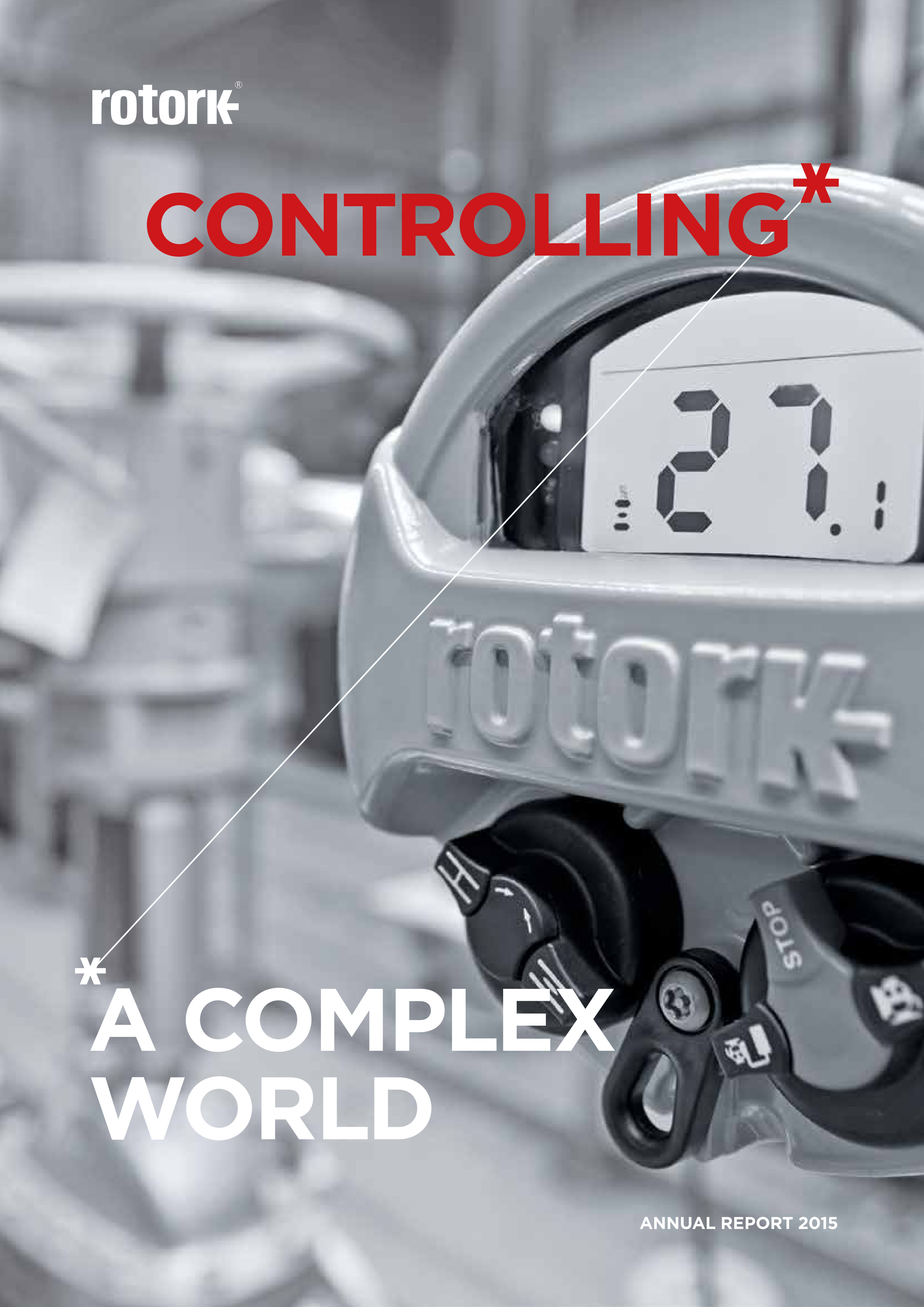
rotork®

CONTROLLING*

*A COMPLEX WORLD



ANNUAL REPORT 2015

Rotork impacts people's lives every day. From the moment you turn on a tap or switch on a light, put on the kettle or fill your car up with fuel, a flow control product is being used somewhere in the process of delivering that service.

We are keeping the world flowing by...

CONTROLLING THE FLOW OF FLUIDS AND GASES ACROSS THE GLOBE

*

The CQ compact actuator delivers a reliable and efficient, self-contained solution for applications that demand functional integrity and safety, where space is limited.

2015 SUMMARY

£546.5m -8.1%
REVENUE

£125.3m -20.3%
OPERATING PROFIT*

£101.9m -27.8%
PROFIT BEFORE TAX

8.6p -27.7%
EARNINGS PER SHARE

- **Expansion of product portfolio**
- **Six acquisitions, including Bifold, completed in the year for £147.6m**
- **Oil and gas market remained weak**
- **Successful accelerated cost management programme**
- **Full year dividend of 5.05p**

* References to adjusted profit throughout this document are defined as the IFRS profit, whether operating profit or before tax, with £20.9m (2014: £14.9m) of amortisation of acquired intangibles added back.

AT A GLANCE

LEADERS* IN FLOW CONTROL

Rotork, a leading global designer and manufacturer of actuators used for the automation of industrial valves and flow control products, has managed the flow of fluids and gases for nearly 60 years.

Rotork products are used in a wide range of activities ranging from offshore and onshore production, refining and petrochemicals, water treatment, nuclear energy and concentrating solar power.

Rotork comprises four actuation and flow control divisions. In addition, Rotork Site Services provides worldwide planned and emergency actuation services.

ROTORK CONTROLS

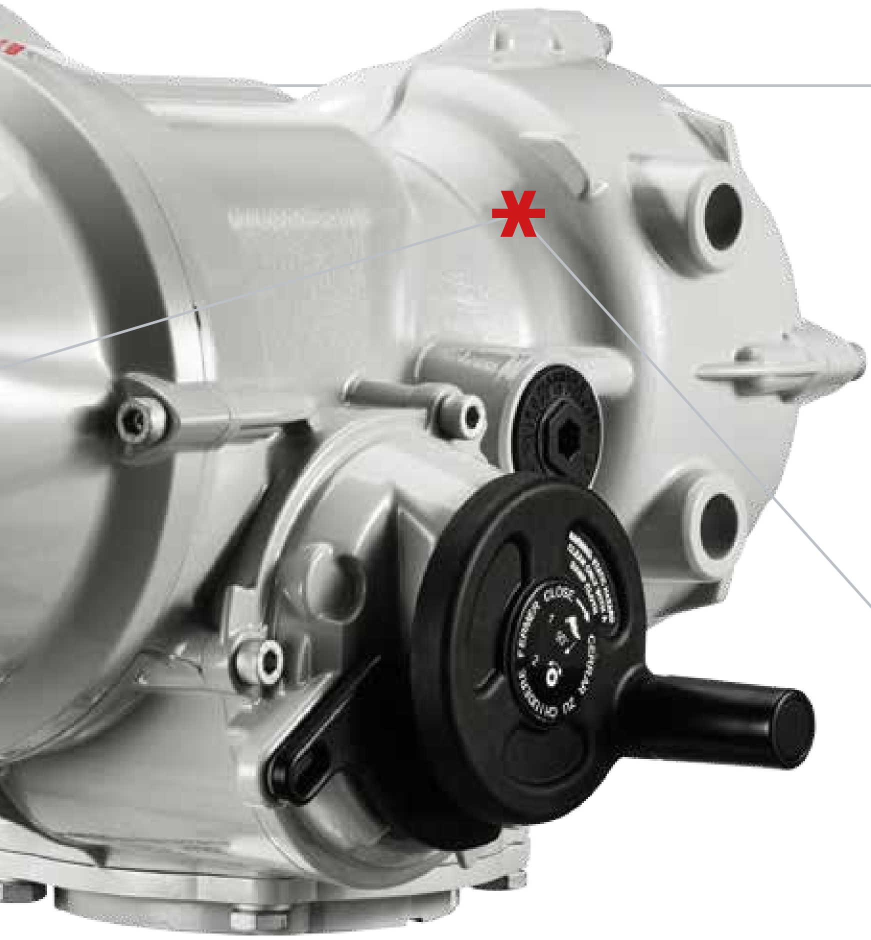
Rotork Controls specialises in electric valve actuators for all applications and is the largest independent manufacturer in its sector. It has manufacturing facilities located in the UK, the USA, China, Malaysia, India, Germany and Spain.

£286.7m	£85.5m
-11.7%	-18.4%
REVENUE	OPERATING PROFIT*

ROTORK FLUID SYSTEMS

Rotork Fluid Systems manufactures and supplies fluid power actuators and control systems that are used in a wide range of applications. It has manufacturing facilities located in the UK, Germany, Italy, Sweden and the USA.

£149.2m	£15.2m
-17.2%	-51.2%
REVENUE	OPERATING PROFIT*



ROTORK GEARS

Rotork Gears manufactures and supplies gearboxes, accessories and custom adaptations for valve actuation projects throughout the world. It has manufacturing facilities located in the UK, Netherlands, Italy, India, China and the USA.

£58.6m	**£12.0m**
+1.4%	-7.8%
REVENUE	OPERATING PROFIT*

ROTORK INSTRUMENTS

Rotork Instruments manufactures and supplies instrumentation and control products for flow, pressure, temperature and position measurement applications for a wide range of technologies including, pneumatic, hydraulic, electro-hydraulic, mechanical, electronic and wireless. It has manufacturing facilities located in the UK, Korea, Italy and the USA.

£67.3m	**£18.3m**
+46.5%	+26.8%
REVENUE	OPERATING PROFIT*

END USER MARKETS

Oil and gas
Rotork products are used on upstream, midstream and downstream activities, ranging from offshore production facilities, to refining and processing, to transportation, storage and distribution.

Water
Water treatment and distribution offers significant opportunities for Rotork through modern state-of-the-art processes, which maximise existing resources such as, desalination plants and water re-use projects, together with conventional water and wastewater plants.

Power
Rotork products are found in traditional power stations, including nuclear power stations where its products are certified for use both inside and outside containment. They are also used for renewable energy generation systems such as thermal solar plants, and emission reduction processes such as flue gas desulphurisation.

Industrial and other
Other industries served by Rotork include, surface and underground processing applications for mining, ship building, heating, ventilating and air conditioning, pulp and paper, food and beverage, medical equipment, and tyre manufacturing.

See page 8 to find out more about our end user markets

LOCATIONS

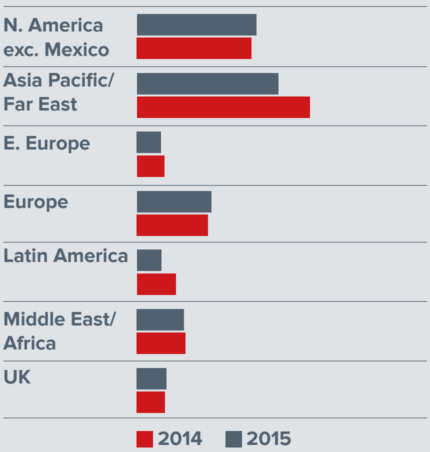
GLOBAL* BUSINESS

Rotork has over 850 outlets worldwide, consisting of manufacturing facilities in 11 countries, a global network of local offices, regional *centres of excellence* and agents. Our global presence is key to supporting new customer growth, and the service and support of our existing customers.

Customers can source Rotork's products locally in the knowledge that they will be supported by life-of-plant maintenance, repairs and upgrade services wherever they are in the world, with over 400 service engineers available globally to provide support.

We are committed to close customer ties, with our global network supporting operations in some of the most remote and challenging environments. We understand the importance of being close to our customers and understanding their needs – this is key to driving innovation. Rotork has more than 3,700 employees globally and they are fundamental to maintaining our reputation for excellence in innovation and the quality of our products and services.

GROUP REVENUE BY END USER DESTINATION



AMERICAS

Following the acquisitions made in 2015, we have an additional manufacturing site and office in the USA. In 2016, Rotork plans to consolidate three manufacturing sites and one office, located in the USA, on one site as part of our continued accelerated cost management programme.

9
MANUFACTURING FACILITIES

779
EMPLOYEES

15
OFFICES

EUROPE, MIDDLE EAST AND AFRICA

Rotork has three new manufacturing sites and three new offices due to the acquisitions in 2015 and has opened a new office in the UK. In 2016, Rotork plans to open an office in Saudi Arabia and to consolidate our facilities in Italy, with the move of two of our businesses to an existing manufacturing facility in Milan.

17
MANUFACTURING FACILITIES

2,116
EMPLOYEES

28
OFFICES

ASIA AND AUSTRALIA

In 2015, Rotork opened a new office in Vietnam and Korea, and acquired an additional office in Singapore.

5
MANUFACTURING FACILITIES

864
EMPLOYEES

30
OFFICES

MARKET OVERVIEW

*GROWING MARKETS

Rotork's total addressable market grew by 3% during the year, mainly as a result of acquisitions, whilst our total market share reduced slightly to 14.9%. This provides opportunities for further growth.

£3.7bn
TOTAL ADDRESSABLE MARKET

£40bn
TOTAL FLOW CONTROL MARKET

*MARKET DRIVERS

Large numbers of Rotork's products are used in structural growth markets which provide essential infrastructure to the global economy. These markets have long term investment cycles, with new infrastructure needed to support the ever increasing demand arising from urbanisation, and growing populations that require water, food and energy. The trends for greater automation and new technology also drive growth in our markets.

Urbanisation

More people now live in cities than rural areas around the world and that number is climbing. The trend towards urbanisation, particularly in emerging markets, is increasing demand for water and energy. Investment in private and public sector infrastructure such as power stations, electricity grids, water supply and water treatment plants is required to meet this growth in demand.

Automation

Businesses and organisations around the world continue to require greater automation in their operations to improve efficiencies and safety, and increase precision in production. Real-time monitoring of plant allows problems to be fixed before they escalate, improving safety and optimising asset life.

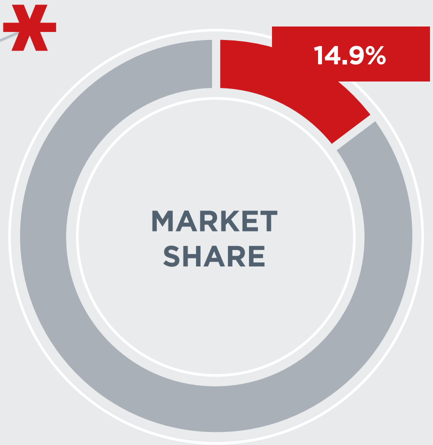
Population growth

The growing global population is driving increased demand for land, food, energy and water, in a back drop of dwindling resources. Investment in new power and water facilities, and the refurbishment of existing facilities is necessary to respond to this need.

