



Rotork plc

2015 Half Year Results

	HY 2015	HY 2014	% change	OCC * ² % change
Order intake	£274.0m	£302.7m	-9.5%	-12.9%
Revenue	£274.2m	£278.5m	-1.6%	-5.4%
Adjusted* ¹ operating profit	£65.0m	£69.1m	-5.8%	-8.6%
Profit before tax	£56.3m	£61.5m	-8.4%	-9.1%
Adjusted* ¹ profit before tax	£64.1m	£68.4m	-6.3%	-9.5%
Basic earnings per share	4.77p	5.15p	-7.3%	-7.9%
Adjusted* ¹ basic earnings per share	5.44p	5.73p	-5.1%	-8.4%
Interim dividend	1.95p	1.92p	+1.6%	

*¹ Adjusted figures are before the amortisation of acquired intangible assets

*² OCC is organic constant currency which has all the acquisitions removed and are restated at 2014 exchange rates.

Summary

- Order intake 9.5% lower than prior year (OCC -12.9%)
- Revenue 1.6% lower than prior year (OCC -5.4%)
- Order book of £175.9m 4.3% lower than December (OCC -0.1%)
- Cost management programme accelerated in response to oil and gas slowdown
- Strong growth in the Instruments division
- Two acquisitions completed including £6.9m acquisition of M&M International Srl announced today
- Launch of IQT3 and SI3 actuator ranges
- Strong ongoing cash generation, 110% cash conversion
- Interim dividend increased by 1.6% to 1.95p

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

“The continued weakness of the oil price and geopolitical uncertainty in some of our key markets resulted in a challenging trading environment during the first half, with lower overall activity levels and an increased number of project deferrals and cancellations.

Rotork has a lean business model and we constantly review our activities to optimise costs. We have responded to market conditions and accelerated a number of our ongoing cost management initiatives. At the same time we continue to see opportunities to gain market share and expand our product portfolio through organic development and acquisition. We will continue to invest in these opportunities to ensure that Rotork is well placed to make further progress over the medium to long term.

As in previous years we anticipate that our results will be weighted to the second half. Although we expect the oil and gas market to remain challenging, and the timing of order placement remains difficult to forecast, based on our current order book and project visibility, the Board expects overall performance to be in line with management expectations for the full year.”

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Business Review

Rotork experienced challenging markets in the six months to 30 June 2015. Activity in the oil and gas market was disrupted by the continued weakness of the oil price and we saw significant political instability and market uncertainty. In addition, sterling strengthened through the period against the Euro and US dollar. Order intake was lower than the prior year by 9.5% (OCC -12.9%) whilst reported revenue was only slightly lower than the prior year, down 1.6% (OCC -5.4%). Our order book of £175.9m was £7.8m lower than the start of the period but currency accounted for the largest part of this reduction and on an OCC basis the order book was only £0.2m lower.

Order intake has been impacted by the slowdown in the oil and gas industry and this was felt across all sectors, upstream, midstream and downstream. Revenue mix is often impacted by the order book and this has been the case in the first half with upstream actually higher than the prior year and midstream lower. This reflects the project nature of our business. Overall oil and gas revenue fell by £14.9m compared with the first half of 2014 and now accounts for 52% of Group revenue down from 57% in the full year of 2014. Rotork Fluid System (RFS) has the largest oil and gas exposure of all the divisions and therefore saw the greatest impact with order intake 20.3% lower. Our strategy of end market diversification helped mitigate some of the reduction we saw in the oil and gas market for RFS and we saw growth in all of our other targeted markets.

In the period, North and South America continued to benefit from upstream expenditure. However, we anticipate this spending to slow in the second half but to be replaced by midstream and downstream projects in due course. The Asia Pacific region saw a reduction in revenue over the comparative period due to reduced spending on Australian coal seam gas exploration, although projects are still ongoing in this market. There was a more marked slowdown in China than anticipated, which we believe was due to both market conditions and leadership changes in some of our major customers, which had the effect of delaying project investment decisions. We anticipate that project activity in China will improve towards the end of the year.

The power market was up 2.5% while there was a slight reduction in water, mainly as a result of the start of the AMP 6 programme in the UK and the associated spend taking time to work through. Our strategy to broaden our end market exposure across the Group was successful with increases in Industrial and other market areas, principally reflected by growth in the Instruments division.

With the general slowdown in the market we have taken actions to manage our cost base with a freeze on new recruitment and have well advanced plans to combine a number of facilities in the future. Group headcount as of 30 June was 3,423, a reduction of 36 from the start of the period. We have also been focused on managing overheads and material cost reduction programmes although these often will take a number of months to take effect. The target annualised savings from these initiatives is £8m, split equally between materials and overheads with a benefit in the current year anticipated to be £2m.

