Rotork plc

2014 Half Year Results

	HY 2014	HY 2013	% change	OCC *[2] % change
Order intake	**£302.7m**	£294.3m	+2.9%	+7.1%
Revenue	**£278.5m**	£276.1m	+0.9%	+4.4%
Adjusted*[1] operating profit	**£69.1m**	£70.2m	-1.7%	+4.9%
Profit before tax	**£61.5m**	£63.6m	-3.3%	+7.3%
Adjusted*[1] profit before tax	**£68.4m**	£69.4m	-1.4%	+5.3%
Basic earnings per share	**51.5p**	52.8p	-2.5%	+8.1%
Adjusted*[1] basic earnings per share	**57.3p**	57.6p	-0.5%	+6.3%
Interim dividend	**19.2p**	18.05p	+6.4%	

*[1] Adjusted figures are before the amortisation of acquired intangible assets
*[2] OCC is organic constant currency

Highlights

- Record half year order intake of £303m
- Order book of £203m, up 7.4% from December (OCC +12.1%)
- OCC operating margin up 20bps to 25.6%
- 9% adverse currency impact on adjusted*[1] operating profit
- Acquisition of YTC in Korea; post period-end acquisition of Midland
- Interim dividend increased by 6.4%

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

"During the first half, we saw an increased level of activity in many of the markets that we serve and our geographic reach and broad product portfolio enabled us to secure a number of major projects. This resulted in record order intake and first half revenue despite a strengthening currency headwind.

For the full year, we anticipate that as in previous years the Group's performance will be more weighted towards the second half. Our order book, increased project activity and wide market exposure provide the Board with confidence of achieving further progress in the full year."

For further information, please contact:

Rotork plc Tel: 01225 733200
Peter France, Chief Executive
Jonathan Davis, Finance Director

FTI Consulting Tel: 020 3727 1340
Nick Hasell / Susanne Yule

Review of operations

Business Review

In the six months to 30 June 2014 Rotork delivered growth in both order intake and revenue, despite sterling strengthening. Record order intake of £302.7m was 2.9% higher than the comparative period, with currency a £23.5m or 7.2% headwind. Removing the impact of currency and acquisitions, order intake grew by 7.1%. Revenue grew 0.9% to £278.5m despite a £20.3m currency headwind. At constant currency, revenue was 8.3% higher and, after removing the contribution from acquisitions, growth was 4.4%. The three acquisitions in the second half of 2013 and the YTC acquisition in March 2014 added £10.7m of revenue.

The strengthening of sterling dampened reported margins in the period, resulting in an adjusted operating profit 1.7% lower at £69.1m, and giving a margin of 24.8% compared with 25.4% in the comparative period. Currency reduced adjusted operating profit by £6.8m and removing this impact results in a constant currency margin of 25.4% from profit of £75.9m. The acquisitions were also slightly dilutive so organic constant currency adjusted operating margins were 25.6%, a 20 basis point increase. The order book increased by 7.4% in the period to £202.6m, driven by several major project awards.

As a global business operating across a wide range of industries and geographies, we are well placed to benefit from an increase in project activity in any region. The Far East and Latin America performed well in the period. Mexico was once again particularly active and we secured another large order for the automation of more of the existing liquid and gas pipeline network which will be delivered during 2015 and 2016. The Indian market continues to show signs of improvement although we do not expect the Indian power market to recover fully until 2015. China continues to benefit from investment in cleaner power generation. North America had a slower start to the period with the harsh winter in the north of the region affecting a number of our businesses. Europe remains generally subdued. Overall project visibility remains positive and quote activity in the second quarter was encouraging.

We continue to actively manage our costs, with a particular focus on bought-in components, which are the largest part of the cost base in our outsourced manufacturing model. Our new factory in Leeds was finished in the period and the transfer of people and activities will be completed during the summer. We have also completed the relocation of our sales office in Spain and opened a new sales office in Poland. We expect to open a new office in Chile in the second half of the year.

As well as focusing on organic sales growth and product development, we have continued to grow by acquisition. We announced the acquisition of YTC for £64m in March and, following the period-end, we announced the acquisition of Xylem Flow Control, now Rotork Midland, for £18m in July. Both of these businesses provide us with additional products that are core to the Instruments division's portfolio. YTC, which is based in Korea, also strengthens the Instruments division's presence in the important Far East market. The integration of YTC is progressing well and it made a positive contribution in the period. We continue to look for opportunities to grow both organically and by acquisition that will support our long-term strategic and financial objectives.

Financial position

Cash flow

Cash flow from operating activities was £39.6m which represents 87.1% cash generation compared with 91.7% in the corresponding period last year. Cash generation is our KPI which compares cashflow from operating activities with operating profit. A working capital outflow of £8.9m compares with a £9.1m outflow in the prior period, with a £7.9m increase in inventory being the largest element of this outflow in the period. The net outflow on the acquisition of YTC (£55.5m) and final dividend payment (£26.0m) were the two largest outflows, although completion of the new Leeds facility resulted in higher than normal capital expenditure (£8.7m) in the period.

Balance sheet

The balance sheet at the period end included net cash of £14.9m. The acquisition of Midland for £18m took place shortly after the period end. Gross cash balances of £71.6m were offset by borrowings of £56.7m, £55.0m of which is provided under two committed facilities. Net working capital at the period end was £151.7m, an increase of £8.6m since the year end. This represents 27.2% of revenue compared with 26.8% at the same time last year.