New technologies

There is a growing global demand for innovative products, offering improved performance and reliability, and reducing environmental impact.

See pages 8-9 for our end user markets and opportunities for growth



	Revenue	Market share by division
CONTROLS	£1,527m	18.8%
FLUID SYSTEMS	£810m	18.4%
GEARS	£273m	16.9%
INSTRUMENTS	£1,055m	6.1%

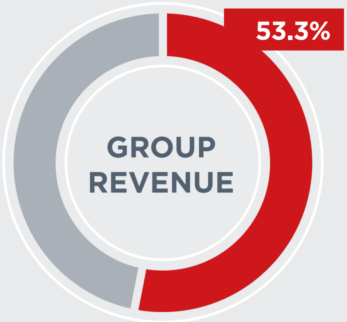
Market share based on competitors' revenue, published market reports and Rotork internal data.

MARKET OVERVIEW CONTINUED

SHARE OF END USER MARKET

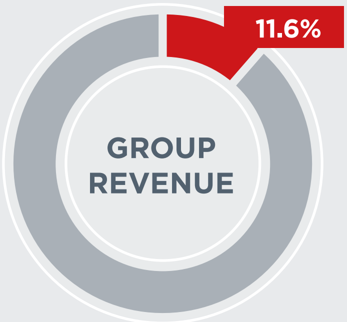
Oil and gas

- Onshore and offshore production
- Refining and petrochemicals
- Distribution and storage
- Pipelines
- LNG liquefaction and regasification



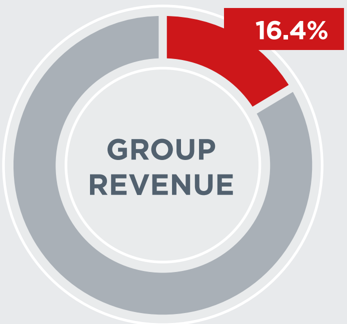
Water

- Sludge and sewage treatment
- Water treatment, desalination and re-use
- Environmental control
- Dams, reservoirs and irrigation



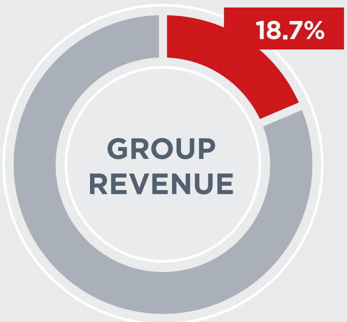
Power

- Fossil fuels
- Nuclear energy
- Concentrating solar power
- Geothermal and other renewables



Industrial and other

- Marine
- Pharmaceutical
- Paper and pulp
- Rail
- HVAC
- Mining
- Biomedical



See page 3 to find out more about each market

OPPORTUNITIES FOR GROWTH

Controls

- Centork (water, power and industrial)
- HVAC market
- Process actuator solutions
- Asset management developments

See pages 30-31 for Rotork Controls Business Review

Fluid Systems

- Market expansion
- SI3 actuators
- Collaboration with Instruments division
- New Lucca factory

See pages 32-33 for Rotork Fluid Systems Business Review

Gears

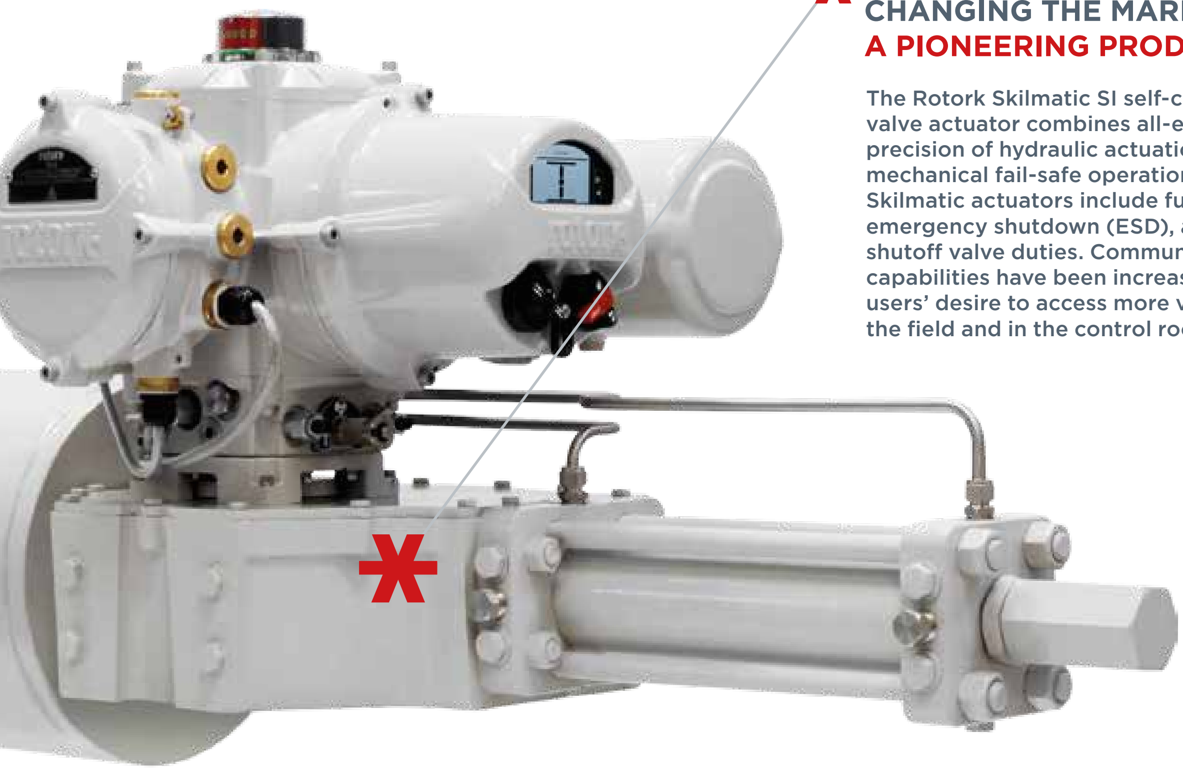
- Roto Hammer integration
- Product range expansion
- Increased R&D investment
- Geographic expansion

See pages 34-35 for Rotork Gears Business Review

Instruments

- Sales channel development
- Rotork synergies
- Geographic expansion
- Product range expansion

See pages 36-37 for Rotork Instruments Business Review



CHANGING THE MARKET
A PIONEERING PRODUCT

The Rotork Skilmatic SI self-contained electro-hydraulic valve actuator combines all-electric simplicity with the precision of hydraulic actuation and the reliability of mechanical fail-safe operation. Typical applications for Skilmatic actuators include functional safety related emergency shutdown (ESD), and remotely operated shutoff valve duties. Communication and data logging capabilities have been increased in response to end users' desire to access more valve related data, both in the field and in the control room.

CHAIRMAN'S STATEMENT

"WE ARE WELL PLACED TO NAVIGATE CURRENT MARKET TURBULENCE, WHILST CONTINUING TO FOCUS ON OUR STRATEGY FOR LONG TERM GROWTH."

FOCUS ON MEDIUM TO LONG TERM GROWTH*

Martin Lamb
Chairman

In this my first year as Chairman, Rotork has delivered a robust set of results despite increasingly difficult trading conditions. Although we do not expect conditions to improve in the near term, the increasing diversity of our end markets and geographies, together with our strong market positions, leave us well placed to navigate the current turbulence, whilst continuing to put the building blocks in place for superior medium to long term growth.

At times such as these, the fundamentals of the business are tested to the full. This includes the appropriateness and resilience of the strategy, the strength of our market positions, the quality of the management, and the cohesiveness of our culture and values. I have found Rotork to be in good shape in all these respects.

Over many years, Rotork has established clear leadership positions in well-defined end markets, based on innovative technology and excellent customer service, delivered by a team of highly motivated and experienced employees who put the customer at the heart of what they do. Our asset-light model provides considerable flexibility in prioritising resource according to the greatest need or opportunity, whilst preserving capital for investment in technology and innovation.

Financial highlights
Order intake was 15.2% lower than the prior year on an organic constant currency (OCC) basis but the contributions from acquisitions, which were mainly completed in the second half of the year, offset in part by the 0.9% currency headwind resulted in a reported reduction of 11.7%.

Revenue of £546.5m was supported by the order book at the start of the year, so reduced by less than order intake and was 11.9% lower on an OCC basis and 8.1% lower on a reported basis.

Adjusted* operating profit reduced 20.3% to £125.3m. Adjusted* operating margins reduced by 350 basis points to 22.9%, impacted by lower sales volumes and the mix effect of newly acquired businesses at lower margins, partially offset by a £4.0m reduction in overheads. The reduction at gross margin level to 45.7% was contained to 230 basis points, with only a small increase in overall material cost percentage, reflecting effective control over material and labour costs, and good pricing resilience in challenging market conditions.

Acquisitions
Rotork had a very active year for acquisitions as we continued to implement our strategy for growth, and we invested £147.6m on acquisitions in total. This year we acquired Bifold Group Ltd (Bifold), M&M Srl, Eltav Wireless Monitoring Ltd, all of which sit in our Instruments division, and Roto Hammer Industries Inc. for our Gears division. We also acquired our agents' businesses in the south of France and Turkey. The acquisition of Bifold for up to £125m in August is the largest acquisition completed by Rotork to date and provides a platform for the accelerated growth of the Instruments division, expanding our addressable market by a further £750m. Bifold performed in line with our expectations during the year.

Board composition and performance
I would like to thank my fellow Directors for welcoming me as their new Chairman and for their considerable support in my first year in the role.

The Board currently comprises three executive Directors, four independent non-executive Directors and myself as Chairman. Two out of the eight Directors are women (25%), which remains the same as last year.

We are announcing today that Bob Arnold will retire in August this year. Bob has been President of Rotork Controls Inc. since 1988 and a member of the Board since 2001. I would like to thank Bob for his contribution since joining Rotork in 1978 and in particular his significant role in supporting the expansion of the business throughout the Americas.

The annual performance review of the Board is scheduled to take place during February and March 2016, see page 62 of the Corporate Governance Report for further details.

Corporate Governance
The Board continues to be committed to the highest standards of governance. During the year, the Board and Audit Committee were involved in continuing consideration of, and work related to, risk appetite, and the monitoring and disclosure of risk following the revisions in 2014 to the UK Corporate Governance Code (the Code).

Further details of this work and its outputs, our approach to governance and our compliance with the Code are contained in the Corporate Governance Report on pages 62 to 68.

Our employees
I would like to thank all of our employees for their continued high level of commitment and professionalism during this challenging year.

Dividend
The Board recommends a final dividend of 3.1p per share, a 0.3% increase over the 2014 final dividend. Taken with the 2015 interim dividend, the total dividend is 5.05p per share (2014: 5.01p), representing a 0.8% increase in the total dividend on 2014. The final dividend will be payable on 16 May 2016 to shareholders on the register on 8 April 2016.

Outlook
The challenging market conditions that we saw in the first half of the year continued for the remainder of 2015, with many of our key markets and geographies impacted by the weakness of the oil price, political instability and the slowdown in China.

We were encouraged by the progress of our accelerated cost management programme in 2015 and further actions to mitigate the effect of end market weakness will remain a key focus in the current year. We continue to see opportunities to gain market share by expanding our product portfolio and through both organic development and acquisition. By continuing to implement our strategy for growth and targeted investment we will ensure that Rotork is well placed to make further progress over the medium to long term.

Martin Lamb
Chairman
29 February 2016

CHIEF EXECUTIVE'S STATEMENT

"WE WILL CONTINUE TO INVEST TO ENSURE THAT ROTORK IS WELL PLACED TO MAKE FURTHER PROGRESS OVER THE MEDIUM TO LONG TERM."

RESPONDING TO MARKET CONDITIONS

The challenging market conditions that we saw in the first half of the year continued to dominate for the remainder of 2015, with many of our key markets and geographies impacted by the ongoing weakness of the oil price, political instability and the slowdown in China. We saw lower overall activity levels and an increased number of project deferrals and cancellations. We continue to see opportunities to gain market share by expanding our product portfolio, and through both organic development and acquisition. By implementing our strategy for growth and making careful investments we will ensure that Rotork is well placed to make further progress over the medium to long term.

The end of the year usually sees an upturn in revenue as customers look to complete orders and 2015 was no exception. However, fourth quarter revenue was 10.7% lower than the record fourth quarter of 2014, despite the acquisitions completed in the year, and 15.1% lower on an organic constant currency (OCC) basis. Revenue for the year was 8.1% lower than the previous year, which on an OCC basis was 11.9% lower.

Peter France
Chief Executive

Order intake is usually less driven by this year end pattern but the fourth quarter nevertheless showed an improvement of 3.2% on the third quarter on an OCC basis or 12.8% with the inclusion of acquisitions. Full year order intake was 11.7% below 2014, or 15.2% lower on an OCC basis. Lower revenue was the main driver of the 20.3% reduction in adjusted* operating profit to £125.3m. Cost control and the accelerated cost management programme delivered more than the anticipated savings in the year but this was not sufficient to offset the reduction in revenue.

In 2015, we invested £147.6m in six acquisitions. Further details are contained in the Business Reviews on pages 30 to 37. In line with our strategy, together these businesses bring additional products that enhance Rotork's product portfolio and technology, expand our geographical presence and give us access to new markets. Our focus in 2016 will be to continue to integrate the newly-acquired businesses and drive the potential revenue synergies. We will also continue to look for acquisition opportunities as part of our growth strategy.

During the year we opened four new sales and services offices and started the move into the new Lucca (Italy) factory, which is due to be completed in the second quarter of 2016. We now have 31 manufacturing sites, 73 national offices and 84 regional locations in 38 countries. In total we have over 850 sales channels in 101 countries. Strengthening our global presence to provide local support to our customers remains a core part of our strategy.

Our markets

The long term drivers of our markets remain positive with population growth, urbanisation and automation continuing to drive increased demand for flow control products and services. Our customers are also increasingly focused on reducing power consumption, increasing efficiency, maximising cost reduction, improved safety and minimising their carbon footprints, which will drive long term growth in our markets. See page 6 for more details.