A key part of our strategy continues to be the diversification of our business in terms of geography, end market and products. Despite the challenging market we have continued to focus on delivering organic sales growth by investing in our sales channels and our facilities. We also continue to seek acquisitions that provide us with new products, new geographies or access to a new end market. In the first half we acquired the actuation business of our agent in Turkey. This acquisition opens up the possibility of investing and growing our market share in this important market which will benefit all of our divisions. We are also announcing today the acquisition of M&M International Srl, a solenoid valve business located in Bergamo Italy, for a cash cost of £6.9m. This business will provide a focal point for solenoid valve manufacture for the commercial and industrial markets. We continue to look for opportunities to grow both organically and by acquisition that will support our long term strategic and financial objectives.

Financial Key Performance Indicators

	H1 2015	H1 2014	FY 2014
Sales growth	-1.6%	0.9%	2.8%
Return on sales	23.4%	24.6%	26.2%
Cash generation	110.2%	87.1%	97.4%
Return on capital employed	34.9%	44.3%	47.6%
Earnings per share growth	-5.1%	-0.5%	5.4%

The half year financial key performance indicators are calculated in a consistent way with those presented at the year end with the exception of return on capital employed (ROCE) where the first half year profit has been doubled to calculate the result. The majority of the reduction in ROCE in H1 is a result of the 2014 acquisitions of YTC and Midland increasing the average capital employed. As we generally have a second half profit weighting, the first half ROCE will generally be lower than the full year result.

Cash flow

At the end of 2014 we commented on the high level of trade receivables following the strong sales towards the end of the year. The subsequent collection of these receivables is the main driver behind the improvement in cash generation, with cash from operating activities rising to £51.8m compared with £39.6m in June 2014. Largely as a result of a £12.3m inflow from receivables, net working capital was a £3.5m cash inflow in the period compared with a £8.9m outflow in the first half of 2014. With acquisition related spend of £6.8m, the majority of which was the earn out payment for YTC, and capital expenditure of £4.9m, dividends were the largest outflow at £26.8m. With minimal movement in borrowings during the period, cash and cash equivalents increased by £9.0m.

Financial position

The balance sheet remains strong and at the period end included net cash of £37.2m (June 2014: £14.9m). Gross cash balances of £58.5m were offset by borrowings of £21.3m, £20.0m of which is provided under one of our two committed facilities. Net working capital at the period end was £152.3m, a reduction of £17.1m since the year end. This represents 27.8% of revenue compared with 28.5% at the year end.

Dividend

The interim dividend is to be increased by 1.6% to 1.95p per ordinary share and will be paid on 25 September 2015 to shareholders on the register at the close of business on 28 August 2015.

Operating Review

Rotork Controls

£m	H1 2015	H1 2014	Change	OCC* ² Change
Order intake	143.3	161.3	-11.1%	-12.1%
Revenue	146.0	150.7	-3.1%	-4.2%
Adjusted* ¹ operating profit	45.2	46.1	-2.1%	-3.5%
Adjusted operating margin	30.9%	30.6%	+30 bps	+20 bps

Order intake was lower in most regions, with North America and the Middle East being the main exceptions. In North America the underlying performance was flat with the strength of the US dollar resulting in a 7% increase in order intake. We saw underlying growth in the Middle East. In Europe and the other regions currency exaggerated the reduction in order intake. This pattern was broadly repeated for revenue, with a good performance in North America being offset by other geographies.

Oil and gas sales saw the greatest reduction and affected all regions. Our power and other category declined modestly with sales to the water market slightly improved. Industrial sales showed the strongest growth, up 17%. The order book reduced 6.3% in the period to £85.9m but currency accounted for the majority of this reduction. Removing the impact of currency, the order book declined 2.9%.

Adjusted operating margins benefited from the cost control programmes initiated during the period and increased by 30 basis points to 30.9%. Gross margins were 100 basis points lower as a result of higher indirect manufacturing costs. Material and direct labour costs reduced at a rate slightly ahead of revenue with a neutral currency impact on the gross margin. Overheads were £3m lower than the previous period with savings spread across most cost categories and this more than offset the lower gross margin.

During the period we launched the IQT3 actuator, the quarter-turn variant of the IQ3. As with the IQ3, the roll out of the IQT3 will take place over the next 18 months. Last year we announced the launch of the Centork electric actuator specifically designed for the water and power markets. We have now started taking orders for this range and we anticipate sales building in the second half and into 2016.