Post balance sheet event
On 2 July 2014 we completed the acquisition of Xylem Flow Control Limited, a UK based subsidiary of Xylem Inc. for £18m. This business makes solenoid valves and other flow control instruments which are sold under the Midland-ACS, Alcon and Landon Kingsway brands and which are used extensively in explosion-proof zoned areas. The business has been renamed Rotork Midland Ltd and has become part of the Rotork Instruments division.

Operating Review
Delivery against our twin-track growth strategy is reflected in these results with the benefit of the YTC, Flowco, GTA and Renfro acquisitions supplementing the organic growth of our divisions.

Rotork Controls

£m	H1 2014	H1 2013	Change	OCC*[2] Change
Order intake	161.3	155.7	+3.6%	+12.0%
Revenue	150.7	152.6	-1.3%	+6.0%
Adjusted*[1] operating profit	46.1	49.0	-5.9%	+3.5%
Adjusted operating margin	30.6%	32.1%	-150 bps	-70 bps

Order intake grew by 3.6% to £161.3m, a record half year performance for Controls. On an organic constant currency basis, order intake grew 12.0%, with currency having a greater impact on Controls than our other divisions. Activity levels in Europe and North America were stable compared with the first half of 2013 whilst Latin America and the Far East grew strongly. The power market in India continued to improve, although we do not expect it to recover fully until 2015. In China the power market was active, whilst the oil and gas market experienced some delays in order placement. The order book rose 5.0% in the period to £105.4m despite the currency headwind.

With a greater concentration of sterling costs than the other divisions, adjusted operating margins in Controls reduced by 150 basis points, largely as a result of currency. Gross margins were impacted by the geographic, end market and product mix of revenue in the period and this reduced underlying margins by 70 basis points.

The second half of the year will see the launch of our new Centork electric actuator. The specification for this range has been designed for the power and water markets and will complement the IQ series.

Rotork Fluid Systems

£m	H1 2014	H1 2013	Change	OCC*[2] Change
Order intake	101.0	101.6	-0.6%	+2.4%
Revenue	88.8	89.2	-0.5%	+1.6%
Adjusted*[1] operating profit	14.4	14.2	+1.6%	+8.1%
Adjusted operating margin	16.2%	15.9%	+30 bps	+100 bps

First half order intake was 0.6% below the record comparative period but up 2.4% on an organic constant currency basis. With the Mexican pipeline order mainly benefiting Fluid Systems, the order book is at a new high of £84.1m and 10.7% higher than December 2013.

Activity levels in the Eastern European oil and gas market and the US liquids pipeline business were slower compared with the very active period last year but this was mitigated by oil pipeline and power project successes in Latin America in the current period. North America, Europe and Asia saw consistently good levels of activity.

Adjusted operating margins improved 30 basis points to 16.2%, benefiting from material sourcing initiatives and the continued widening of the component supply base for Fluid Systems. Product mix was also favourable.

Rotork Gears

£m	H1 2014	H1 2013	Change	OCC*[2] Change
Order intake	27.7	29.8	-6.9%	-6.3%
Revenue	28.7	27.1	+5.9%	+6.4%
Adjusted*[1] operating profit	6.4	6.1	+5.1%	+8.5%
Adjusted operating margin	22.2%	22.3%	-10 bps	+50 bps

Gears' sales focus remains on winning new customer accounts. Whilst there have been some key successes in this area, it has not yet translated into order intake, which was 6.9% lower year-on-year. Currency had less of an impact on Gears so on an organic constant currency basis order intake was 6.3% below 2013. The order book was £9.8m, the same level as in December 2013.

In the US our Houston factory saw growth in the period and we benefited from a contribution from Renfro. In Europe we saw fewer subsea projects than in the comparative period so sales from our Italian factory were lower year-on-year, but our Netherlands factory had an improved start to the year. India also had a much more positive period as we continued work to indigenise the sourcing of components. Sourcing from lower cost regions is one of the initiatives which has helped improve Gears' underlying margins.

Rotork Instruments

£m	H1 2014	H1 2013	Change	OCC*[2] Change
Order intake	18.2	13.2	+37.7%	+8.3%
Revenue	17.4	12.4	+40.9%	+13.0%
Adjusted*[1] operating profit	5.5	3.9	+40.6%	+10.4%
Adjusted operating margin	31.4%	31.4%	No change	-70 bps

Order intake grew strongly on both a reported and underlying basis. The headline increase of 37.7% includes three months contribution from YTC but, removing the effect of acquisitions and currency, orders were still 8.3% higher. We continue to develop our sales channels and expand our product portfolio such that we fully utilise our global reach and sales infrastructure. Instruments benefits from its manufacturing presence in the USA, Italy, Korea and UK, and Rotork Midland and YTC bring to the Group increased engineering resources that will enhance our development of product lines for the international market.

Board Composition

As previously announced, Ian King retired from the Board on 20 June 2014 after serving nine years as a non-executive director, at which time John Nicholas became senior independent non-executive director and Sally James became Chair of the Audit Committee. Martin Lamb and Lucinda Bell were appointed as non-executive directors, on 2 June 2014 and 10 July 2014 respectively, and are both members of the Audit, Nomination and Remuneration Committees.

