax expense					<u>(17,957)</u>
Profit for the year					<u>39,296</u> =====

	Controls	Fluid Systems	Gears	Unallocated	Consolidated
	2008	2008	2008	2008	2008
Segment assets	101,160	74,564	19,707	52,019	247,450
Segment liabilities	58,049	23,734	6,998	14,273	103,054
Depreciation Amortisation	2,167	867	247	-	3,281
Other intangibles	-	1,070	55	-	1,125
Development costs	352	-	-	-	352
Non-cash items : equity settled share based payments	365	37	51	265	718
Capital expenditure	2,585	2,077	232	-	4,894
	Controls	Fluid Systems	Gears	Unallocated	Consolidated
	2007	2007	2007	2007	2007
Segment assets	72,937	37,420	16,183	46,197	172,737
Segment liabilities	40,728	14,002	5,322	10,233	70,285
Depreciation Amortisation	1,839	553	238	-	2,630
Other intangibles	-	27	47	-	74
Development costs	309	-	-	-	309
Non-cash items : equity settled share based payments	378	45	25	232	680
Capital expenditure	2,052	689	253	-	2,994
Analysis by Geographical segment:	Europe	Americas	Rest of the World	Unallocated	Consolidated
	2008	2008	2008	2008	2008
Revenue from external customers by location of customer	145,996	84,049	90,162	-	320,207
Segment assets by location of assets	131,330	37,658	26,443	52,019	247,450
Capital expenditure by location of assets	3,634	381	879	-	4,894
	Europe	Americas	Rest of the World	Unallocated	Consolidated
	2007	2007	2007	2007	2007
Revenue from external customers by location of customer	110,679	56,298	68,711	-	235,688
Segment assets by location of assets	86,538	22,307	17,695	46,197	172,737
Capital expenditure by location of assets	2,197	275	522	-	2,994

All of the activities of the Group in the year arise from continuing operations.

3. Acquisition of subsidiaries

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. Net financing income

Recognised in the income statement	2008	2007
Interest income	562	958
Expected return on assets in the pension schemes	5,896	5,574
Foreign exchange gains	615	75
	<u>7,073</u>	<u>6,607</u>
	=====	=====
Interest expense	296	112
Interest charge on pension scheme liabilities	5,538	4,541
Foreign exchange losses	377	88
	<u>6,211</u>	<u>4,741</u>
	=====	=====
Recognised in equity		
Effective portion of changes in fair value of cash flow hedges	(5,263)	(544)
Fair value of cash flow hedges transferred to profit or loss	544	290
Foreign currency translation differences for foreign operations	23,824	3,855
	<u>19,105</u>	<u>3,601</u>
	=====	=====
Recognised in:		
Hedging reserve	(4,719)	(254)
Translation reserve	23,824	3,855
	<u>19,105</u>	<u>3,601</u>
	=====	=====

5. Income tax expense

	2008	2008	2007	2007
Current tax:				
UK Corporation tax on profits for the year	17,570		12,670	
Double tax relief	(8,789)		(5,122)	
Adjustment in respect of prior years	(152)		(187)	
	<u> </u>	8,629	<u> </u>	7,361
Overseas tax on profits for the year	15,921		10,487	
Adjustment in respect of prior years	(15)		(24)	
	<u> </u>	15,906	<u> </u>	10,463
Total current tax		<u>24,535</u>		<u>17,824</u>
Deferred tax:				
Origination and reversal of other temporary differences	(2,354)		115	
Adjustment in respect of prior years	150		18	
	<u> </u>		<u> </u>	
Total deferred tax		(2,204)		133
Total tax charge for year		<u>22,331</u> =====		<u>17,957</u> =====
Effective tax rate (based on profit before tax)		29.5%		31.4%
Profit before tax		75,751		57,253
Profit before tax multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30.0%)		21,589		17,176
<i>Effects of:</i>				
Non deductible items		1,640		349
Utilisation of overseas tax holidays and losses		(1,154)		-
Different tax rates on overseas earnings		273		625
Adjustments to tax charge in respect of prior years		(17)		(193)
Total tax charge for year		<u>22,331</u> =====		<u>17,957</u> =====

A tax expense of £471,000 (2007: credit £577,000) 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.