Rotork Fluid Systems

£m	H1 2015	H1 2014	Change	OCC* ² Change
Order intake	80.5	101.0	-20.3%	-19.0%
Revenue	76.9	88.8	-13.4%	-13.4%
Adjusted* ¹ operating profit	7.8	14.4	-46.0%	-42.4%
Adjusted operating margin	10.1%	16.2%	-610 bps	-540 bps

RFS is our most oil and gas focused division with 67% of revenue coming from these end markets in the period (H1 2014: 76%). As a result of the slowdown in oil and gas activity, revenue from these markets was £15.5m lower than the comparative period. All the other end markets for RFS showed growth but this was not sufficient to offset the decline in oil and gas. Latin America, continental Europe, the UK and North America all delivered growth but the reductions in the Far East, Middle East and Eastern Europe were greater. Whilst the timing of order intake continues to be hard to forecast, towards the end of the period we received orders for a number of North American LNG projects which we had been expecting. This contributed to the improvement in order intake despite the second quarter of 2014 having been a record and ensured the order book remained at the same level as it started the year despite a £3.6m currency headwind.

The reduction in revenue was weighted towards higher margin speciality products, which together with higher indirect manufacturing costs resulted in gross margin being lower by 500 basis points. Therefore whilst overheads were £1.6m lower this was not sufficient to prevent a decline in adjusted operating margin to 10.1%.

In the second half we will launch the SI3 range of electro-hydraulic actuators with IQ3 technology. We anticipate that we will start to receive SI3 orders in the second half although this will have limited impact on second half revenue.

Rotork Gears

£m	H1 2015	H1 2014	Change	OCC* ² Change
Order intake	28.4	27.9	+2.0%	+4.7%
Revenue	29.8	28.7	+3.7%	+6.0%
Adjusted* ¹ operating profit	6.1	6.4	-4.3%	+12.5%
Adjusted operating margin	20.5%	22.2%	-170 bps	+130 bps

Order intake was positive with volumes in Europe, the Far East and Latin America all higher. This growth was across the product range, from the small manual gearboxes sold through our plant in the Netherlands to the larger motorised and subsea gearboxes, with sales through targeted sales subsidiaries beginning to gain traction. With a large and increasing value of sales in Europe, the weakness of the Euro masked the division's underlying growth with OCC order intake more than double the rate of reported growth.

Gears is the division with the greatest proportion of its sales in Europe as well as a high proportion of its cost base in the Far East. As a result currency has impacted its margins more than any other division. At gross margin level a reported 120 basis point reduction reverses to a 140 basis point increase on an OCC basis as the benefits of sourcing initiatives become visible on this basis.

Rotork Instruments

£m	H1 2015	H1 2014	Change	OCC* ² Change
Order intake	29.2	18.3	+59.3%	+1.1%
Revenue	28.8	17.4	+65.3%	+8.7%
Adjusted* ¹ operating profit	9.0	5.5	+65.3%	+13.6%
Adjusted operating margin	31.4%	31.4%	No change	+140 bps

YTC made a strong contribution in the period and exceeded expectations with Midland performing well despite its higher level of oil and gas sales. The contribution from Midland meant an increase in the proportion of oil and gas sales, rising to 38% compared with 34% in the comparative period. Revenue increases were driven both through the sales subsidiaries and through the Instruments factories, which have become more familiar with the other product lines and which continue to develop new sales channels in their regions. As the mix of product sales and routes to market evolves, this has an impact on the divisional margins. However, with the growth in the period and effective cost management this has meant adjusted operating margins were the same as the comparative period. When the impact of currency is removed margins in the underlying business improved 140 basis points.

Principal risks and uncertainties

The Group has an established risk management process as part of the corporate governance framework set out in the 2014 Annual Report & Accounts. The principal risks and uncertainties facing our businesses are being monitored on an ongoing basis in line with the new Corporate Governance Code. The risk management process is described in detail on pages 36 to 39 of the 2014 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 2014. A list of current directors is maintained in the About Us section of the Rotork website: www.rotork.com.

Outlook

The continued weakness of the oil price and geopolitical uncertainty in some of our key markets resulted in a challenging trading environment during the first half, with lower overall activity levels and an increased number of project deferrals and cancellations.

Rotork has a lean business model and we constantly review our activities to optimise costs. We have responded to market conditions and accelerated a number of our ongoing cost management initiatives. At the same time we continue to see opportunities to gain market share and expand our product portfolio through organic development and acquisition. We will continue to invest in these opportunities to ensure that Rotork is well placed to make further progress over the medium to long term.