In the shorter term our markets continue to be impacted by various headwinds. In 2015, the oil and gas markets remained active despite the fall in the oil price. Oil and gas represented 53.3% of our revenue in 2015, a decline of 360 basis points on the previous year. In the water and industrial markets, revenue was up on the previous year, with water showing a small increase of £1.3m and industrial showing a larger increase of £10.2m demonstrating that our strategy of diversifying our end markets is continuing to make progress. The slowdown in China's economy also impacted our revenue for the year with sales in the power market declining by £7.3m (7.5%), with £6.5m of that total attributable to China.

Rotork Site Services (RSS)

The RSS team provide service and support to our customers locally around the world through preventative maintenance contracts, on-site and workshop service, retrofit solutions and the tailor-made Client Support Programme (CSP). In 2015, RSS opened new service centres in Glasgow and Korea, expanded its service provision in France and Turkey and improved existing facilities to accommodate the CSP and changes in service. With 402 directly-employed service engineers and other service technicians employed by our agents around the world (2014: 370), we provide the infrastructure to effectively support all of our customers' service needs.

Research and development (R&D)

Innovation continues to be a core part of our strategy as we work with our customers to find ways of reducing power consumption, increasing efficiency, lowering the costs of asset ownership and minimising carbon footprint. Following the acquisition of Bifold Group Ltd, Gary Jacobson was appointed as Group Innovation Director in October and will head the new Group Innovation Department. Gary brings a wealth of experience and technical knowledge of products and markets relevant to Rotork and I am delighted to have him leading our future development in this area. 2015 saw the launch of a number of new products across the divisions and our spend on R&D for the year was £9.6m or 1.8% of revenue.

* References to adjusted profit throughout this document are defined as the IFRS profit, whether operating profit or before tax, with £20.9m (2014: £14.9m) of amortisation of acquired intangibles added back.

OCC Organic constant currency results are the 2015 figures restated at 2014 exchange rates and with the incremental contribution from acquisitions removed.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

Corporate Social Responsibility

During 2015, we continued to focus on how we do things at Rotork through our Rotork Corporate Social Responsibility (CSR) Committee, which sets the standards that are embedded within each of our businesses. Our responsibilities to our employees and our customers, as well as the communities and environment in which we operate, are very important to us.

In 2015, we donated £100,000 to WaterAid and Sightsavers and £5,000 to Freedom Matters in response to the earthquake in Nepal. We encourage our employees to support their local communities, with local charitable causes selected by the local charitycommittees at each of our operating sites. The Group contributed a further £172,000 to support these causes bringing the total Group contributions in the year to £297,000 (2014: £295,000).

For more information about the CSR Committee and the work it carries out see pages 48 to 59.

Our people

Rotork's culture and values are an integral part of our business model and are embedded in the day to day behaviour of all employees. Our employees act and behave as smaller family units, part of the larger Rotork family. This is supported by Rotork being structured as a number of smaller business units, with individuals working collaboratively across teams and projects.

Rotork aims to be an employer of choice and is considered a great place to work by the majority of our employees. We foster an open and honest culture based on the engagement of our employees.

Our annual employee satisfaction is used to improve the experience of working at Rotork and has helped to drive many changes around the Rotork globe. Our annual survey was completed by 2,350 employees, with the response rate being slightly down (71% compared to 75% last year) and the overall satisfaction score remaining the same as last year at 3.6. The global results showed that on average people are most satisfied with Rotork's products and services, our approach to health and safety and our values and ethics and they are planning to stay with Rotork for at least another year.

Rotork had a total of 3,759 employees at the end of 2015, an increase of 300. From the various acquisitions, 389 employees joined the Rotork family. Excluding the acquisitions, the total number of employees decreased by 89 as a result of the cost management initiatives that were implemented during the year.

In 2015, there were two changes to our management team, with the retirement of Graham Ogden in March and Gary Jacobson joining the Rotork Management Board in October following his appointment as Group Innovation Director.

The success of Rotork is down to the hard work and dedication of our people. I would like to personally thank each and every one of them for making Rotork the world-class business that it is today.

Peter France
Chief Executive
29 February 2016

LEADING THE WAY
IN TOUGH APPLICATIONS

Smart positioners allow technicians to use auto-calibration and simple diagnostics to commission and monitor their entire system at the push of a button. In many cases the valve, actuator and smart positioner package is exposed to extreme temperatures, dirty conditions and other challenges such as high vibration.

OUR BUSINESS MODEL

SEEKING EXCELLENCE* TOGETHER

We provide high quality, technically advanced, innovative products and a superior level of local service to support our customers' activities wherever they are in the world. We do this in a responsible way, with CSR values being entrenched in our business processes. We work as a global team, seeking excellence together, to respond rapidly to changing business environments, introduce new technologies, pioneer new markets, and respond and identify business opportunities.

Our global network of offices and manufacturing sites expands each year to ensure that we can offer local support to our customers. Rotork's culture of collaboration, respect and excellence is a core philosophy which we share with new offices and acquired businesses to ensure our customers receive consistently high quality service throughout the world. We operate an asset-light business model, with most of our manufacturing sites purchasing components in a finished form and then assembling to order.

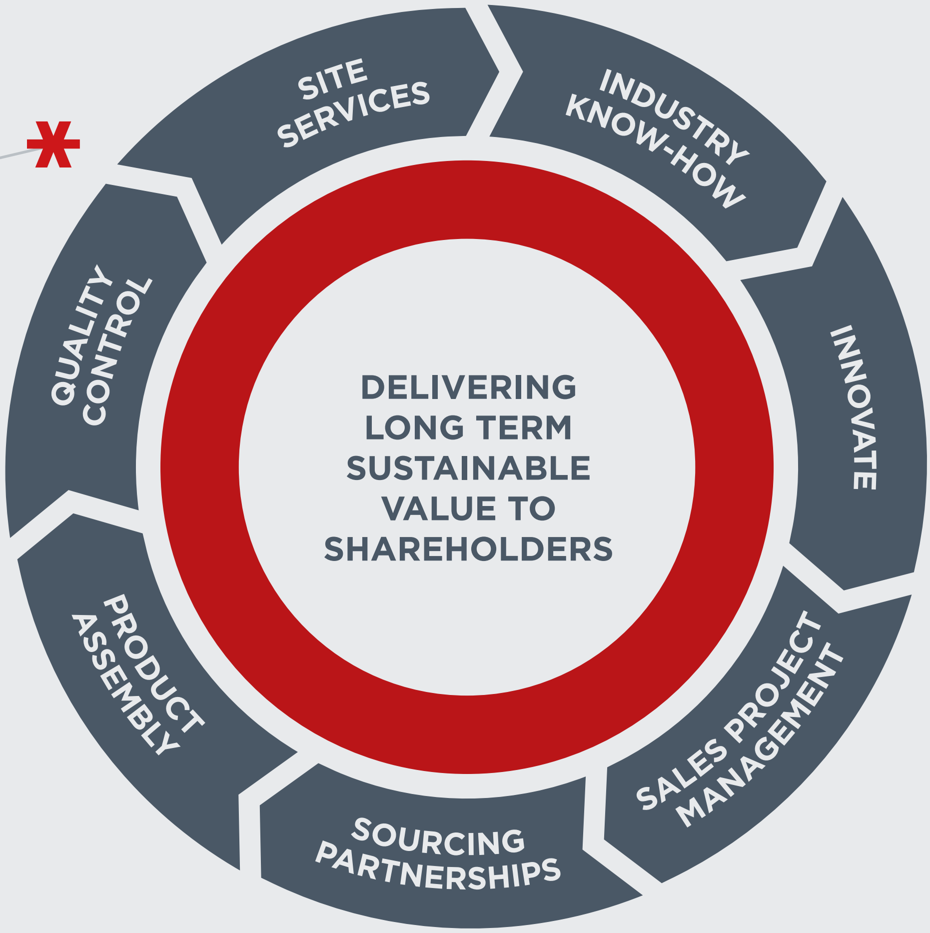
COMPETITIVE STRENGTHS

Technological leadership
Rotork's technological leadership is driven by our employees who ensure that we remain competitive by maintaining the technical excellence of our products and providing solutions to our customers' needs. We constantly strive to improve quality and performance, even when we are the best, we strive to be even better.

Global footprint
Our global geographic footprint is key to our continued business success. Local relationships with customers allow Rotork to understand long term value generation opportunities and ensure that our innovation is relevant to our customers' evolving requirements. Our worldwide presence allows us to manage complex global projects and to support customers in the field. Rotork Site Services work with our customers by installing and commissioning our actuators, and by meeting our customers' service requirements. Our strategic manufacturing locations optimise supply chain management and productivity.

Diverse end market exposure
Rotork's actuators and flow control products are used most intensively in the oil and gas, power and water markets, but our products are used in many other markets. Our diverse end market exposure and participation in a wide range of industries means that wherever fluids or gases are being moved and the process requires automation, or to contain fail-safe controls, actuators and flow control products are required.

Breadth of product portfolio
We have the broadest range of actuators on the market and a growing range of complementary flow control instruments. We continue to expand the breadth of our product portfolio through product development and acquisitions. Our extensive offering ensures that we have the appropriate products for the widest range of applications within a site or a project and increases our cross-selling opportunities.



Asset-light business model
Our asset-light business model allows us to focus on our core strengths. Over 85% of our products are built using an outsourced manufacturing model, with our workforce assembling components and configuring products to match customer orders. We have developed a global network of suppliers who manufacture the components to our designs and who use our tooling. Leveraging our international supply chain allows us to achieve and maintain profitable growth while supporting new market entry.

Quality
Rotork's products have a reputation for technological excellence, quality and reliability: meeting or exceeding international technical and performance standards. The reliability of our products is essential as they are used in difficult environments and can be employed in critical applications where consistency of performance and safety is paramount. Our stringent quality control procedures, which also extend to cover our supply chain, are central to delivering this.

Talented workforce
Our innovative company is built on our talented workforce. Attracting, developing and retaining outstanding talented people has been a key part of our success. Investment in our employees and their continued development is a key part of our strategy and is essential to ensure that we remain competitive.

LEADER IN TARGETED* MARKETS

Our strategic vision is to be the leader in our targeted segments of the global flow control market.

STRATEGIC FOCUS

Innovation

- Capitalise on our industry knowledge to work with our customers, providing them with the benefits of innovative, technically advanced, high quality products and associated services related to flow/pressure control and measurement solutions.

Sustainability

- Invest in the development of our people to support our future growth plans.
- Recognise the benefits of diversity amongst our employees.
- Be a good corporate citizen, supporting our communities.
- Reduce our operational impact on the environment.

OUR STRATEGY

01

Providing high quality and innovative products and services to control the flow of fluids and gases.

02

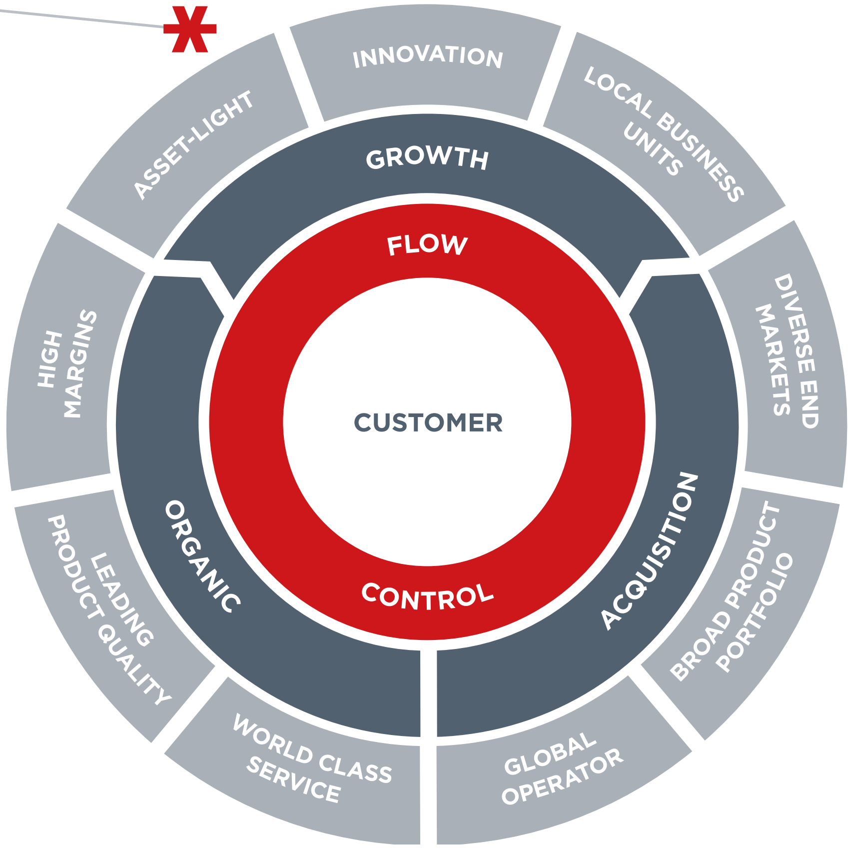
Meeting customer needs through global expertise delivered locally.

03

Achieving consistent and sustainable profitable growth.

04

Being the employer of choice.



Growth

- Deliver profitable sales growth by focusing on the customer, continuing to broaden our end markets and growing global sales of recent acquisitions.
- Acquire companies which deliver new products, new geographical markets or a new market sector.
- Expand our global service coverage and capability, including the Client Support Programme, for total lifetime support.
- Maximise shareholder value every year.

Operational excellence

- Continue to develop world-class customer service.
- Further develop the asset-light outsourced lean manufacturing model, managing material costs to drive high margin.
- Adopt a standard global ERP system.
- Ensure reliability to support performance in demanding environments and mission-critical applications where consistency of performance and safety are paramount.

See pages 28-29 for details of our strategic priorities

OUR STRATEGIC FOCUS

KEEPING* THE WORLD

*FLOWING

LEVERAGING OUR TECHNOLOGY
PROVIDING INNOVATIVE SOLUTIONS

Rotork valve actuators are at the hub of an automated flood alleviation scheme. An extended scope contract performed by Rotork Site Services has successfully delivered full automation of a flood alleviation scheme protecting the historic town of Cardigan in west Wales. Rotork's responsibilities included an initial survey, removal of the old actuators and replacement with new, installation of a PLC control cabinet with HMI for local control and indication, interfacing with the level sensor and telemetry system, and commissioning of the completed installation.