6. Intangible assets

	Goodwill	Development costs	Other intangibles	Total	Goodwill	Development costs	Other intangibles	Total
	2008	2008	2008	2008	2007	2007	2007	2007
Cost								
Balance at 1 January	21,527	3,062	805	25,394	20,947	2,375	737	24,059
Exchange differences	5,554	-	715	6,269	901	-	68	969
Internally developed during the year	-	817	-	817	-	687	-	687
Reduction in deferred consideration	-	-	-	-	(321)	-	-	(321)
Additions	-	-	666	666	-	-	-	-
Acquisition through business combinations	5,711	-	4,755	10,466	-	-	-	-
Balance at 31 December	32,792	3,879	6,941	43,612	21,527	3,062	805	25,394
Amortisation								
Balance at 1 January	-	1,801	452	2,253	-	1,492	342	1,834
Exchange differences	-	-	186	186	-	-	36	36
Amortisation for the year	-	352	1,125	1,477	-	309	74	383
Balance at 31 December	-	2,153	1,763	3,916	-	1,801	452	2,253
Net book value at 31 December	32,792	1,726	5,178	39,696	21,527	1,261	353	23,141
Net book value at 31 December 2006					20,947	883	395	22,225

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.

	2008	2007
Controls	7,240	5,839
Fluid Systems	17,490	8,513
Gears	8,062	7,175
	32,792	21,527

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. A discount rate of 11.0%, being the Group's current weighted average cost of capital ('WACC'), has been used in discounting the projected cash flows. The WACC has been used as management believe this to be the most appropriate and prudent rate for a market participant at the current date. The discount rate of each business segment is not materially different to 11.0%. On this basis each business segment has sufficient headroom and therefore no impairment write downs are required.

7. Inventories

	2008	2007
Raw materials and consumables	31,937	20,419
Work in progress	18,411	10,521
Finished goods	9,062	5,053
	<u>59,410</u>	<u>35,993</u>
	=====	=====

Included in cost of sales was £134,769,000 (2007: £97,055,000) in respect of inventories consumed in the year.

8. Trade and other receivables

	2008	2007
Non-current assets:		
Insurance policy	976	754
Other	161	96
Other receivables	<u>1,137</u>	<u>850</u>
	=====	=====
Current assets:		
Trade receivables	65,062	44,870
Less provision for impairment of receivables	(1,368)	(608)
Trade receivables – net	<u>63,694</u>	<u>44,262</u>
	=====	=====
Corporation tax	1,752	1,330
Current tax	<u>1,752</u>	<u>1,330</u>
	=====	=====
Other non-trade receivables	3,714	3,306
Prepayments and accrued income	1,864	1,439
Other receivables	<u>5,578</u>	<u>4,745</u>
	=====	=====

9. Cash and cash equivalents

	2008	2007
Bank balances	23,654	14,125
Cash in hand	92	70
Short-term deposits	17,644	24,058
Cash and cash equivalents	<u>41,390</u>	<u>38,253</u>
Bank overdrafts	-	-
Cash and cash equivalents in the consolidated statement of cash flows	<u>41,390</u> =====	<u>38,253</u> =====

10. Provisions

	Warranty	Deferred consideration	Total
	2008	2008	2008
Balance at 1 January 2008	3,472	147	3,619
Exchange differences	1,058	46	1,104
Provisions used during the year	(1,227)	-	(1,227)
Charged / (credited) in the year	1,676	-	1,676
Balance at 31 December 2008	<u>4,979</u> =====	<u>193</u> =====	<u>5,172</u> =====
Maturity at 31 December 2008			
Non-current	1,660	-	1,660
Current	3,319	193	3,512
	<u>4,979</u> =====	<u>193</u> =====	<u>5,172</u> =====
Maturity at 31 December 2007			
Non-current	1,157	-	1,157
Current	2,315	147	2,462
	<u>3,472</u> =====	<u>147</u> =====	<u>3,619</u> =====

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 twelve months, the typical warranty period is now eighteen months.

The deferred consideration arose on the acquisition of PC Intertechnik during 2005. Payment or release of the final tranche of this provision is still subject to negotiation and is expected to be settled in 2009.