As in previous years we anticipate that our results will be weighted to the second half. Although we expect the oil and gas market to remain challenging, and the timing of order placement remains difficult to forecast, based on our current order book and project visibility, the Board expects overall performance to be in line with management expectations for the full year.

By order of the Board

Peter France
Chief Executive
3 August 2015

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 2015 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 and related notes 1 to 18. 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 2015 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
3 August 2015

Consolidated Income Statement

		First half 2015 £000	First half 2014 £000	Full year 2014 £000
	<i>Notes</i>			
Revenue	2	274,158	278,543	594,739
Cost of sales		(147,490)	(144,908)	(309,280)
Gross profit		126,668	133,635	285,459
Other income		120	158	277
Distribution costs		(2,317)	(2,729)	(5,466)
Administrative expenses		(67,265)	(68,864)	(137,832)
Other expenses		(15)	(86)	(211)
Operating profit before the amortisation of acquired intangible assets		65,016	69,050	157,167
Amortisation of acquired intangible assets		(7,825)	(6,936)	(14,940)
Operating profit	2	57,191	62,114	142,227
Finance income	3	788	724	1,421
Finance expense	4	(1,693)	(1,357)	(2,483)
Profit before tax		56,286	61,481	141,165
Income tax expense	5			
UK		(2,259)	(3,766)	(5,552)
Overseas		(12,615)	(13,062)	(32,411)
		(14,874)	(16,828)	(37,963)
Profit for the period		41,412	44,653	103,202
		pence	pence ¹	pence ¹
Basic earnings per share	8	4.77	5.15	11.90
Adjusted basic earnings per share	8	5.44	5.73	13.16
Diluted earnings per share	8	4.76	5.13	11.85
Adjusted diluted earnings per share	8	5.42	5.71	13.10

¹Restated to reflect subdivision of 5p ordinary shares into 0.5p ordinary shares

Consolidated Statement of Comprehensive Income and Expense

	First half 2015 £000	First half 2014 £000	Full year 2014 £000
Profit for the period	41,412	44,653	103,202
Other comprehensive income and expense			
<i>Items that may be subsequently reclassified to the income statement:</i>			
Foreign currency translation differences	(14,014)	(6,554)	(869)
Effective portion of changes in fair value of cash flow hedges net of tax	1,665	270	(1,810)
	(12,349)	(6,284)	(2,679)
<i>Items that are not subsequently reclassified to the income statement:</i>			
Actuarial gain / (loss) in pension scheme net of tax	4,994	(2,055)	(15,341)
Income and expenses recognised directly in equity	(7,355)	(8,339)	(18,020)
Total comprehensive income for the period	34,057	36,314	85,182

Consolidated Balance Sheet

		30 June 2015 £000	30 June 2014 £000	31 Dec 2014 £000
	<i>Notes</i>			
Goodwill		143,503	136,409	149,679
Intangible assets		63,789	68,059	72,270
Property, plant and equipment		61,975	58,061	64,050
Deferred tax assets		12,740	11,288	15,703
Derivative financial instruments		851	-	-
Other receivables		2,102	1,530	1,976
Total non-current assets		284,960	275,347	303,678
Inventories	9	84,508	83,831	81,090
Trade receivables		104,774	108,564	128,472
Current tax		2,045	1,570	1,962
Derivative financial instruments		3,518	4,403	1,913
Other receivables		15,134	16,853	12,586
Cash and cash equivalents		58,541	71,626	46,816
Total current assets		268,520	286,847	272,839
Total assets		553,480	562,194	576,517
Ordinary shares	11	4,347	4,344	4,346
Share premium		9,563	8,882	9,422
Reserves		(8,379)	365	3,970
Retained earnings		377,692	329,089	359,057
Total equity		383,223	342,680	376,795
Interest-bearing loans and borrowings	12	1,075	1,474	1,303
Employee benefits		26,985	21,500	38,864
Deferred tax liabilities		18,212	20,129	20,358
Provisions	13	1,743	2,397	1,913
Total non-current liabilities		48,015	45,500	62,438
Interest-bearing loans and borrowings	12	20,233	55,286	20,274
Trade payables		37,021	40,715	40,162
Employee benefits		10,601	12,369	16,018
Current tax		16,213	16,996	15,200
Derivative financial instruments		247	23	1,119
Other payables		33,053	39,238	35,191
Provisions	13	4,874	9,387	9,320
Total current liabilities		122,242	174,014	137,284
Total liabilities		170,257	219,514	199,722
Total equity and liabilities		553,480	562,194	576,517