OUR STRATEGIC FOCUS

KEEPING* THE WORLD

*TOGETHER

INVESTING IN THE WORLD
SUPPORTING SUSTAINABILITY

Rotork CMA electric control valve actuators have delivered an efficient and reliable process control solution and eliminated venting and greenhouse gas emissions in compliance with new environmental protection legislation at remotely sited shale gas installations in the USA. Rotork's customer, Setpoint Integrated Solutions, engineered an interface to enable CML-250 actuators to be easily fitted to installed valves and improve the level of control, without venting gas, and with the low power demand required for solar powered operation.

OUR STRATEGIC FOCUS

KEEPING* THE WORLD

*MOVING

BROADENING OUR PORTFOLIO
REACHING NEW MARKETS

DRAX Group made the decision to invest in a brand new state-of-the-art sustainable biomass rail freight wagon which could carry 30% more compressed wood pellets than the existing wagons, and also have four hoppers per wagon instead of the conventional three hoppers. Rotork Midland was chosen to supply the pneumatic controls with a fully automated system, with a design that enabled all the controls, hand valves and visual indicators to be located in one place.

OUR STRATEGIC FOCUS

KEEPING* THE WORLD

*POWERED

ALWAYS STRIVING TO PROVIDE OPERATIONAL EXCELLENCE

Following an in-depth modest integrity assessment, EDF Energy has approved Rotork IQ3 non-intrusive intelligent valve actuators for balance of plant applications within its nuclear power stations. EDF Energy operates nuclear power stations around the world, including eight in the UK, where it hopes to build four more reactors at two sites. Balance of plant areas typically include the turbine hall, water treatment and cooling systems. Approval for Rotork IQ3 technology brings the benefits of increased functionality to the operation of valves and dampers in these areas.

STRATEGIC PRIORITIES

Our aim is to deliver a high return on capital with strong and sustainable margins and consistent year-on-year growth in revenues and profit which, combined with our asset-light model, will deliver strong cash generation.

To provide short term focus, we agree an annual set of key objectives. The progress against these during the year, and objectives for the coming year are shown below.

GROWTH

STRATEGIC PRIORITIES	ACHIEVEMENTS 2015	OBJECTIVES 2016
Sales growth Deliver profitable sales growth by focusing on the customer, increasing international coverage, broadening end markets and leveraging the expanding product portfolio.	A regional management structure was introduced with an increased focus on sales opportunities. Revenue synergies were achieved from acquisitions. Due to the slow down in growth, some investment plans were delayed.	**Further develop regional management structure and continue to develop sales channels, including into new end markets, and strengthen sales teams. Increase focus on large project opportunities driven by the new Group Project Sales Director. Continue to drive revenue synergies from new acquisitions using our extensive salesforce.**
Acquisitions Acquisitions are a core part of our growth strategy. An acquisition will only be considered if it will deliver a new product, geographic market, market sector or a combination of these.	Acquired M&M Srl, Bifold Group Ltd and Eltav Wireless Monitoring Ltd which sit within the Instruments division and Roto Hammer Inc. for our Gears division. Also acquired our agents' businesses in Turkey and the south of France.	**Execute acquisition plan of identified opportunities.**
Service growth Further develop after market services capability including the Client Support Programme.	New service centres were opened in Glasgow and Korea, and we increased the number of service engineers by 5%. Recent acquisitions extend our service coverage in Turkey and France.	**Continue to improve customer experience by developing the sales channels for delivering service support and further expanding the sales team. Establish new, or expand existing, service centres in response to customer demand.**

SUSTAINABILITY

STRATEGIC PRIORITIES	ACHIEVEMENTS 2015	OBJECTIVES 2016
Employee development We will invest in our people to support our growth strategy and promote diversity and inclusion throughout the Group.	We have increased gender diversity at all levels of the organisation throughout the year. The leadership training programme was rolled out. We expanded our online training courses delivered throughout the Group.	**Rollout the sales training programme and further expand the training opportunities throughout the Group. Continue to promote diversity.**
Corporate social responsibility (CSR) Communicate best practice throughout the Group, training those responsible and, where appropriate, verifying adoption in each subsidiary.	Our CSR Sub-Committees continued to promote improvements in health and safety, monitor initiatives to reduce CO_2 emissions, provide training on ethical behaviour and our employees gave their time and money to many charities around the world.	**Continue to drive safety improvements and deliver the CSR strategy.** **The CSR Report is on pages 48 to 59.**

OPERATIONAL EXCELLENCE

STRATEGIC PRIORITIES	ACHIEVEMENTS 2015	OBJECTIVES 2016
Manufacturing excellence Continue to develop world-class manufacturing.	As part of the development of our new ERP system, we reviewed many of our manufacturing procedures with a view to developing best practice. The Lucca factory fit out was completed with the move being completed in 2016.	**Consolidate and develop world class manufacturing facilities delivering market leading products and service. Complete the consolidation of northern Italy businesses and complete the consolidation of three existing facilities into one combined site in Tulsa, USA.**
Supply chain management Rotork's outsourced manufacturing model means that material costs are the most significant component of direct costs. Managing these costs has been a key driver to improve margins across all our manufacturing sites.	Sourcing initiatives during 2015 have resulted in savings of £2.8m in the year with an annualised value of £5.6m.	**Further develop and leverage global supply chain for all parts of the Group, including newly acquired companies. Reduce overall cost of materials by investing in supply chain.**
Global business systems We are moving from having a wide range of systems around the world to adopting a global standard ERP system.	The roll-out of RQM (quotation system) was accelerated. Good progress continues to be made on the development of the manufacturing solution.	**Increase the rate of roll-out of the global business system solution to sales offices and start roll-out of the manufacturing solution.**
Cost management We have accelerated our cost management programme to reflect market conditions.	We achieved cost savings of £2.6m in 2015.	**Continue to execute cost management programme.**

INNOVATION

STRATEGIC PRIORITIES	ACHIEVEMENTS 2015	OBJECTIVES 2016
New product Develop and introduce new products in each of the divisions.	There were a number of product launches, and expansion of product ranges and certifications during the year in all divisions. See the Business Reviews on pages 30 to 37 for further details. Spend on R&D was £9.6m or 1.8% of revenue. A new Group Innovation Director was appointed in October to lead future technological development.	**Develop Group wide innovation function and infrastructure to support the development and introduction of new products in each of the divisions. Launch new products in accordance with divisional product road maps.**

BUSINESS REVIEW

"WE RESPONDED TO THE DIFFICULT MARKET CONDITIONS BY INCREASING OUR FOCUS ON MANAGING OUR COST BASE WHILST IMPROVING THE RESILIENCE OF OUR SUPPLY CHAIN."

ROTORK *CONTROLS

Order intake was £277.0m, a 13.6% reduction compared with the prior year. On an organic constant currency (OCC) basis the movement was very similar to the reported change at -13.5%, as the small benefit from acquisitions was offset by a modest currency headwind. Revenue was £286.7m, 11.7% lower than the prior year, on both a reported and OCC basis, resulting in a £10.7m reduction in the order book to £81.0m.

The lower revenue had a knock-on impact on profitability for the division. Adjusted* operating profit fell 18.4% to £85.5m, an adjusted* operating margin of 29.8%, 250 basis points lower than 2014. The reduced margin is largely attributable to the lower sales volumes with the cost of components similar to the prior year.

Grant Wood
Managing Director
Rotork Controls

Sales to the oil and gas markets were the most heavily impacted during the year, with reduced revenue across upstream, midstream and downstream applications. The proportion of revenue from oil and gas reduced from 51% to 48% during the year with a majority of the division's revenue now coming from other markets. North America continued to grow in total and across all end markets (oil and gas, water, power and industrial), with the Middle East seeing good growth in oil and gas and power. The gains in these markets were insufficient to offset the reduction in revenue in the Far East, Controls' largest market, where all end markets apart from water showed a decline. Within this region, the reduced activity in China, in both the oil and gas and power markets, had the biggest impact. Latin America was also impacted, with sales in the oil and gas markets substantially down, particularly in Mexico.

The integration of our Turkish sales and services agent's actuator business acquired earlier in 2015 is progressing well and resulted in us opening a new office and expanding our team in Turkey.

This will enable us to grow our market share in the region. The purchase of Servo Moteurs Service in France in September further extended our service coverage in southern France.

We continue to focus on product innovation to support growth in our markets. During the year, we launched further variants of our IQ3 range to target profitable niche applications. The main variants of Centork used in the water and power markets were also launched in the year with the remaining variants due to be released in 2016. Two of our existing factories have been set up to produce this range, with a third factory due to commence production in 2016 as volumes grow. The ExMax M has been adapted for outside applications as part of the continued expansion of our product range in the growing HVAC market. A new variant of our compact modulating actuator (CMA) was also launched, adding further features to the current CMA range.

OPPORTUNITIES:

- **Centork (water, power and industrial)**
- **HVAC market**
- **Process actuator solutions**
- **Asset management developments**

REVENUE (£M)

2015	286.7
2014	324.5
2013	321.9
2012	293.2
2011	278.0

ADJUSTED* OPERATING PROFIT (£M)

2015	85.5
2014	104.7
2013	105.5
2012	94.8
2011	92.1

Case study
Rotork CVA fail-safe electric process valve actuators were selected for a critical flow control application in the Australian coal mining industry. Salcan Process Technology manufactures wellhead skids designed for coal mine degassing duties. The remotely sited skids are used in conjunction with Salcan's control and telemetry systems to enable methane and other flammable gases to be extracted from underground coal seams prior to the commencement of mining operations.

BUSINESS REVIEW

"WE CONTINUED TO FOCUS ON DIVERSIFYING OUR END MARKETS AND GEOGRAPHICS AND DRIVING EFFICIENCIES IN THE FACE OF CHALLENGING OIL AND GAS MARKETS."

ROTORK FLUID SYSTEMS*

David Littlejohns
Managing Director
Rotork Fluid Systems

As the Rotork division with the largest exposure to oil and gas, 2015 was a difficult year for Rotork Fluid Systems (RFS). Within the other end markets results were mixed with industrial process sales the largest growth area but this was insufficient to offset the decline in oil and gas. However, oil and gas continues to provide opportunities for RFS in some areas. Both our comprehensive product portfolio and other end market exposure, will continue to drive growth.

The second half of the year proved more challenging than the first. Order intake in the second half was 27.1% lower than the second half of 2014, resulting in full year order intake that was 23.4% lower than the prior year. The currency headwind was greater than the contribution from acquisitions, so on an organic constant currency (OCC) basis full year order intake was 22.2% lower than 2014. Revenue of £149.2m was 17.2% lower, with the negative impact of currency again greater than the contribution from acquisitions, resulting in a reduction in revenue on an OCC basis of 16.3%. Volume, mix and pricing all impacted the top line but the containment of overhead costs at all levels was insufficient to offset this so adjusted* operating profit was down 51.2% to £15.2m, a margin of 10.2% compared with 17.3% last year.

The division's exposure to the oil and gas market reduced once again in 2015, down from 72% to 68% of the division's revenue, with upstream, midstream and downstream all reporting a reduction. Industrial process became the second largest end market with 17%, whilst power remained at 9% of a reduced divisional revenue figure. Geographically, North America is RFS's largest market, and the value of its sales remained constant year-on-year. Canada continued to grow, despite the difficult market conditions. In the USA we had a good year in securing key Gulf Coast LNG project work, as well as good project activity around gas pipeline and compressor stations. Western Europe also saw some growth with most of the increase in industrial sales coming from that region. All other regions saw a decline in revenue, with the weakest performer being the Far East, where project deliveries in Australia and India fell from historically high levels in 2014.

The improvement and consolidation of our existing facilities remains a focus as part of our drive to manage costs in the current market conditions. Our new factory in Lucca (Italy) is due to be fully operational in the second quarter of 2016. In addition, in early 2016 we will complete the integration of our three existing Milan facilities into one combined site in Cusago (Italy) and by the end of 2016 we expect to complete the consolidation of three existing Tulsa (USA) facilities into one combined site. The integration of Masso, our marine focused business acquired at the end of 2014, is progressing well and Masso is starting to benefit from being part of the Rotork Group and from our global sales network.

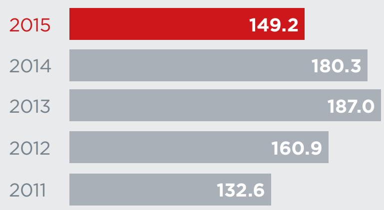
We continue to develop our supply chain in India, China and Malaysia for our higher volume products to control and accelerate material cost reductions. We also continue to realise synergistic initiatives with the expanding range of devices within the Instruments division.

Product development continues to be a focus for RFS as we look to build on opportunities to extend or improve our product range to address new or existing market requirements. During the year we launched SI3, our third generation Skilmatic SI electric fail-safe actuator with IQ3 technology, and the CQ range of actuators. CQ can be used in harsh environments where safety is required and where space is limited. During the year we also expanded our range of K-Tork actuators (used in power and industrial markets) by introducing a wider range of sizes and made further progress with our nuclear qualification programme.

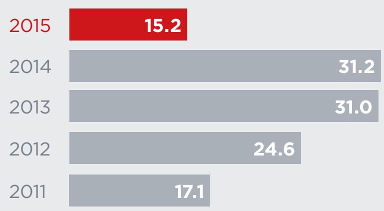
OPPORTUNITIES:

- **Market expansion**
- **SI3 actuators**
- **Collaboration with Instruments division**
- **New Lucca factory**

REVENUE (£M)



ADJUSTED* OPERATING PROFIT (£M)



Case study
Rotork GO gas-over-oil actuators were supplied for vital fail-safe valve control duties on a new cryogenic LNG pipeline in Venezuela. In addition to providing the best technical solution for the application, the actuators were selected because of the high level of local support available from Rotork's well established company in Venezuela.

"OUR INDUSTRY LEADING EXPERTISE ENABLES US TO DELIVER INNOVATIVE SOLUTIONS TO MEET OUR CUSTOMERS' INDIVIDUAL VALVE GEARBOX AND ACCESSORY REQUIREMENTS, DRAWING ON A WIDE RANGE OF PRODUCTS."