Change of auditor

We announced our intention to offer all external audit work for tender in the 2013 Annual Report. Following the completion of this process, Deloitte LLP were appointed as the Group's statutory auditor and have carried out a review of this half year financial report in this capacity.

Principal risks and uncertainties

The Group has an established risk management process as part of the corporate governance framework set out in the 2013 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 30 to 33 of the 2013 Annual Report & Accounts. We identify risks in the form of strategic, operational and financial risks and set out mitigations and improvements to our processes and procedures as necessary to manage these risks. The Group has reviewed these risks and concluded that they remain applicable to the second half of the financial year.

The principal risks and uncertainties are:

- Competition on price as a result of a competitor moving to manufacture in a lower cost area of the world;
- Rotork not having the appropriate products, either in terms of features or costs;
- Lower investment in Rotork's traditional market sectors;
- Major in field product failure arising from a component defect or warranty issue which might require a product recall;
- Failure of a key supplier or a tooling failure at a supplier causing disruption to planned manufacturing;
- Failure of an acquisition to deliver the growth or synergies anticipated, due to incorrect assumptions or changing market conditions, or failure to integrate an acquisition to ensure compliance with Rotork's policies and procedures;
- Failure of IT security systems to prevent penetration by unauthorised people and access to commercially sensitive data;
- Volatility of exchange rates;
- Political instability in a key end-market;
- Defined benefit pension scheme deficit.

Statement of Directors' Responsibilities

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

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

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

The Directors of Rotork plc are listed in the Rotork plc Annual Report & Accounts for 31 December 2013. A list of current directors is maintained in the About Us section of the Rotork website: www.rotork.com.

Dividend

The interim dividend is to be increased by 6.4% to 19.2p per ordinary share and will be paid on 26 September 2014 to shareholders on the register at the close of business on 29 August 2014.

Outlook

During the first half, we saw an increased level of activity in many of the markets that we serve and our geographic reach and broad product portfolio enabled us to secure a number of major projects. This resulted in record order intake and first half revenue despite a strengthening currency headwind.

For the full year, we anticipate that as in previous years the Group's performance will be more weighted towards the second half. Our order book, increased project activity and wide market exposure provide the Board with confidence of achieving further progress in the full year.

By order of the Board

Peter France
Chief Executive
4 August 2014

Independent Review Report to Rotork plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income and Expense, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows related notes 1 to 17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company 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" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review 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" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
4 August 2014

Consolidated Income Statement

	Notes	First half 2014 £000	First half 2013 £000	Full year 2013 £000
Revenue	2	**278,543**	276,051	578,440
Cost of sales		**(144,908)**	(143,805)	(304,066)
Gross profit		**133,635**	132,246	274,374
Other income		**158**	73	206
Distribution costs		**(2,729)**	(2,688)	(5,623)
Administrative expenses		**(68,864)**	(65,161)	(129,576)
Other expenses		**(86)**	(4)	(116)
Operating profit before the amortisation of acquired intangible assets		**69,050**	70,210	151,412
Amortisation of acquired intangible assets		**(6,936)**	(5,744)	(12,147)
Operating profit	2	**62,114**	64,466	139,265
Finance income	3	**724**	613	1,173
Finance expense	4	**(1,357)**	(1,469)	(2,441)
Profit before tax		**61,481**	63,610	137,997
Income tax expense	5			
UK		**(3,766)**	(4,327)	(8,060)
Overseas		**(13,062)**	(13,500)	(30,428)
		(16,828)	(17,827)	(38,488)
Profit for the period		**44,653**	45,783	99,509
		pence	pence	pence
Basic earnings per share	8	**51.5**	52.8	114.8
Adjusted basic earnings per share	8	**57.3**	57.6	124.9
Diluted earnings per share	8	**51.3**	52.6	114.3
Adjusted diluted earnings per share	8	**57.1**	57.3	124.3

Consolidated Statement of Comprehensive Income and Expense

	First half 2014 £000	First half 2013 £000	Full year 2013 £000
Profit for the period	**44,653**	45,783	99,509
Other comprehensive income and expense			
Items that may be subsequently reclassified to the income statement:			
Foreign currency translation differences	**(6,554)**	6,788	(4,981)
Effective portion of changes in fair value of cash flow hedges net of tax	**270**	(1,829)	1,274
	(6,284)	4,959	(3,707)
Items that are not subsequently reclassified to the income statement:			
Actuarial (loss) / gain in pension scheme net of tax	**(2,055)**	-	5,528
Income and expenses recognised directly in equity	**(8,339)**	4,959	1,821
Total comprehensive income for the period	**36,314**	50,742	101,330