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 2013	4,344	8,840	2,668	1,644	2,337	312,246	332,079
Profit for the period	-	-	-	-	-	44,653	44,653
<i>Other comprehensive income</i>							
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
<i>Total other comprehensive income</i>	-	-	(6,554)	-	270	(2,055)	(8,339)
Total comprehensive income	-	-	(6,554)	-	270	42,598	36,314
<i>Transactions with owners, recorded directly in equity</i>							
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
	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 year	-	-	-	-	-	103,202	103,202
<i>Other comprehensive income</i>							
Foreign currency translation differences	-	-	(869)	-	-	-	(869)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(2,368)	-	(2,368)
Actuarial loss on defined benefit pension plans	-	-	-	-	-	(19,832)	(19,832)
Tax in other comprehensive income	-	-	-	-	558	4,491	5,049
<i>Total other comprehensive income</i>	-	-	(869)	-	(1,810)	(15,341)	(18,020)
Total comprehensive income	-	-	(869)	-	(1,810)	87,861	85,182
<i>Transactions with owners, recorded directly in equity</i>							
Equity settled share based payment transactions	-	-	-	-	-	2,799	2,799
Tax on equity settled share based payment transactions	-	-	-	-	-	(274)	(274)
Share options exercised by employees	2	582	-	-	-	-	584
Own ordinary shares acquired	-	-	-	-	-	(6,300)	(6,300)
Own ordinary shares awarded under share schemes	-	-	-	-	-	5,427	5,427
Dividends	-	-	-	-	-	(42,702)	(42,702)
Balance at 31 December 2014	4,346	9,422	1,799	1,644	527	359,057	376,795

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 2014	4,346	9,422	1,799	1,644	527	359,057	376,795
Profit for the period	-	-	-	-	-	41,412	41,412
<i>Other comprehensive income</i>							
Foreign currency translation differences	-	-	(14,014)	-	-	-	(14,014)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	2,073	-	2,073
Actuarial gain on defined benefit pension plans	-	-	-	-	-	6,382	6,382
Tax in other comprehensive income	-	-	-	-	(408)	(1,388)	(1,796)
<i>Total other comprehensive income</i>	-	-	(14,014)	-	1,665	4,994	(7,355)
Total comprehensive income	-	-	(14,014)	-	1,665	46,406	34,057
<i>Transactions with owners, recorded directly in equity</i>							
Equity settled share based payment transactions	-	-	-	-	-	(2,999)	(2,999)
Tax on equity settled share based payment transactions	-	-	-	-	-	629	629
Share options exercised by employees	1	141	-	-	-	-	142
Own ordinary shares acquired	-	-	-	-	-	(2,785)	(2,785)
Own ordinary shares awarded under share schemes	-	-	-	-	-	4,219	4,219
Dividends	-	-	-	-	-	(26,835)	(26,835)
Balance at 30 June 2015	4,347	9,563	(12,215)	1,644	2,192	377,692	383,223

Consolidated Statement of Cash Flows

	First half 2015 £000	First half 2014 £000	Full year 2014 £000
Profit for the period	41,412	44,653	103,202
Amortisation of acquired intangible assets	7,825	6,936	14,940
Amortisation of development costs	868	700	1,461
Depreciation	4,513	3,635	7,996
Equity settled share based payment expense	1,849	1,137	5,160
Net (gain) / loss on sale of property, plant and equipment	(61)	4	88
Finance income	(788)	(724)	(1,421)
Finance expense	1,693	1,357	2,483
Income tax expense	14,874	16,828	37,963
	72,185	74,526	171,872
Increase in inventories	(7,151)	(7,852)	(1,891)
Decrease / (increase) in trade and other receivables	12,276	(7,133)	(16,349)
(Decrease) / increase in trade and other payables	(1,597)	6,128	(1,327)
Difference between pension charge and cash contribution	(4,249)	(4,258)	(5,241)
Decrease in provisions	(151)	(726)	(1,379)
(Decrease) / increase in employee benefits	(3,938)	(4,808)	2,176
	67,375	55,877	147,861
Income taxes paid	(15,600)	(16,318)	(42,992)
Cash flows from operating activities	51,775	39,559	104,869
Purchase of property, plant and equipment	(4,873)	(8,715)	(17,518)
Development costs capitalised	(1,655)	(1,050)	(2,676)
Proceeds from sale of property, plant and equipment	204	128	224
Acquisition of businesses, net of cash acquired	(2,843)	(55,486)	(81,263)
Contingent consideration paid	(4,000)	(971)	(1,463)
Interest received	296	214	1,048
Cash flows from investing activities	(12,871)	(65,880)	(101,648)
Issue of ordinary share capital	142	42	584
Purchase of ordinary share capital	(2,785)	(3,900)	(6,300)
Interest paid	(249)	(198)	(1,120)
(Decrease) / increase in borrowings	(120)	54,602	19,496
Repayment of finance lease liabilities	(9)	(22)	(36)
Dividends paid on ordinary shares	(26,835)	(26,046)	(42,702)
Cash flows from financing activities	(29,856)	24,478	(30,078)
Net increase / (decrease) in cash and cash equivalents	9,048	(1,843)	(26,857)
Cash and cash equivalents at 1 January	46,816	68,873	68,873
Effect of exchange rate fluctuations on cash held	2,677	4,596	4,800
Cash and cash equivalents at end of period	58,541	71,626	46,816