ROTORK GEARS*

The Gears division made progress during the year, developing its addressable market, identifying new customers, markets and products, and completing the acquisition of Roto Hammer Industries Inc. (Roto Hammer) in the USA. Our industry leading expertise enables us to deliver innovative solutions to meet our customers' individual valve gearbox and accessory requirements, drawing on a wide range of products. We maintained our focus on profitability, return on sales and world class service. We also continued our efforts to streamline production processes and reduce costs.

Order intake and revenue grew modestly during 2015 on both a reported and organic constant currency (OCC) basis. Order intake was 0.4% higher than 2014, and revenue 1.3% higher, both on an OCC basis. Whilst currency was neutral for divisional revenue in the first half of the year, it was a headwind in the second half but the second half also benefited from the acquisition of Roto Hammer in September. Revenue was £58.6m, 1.4% ahead of last year, fractionally ahead of order intake, so the order book reduced 6.0% to £10.1m at the end of the year. Gears saw the largest adverse impact of currency on reported margins as a result of its combination of factory locations and supply channels.

Pamela Bingham
Managing Director
Rotork Gears

Adjusted* operating profit of £12.0m (2014: £13.0m) gives a margin of 20.5%, 200 basis points lower than 2014, but on an OCC basis this gap narrows to 100 basis points. This margin reduction can be attributed to the reduction in oil and gas sales which were largely replaced by sales into the power and industrial markets, which are typically at a lower margin.

The £8.2m acquisition of Roto Hammer, a US-based manufacturer of custom designed chain wheel manual valve operators, adds a new product line to the Gears' product range and increases our presence in the important US market. Gears further developed its global sales and service network, providing local support to our customers around the world. We secured new OEM accounts in the growth markets of Korea, Japan, China, India and Eastern Europe. In addition, we saw growth in our sub sea business, and in the USA we developed 'Factory Stores' short lead-time sales.

Oil and gas remained our largest end market but reduced from 57% to 50% of sales, whilst sales in power, water and industrial all grew as we continued to diversify our end market exposure. In terms of the regional split of sales, North America reduced, despite the contribution from Roto Hammer from September, as did the Far East. Western Europe was the best performing region and is our largest end destination market, representing 31% of sales, up from 28% in the prior year.

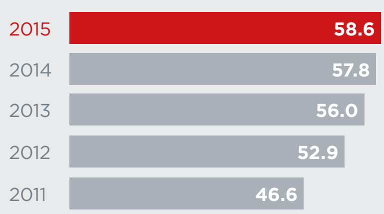
Our Leeds facility is the worldwide headquarters of Gears. Gearboxes are manufactured here and also at our facilities in China, India, the USA and Continental Europe. Our Leeds based team is responsible for research, product development and product testing.

We continue to work closely with our customers, providing them with the benefits of innovative, technically advanced, high quality products and associated services. Our dedicated R&D team are responsible for new product design and development, from concept to customer. During 2015, we further strengthened our diverse product range with the launch of the AB550M and HOS/MPR gearbox ranges. The AB550M is motorised for quarter-turn applications, whilst the HOS/MPR is a hand operated spur gearbox offering comprehensive solutions for multi-turn valves.

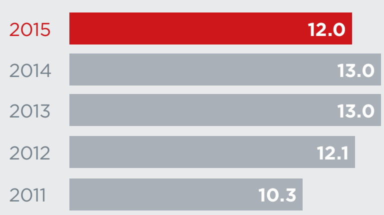
OPPORTUNITIES:

- **Roto Hammer integration**
- **Product range expansion**
- **Increased R&D investment**
- **Geographic expansion**

REVENUE (£M)



ADJUSTED* OPERATING PROFIT (£M)



Case study
Rotork IQ3 actuators and MTW gearboxes were chosen to replace unreliable actuators for the operation of radial gates on an important river management weir on the River Thames. Hambleden Weir plays a critical role in maintaining the level and flow in an area that is used extensively for recreational activities, including the stretch of river that hosts the world famous Henley Regatta.

"2015 WAS ANOTHER STRONG YEAR OF GROWTH, WITH THE COMPLETION OF THREE ACQUISITIONS, DOUBLING OUR ADDRESSABLE MARKET, PROVIDING INSTRUMENTS WITH EXCELLENT FOUNDATIONS FOR THE FUTURE."

ROTORK INSTRUMENTS*

Alan Paine
Managing Director
Rotork Instruments

2015 was another year of strong growth for the Instruments division, with the completion of three acquisitions doubling our addressable market and providing Instruments with excellent foundations for the future. During the year, we focused on: the integration of Soldo and YTC; continuing to widen our product range through synergistic acquisitions and innovating our existing products; leveraging our sales synergies through our global sales network; and delivering cost reduction and productivity improvements.

Order intake grew 43.0% in the year due to the significant contribution from acquisitions and supported by a currency tailwind. On an organic constant currency (OCC) basis order intake was 9.1% lower than the prior year, with Soldo and Rotork Midland affected by the lower oil and gas activity and Rotork Midland also impacted by the lumpy nature of its rail projects. The pattern with revenue was similar, being 46.5% higher as reported at £67.3m but this was 5.8% lower on an OCC basis. Gross margins were 50 basis points lower than the prior year on an OCC basis, with the mix impact of lower margin acquisitions reducing gross margin by a further 200 basis points, down to 46.3%. Adjusted* operating profit was £18.3m, 26.8% higher than 2014, a 27.2% adjusted* operating margin. OCC adjusted* operating profit was £12.3m, 14.5% lower than 2014, a margin of 28.5%.

In August, we completed the acquisition of Bifold Group Ltd (Bifold) which has operations in Manchester and Taunton in the UK, for up to £125m. Bifold is a manufacturer of pneumatic and hydraulic instrument valves focused on the oil and gas industry and wider industrial markets, with expertise in a number of niche sectors such as subsea and wellhead control systems and was a long held target of Rotork's. It has market-leading technology in areas that include the development of solenoid valves with ultra-low power requirements. The combination of Bifold's extensive product portfolio and leading technology with Rotork's international sales network and geographic reach will support the continued growth of the Instruments division in the future. Bifold performed in line with expectations during the year.

In August, we also acquired M&M International Srl (M&M), based in Bergamo, Italy. M&M is a manufacturer of solenoid valves, piston actuated valves and automatic drain valves for use in commercial and industrial flow control industries, and will complement Rotork Midland's range of solenoid valves. Our third acquisition for the year was Eltav Technologies. Eltav produces an innovative industrial wireless monitoring solution for actuated valves. Its diagnostic software enables predictive maintenance on actuated valves, reducing capital and operational expenses while increasing safety and productivity in the plant. These acquisitions support our strategy of broadening our product portfolio and expanding our addressable markets.

Activities to integrate our routes to market, train the sales teams on the broader product portfolio and align our product development strategies are all well under way and progressing according to plan.

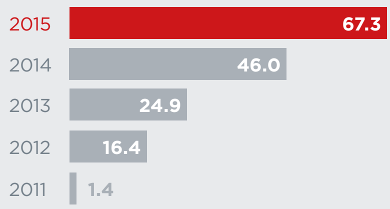
Instruments had less exposure than the other divisions to the oil and gas market in 2015, although it was still the largest end market at 44% of divisional revenue and that proportion will increase in the current year with a full year contribution from Bifold. There was a decline in oil and gas sales in some areas but these were offset by gains in other areas. We have continued to be successful in gaining traction in new geographic markets through selling our growing product portfolio through our integrated global sales channels. In particular, Rotork Midland and YTC saw good growth in India, Korea, China and the USA.

In 2015, each of the businesses developed extensions to their existing product ranges and new variants of products, supporting global expansion and key end markets. Soldo developed ECL, a multi-turn manual switch box, in collaboration with Rotork Gears; Rotork Midland developed a pioneering control system on a biomass wagon for the Drax power station that controls the door opening and locking process; YTC's new TMP-3000 industrial positioner will open new markets for YTC in the control of piston valves; and Bifold continues to expand its range of products for the wellhead market with electro-hydraulic power packs and pressure transmitters and switches.

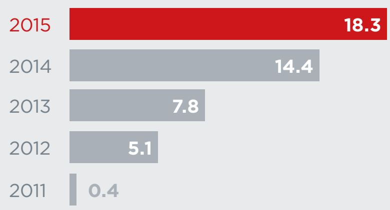
OPPORTUNITIES:

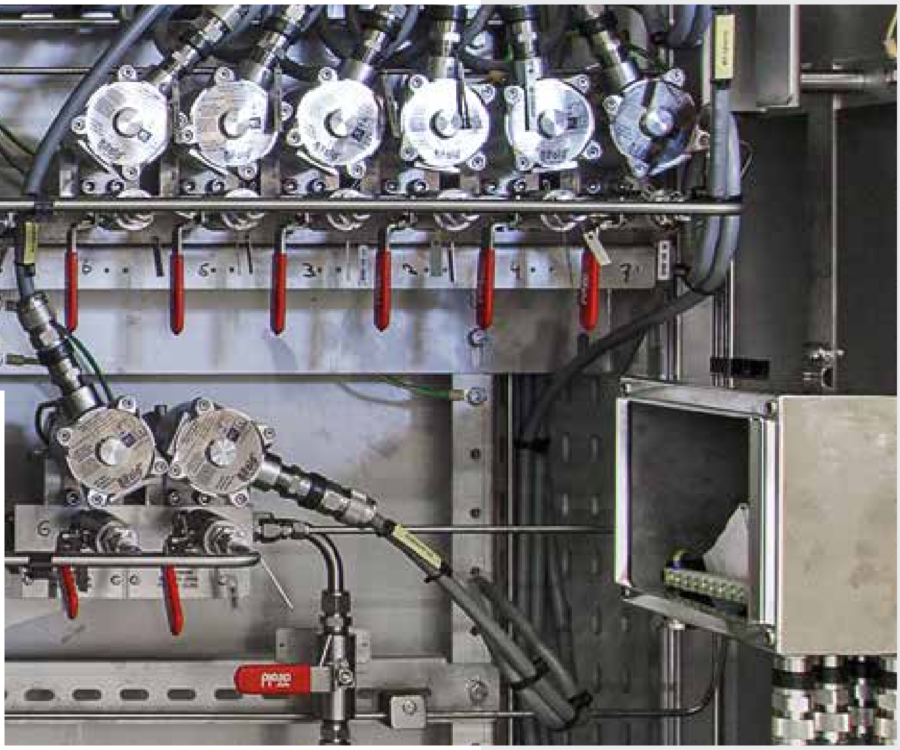
- **Sales channel development**
- **Rotork synergies**
- **Geographic expansion**
- **Product range expansion**

REVENUE (£M)



ADJUSTED* OPERATING PROFIT (£M)





Case study
Bifold solenoid manifolds were supplied on a topside hydraulic power unit. This was for eight generic FPSO's for offshore Brazil. These particular solenoid manifolds were selected for their modular design, compact size and reduced weight for this application which is vital in the smooth and efficient running of this system. Along with these features, they were chosen due to their ease of installation.

FINANCIAL REVIEW

"THIS YEAR SAW MORE FOCUS ON MEASURES TO CONTAIN COSTS AND TO ACCELERATE COST REDUCTIONS IN SOME AREAS IN RESPONSE TO MARKET CONDITIONS."

Jonathan Davis
Finance Director

Underlying market conditions were challenging in 2015 with a number of factors negatively impacting the Group. Despite these headwinds we continued to look for growth opportunities wherever we could, investing in new products and new sales channels, and continuing to explore opportunities for both organic development and acquisitions. This year also saw more focus on measures to contain costs and to accelerate cost reductions in some areas in response to market conditions.

The second half of the year saw a reduction in both order intake and revenue compared with the first half of the year on both a reported and organic constant currency (OCC) basis, with OCC order intake 8.6% lower in the second half and revenue 1.1% lower. Full year order intake of £526.0m was 11.7% below 2014 but on an OCC basis this was a 15.2% reduction as the currency headwind was more than offset by the contribution from acquisitions. Revenue of £546.5m was 8.1% lower than the prior year, or 11.9% on an OCC basis, and as this exceeded order intake resulted in the order book reducing in the year by £17.5m (9.5%).

The reduction in revenue resulted in lower margins with gross margins reducing from 48.0% to 45.7%, although the key elements within cost of sales were managed closely to mitigate the effect of the adverse conditions during the year. Material costs are the largest element of cost of sales and are an area where sourcing initiatives have consistently driven savings. This year these initiatives were accelerated and as a result the material cost percentage increased by just 100 basis points. Our diverse product portfolio means that breaking this down into cost, sales price and mix impacts is particularly challenging but this does illustrate that the impact of pricing pressure was contained. Labour costs were managed through a recruitment freeze and reduced overtime and so remained at the same percentage of sales as in 2014. The largely fixed cost associated with our factories and service facilities accounted for the remaining reduction in gross margins.

£546.5m -8.1%
REVENUE

£125.3m -20.3%
ADJUSTED* OPERATING PROFIT

Adjusted* operating profit was £125.3m, 20.3% lower than the prior year and the corresponding margin reduced by 350 basis points to 22.9%. The lower gross profit was offset by a £4.0m reduction in overheads from the recruitment freeze and other cost containment initiatives. On an OCC basis the overheads reduced by £7.9m but adjusted* operating profit fell 23.4% to £120.4m. Net finance costs rose £1.4m to £2.5m with higher net bank interest payable (£0.6m), larger net currency losses (£0.4m) and a higher interest charge in respect of the pension schemes (£0.4m) all contributing to the increase. This resulted in adjusted* profit before tax of £122.8m, a 21.4% reduction on the prior year however, a 40 basis point reduction in the effective tax rate offset some of this movement so that adjusted* earnings per share was 21.0% lower than 2014 at 10.4p.

Acquisitions

In August, we completed the acquisition of Bifold, the largest single acquisitions in our history. Taken with M&M, Roto Hammer, SMS, Eltav and the purchase of the sales and service activities of our agent in Turkey, acquisition spend was £136.7m in the year with a further £10.9m of contingent consideration most of which is in respect of Bifold. Each of these acquisitions provides a new product range, access to a new end-user market or access to a new geographic market or some combination of these benefits in line with our stated acquisition strategy.

Taking all these acquisitions together, £66.7m of the consideration was attributed to intangible assets which will be amortised and £74.5m is goodwill which will be subject to an annual impairment review. The increased value of acquisitions this year, and last year, led to a rise in the amortisation charge related to acquired intangible assets to £20.9m (2014: £14.9m). In order to adjust the income statement to show a like-for-like period for each acquisition, 2015 revenue has to be reduced by £26.8m and adjusted* operating profit by £6.0m. The profit margin of the acquired business was slightly dilutive in aggregate, at 22.2%. The professional fees associated with the acquisitions amounted to £1.3m (2014: £0.6m) and are included in adjusted* operating profit.