Consolidated Balance Sheet

	Notes	30 June 2014 £000	30 June 2013 £000	31 Dec 2013 £000
Goodwill		**136,409**	105,547	105,150
Intangible assets		**68,059**	56,435	53,481
Property, plant and equipment		**58,061**	44,521	45,871
Deferred tax assets		**11,288**	13,549	11,778
Derivative financial instruments		**-**	-	804
Other receivables		**1,530**	1,644	1,532
Total non-current assets		**275,347**	221,696	218,616
Inventories	*9*	**83,831**	86,723	75,081
Trade receivables		**108,564**	103,862	105,976
Current tax		**1,570**	2,162	1,145
Derivative financial instruments		**4,403**	582	2,933
Other receivables		**16,853**	12,554	12,152
Cash and cash equivalents		**71,626**	41,594	68,873
Total current assets		**286,847**	247,477	266,160
Total assets		**562,194**	469,173	484,776
Ordinary shares	*11*	**4,344**	4,341	4,344
Share premium		**8,882**	8,301	8,840
Reserves		**365**	15,315	6,649
Retained earnings		**329,089**	268,870	312,246
Total equity		**342,680**	296,827	332,079
Interest-bearing loans and borrowings	*12*	**1,474**	1,936	1,678
Employee benefits		**21,500**	30,727	22,705
Deferred tax liabilities		**20,129**	15,799	16,920
Non-current provisions		**2,397**	1,881	2,628
Total non-current liabilities		**45,500**	50,343	43,931
Interest-bearing loans and borrowings	*12*	**55,286**	226	532
Trade payables		**40,715**	42,710	38,019
Employee benefits		**12,369**	10,312	17,479
Current tax		**16,996**	19,507	14,836
Derivative financial instruments		**23**	3,104	32
Other payables		**39,238**	41,576	31,002
Provisions		**9,387**	4,568	6,866
Total current liabilities		**174,014**	122,003	108,766
Total liabilities		**219,514**	172,346	152,697
Total equity and liabilities		**562,194**	469,173	484,776

Consolidated Statement of Changes in Equity

	Issued equity capital £000	Share premium £000	Translation reserve £000	Capital redemption reserve £000	Hedging reserve £000	Retained earnings £000	Total £000
Balance at 31 December 2012	4,340	8,258	7,649	1,644	1,063	246,369	269,323
Profit for the period	-	-	-	-	-	45,783	45,783
Other comprehensive income							
Foreign currency translation differences	-	-	6,788	-	-	-	6,788
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(2,383)	-	(2,383)
Tax in other comprehensive income	-	-	-	-	554	-	554
Total other comprehensive income	-	-	6,788	-	(1,829)	-	4,959
Total comprehensive income	-	-	6,788	-	(1,829)	45,783	50,742
Transactions with owners, recorded directly in equity							
Equity settled share based payment transactions	-	-	-	-	-	(1,301)	(1,301)
Tax on equity settled share based payment transactions	-	-	-	-	-	302	302
Share options exercised by employees	1	43	-	-	-	-	44
Own ordinary shares acquired	-	-	-	-	-	(3,601)	(3,601)
Own ordinary shares awarded under share schemes	-	-	-	-	-	4,400	4,400
Dividends	-	-	-	-	-	(23,082)	(23,082)
Balance at 30 June 2013	4,341	8,301	14,437	1,644	(766)	268,870	296,827

	Issued equity capital £000	Share premium £000	Translation reserve £000	Capital redemption reserve £000	Hedging reserve £000	Retained earnings £000	Total £000
Balance at 31 December 2012	4,340	8,258	7,649	1,644	1,063	246,369	269,323
Profit for the year	-	-	-	-	-	99,509	99,509
Other comprehensive income							
Foreign currency translation differences	-	-	(4,981)	-	-	-	(4,981)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	1,598	-	1,598
Actuarial gain on defined benefit pension plans	-	-	-	-	-	7,669	7,669
Tax in other comprehensive income	-	-	-	-	(324)	(2,141)	(2,465)
Total other comprehensive income	-	-	(4,981)	-	1,274	5,528	1,821
Total comprehensive income	-	-	(4,981)	-	1,274	105,037	101,330
Transactions with owners, recorded directly in equity							
Equity settled share based payment transactions	-	-	-	-	-	143	143
Tax on equity settled share based payment transactions	-	-	-	-	-	632	632
Share options exercised by employees	4	582	-	-	-	-	586
Own ordinary shares acquired	-	-	-	-	-	(5,601)	(5,601)
Own ordinary shares awarded under share schemes	-	-	-	-	-	4,401	4,401
Dividends	-	-	-	-	-	(38,735)	(38,735)
Balance at 31 December 2013	4,344	8,840	2,668	1,644	2,337	312,246	332,079

Consolidated Statement of Changes in Equity (continued)

	Issued equity capital £000	Share premium £000	Translation reserve £000	Capital redemption reserve £000	Hedging reserve £000	Retained earnings £000	Total £000
Balance at 31 December 2013	**4,344**	**8,840**	**2,668**	**1,644**	**2,337**	**312,246**	**332,079**
Profit for the period	-	-	-	-	-	44,653	44,653
Other comprehensive income							
Foreign currency translation differences	-	-	(6,554)	-	-	-	(6,554)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	344	-	344
Actuarial loss on defined benefit pension plans	-	-	-	-	-	(2,618)	(2,618)
Tax in other comprehensive income	-	-	-	-	(74)	563	489
Total other comprehensive income	-	-	(6,554)	-	270	(2,055)	(8,339)
Total comprehensive income	-	-	(6,554)	-	270	42,598	36,314
Transactions with owners, recorded directly in equity							
Equity settled share based payment transactions	-	-	-	-	-	(1,560)	(1,560)
Tax on equity settled share based payment transactions	-	-	-	-	-	335	335
Share options exercised by employees	-	42	-	-	-	-	42
Own ordinary shares acquired	-	-	-	-	-	(3,900)	(3,900)
Own ordinary shares awarded under share schemes	-	-	-	-	-	5,416	5,416
Dividends	-	-	-	-	-	(26,046)	(26,046)
Balance at 30 June 2014	**4,344**	**8,882**	**(3,886)**	**1,644**	**2,607**	**329,089**	**342,680**