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 2015 are unaudited and the auditor has 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 2014 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006, statutory accounts for the year ended 31 December 2014 were approved by the Board on 2 March 2015 and delivered to the Registrar of Companies. The Auditor's 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 2014 are available from the Company's registered office or website, see note 20.

Basis of preparation

The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2015 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 2014, 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.

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 2014.

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 2014.

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

New accounting standards and interpretations

The following narrow scope amendments which were issued as part of the IFRS Annual improvement cycle have been applied from 1 January 2015:

- Amendment to IAS19 Defined benefit plans – Employee contributions
- IFRS2 Share-based payment – Definition of vesting condition
- IFRS3 Business combination – Accounting for contingent consideration
- IFRS8 Operating segments – Aggregation of operating segments and Reconciliation of the total of reportable assets.
- IFRS13 Fair value measurement – Short-term receivable and payables
- IAS24 Related party disclosure – Key management personnel services

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

IFRS15 Revenue from contracts with customers has been issued but is not yet effective and has not been adopted as application was not mandatory for the year. The new standard requires the separation of performance obligations within contracts with customers and the contractual value to be allocated to the performance obligations. Once a performance obligation is satisfied revenue should be recognised on that element of the contract. The introduction of the standard is likely to have some impact on Rotork but this is unlikely to be material due to the relatively straightforward contractual terms and conditions with customers. An assessment will be carried out to understand the impact of this standard prior to it becoming effective in January 2017.

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.

The narrow scope amendments in the Annual Improvements to IFRSs: 2012 – 2014 cycle which are mandatory for periods commencing after 1 January 2016 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 2015

	Controls £000	Fluid Systems £000	Gears £000	Instruments £000	Elimination £000	Unallocated £000	Group £000
Revenue from external customers	145,956	76,888	23,571	27,743	-	-	274,158
Inter segment revenue	-	-	6,234	1,034	(7,268)	-	-
Total revenue	145,956	76,888	29,805	28,777	(7,268)	-	274,158
Operating profit before amortisation of acquired intangible assets	45,154	7,764	6,104	9,034	-	(3,040)	65,016
Amortisation of acquired intangibles assets	(1,651)	(995)	(232)	(4,947)	-	-	(7,825)
Operating profit	43,503	6,769	5,872	4,087	-	(3,040)	57,191
Net financing expense							(905)
Income tax expense							(14,874)
Profit for the period							41,412

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

Full year to 31 December 2014

	Controls £000	Fluid Systems £000	Gears £000	Instruments £000	Elimination £000	Unallocated £000	Group £000
Revenue from external customers	324,539	180,260	45,771	44,169	-	-	594,739
Inter segment revenue	-	-	12,035	1,788	(13,823)	-	-
Total revenue	324,539	180,260	57,806	45,957	(13,823)	-	594,739
Operating profit before amortisation of acquired intangible assets	104,709	31,180	13,011	14,433	-	(6,166)	157,167
Amortisation of acquired intangibles assets	(3,477)	(1,585)	(428)	(9,450)	-	-	(14,940)
Operating profit	101,232	29,595	12,583	4,983	-	(6,166)	142,227
Net financing expense							(1,062)
Income tax expense							(37,963)
Profit for the year							103,202

2. Analysis by operating segments (continued)

Revenue by location of subsidiary

	First half 2015 £000	First half 2014 £000	Full year 2014 £000
UK	29,312	25,683	57,424
Italy	26,503	34,803	66,447
Rest of Europe	45,252	57,737	110,790
USA	70,032	68,970	144,366
Other Americas	16,382	12,290	36,327
Rest of the World	86,677	79,060	179,385
	274,158	278,543	594,739

3. Finance income

	First half 2015 £000	First half 2014 £000	Full year 2014 £000
Interest income	598	500	1,057
Foreign exchange gain	190	224	364
	788	724	1,421

4. Finance expense

	First half 2015 £000	First half 2014 £000	Full year 2014 £000
Interest expense	527	495	1,159
Interest charge on pension scheme liabilities	582	394	788
Foreign exchange loss	584	468	536
	1,693	1,357	2,483

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 ending 31 December 2015 is 26.4% (the effective tax rate for the year ended 31 December 2014 was 26.9%).