Accelerated cost management programme

At our half year results in August we presented an accelerated cost management programme as part of our response to the changing market conditions. The programme identified £8m of annualised savings, split equally between material costs and overheads with £2m of these savings due to be realised in 2015. The sourcing initiatives launched in 2015 have been implemented quicker than anticipated, with annualised savings of £5.6m identified and introduced, and with a material cost benefit of £2.8m in the year. This helped contain the material cost percentage so that the net impact of pricing, mix, and material cost was only an 80 basis point increase.

The initiatives to reduce overheads also delivered greater savings in the year than anticipated with the income statement benefiting from £2.6m of savings which when annualised will be £4.6m. Not replacing leavers and consolidating roles led to a net headcount reduction of 89 people in the year, including some senior posts, before the 389 people added with acquisitions are reflected. This was the largest contributor to both the savings in the year and the annualised total. Facility consolidation is under way in a number of locations and is most advanced in Milan. As these moves were completed in early 2016, the benefit will only start to be felt in the current year.

Overall, the accelerated cost management programme produced savings of £5.4m in 2015 which on an annualised basis will increase to £10.2m. In addition to these savings, 2015 benefited from a reduction in variable pay as bonuses at all levels of the organisation were lower than the prior year. Excluding the impact of acquisitions and removing the benefit of the specific cost management programme changes identified above, the like-for-like payroll cost decreased marginally but the cost of bonuses and similar variable benefits reduced by £11m.

Currency

The overall impact of currency on our reported results for 2015 was closer to neutral than in 2014. This was particularly true in the first half of the year when the adjustment to revenue to restate it at 2014 rates was a net nil. In the second half of the year both the US dollar and euro strengthened relative to sterling, resulting in a £4.3m (0.8%) headwind to revenue for the full year. Within this our two main currencies fared very differently, with US dollar average rates strengthening 7.2% and the euro weakening 11.0% for the year. Amongst the other 16 currencies that are home currencies to one or more of our subsidiaries, there was a net weakening of currencies with seven of the currencies weakening by more than 10%.

The impact of currency on the Group is both translational and transactional. Given the locations in which we have operations and the international nature of our supply base and sales currencies, the impact of transaction differences can be very different from the translation impact. We are able to partially mitigate the transaction impact through matching supply currency with sales currency, but ultimately we are still net sellers of both US dollars and euros. It is the net sale of these currencies which we principally

FINANCIAL REVIEW CONTINUED

address through our hedging policy, covering up to 75% of trading transactions in the next 12 months and up to 50% between 12 and 24 months. Net of these mitigating actions adjusted* operating profit was £1.1m (0.7%) lower than it would have been at 2014 rates.

In order to estimate the impact of currency, at the current exchange rates we consider the effect of a 1 cent movement versus sterling. A 1 euro cent movement now results in approximately a £235,000 adjustment to profit and for US dollar, and dollar related currencies, a 1 cent movement equates to approximately a £400,000 adjustment. Both these adjustments were lower compared with the equivalent figures in 2014 as a result of the lower underlying currency flows. If current exchange rates were to apply for the whole of 2016, this would be a 7% tailwind to both revenue and profit compared with the average rates for 2015.

Return on capital employed (ROCE)

Our asset-light business model and strong profit margins mean Rotork generates a high ROCE. Our definition of ROCE is based on adjusted* operating profit as a return on the average net assets excluding net debt and the pension scheme liability net of the related deferred tax. This means that as we make acquisitions our capital base grows when the associated intangible assets and goodwill are recognised. During the year intangibles and goodwill increased by a net £119m in total which, after allowing for the related deferred tax, accounted for more than 23% of the increase in capital employed, which rose 31% to £496m. With the larger acquisitions taking place in the second half of the year and therefore only contributing a part year profit together with the lower organic sales, ROCE reduced to 28.6%.

Group tax policy

The Group's approach to tax continues to be to operate on the basis of full disclosure and co-operation with all tax authorities and, where possible, to mitigate the burden of tax within the framework of local legislation. This approach to tax balances the various interests of shareholders, governments, employees and the communities in which we operate and is aligned with our strategy, enhancing shareholder value whilst protecting the Group's reputation. In an increasingly complex international environment and with the broad geographic spread of our businesses, a degree of tax risk is inevitable. We manage and control these risks proactively seeking local professional advice where needed.

The Group's effective tax rate reduced from 26.9% to 26.5%. The Group continues to operate in many jurisdictions where local profits are taxed at their national statutory rates, ranging from nil to over 35%, compared to a UK statutory rate of 20.25% for the year. In the year, the change in profit mix across the Group resulted in a decrease in the effective tax rate of 0.4 percentage points. In contrast, the Group benefitted from the reduction in the UK Corporation Tax rate, generating a one off 0.6% rate benefit. In addition, the Group continues to benefit from the UK patent box regime and R&D tax relief.

Cash generation

Following the acquisition of Bifold our net debt position at the end of the year was £71.1m compared with net cash at the start of the year of £25.2m. The three largest categories of cash expenditure were: £138.4m on acquisitions, £43.8m of dividends and £35.7m of tax paid. The increase in acquisition spend, from £82.7m last year, was the largest increase and was funded by a £98.3m net increase in bank borrowing during the year. Capital expenditure was £11.8m compared with £17.5m in 2014, with the £3.8m spent on the fit out of the new Lucca facility the only major project during taking place during the year.

Our cash generation KPI shows a conversion of 115.4% of operating profit into operating cash. Control of working capital as defined in the cashflow statement, using average exchange rates and excluding acquisitions, is key to achieving this performance measure. Looking at the balance sheet figures, inventory increased £6.1m to £87.2m in the year and represented 16.0% of annual revenue but on an OCC basis was a decrease of £0.7m, 15.3% of revenue. Trade receivables fell £9.7m as reported, with debtor days outstanding increasing 2 days to 62 days. In total, net working capital increased to 31.0% of annual revenue compared with 28.5% in December 2014.This year the combination of acquisitions taking place late in the year and currency movements at the end of the year affecting the balance sheet values of working capital impacted this measure in 2015.

Organic Constant Currency

£m		2015 as reported	Constant currency adjustment		2015 at 2014 exchange rates	Remove acquisitions		Organic business at 2014 exchange rates		2014 as reported
Revenue		546.5	4.2		550.7	(26.8)		523.9		594.7
Cost of sales		(297.0)	(2.1)		(299.1)	15.9		(283.2)		(309.2)
Gross profit	**45.7%**	249.5	2.1	**45.7%**	251.6	(10.9)	**45.9%**	240.7	**48.0%**	285.5
Overheads	**22.7%**	(124.2)	(1.0)	**22.7%**	(125.2)	4.9	**23.0%**	(120.3)	**21.6%**	(128.3)
Adjusted* operating profit	**22.9%**	125.3	1.1	**22.9%**	126.4	(6.0)	**23.0%**	120.4	**26.4%**	157.2
Financial income/ expenses		(2.5)	-		(2.5)	0.3		(2.2)		(1.1)
Adjusted* profit before tax	**22.5%**	122.8	1.1	**22.5%**	123.9	(5.7)	**22.6%**	118.2	**26.2%**	156.1

£103.8m -1%

CASH FLOW FROM OPERATING ACTIVITIES

£5.05p +0.8%

FULL YEAR DIVIDEND

Credit management

The Group's credit risk is primarily attributable to trade receivables, with the risk spread over a large number of countries and customers, and no significant concentration of risk. Credit worthiness checks are undertaken before entering into contracts or commencing trade with new customers and in companies where the insurance cover operates, the authorisation process works in conjunction with the insurer, taking advantage of their market intelligence. We actively expanded the coverage of the credit insurance policy during the year and have cover in place for 94% of receivables in those companies now using the policy. Where appropriate, we use trade finance instruments such as letters of credit to mitigate any identified risk.

Treasury

The Group operates a centralised treasury function managed by a Treasury Committee chaired by the Group Finance Director and also comprising the Chief Executive, Group Legal Director, Group Financial Controller and Group Treasurer. The Committee meets regularly to consider foreign currency exposure, control over deposits, funding requirements and cash management. The Group Treasurer monitors compliance with the treasury policies and is responsible for overseeing all the Group's banking relationships. A subsidiary treasury policy restricts the actions subsidiaries can take and the Group treasury policy and terms of reference define the responsibilities of the Group Treasurer and Treasury Committee.

The Group uses financial instruments where appropriate to hedge significant currency transactions, principally forward exchange contracts and swaps. These financial instruments are used to reduce volatility which might affect the Group's cash or income statement. In assessing the level of cash flows to hedge with forward exchange contracts, the maximum cover taken is 75% of forecast flows. The Board receives monthly treasury reports which summarise the Group's foreign currency hedging position, distribution of cash balances and any significant changes to banking relationships.

During the year, triggered by the acquisition of Bifold, we restructured our committed facilities with a view to not only providing a higher total borrowing capacity but also to extend the tenor of the loans. In August, we established three committed facilities with two different lenders comprising a one year £20m facility expiring in August 2016, a £90m three year facility expiring in August 2018 and a five year £60m facility expiring in August 2020.

Dividends

The Board is proposing a 0.3% increase in the final dividend to 3.1p per share. When taken together with the 1.95p interim dividend paid in September, this represents a 0.8% increase in dividends over the prior year, having taken into account the 10 for one share split which took place in May 2015. This gives dividend cover of 1.7 times (2014: 2.4 times), with the reduction in cover reflecting the reduction in profits in 2015. Our long-standing dividend policy is to grow core dividends in line with earnings and supplement core dividends with additional dividends when the Board considers it appropriate to do so, having considered the near term expected cash requirements of the Group.

Retirement benefits

The Group accounts for post-retirement benefits in accordance with IAS19, Employee Benefits. The balance sheet reflects the net deficit of these schemes at 31 December 2015 based on the market value of the assets at that date, and the valuation of liabilities using year end AA corporate bond yields. We have closed both the main defined benefit pension schemes to new entrants; the UK scheme in 2003 and the US one in 2009, in order to reduce the risk of volatility of the Group's liabilities.

The most recent triennial valuation for the UK scheme took place as at 31 March 2013 and was adversely affected by the lower yield on long-dated gilts at that date, which is the key driver behind the value of the scheme's liabilities. As a result, despite better than expected investment returns and the agreed past deficit contributions, the funding level was lower than at the previous valuation. A recovery plan was been agreed with the Trustees resulting in required contributions from the Company of £5.2m during 2014, £5.5m in 2015 and £5.5m in 2016, at which time the next valuation will take place.

During the year the deficit on the schemes reduced from £36.1m to £23.3m and the funding level improved from 81% to 87%. The company paid total contributions of £8.3m in the year but the scheme assets decreased slightly in value, offsetting this however the largest drivers of the reduced deficit were the higher discount rate and new mortality assumptions coming from the latest projections.

* References to adjusted profit throughout this document are defined as the IFRS profit, whether operating profit or profit before tax, with £20.9m (2014: £14.9m) of amortisation of acquired intangibles added back.

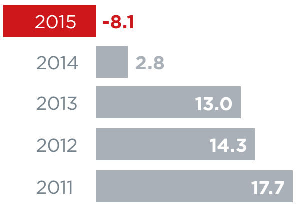
KEY PERFORMANCE INDICATORS

FINANCIAL KPIs

Growth of the business, quality of earnings and efficient use of resources are crucial target areas for Rotork and we employ a number of performance measures throughout Rotork to monitor them. The key performance indicators (KPIs) used to monitor the financial performance of the business are set out below.

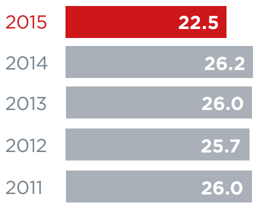
Sales revenue growth

-8.1%



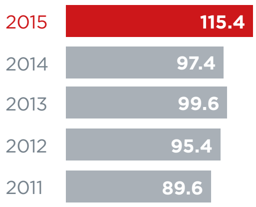
Return on sales

22.5%



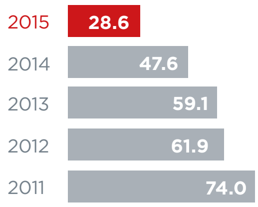
Cash generation

115.4%



Return on capital employed

28.6%



Reasons for choice

This is reported in detail for operating segments and is a key driver for the business. This measure enables us to track our overall success in specific project activity and our progress in increasing our market share by product and by region.

This measure brings together the combined effects of procurement costs and pricing as well as the leveraging of our operating assets. It is also a check on the quality of revenue growth but is heavily influenced by divisional mix.

This is used as a measure of performance where a target of 85% is regarded as a base level of achievement. Cash generation is also one of the constituent parts of the senior management reward system.

Rotork has an asset-light business model by design and reporting this ratio internally helps management at Group level monitor our adherence to this philosophy.

How we calculate

Change in sales revenue year-on-year divided by prior year sales revenue.

Adjusted* profit before tax (after financing and interest) shown as a percentage of sales revenue.

Cash flow from operating activities before tax outflows and the pension charge to cash adjustment as a percentage of adjusted operating profit*.

Adjusted* operating profit as a percentage of average capital employed. Capital employed is defined as shareholders' funds less net cash held, with the pension fund deficit net of related deferred tax asset added back. The calculation is shown on page 133.

Comments on results

The challenging market conditions experienced in the year were the result of a number of significant headwinds. Despite our diversified end market and geographic market exposure, these headwinds affected all divisions, and as a result revenue was lower than the prior year.

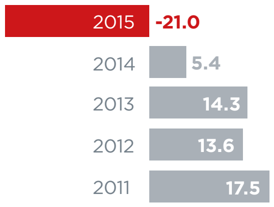
The reduction in revenue during the year was mitigated to an extent by cost control measures but these were not sufficient to prevent a reduction in this KPI.

Net working capital, excluding that added through acquisitions and impact of exchange rates, reduced during the year generating a net cash inflow which is reflected in this KPI.

The reduction in adjusted* operating profit and an increase in capital employed as a result of the acquisitions in the year contributed in broadly equal measure to this reduction in return on capital employed.