Consolidated Statement of Cash Flows

	First half 2014 £000	First half 2013 £000	Full year 2013 £000
Profit for the period	**44,653**	45,783	99,509
Amortisation of acquired intangible assets	**6,936**	5,744	12,147
Amortisation of development costs	**700**	602	1,214
Depreciation	**3,635**	3,130	6,801
Equity settled share based payment expense	**1,137**	1,037	2,178
Net loss / (gain) on sale of property, plant and equipment	**4**	(40)	(25)
Finance income	**(724)**	(613)	(1,173)
Finance expense	**1,357**	1,469	2,441
Income tax expense	**16,828**	17,827	38,488
	74,526	74,939	161,580
Increase in inventories	**(7,852)**	(11,633)	(1,740)
Increase in trade and other receivables	**(7,133)**	(5,409)	(10,786)
Increase / (decrease) in trade and other payables	**6,128**	7,910	(1,778)
Difference between pension charge and cash contribution	**(4,258)**	(285)	(534)
(Decrease) / increase in provisions	**(726)**	(421)	863
(Decrease) / increase in employee benefits	**(4,808)**	(1,021)	2,621
	55,877	64,080	150,226
Income taxes paid	**(16,318)**	(13,617)	(39,866)
Cash flows from operating activities	**39,559**	50,463	110,360
Purchase of property, plant and equipment	**(8,715)**	(4,453)	(10,419)
Development costs capitalised	**(1,050)**	(714)	(2,033)
Proceeds from sale of property, plant and equipment	**128**	91	159
Acquisition of subsidiaries, net of cash acquired	**(55,486)**	(34,255)	(43,235)
Contingent consideration paid	**(971)**	(200)	(250)
Interest received	**214**	469	917
Cash flows from investing activities	**(65,880)**	(39,062)	(54,861)
Issue of ordinary share capital	**42**	44	586
Purchase of ordinary share capital	**(3,900)**	(3,601)	(5,601)
Interest paid	**(198)**	(292)	(653)
Increase / (decrease) in borrowings	**54,602**	(193)	(618)
Repayment of finance lease liabilities	**(22)**	(7)	(34)
Dividends paid on ordinary shares	**(26,046)**	(23,082)	(38,735)
Cash flows from financing activities	**24,478**	(27,131)	(45,055)
Net (decrease) / increase in cash and cash equivalents	**(1,843)**	(15,730)	10,444
Cash and cash equivalents at 1 January	**68,873**	59,868	59,868
Effect of exchange rate fluctuations on cash held	**4,596**	(2,544)	(1,439)
Cash and cash equivalents at end of period	**71,626**	41,594	68,873

Notes to the Half Year Report

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

General information

Rotork plc is a company domiciled in England and Wales.

The Company has its premium listing on the London Stock Exchange.

The condensed consolidated interim financial statements for the 6 months ended 30 June 2014 are unaudited and the auditors have reported in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

The information shown for the year ended 31 December 2013 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006, statutory accounts for the year ended 31 December 2013 were approved by the Board on 4 March 2014 and delivered to the Registrar of Companies. The Auditors' report on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

The consolidated financial statements of the Group for the year ended 31 December 2013 are available from the Company's registered office or website, see note 19.

Basis of preparation

The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2014 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 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial information. In forming this view, the directors have considered trading and cash flow forecasts, financial commitments, the significant orderbook with customers spread across different geographic areas and industries and the significant net cash position.

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 2013.

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

Critical accounting estimates and judgements

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

In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current financial year are discussed in the financial statements for the year ended 31 December 2013.

New accounting standards and interpretations

The following amendments have been applied from 1 January 2014:

- Amendments to IAS32 – Offsetting Financial Assets and Financial liabilities
- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

Application of these standards and amendments has not had any material impact on the disclosures, net assets or results of the Group.

Recent accounting developments

IFRS 9 Financial Instruments has been issued but is not yet effective and has not been adopted as application was not mandatory for the year. The directors anticipate that the adoption of this standard will not have a material impact on the disclosures, net assets or results of the Group.

2. Analysis by operating segment

The Group has chosen to organise the management and financial structure by the grouping of related products. The four identifiable operating segments where the financial and operating performance is reviewed monthly by the chief operating decision maker are as follows:

Controls – the design, manufacture and sale of electric actuators
Fluid Systems – the design, manufacture and sale of pneumatic and hydraulic actuators
Gears – the design, manufacture and sale of gearboxes, adaption and ancillaries for the valve industry
Instruments – the manufacture of high precision pneumatic controls and power transmission products for a wide range of industries

Unallocated expenses comprise corporate expenses.