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 26 February 2015 Rotork Turkey purchased the actuation sales and service business of Omas Teknik Pazarlama AS for £2,843,000, which was fully paid for in cash. The acquired business will be reported under the Controls Division. In the four months to 30 June 2015 Rotork Turkey contributed £90,000 to Group revenue and a loss of £34,000 to the Group operating profit.

The provisional fair value of the net assets acquired was £1,522,000 of which £1,477,000 were customer relationships. The amortisation charge of these customer relationships was £138,000 in the period from acquisition to 30 June 2015. The goodwill of £1,321,000 represents the value attributed to staff expertise and the assembled workforce, which did not meet the recognition criteria for a separate intangible asset.

7. Dividends

	First half 2015 £000	First half 2014 £000	Full year 2014 £000
<i>The following dividends were paid in the period per qualifying ordinary share:</i>			
3.09p ¹ final dividend (2014: 3.00p ¹)	26,835	26,046	26,046
1.92p ¹ interim dividend	-	-	16,656
	26,835	26,046	42,702
<i>The following dividends per qualifying ordinary share were declared / proposed at the balance sheet date:</i>			
3.09p ¹ final dividend	-	-	26,861
1.95p interim dividend declared (2014: 1.92p ¹)	16,954	16,680	-
	16,954	16,680	26,861

The interim dividend of 1.95p pence will be payable to shareholders on 25 September 2015 to those on the register on 28 August 2015.

¹Restated to reflect subdivision of 5p ordinary shares into 0.5p ordinary shares

8. Earnings per share

Earnings per share is calculated using the profit attributable to the ordinary shareholders for the period and 867.6m shares (six months to 30 June 2014: 867.5m¹; year to 31 December 2014: 867.4m¹) 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 870.7m shares (six months to 30 June 2014: 870.6m¹; year to 31 December 2014: 870.9m¹). 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 period after adding back the amortisation charge net of tax.

	First half 2015 £000	First half 2014 £000	Full year 2014 £000
Net profit attributable to ordinary shareholders	41,412	44,653	103,202
Amortisation	7,825	6,936	14,940
Tax effect on amortisation at effective rate	(2,068)	(1,898)	(4,018)
Adjusted net profit attributable to ordinary shareholders	47,169	49,691	114,124

¹Restated to reflect subdivision of 5p ordinary shares into 0.5p ordinary shares

9. Inventories

	30 June 2015 £000	30 June 2014 £000	31 Dec 2014 £000
Raw materials and consumables	59,531	56,568	58,590
Work in progress	8,967	12,036	10,088
Finished goods	16,010	15,227	12,412
	84,508	83,831	81,090

10. Pension schemes - Defined Benefit deficit

The defined benefit obligation at 30 June 2015 of £26,083,000 (30 June 2014: £18,952,000; 31 December 2014: £36,132,000) is estimated based on the latest full actuarial valuations at 31 March 2014 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 2015 by independent actuaries to reflect updated assumptions regarding discount rates, inflation rates and asset values.

	30 June 2015 %	30 June 2014 %	31 Dec 2014 %
Discount rate	3.9	4.4	3.6
Rate of inflation	3.3	3.3	3.1

In addition, the defined benefit plan assets and liabilities have been updated to reflect the regular payments, the £3.7 million payment made in March 2015 in respect of past service and the benefits earned during the period to the 30 June 2015.

11. Share capital and reserves

On 24 April 2015 an ordinary resolution was passed to sub-divide the ordinary share capital by 10, resulting in the original 5p ordinary shares becoming 0.5p ordinary shares. The number of ordinary 0.5p shares in issue at 30 June 2015 was 869,425,000 (30 June 2014: 868,745,000¹; 31 December 2014: 869,279,000¹). All issued shares are fully paid.

The Group acquired 1,113,108 of its own shares through purchases on the London Stock Exchange during the period (30 June 2014: 1,433,350¹; 31 December 2014: 2,347,250¹). The total amount paid to acquire the shares was £2,785,000 (30 June 2014: £3,900,000; 31 December 2014: £6,300,000), and this has been deducted from shareholders equity. At 30 June 2015 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 1,421,465 (30 June 2014: 1,081,160; 31 December 2014: 2,020,980).