Earnings per share growth

-21.0%



The measurement of earnings per share (EPS) reflects all aspects of the income statement including, management of the Group's tax rate.

Change in adjusted basic EPS (based on adjusted* profit after tax) year-on-year divided by the prior year adjusted basic EPS.

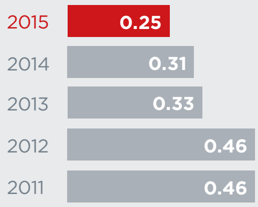
The reduction in the Group's effective tax rate was the result of the lower tax rate in the UK but this was only a marginal benefit and the reduction in underlying profit led to this decline in EPS.

NON-FINANCIAL KPIs

We monitor non-financial areas in our businesses, particularly in the environmental, health and safety and quality control areas, and we place strong emphasis within our organisation on improving our performance here.

Accident frequency rate

0.25



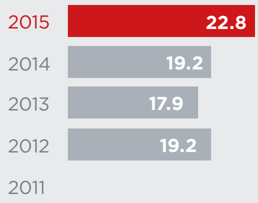
The accident frequency rate (AFR) is used as one measure of the effectiveness of our health and safety procedures.

The formula we have used for calculating our AFR is the number of reportable injuries divided by the number of hours worked multiplied by 100,000.

The investment in health and safety training, audits to monitor compliance with procedures and initiatives to embed safe working practices led to a further reduction in this KPI this year.

Carbon emissions

+18.8%



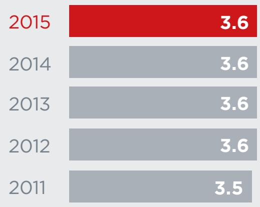
This KPI compares this year's carbon emissions stated as a function of revenue with last year's and is a broad measure of our impact on the environment.

Energy usage data (scope 1 and 2) is collected and converted to equivalent tonnes of CO_2 and then reported as a function of revenue. Further detail is contained in the Corporate Social Responsibility Report on page 53.

The reduction in revenue and a number of global weather events generated an increase. We continue to look for ways of reducing energy consumption further.

Employee satisfaction

3.6



The survey as a whole enabled the Group to get feedback from across the businesses on how we relate to our employees and what we can do better.

Employees scored their responses directly into a prepared survey with one being very dissatisfied and five being very satisfied.

The number of employees completing the survey was 2,350, a 71% response rate (4% down on the previous year). The highest scoring questions were those on employees planning on staying at least another year with Rotork, being proud of the products and services we provide our customers, our approach to health and safety, and our values and ethics.

HOW WE MANAGE RISK

ESSENTIAL TO LONG TERM *SUCCESS

Managing business risks

The assessment and management of risk is the responsibility of the Board, and the development and execution of a comprehensive and robust system of risk management is a high priority at Rotork. Managing the risks to our business is essential to the long term success and sustainability of the Group, and our approach to risk is intended to protect the interests of shareholders and all interested parties. The risk management process is an established way of identifying and managing risk, first at divisional board level, and then for the Group as a whole and it works within our governance framework set out in our Corporate Governance Statement, see page 62.

The Board's role in risk management involves promoting a culture that emphasises integrity at all levels of business operations. This includes ensuring that risk management is embedded within the core processes of the Group, determining the principal risks, communicating these effectively across the businesses and setting the overall policies for risk management and control. The geographic spread of our activities makes communication of these policies and standards a key part of ensuring consistency across all of our operations.

The Group Finance Director is responsible for risk management within the Group and leads the development of the risk management process and this year has led the development of the Risk Appetite Framework. The Board approves risk appetite for the Group and considers the consequential actions in terms of mitigation where possible and appropriate.

Determining risk appetite

The Board is responsible for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. This year we have implemented a more structured approach to determine and document the Board's risk appetite and then to measure the business against this appetite through a quarterly Executive Risk Summary. The approach taken is explained in more detail on pages 62 to 68 of the Corporate Governance Statement.

Risk management process

The major risks affecting the Group are first identified and considered by the divisional boards during their regular meetings. Risks are categorised on a matrix reflecting likelihood and impact on the business. The assessment of impact is measured before allowing for mitigation, such as insurance recoveries, whilst likelihood is considered after allowing for the effect of mitigation. The impact scale is determined as a function firstly of annual profit so that each division has an appropriate benchmark. Secondly, each risk is then reviewed on a three year timeframe and likelihood and impact reassessed for that longer time period. Once the assessment matrix is completed by each division, the risks are then aggregated and re-evaluated in relation to the Group as a whole using an appropriate Group impact scale.

Each risk in the risk register is owned by one or more Director. Some risks are addressed at a divisional level, so the ownership rests with a member of the divisional board. These are then consolidated at the management board level and are ultimately owned by either the Chief Executive or Group Finance Director at PLC Board level.

Identified risks are discussed and the progress reviewed at both Rotork Management Board and divisional board meetings during the year. Senior management, in association with the Board, meets twice a year to consider the Group risk matrix and progress with mitigating actions. The external Auditor is invited to attend one of the meetings each year.

Overall responsibility for maintaining the risk management process and determining risk appetite.

ROTORK PLC BOARD

Audit Committee provides oversight of the internal control framework.

AUDIT COMMITTEE

Executive and senior management consider risk management for the Group as a whole.

INTEGRATED BUSINESS RISK MANAGEMENT INCORPORATING REVIEW BY THE MANAGEMENT TEAM

Detailed risk assessment and consideration of mitigation is carried out at the divisional level.

CONTROLS DIVISION | **FLUID SYSTEMS DIVISION** | **GEARS DIVISION** | **INSTRUMENTS DIVISION** | **CORPORATE**

This is an ongoing process involving regular assessment of the risks, with clear and consistent procedures for monitoring, updating and implementing appropriate controls to manage the identified risks. We are therefore confident that we have a methodology for ensuring that the Group's approach to dealing with individual risks is robust and timely.

Classification of key risks

We identify three main risk types:

Strategic – Risks that potentially could affect the strategic aims of the business, or those issues that could affect the strategic objectives that the Group is addressing;

Operational – Risks arising out of the operational activities of the Group relating to areas such as logistics, procurement, product development and interaction with commercial partners; and

Financial – Issues that could affect the finances of the business both externally from matters initially outside of our control, and from the perspective of internal controls and processes.

The risks considered during the process cover all aspects of the Group's activities and cover a far wider range of areas including environmental, reputational and ethical risks as well as product, competitor or financial risks, but not all of these areas are represented in the top 10 risks which are listed on pages 46 to 47. These are categorised by the three main risk areas identified on this page. Mitigation, where possible, is shown for each risk area identified.

CONSIDER THE OVERALL EFFECTIVENESS OF THE CONTROL ENVIRONMENT

IDENTIFY AND ASSESS INDIVIDUAL RISKS

REVIEW PREVIOUSLY IDENTIFIED RISKS AND THE EFFECTIVENESS OF MITIGATION

DESIGN OF CONTROLS TO MITIGATE IDENTIFIED RISKS

TEST THE CONTROLS THROUGH MANAGEMENT REVIEW AND INTERNAL AUDIT

REPORT ANY INCIDENCE OF CONTROL FAILINGS

PRINCIPAL RISKS AND UNCERTAINTIES

STRATEGIC RISKS

Description	Potential impact	Mitigation
Competition on price, for example as a result of an existing competitor moving to manufacture in a lower cost area of the world.	Where a competitor decides to use cost savings to reduce their selling prices, this could lead to a reduction in the general market price. Rotork might need to respond to a change in market price levels whilst still maintaining the price premium currently enjoyed for some products. This could impact our market share and would impact our ability to grow the Group revenue.	Rotork already has a direct presence, in terms of production, sales and service support, in many low cost locations and regularly reviews opportunities in other countries. There is a constant drive to maintain differentiation from the competition both in terms of the quality of our products and of the service we provide and thus ensure that price is not the only means of gaining a competitive advantage.
Not having the appropriate products, either in terms of features or costs.	In order to be able to compete on a project, our products must meet both the necessary specification and pricing level. A failure on either count could harm our competitive position and result in us not winning the project.	Development of products, or acquisition of companies with products, to meet the required market driven specifications and broaden our product portfolio is an ongoing activity as is the drive to take cost out of our products to meet target pricing levels.
Lower investment in Rotork's traditional market sectors.	A reduction in capital or maintenance expenditure in one of Rotork's key market sectors would result in a smaller addressable market, which in turn could lead to a reduction in revenue from that sector.	Identification of potential new end markets or ones which are becoming more active takes place in each location and is coordinated at divisional level. This is supported by product development and innovation to address new markets and new applications in existing markets. At a Group level our geographic and end market diversification provides resilience to a reduction in any one area or market but, as we have seen this year, may not fully mitigate a change in the larger end markets.

FINANCIAL RISKS

Description	Potential impact	Mitigation
Volatility of exchange rates would impact Rotork's reported results and competitive position.	Significant fluctuations in exchange rates could have an adverse impact on Rotork's reported results and adversely affect the pricing point of our products in other currencies.	A clear treasury hedging policy addresses short term risk and this works together with the natural hedging provided by the geographical spread of operations, sourcing and customers. Whilst this will protect against some of the transaction exposure our reported results would still be impacted by the translation of our non-UK operations.
Political instability in a key end market.	Disruption of normal business activity would impact our sales in that country and might ultimately lead to loss of any assets located in that country as well.	The wide geographic spread of Rotork's operations and customers diminishes the impact of any one market on the results of the Group as a whole.
Growth of the defined benefit pension scheme deficit.	The amount of the deficit may be adversely affected by a number of factors including investment returns, long term interest rates, price inflation and members' longevity. This in turn might lead to a requirement for the Company to increase cash contributions to the schemes.	Both defined benefit schemes are closed to new members, with the UK scheme closed in January 2003. The Group and trustees monitor the performance of the scheme regularly, taking actuarial and investment advice as appropriate. The results of these reviews are discussed by the Board.

OPERATIONAL RISKS

Description	Potential impact	Mitigation
Major in field product failure arising from a component defect or warranty issue which might require a product recall. (Stable)	Replacement of defective components or complete units would give rise to a direct financial cost and there could also be a reputational risk. This in turn could impact our ability to achieve premium pricing.	A comprehensive set of quality control and new product introduction procedures operates over suppliers. These include supplier visits, audits and a scorecard system to measure their performance. In some markets, legislation determines that this risk is entirely passed to the end-user. Our global service coverage ensures that any product failure issues could be dealt with quickly and efficiently to minimise any reputational impact.
Failure of a key supplier or a tooling failure at a supplier causing disruption to planned manufacturing. (Stable)	Where customer delivery expectations are not met, this could lead to financial penalties and damage customer relationships.	Dual sourcing for key components wherever possible provides the best mitigation for key suppliers. Regular monitoring and replacement of tooling at all suppliers reduces the risk of a tooling failure. Inventory levels are maintained at a sufficient level to protect against short term disruption.
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. (Increasing)	Whilst growth opportunities, cost savings and synergies are identified prior to completion, these may not always be delivered at the levels anticipated or to the timetable expected following the acquisition. Although these benefits are usually not priced into the purchase consideration, a significant underperformance could lead to an impairment write down of the associated intangible assets.	During the due diligence process a 100 day plan is prepared to manage the important initial stages of integration. Consideration is given to the composition and skills of the management team with the necessary training and support provided by a variety of Rotork personnel. This should ensure an effective integration and communication of Rotork's policies and procedures, whilst monitoring delivery of the financial plan.
Failure of IT security systems to prevent penetration by unauthorised people and access to commercially sensitive data. (Increasing)	Sensitive data is stored and transmitted electronically around the world. The Group is therefore exposed to the risk of data loss by cyberattack. This data might contain technically or commercially sensitive information which would provide a competitor with an advantage.	Rotork has a range of measures in place to monitor and mitigate this risk.

Viability Statement

The Directors have assessed the viability of the Group over a three year period taking account of the Group's current position and the potential impact of the principal risks as documented above. A robust assessment of the principal risks facing this business was conducted through the year with the documentation of the Risk Appetite Framework contributing to a fuller review of those risks which might impact the business model or future performance. Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over a three year period.

The lookout period for the analysis is three years which is aligned with our planning horizon at both Group and divisional level.

In making this statement, the Directors have considered each of the principal risks and the potential impact they could have in severe but plausible scenarios. Given the current position of the Group and the likely effectiveness of mitigating actions, the Board has assessed the impact these would have on the business model, future performance, solvency and liquidity over the period.

RISK TREND

Increasing

Stable

MAKING A POSITIVE IMPACT*

Rotork believes that being a responsible business leads to being the best business. It benefits our operational effectiveness, builds on the trust of our stakeholders and protects our reputation.

Sustainability is an integral part of our business model and strategy. Achieving a positive impact around the world lies at the heart of our commitment to corporate social responsibility (CSR) and it represents a valuable opportunity to ensure that Rotork continues to be successful in the long term. We are committed to embedding CSR across all our processes and ways of working.

3,759
EMPLOYEES WORLDWIDE

DIRECT PRESENCE IN
38
COUNTRIES

Rotork's office in The Netherlands donates toys to Reinier de Graaf hospital

Rotork Malaysia Flood Victim charity drive

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

ETHICS COMMITTEE

SOCIAL ISSUES COMMITTEE

ENVIRONMENTAL COMMITTEE

HEALTH AND SAFETY COMMITTEE

THE GROUP'S APPROACH IS FOCUSED AROUND FOUR MAIN THEMES:

The environment
Rotork is fully committed to reducing its impact on the environment by preventing pollution in all countries in which it operates, and to make sure it is compliant with any legal and regulatory requirements. Our compliance contributes to sustaining the environment and brings cost savings by reducing the consumption of energy, water and waste and recycling. The environmental programme is described in more detail on pages 50 to 53.

Ethics and values
Ethics and values are fundamental to the way in which we do business. Respecting internationally proclaimed human rights, promoting an open and honest culture, having a zero tolerance to bribery and corruption worldwide, and selecting suppliers with sound reputations in the marketplace are important principles for the Group to adhere to. More details of the Group's ethics and values can be found on pages 54 to 55.

Health and safety
The health and safety of all employees and contractors is of paramount importance in providing a safe working environment. Our fundamental principle, 'if you cannot do a job safely, we will not do the job', is actively promoted to everyone. This ensures that our people remain safe and we enhance the effectiveness of our workforce by reducing the risk of injury and costs associated with injury or illness. The Group's approach to health and safety can be found on pages 56 to 57.