2. Analysis by operating segments (continued)

Half year to 30 June 2014

	Controls £000	**Fluid Systems £000**	**Gears £000**	**Instruments £000**	**Elimination £000**	**Unallocated £000**	**Group £000**
Revenue from external customers	**150,689**	**88,831**	**22,315**	**16,708**	**-**	**-**	**278,543**
Inter segment revenue	**-**	**-**	**6,418**	**697**	**(7,115)**	**-**	**-**
Total revenue	**150,689**	**88,831**	**28,733**	**17,405**	**(7,115)**	**-**	**278,543**
Operating profit before amortisation of acquired intangible assets	**46,107**	**14,390**	**6,375**	**5,465**	**-**	**(3,287)**	**69,050**
Amortisation of acquired intangibles assets	**(1,860)**	**(851)**	**(211)**	**(4,014)**	**-**	**-**	**(6,936)**
Operating profit	**44,247**	**13,539**	**6,164**	**1,451**	**-**	**(3,287)**	**62,114**
Net financing expense							**(633)**
Income tax expense							**(16,828)**
Profit for the period							**44,653**

Half year to 30 June 2013

	Controls £000	Fluid Systems £000	Gears £000	Instruments £000	Elimination £000	Unallocated £000	Group £000
Revenue from external customers	152,619	89,241	22,051	12,140	-	-	276,051
Inter segment revenue	-	-	5,088	217	(5,305)	-	-
Total revenue	152,619	89,241	27,139	12,357	(5,305)	-	276,051
Operating profit before amortisation of acquired intangible assets	49,020	14,163	6,063	3,886	-	(2,922)	70,210
Amortisation of acquired intangibles assets	(2,024)	(810)	(109)	(2,801)	-	-	(5,744)
Operating profit	46,996	13,353	5,954	1,085	-	(2,922)	64,466
Net financing expense							(856)
Income tax expense							(17,827)
Profit for the period							45,783

Full year to 30 December 2013

	Controls £000	Fluid Systems £000	Gears £000	Instruments £000	Elimination £000	Unallocated £000	Group £000
Revenue from external customers	321,902	186,969	45,353	24,216	-	-	578,440
Inter segment revenue	-	-	10,682	706	(11,388)	-	-
Total revenue	321,902	186,969	56,035	24,922	(11,388)	-	578,440
Operating profit before amortisation of acquired intangible assets	105,472	31,010	12,972	7,833	-	(5,875)	151,412
Amortisation of acquired intangibles assets	(4,363)	(1,920)	(403)	(5,461)	-	-	(12,147)
Operating profit	101,109	29,090	12,569	2,372	-	(5,875)	139,265
Net financing expense							(1,268)
Income tax expense							(38,488)
Profit for the year							99,509

2. Analysis by operating segments (continued)

Revenue by location of subsidiary

	First half 2014 £000	First half 2013 £000	Full year 2013 £000
UK	**25,683**	26,240	51,027
Italy	**34,803**	29,991	64,861
Rest of Europe	**57,737**	55,287	117,467
USA	**68,970**	72,151	147,039
Other Americas	**12,290**	17,850	38,201
Rest of the World	**79,060**	74,532	159,845
	278,543	276,051	578,440

This disclosure has been restated to revenue by location of subsidiary because this gives a better reflection of the geographic distribution of where the sale occurred.

3. Finance income

	First half 2014 £000	First half 2013 £000	Full year 2013 £000
Interest income	**500**	469	917
Foreign exchange gain	**224**	144	256
	724	613	1,173

4. Finance expense

	First half 2014 £000	First half 2013 £000	Full year 2013 £000
Interest expense	**(495)**	(292)	(653)
Interest charge on pension scheme liabilities	**(394)**	(584)	(1,168)
Foreign exchange loss	**(468)**	(593)	(620)
	(1,357)	(1,469)	(2,441)

5. 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 2014 is 27.4% (the effective tax rate for the year ended 31 December 2013 was 27.9%).

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

6. *Acquisitions*

On 31 March 2014 the Group acquired 100% of the entire share capital of Young Tech Co., Ltd. ("YTC") for £68,240,000. YTC, based in Seoul, Korea, is a leading manufacturer and supplier of valve positioners and accessories certified for use in international markets. The acquired business will be reported within the Instruments division. In the period since acquisition YTC has contributed £4,431,000 to Group revenue and £1,462,000 to consolidated operating profit before amortisation. The amortisation charge in the period since acquisition from the acquired intangible assets was £1,486,000.

If the acquisition had occurred on 1 January 2014 YTC would have contributed £8,447,000 to Group revenue and £2,787,000 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.

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

	Book value £000	Provisional Adjustments £000	Provisional Fair values £000
Current assets			
Inventory	3,167	(316)	**2,851**
Trade and other receivables	3,307	(135)	**3,172**
Cash	4,514	-	**4,514**
Current liabilities			
Trade and other payables	(983)	(398)	**(1,381)**
Employee benefits	(147)	-	**(147)**
Warranty provision	-	(168)	**(168)**
Non-current assets / liabilities			
Property, plant and equipment	7,889	-	**7,889**
Intangible assets	226	22,353	**22,579**
Deferred tax	-	(5,365)	**(5,365)**
Total net assets	**17,973**	**15,971**	**33,944**
Goodwill			**34,296**
Purchase consideration			**68,240**
Paid in cash			**60,000**
Deferred consideration			**4,240**
Contingent consideration			**4,000**
Purchase consideration			**68,240**
Purchase consideration paid in cash			**60,000**
Cash held in subsidiary			**(4,514)**
Cash outflow on acquisition			**55,486**

The provisional adjustments shown in the table above represent the alignment of accounting policies to Rotork Group policies and the fair value adjustments of the assets and liabilities at the acquisition date. Goodwill has arisen on the acquisition as a result of the value attributed to staff expertise and the assembled workforce, which did not meet the recognition criteria for a separate intangible asset. The intangible assets identified are customer relationships, the YTC brand, product design patents and the acquired order book.