Awards under the Group's long-term incentive plan and share investment plan vested during the period and 453,210 and 1,286,540 shares respectively were transferred to employees.

Employee share options schemes: options exercised during the period to 30 June 2015 resulted in 146,050 ordinary 0.5p shares being issued (30 June 2014: 39,120 shares), with exercise proceeds of £142,000 (30 June 2014: £42,000). The weighted average market share price at the time of exercise was £2.46 (30 June 2014: £2.65) per share.

The share based payment charge for the period was £1,849,000 (30 June 2014: £2,537,000; 31 December £5,160,000).

¹Restated to reflect subdivision of 5p ordinary shares into 0.5p ordinary shares

12. Loans and borrowings

The following loans and borrowings were issued and repaid during the six months ended 30 June 2015:

	Year of maturity	Interest rate	Carrying value £000
Balance at 1 January 2015			21,577
<i>Movement in the period:</i>			
Repayment of Euro denominated loans	2015-32	1.818%	(120)
Repayment of finance leases	2015-17	0% - 5.6%	(9)
Exchange differences			(140)
Balance at 30 June 2015			21,308
Current			20,233
Non-current			1,075
			21,308

The Group has committed loan facilities of £75,000,000 (First half 2014: £75,000,000; Full year 2014: £75,000,000), of which £20,000,000 (30 June 2014: £55,000,000; 31 December 2014: 20,000,000) has been drawn down, the outstanding amount attracts a blended interest rate of LIBOR plus 0.35%. Repayment of the outstanding loan is due by May 2016 when the facilities are due for renewal.

13. Provisions

	Contingent consideration £000	Warranty provision £000	Carrying value £000
Balance at 1 January 2015	5,493	5,740	11,233
Exchange differences	(104)	(198)	(302)
Provisions used during the period	(4,000)	(652)	(4,652)
Credited to the Income Statement	-	338	338
Balance at 30 June 2015	1,389	5,228	6,617
Maturity at 30 June 2015			
Non-current	-	1,743	1,743
Current	1,389	3,485	4,874
	1,389	5,228	6,617
Maturity at 31 December 2014			
Non-current	-	1,913	1,913
Current	5,493	3,827	9,320
	5,493	5,740	11,233

14. Financial instruments fair value disclosure

The Group held forward currency contracts designated as hedge instruments in a cash flow hedging relationship. At 30 June 2015 the fair value of these contracts was a net asset of £4,122,000 (30 June 2014: a net asset of £4,380,000; 31 December 2014: a net asset of £794,000). 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.

15. Related parties

The Group has a related party relationship with its subsidiaries and with its directors and key management. A list of subsidiaries is shown in the 2014 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 arm's length basis.

Sales to subsidiaries and associates of Severn Trent PLC, a related party by virtue of Martin Lamb's directorship of that company, totalled £683,000 during the period to 30 June 2015 (Full year 2014: £1,352,000) and £225,000 was outstanding at 30 June 2015 (31 December 2014: £226,000).

16. 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 2015 £000	First half 2014 £000	Full year 2014 £000
Emoluments including social security costs	1,951	2,475	4,594
Post employment benefits	237	274	549
Share based payments	404	743	1,134
	2,592	3,492	6,277

17. Share-based payments

A grant of shares was made on 6 March 2015 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 2015	6 March 2015
Share price at grant date	£2.49	£2.49
Shares awarded under scheme	599,450	599,450
Vesting period	3 years	3 years
Expected volatility	22.6%	22.6%
Risk free rate	0.9%	0.9%
Expected dividends expressed as a dividend yield	2.0%	2.0%
Probability of ceasing employment before vesting	5% p.a.	5% p.a.
Fair value	£1.11	£2.36

The basis of measuring fair value is consistent with that disclosed in the 2014 Annual Report & Accounts.

18. Events Post Balance Sheet Date

On 3 August 2015 the Group acquired 100% of the share capital of M&M International srl, a leading manufacturer of solenoid valves and Piston actuated valves based in Bergamo, Italy. The acquired business will be reported within the Rotork Instruments division. The provisional consideration was £7,700,000 and the net cash outflow on completion was £6,900,000. The business will contribute to Group revenue and operating profit in the second half of the year.

The provisional net assets are £2,400,000, including cash of £800,000. If this acquisition had occurred on 1 January 2015 the businesses would have contributed £3,500,000 to Group revenue and £600,000 to Group operating profit in the six months to 30 June.

Due to the proximity of the acquisition to the date of approval of the interim financial statements the initial accounting for this business combination 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.

19. 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

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20. Group information

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Investor Section:

<http://www.rotork.com/en/investors/index/>