11. Trade and other payables

	2008	2007
Trade payables	32,096	21,448
Bills of exchange	707	119
	<u>32,803</u>	<u>21,567</u>
	=====	=====
Corporation tax	12,197	8,791
Current tax	12,197	8,791
	<u>12,197</u>	<u>8,791</u>
	=====	=====
Other taxes and social security	3,636	2,767
Non-trade payables and accrued expenses	23,145	15,827
	<u>26,781</u>	<u>18,594</u>
	=====	=====

12. Capital and reserves

	Issued equity capital	Share premium	Translation reserve	Capital redemption reserve	Hedging reserve	Retained earnings	Total
Balance at 31 December 2006	4,314	5,857	(2,770)	1,639	(290)	80,386	89,136
Profit for the year	-	-	-	-	-	39,296	39,296
Other items in the statement of recognised income and expense	-	-	3,855	-	(254)	(3,642)	(41)
Equity settled share based payment transactions net of tax	-	-	-	-	-	364	364
Share options exercised by employees	9	662	-	-	-	-	671
Own ordinary shares acquired	-	-	-	-	-	(4,249)	(4,249)
Own ordinary shares awarded under share schemes	-	-	-	-	-	2,007	2,007
Dividends	-	-	-	-	-	(24,732)	(24,732)
Balance at 31 December 2007	<u>4,323</u> =====	<u>6,519</u> =====	<u>1,085</u> =====	<u>1,639</u> =====	<u>(544)</u> =====	<u>89,430</u> =====	<u>102,452</u> =====
Profit for the year	-	-	-	-	-	53,420	53,420
Other items in the statement of recognised income and expense	-	-	23,824	-	(4,719)	1,129	20,234
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	<u>4,325</u> =====	<u>6,666</u> =====	<u>24,909</u> =====	<u>1,642</u> =====	<u>(5,263)</u> =====	<u>112,117</u> =====	<u>144,396</u> =====

Share capital and share premium

	5p Ordinary shares Authorised	5p Ordinary shares Issued and fully paid up	£1 Non- redeemable preference shares	5p Ordinary shares Authorised	5p Ordinary shares Issued and fully paid up	£1 Non- redeemable preference shares
	2008	2008	2008	2007	2007	2007
At 1 January	5,449	4,323	45	5,449	4,314	45
Issued under employee share schemes	-	2	(3)	-	9	-
At 31 December	<u>5,449</u>	<u>4,325</u>	<u>42</u>	<u>5,449</u>	<u>4,323</u>	<u>45</u>
	=====	=====	=====	=====	=====	=====
Number of shares (000)	108,990	86,510		108,990	86,469	
	=====	=====		=====	=====	

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

Ordinary shares issued during the year were 18,835 (2007: 142,173) under the Share option scheme, at prices between 285p and 387p (2007: 285p and 387p) and 21,951 (2007: 44,905) under the Sharesave plan at 462p (2007: 320p).

The Group received proceeds of £149,000 (2007: £671,000) in respect of the 40,786 (2007: 187,078) Ordinary shares issued during the year: £2,000 (2007: £9,000) was credited to share capital and £147,000 (2007: £662,000) 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 413,302 (2007: 445,396) 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:

	2008	2007
14.0p final dividend (2007: 11.65p)	12,075	10,051
9.25p interim dividend (2007: 7.7p)	7,979	6,645
2008 additional interim dividend 11.5p	9,916	-
2007 additional interim dividend 9.3p	-	8,036
	29,970	24,732
	=====	=====

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.

	2008	2007
Final proposed dividend per qualifying ordinary share		
16.75p	14,490	
	=====	
14.00p		12,116
		=====
Additional interim dividends per qualifying ordinary share proposed for 2009		
-	-	
	=====	
11.5p		10,000
		=====

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 86.1m shares (2007: 86.1m shares) being the weighted average number of ordinary shares in issue (net of own ordinary shares held) for the year.

	2008	2007
Net profit attributable to ordinary shareholders	53,420	39,296
	=====	=====
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	86,024	85,999
Effect of own shares held	21	54
Effect of shares issued under Share option schemes / Sharesave plans	99	93
Weighted average number of ordinary shares for the year ended 31 December	86,144	86,146
	=====	=====

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 (2007: 86.9m 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.

	2008	2007
Net profit attributable to ordinary shareholders	53,420 =====	39,296 =====
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares for the year ended 31 December	86,144	86,146
Effect of share options in issue	17	30
Effect of Sharesave options in issue	116	113
Effect of LTIP shares in issue	416	604
Weighted average number of ordinary shares (diluted) for the year ended 31 December	86,693 =====	86,893 =====

14. 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 80 to 81 of the 2007 annual report and account. 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 £32,000 during the year (2007: £20,000) and there are no amounts outstanding at 31 December 2008 (2007: £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 are:

	2008	2007
Emoluments including social security costs	2,535	2,331
Post employment benefits	388	316
Share based payments	760	898
	3,683 =====	3,545 =====