The deferred consideration is an adjustment based on the completion balance sheet and was paid on 14 July 2014. The contingent consideration is payable in April 2015 dependant on an EBIT target being achieved.

None of the goodwill recognised is expected to be deductible for income tax purposes.

7. Dividends

	First half 2014 £000	First half 2013 £000	Full year 2013 £000
The following dividends were paid in the period per qualifying ordinary share:			
30.0p final dividend *(2013: 26.6p)*	**26,046**	23,082	23,082
18.05p interim dividend	**-**	-	15,653
	26,046	23,082	38,735
The following dividends per qualifying ordinary share were declared / proposed at the balance sheet date:			
30.0p final dividend	**-**	-	26,061
19.2p interim dividend declared *(2013: 18.05p)*	**16,680**	15,670	-
	16,680	15,670	26,061

The interim dividend of 19.2p pence will be payable to shareholders on 26 September 2014 to those on the register on 29 August 2014.

8. Earnings per share

Earnings per share is calculated using the profit attributable to the ordinary shareholders for the period and 86.7m shares *(six months to 30 June 2013: 86.7m; year to 31 December 2013: 86.7m)* being the weighted average ordinary shares in issue.

Diluted earnings per share is based on the profit for the year attributable to the ordinary shareholders and 87.1m shares (*six months to 30 June 2013: 87.1m; year to 31 December 2013: 87.1m)*. 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.

Adjusted basic and diluted earnings per share is calculated using the profit attributable to the ordinary shareholders for the year after adding back the amortisation charge net of tax.

	First half 2014 £000	First half 2013 £000	Full year 2013 £000
Net profit attributable to ordinary shareholders	**44,653**	45,783	99,509
Amortisation	**6,936**	5,744	12,147
Tax effect on amortisation at effective rate	**(1,898)**	(1,610)	(3,388)
Adjusted net profit attributable to ordinary shareholders	**49,691**	49,917	108,268

9. Inventories

	30 June 2014 £000	30 June 2013 £000	31 Dec 2013 £000
Raw materials and consumables	**56,568**	56,478	51,844
Work in progress	**12,036**	14,577	8,445
Finished goods	**15,227**	15,668	14,792
	83,831	86,723	75,081

10. Pension schemes - Defined Benefit deficit

The defined benefit obligation at 30 June 2014 of £18,952,000 (30 June 2013: £28,760,000; 31 December 2013: £20,198,000) is estimated based on the latest full actuarial valuations at 31 March 2013 for UK and US plans. The valuation of the most significant plan, namely, the Rotork Pension and Life Assurance Scheme in the UK has been updated at 30 June 2014 by independent actuaries to reflect updated assumptions regarding discount rates, inflation rates and asset values.

	30 June 2014	30 June 2013	31 Dec 2013
Discount rate	**4.4**	4.3	4.6
Rate of inflation	**3.3**	2.9	3.4

In addition, the defined benefit plan assets and liabilities have been updated to reflect the regular payments, the £3.4 million payment made in March 2014 in respect of past service and the benefits earned during the period to the 30 June 2014.

11. Share capital and reserves

The number of ordinary 5p shares in issue at 30 June 2014 was 86,875,000 (30 June 2013: 86,814,000; 31 December 2013: 86,871,000). All issued shares are fully paid.

The Group acquired 143,335 of its own shares through purchases on the London Stock Exchange during the period, (30 June 2013: 123,509; 31 December 2013: 194,724). The total amount paid to acquire the shares was £3,900,000 (30 June 2013: £3,601,000; 31 December 2013: £5,601,000), and this has been deducted from shareholders equity. At 30 June 2014 the number of shares held in trust for the benefit of Directors and employees for future payments under the Share Incentive Plan and Long-term incentive plan was 108,116 (30 June 2013: 91,303; 31 December 2013: 162,518).

Awards under the Group's long-term incentive plan and share investment plan vested during the period and 83,672 and 114,065 shares respectively were transferred to employees.

Employee share options schemes: options exercised during the period to 30 June 2014 resulted in 3,912 ordinary 5p shares being issued (30 June 2013: 5,393 shares), with exercise proceeds of £42,000 (30 June 2013: £44,000). The weighted average market share price at the time of exercise was £26.53 (30 June 2013: £27.19) per share.

The share based payment charge for the period was £1,137,000 (30 June 2013: £1,037,000; 31 December £2,177,000).

12. Loans and borrowings

The following loans and borrowings were issued and repaid during the six months ended 30 June 2014:

	Year of maturity	Interest rate	Carrying value £000
Balance at 1 January 2014			2,210
Movement in the period:			
Drawdown under UK loan facility	2015	1.26%	55,000
Repayment of Euro denominated loans	2014-32	2.15%	(376)
Repayment of finance leases	2014-15	1.5% - 5.6%	(22)
Exchange differences			(52)
Balance at 30 June 2014			**56,760**
Current			55,286
Non-current			1,474
			56,760

The Group has increased its committed loan facilities to £75,000,000 (First half 2013: £15,000,000; Full year 2013: £15,000,000), of which £55,000,000 (30 June 2013: £nil; 31 December 2013: £nil) has been drawn down, the outstanding amount attracts a blended interest rate of LIBOR plus 0.764%. Repayment of £35,000,000 is due by January 2015 and £20,000,000 is repayable in May 2015.

13. Financial instruments fair value disclosure

The Group held forward currency contracts designated as hedge instruments in a cash flow hedging relationship. At 30 June 2014 the fair value of these contracts was a net asset of £4,380,000 (30 June 2013: a net liability of 2,522,000; 31 December 2013: a net asset of £3,705,000). The fair value was estimated using period end spot rates adjusted for the forward points to the appropriate value dates, and gains and losses are taken to equity estimated using market foreign exchange rates at the balance sheet date. All derivative financial instruments are categorised at Level 2 of the fair value hierarchy. There was no ineffectiveness to be recorded from the use of foreign exchange contracts.

The other financial instruments, comprising of trade and other receivables/payables and contingent consideration, are classified as level 3 in the fair value hierarchy and their carrying amount is deemed to reflect the fair value. The Group had no derivative financial instruments in the current or previous year with fair values that would be classified as level 3 in the fair value hierarchy.

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 in the 2013 Annual Report & Accounts. Transactions between key subsidiaries for the sale and purchase of products or between the subsidiary and parent for management charges are priced on an arms length basis.

Sales to subsidiaries and associates of BAE Systems plc, a related party by virtue of non-executive director IG King's directorship of that company, totalled £nil during the period to 30 June 2014 (First half 2013: £49,000; Full year 2013: £49,000) and no balance was outstanding at 30 June 2014 (30 June 2013: £16,032; 31 December 2013: £nil).

UBS Investment Bank are a related party by virtue of non-executive director SA James' directorship of UBS Limited. UBS Investment Bank provides the Group financial advice and stockbroking services. The current arrangement with UBS Investment Limited is that out of pocket expenses will be reimbursed and no fees will be charged for their regular advisory or broking services. Expenses of £6,000 have been reimbursed during the period to 30 June 2014 (First half 2013: £3,000: Full year 2013: £4,000) and no balance was outstanding at 30 June 2014 (30 June 2013: £nil; 31 December 2013: £nil).

15. 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 2014 £000	First half 2013 £000	Full year 2013 £000
Emoluments including social security costs	**2,475**	2,469	4,816
Post employment benefits	**274**	244	493
Share based payments	**743**	697	1,465
	3,492	3,410	6,774

16. Share-based payments

A grant of shares was made on 6 March 2014 to selected members of senior management at the discretion of the Remuneration Committee. The key information and assumptions from this grant were:

	Equity Settled TSR condition	**Equity Settled EPS condition**
Grant date	6 March 2014	6 March 2014
Share price at grant date	£27.52	£27.52
Shares awarded under scheme	53,201	53,201
Vesting period	3 years	3 years
Expected volatility	25.1%	25.1%
Risk free rate	1.0%	1.0%
Expected dividends expressed as a dividend yield	1.7%	1.7%
Probability of ceasing employment before vesting	5% p.a.	5% p.a.
Fair value	£12.56	£26.21

The basis of measuring fair value is consistent with that disclosed in the 2013 Annual Report & Accounts.

17. Events Post Balance Sheet Date

On 2 July 2014 the Group acquired 100% of the share capital of Xylem Flow Control Limited, a leading manufacturer of solenoid valves and instruments based in Wolverhampton, United Kingdom. The acquired business will be reported within the Rotork Instruments division. The provisional consideration was £19,779,000 and the net cash outflow on completion was £18,000,000. The business will contribute to Group revenue and operating profit in the second half of the year.

The provisional net assets are £6,514,000, including net cash of £1,779,000. If these acquisitions had occurred on 1 January 2014 the businesses would have contributed £7,400,000 to Group revenue and £770,000 to Group operating profit in the six months to 30 June.

Due to the proximity of the acquisitions to the date of approval of the interim financial statements the initial accounting for these business combinations is incomplete and therefore the disclosures regarding the fair value of the assets acquired and liabilities assumed, the valuation of the goodwill and other intangibles, the amount of goodwill expected to be deductible for tax purposes, the fair value of contingent liabilities and assets and the amount and treatment of acquisition costs cannot be made.

18. Shareholder information

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

General shareholder contact numbers:

Shareholder General Enquiry Number (UK):	0871 384 2030
International Shareholders – General Enquiries:	(00) 44 121 415 7047

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

The Share Dividend Team
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Tel: 0871 384 2268

19. Group information

Secretary and registered office:
Stephen Rhys Jones
Rotork plc
Rotork House
Brassmill Lane
Bath
BA1 3JQ

Company website:
www.rotork.com

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

20. Financial Calendar

5 August 2014	Announcement of half year financial results for 2014
27 August 2014	Ex-dividend date for 2014 interim dividend
29 August 2014	Record date for 2014 interim dividend
26 September 2014	Payment date for 2014 interim dividend