Community involvement
We consider it important to contribute and engage positively in the communities we operate in and to be a good community neighbour around the world. One of our corporate values is to produce a positive and beneficial impact in the areas in which we operate. Further details on community involvement can be found on pages 58 to 59.

Rotork has been a member of the UN Global Compact since 2003 and continues to be included in the FTSE4Good index where we maintain an above average score in the global rankings, UK rankings and industry sector rankings.

Rotork believes that the approach it takes to CSR helps to meet the expectations of our stakeholders and contributes to the success of our corporate strategy by promoting an effective and sustainable business.

Our Chief Executive chairs the CSR Committee and reports progress to the Board. The CSR Committee is a management committee, which has four sub-committees with each representing one of the aspects of CSR described opposite. Presentations are given by the chairmen of the four sub-committees to the Board on activity and progress in their areas of CSR during the year.

The diagram above sets out our CSR committee structure.

CORPORATE SOCIAL RESPONSIBILITY
CONTINUED

HELPING THE ENVIRONMENT*

Rotork is fully committed to the prevention of pollution, to comply with all legal and regulatory requirements and to reduce our environmental footprint by targeting key areas such as energy consumption, water consumption and waste.

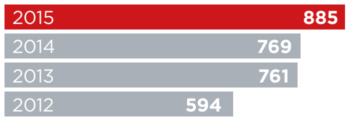
We continue with our assembly only philosophy in the majority of our business units where we utilise specialist suppliers for most of our manufactured components and assemblies. This philosophy has resulted in the majority of our energy being used on lighting, heating and cooling, and IT systems. With the acquisition of a number of businesses through the year the profile has changed to include machining processes. As a responsible global entity we continue to influence the environmental performance of our supply chain through our supplier assessment programme.

Tom Whittingham from the Bath office, completed the Edinburgh marathon and raised over £8,000 for ME Research UK

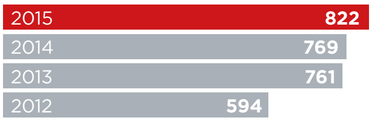
ELECTRICITY (MWh)
(Absolute)

ELECTRICITY (MWh)
(Exc. new acquisitions)

GAS (1,000m³)
(Absolute)



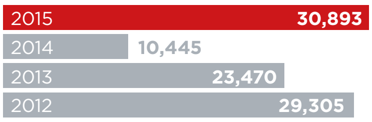
GAS (1,000m³)
(Exc. new acquisitions)



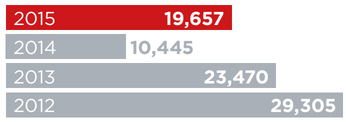
LPG (1,000 litres)
(Absolute)

LPG (1,000 litres)
(Exc. new acquisitions)

OIL (litres)
(Absolute)



OIL (litres)
(Exc. new acquisitions)



Strategy

- We will improve our operational efficiency and enhance our environmental performance in order to secure the continued sustainability of the Group.
- We will work as a business, and in the local communities where we operate, to ensure that the environment on which we depend is maintained for future generations.
- We will continue to work in partnership with our regulatory bodies and respect the regulatory framework in which we work.
- As an environmentally responsible business, we will be open and transparent and report regularly to all relevant stakeholders on our environmental performance.

Corporate objectives

Our environmental objectives fall in line with our reporting year. There is a corporate objective of a 3% reduction in tonnes of CO_2 generated in scope 1 and scope 2 emissions per £m turnover.

Organisational boundaries

The environmental report covers all operations and processes within the physical boundaries of the facilities and business transportation by company cars or vans, or any private cars and hire cars used for business purposes only. Transportation of products by third parties are not covered by the report. Where energy consumption cannot be verified, normally due to the size of the facility, then an estimation on the energy use per square metre of floor space occupied will be made. This estimation is based on the Chartered Institution of Building Services Engineers (CIBSE) Guide F – Energy Efficiency in Buildings. This estimation equates to 0.57% of total emissions declared.

Progress

The baseline year remains at 2012. A number of acquisitions have occurred since 2012 that have affected the overall energy consumption, like for like figures have been published to show the underlying trends in the organisation.

Energy consumption

Due to the growth through acquisition of the Group during 2015 absolute energy consumption has increased by 10.6% on the previous year and by 24.5% on the baseline of 2012. Consumption excluding acquisitions increased by 0.42% compared to 2014 and increased by 13.1% on the baseline of 2012. Absolute gas consumption increased by 14.9% on the previous year and 48.8% on the baseline year of 2012. A majority of the gas that is consumed is for heating which can be linked directly to cold weather conditions. On sites excluding new acquisitions, during 2015 gas consumption increased by 6.8% compared to 2014 and increased by 38.4% since 2012.

In 2015, Liquid Petroleum Gas (LPG) consumption increased by 5% on the previous year and there was an increase of 27.7% on the baseline of 2012. LPG is used predominantly for ancillary equipment and occasionally on heating. Oil consumption increased by 195.8% on the previous year and by 5.4% on the baseline of 2012. Excluding new acquisitions, oil consumption increased on the previous year by 118% but decreased by 33% on the baseline of 2012. Oil is used in back-up generators and heating systems.

The energy projects that were rolled out during 2014 have shown a benefit in reduced energy consumption this year. Rochester (USA) has shown a reduction of 9.4% in their electricity consumption and Melle (Germany) has shown a reduction of 19.9% in electricity consumption. A number of other energy reduction projects which are currently being implemented have already started to show their benefits. Bath (UK) has already shown a reduction of 1.8% in electricity consumption against last year and Winston-Salem (USA) has realised a 2.4% reduction in electricity consumption compared to last year. These projects are expected to show greater reductions when they have been completed.

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

As we develop new sites or upgrade our existing sites we will be introducing energy efficient solutions into the building design, and stabilising our energy supply to minimise the use of backup generators, which will help to reduce the environmental impact of our business going forward.

Water consumption
Absolute water consumption across the Group has increased by 11.8% on the previous year and by 25.4% on the baseline year. Consumption, excluding new acquisitions, has increased by 5% on the previous year and by 17.7% on the baseline of 2012. The majority of water consumption is for domestic purposes only, though there are some additional requirements related to process water in a small number of our sites.

Waste and recycling
There are a number of local programmes in place to promote recycling and reduce waste across the Group, this has resulted in a reduction of waste generated by 18 tonnes in absolute terms and an increase in recycling rates from 77% to 79%.

Rotork Singapore employees blood donation

WATER (1,000 litres)
(Absolute)

2015	44.5
2014	39.8
2013	35.8
2012	35.5

WASTE GENERATED (tonnes)
(Absolute)

2015	2,783
2014	2,801
2013	2,436
2012	2,580

WATER (1,000 litres)
(Exc. new acquisitions)

2015	41.8
2014	39.8
2013	38.8
2012	35.5

RECYCLE RATE (%)
(Absolute)

2015	79.0
2014	76.3
2013	71.2
2012	73.6

Environmental incidents
There have been no reportable environmental incidents during 2015. Systems are in place to address any environmental incident that occurs at our facilities and the robustness of these emergency systems are included as part of our internal audit system.

Greenhouse gas reporting
In January 2016, EEF undertook an assurance audit of the greenhouse gas (GHG) emissions report. The business reports on GHG emissions in line with the GHG Emissions Protocol developed jointly by the World Business Council for Sustainable Development and the World Resource Institute. No significant issues were identified during the assurance audit.

GHG is measured across three different scopes:

Scope 1: Emissions that are direct GHG emissions from sources that are owned or controlled by Rotork, these include emissions from fossil fuels burned on site, emissions from owned or leased vehicles, and other direct sources.

Scope 2: Emissions that are indirect GHG emissions resulting from the generation of electricity, heating and cooling, or steam generated off-site but purchased for heating.

Scope 3: Emissions include indirect GHG emissions from sources not owned or directly controlled by the entity but related to the entity's activities. Scope 3 GHG emission sources currently required for GHG reporting include transmission and distribution (T&D) losses associated with purchased electricity, and steam and well-to-tank emissions for all energy, business travel and transport.

Absolute scope 1 and scope 2 emissions have increased by 9.2% on 2014 and by 26.6% on 2012. Excluding new acquisitions, scope 1 and 2 emissions have increased by 14.5% on 2014 and by 18.9% on 2012. Emissions per £m revenue have increased from 19.2TnCo$_2$e to 22.8TnCo$_2$e which is an increase of 18.8%.

Conclusions
A number of global weather events have impacted on the energy consumption of the Group over the previous year.

High temperatures across Central and Southern Europe in June and July caused an increase in electricity consumption by approximately 14,000kWh that was linked to having to run additional air conditioning. Continuing cold starts to the year have seen a further increase of gas consumption in our facilities in the northern areas of USA and Canada. Since 2012, gas consumption has increased in these areas by 46%.

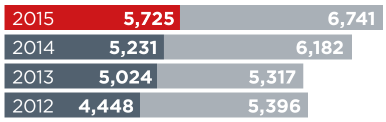
Overall emissions have increased as the size of the Group has increased. Whilst there are a number of projects that will start to show benefit through 2016, this work needs to accelerate to gain greater savings.

2016 targets
To support the increase in the number of energy related projects that are occurring across the Group the following targets have been set for all of our large energy consuming sites:

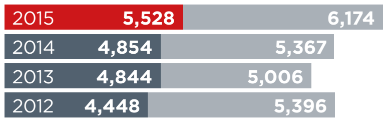
- A full energy balance will be required for each large facility.
- All 'easy wins' and low effort/high impact projects will be implemented.
- A further large energy saving project will be scoped and, where practicable, implemented at each large facility.

Local more stringent targets can be set where needed to support the energy reduction programme of the Group.

SCOPE 1 AND 2 EMISSIONS
(TnCO$_2$e) (Absolute)



SCOPE 1 AND 2 EMISSIONS
(TnCO$_2$e) (Exc. new acquisitions)



Absolute scope 1 and scope 2 emissions have increased by 9.2% on 2014 and by 26.6% on 2012. Excluding new acquisitions, scope 1 and 2 emissions have increased by 2.8% on 2014 and by 19.2% on 2012.

ETHICS AND VALUES*

Ethics and values are central to the way we do business. Rotork's Ethics and Values Statement can be viewed on our website, in a number of languages, at www.rotork.com/en/master-record/4433. Our ethics and values can be split into four strands:

Human Rights and Ethical Business

Rotork is fully committed to respecting internationally proclaimed human rights as defined in the International Declaration of Human Rights and the International Labour Organisation's standards. Rotork does not accept any form of child or forced labour and embraces the UN Global Compact principles throughout the business demonstrating this commitment. During the year the Board has considered the content of the Modern Slavery Act and associated guidance.

Rotork recognises that an open and honest culture is key to understanding concerns within the business and will investigate any potential wrongdoing. Rotork has a whistleblowing policy (which can be found on Rotork's website), with an independent external whistleblowing hotline, to facilitate the reporting of any concerns of wrongdoing confidentially.

Employees

Rotork has a firm commitment to all its employees regarding wellbeing and development. Some of Rotork's offices provide health checks for their employees, as well as encouraging participation in sports teams or one-off charitable events. More details regarding charitable activities can be found in the Community Involvement section (see pages 58 to 59).

Rotork has an objective and fair recruitment process which promotes equal opportunities across the Group in line with the 'Respect at Work and Equality of Opportunity' policy. Rotork is committed to the principle of equal opportunities in employment to ensure that no employee or job applicant receives less favourable treatment because of their age, race, nationality, ethnic origin, disability, sex, sexual orientation, religion, belief or marital status. All employees have responsibilities to ensure that the policy is successfully implemented including, ensuring that selection for hiring, promotion, training and work allocation is carried out in a non-discriminatory manner.

Employee views and direct communication are part of our values and we run employee suggestion schemes, an annual Group wide employee satisfaction survey (ESS) and several locations have employee forums where employees can raise issues to be further considered by management.

Employees are briefed by management on various matters, including the Company's performance, at regular intervals as well as the employee bonus performance which is profit related. Most locations participate in the Company's employee profit linked share schemes.

Rotork has built a strong partnership with the Institution of Mechanical Engineers (IMechE) to support its engineers in gaining incorporated and chartered accreditation. Rotork also continues to work with IMechE. Leeds which has an IMechE industrial liaison team who support members of the Institution and help to promote it internally and to the wider engineering community.

Rotork supports apprenticeship schemes for young men and women which helps to increase access into all aspects of Rotork's business.

Rotork is committed to improving diversity across the Group. We currently have eight Board Directors of which six are male and two are female. As at 31 December 2015, we had a total of 3,759 employees of which 3,030 were male and 729 were female. We also had 93 senior managers (excluding Board directors), 88 of which were male and five were female. Full details of Rotork's diversity policy and targets can be found in the Corporate Governance Report on page 67.

Progress

- All new suppliers to Rotork's Bath manufacturing facility were assessed and passed the approval system satisfactorily.
- Membership of FTSE4Good and UN Global Compact was maintained.
- Presentations relating to bribery and corruption were given by Rotork's legal department to general managers and sales managers.
- The whistleblowing policy was communicated to all employees in each edition of the internal Rotork e-newsletter.
- Bribery and corruption training was provided to relevant employees in Dutch and Turkish, in addition to French, Italian, Japanese, Portuguese, Russian, Thai, English, Korean, German, Spanish and Chinese.
- Awareness of bribery and corruption issues were further increased by circulating information to agents in the form of a tailored booklet.

2016 targets

- Continue to make progress in increasing diversity across Rotork.
- Ensure Rotork's diversity policy in its broadest sense is communicated across the Group.
- Continue to communicate the whistleblowing policy regularly through the Rotork e-newsletter.
- Provide a refresher course in 2016 to all employees who have received online bribery and corruption training over 12 months ago.
- Ensure agents confirm in writing they have read and understand the information in the bribery and corruption booklet tailored for agents.
- Ensure a Group wide bribery and corruption risk assessment exercise is undertaken in 2016.

Bribery and corruption

Rotork has a zero tolerance policy on bribery and corruption worldwide, irrespective of country or business culture. Rotork's Ethics and Values Statement makes it clear that our employees will never offer, pay or solicit bribes in any form. Rotork does not make political contributions in cash or kind anywhere in the world.

Rotork's whistleblowing policy gives whistleblowers various ways to alert senior management, anonymously if required, to any suspected bribery or corruption. All whistleblowing concerns, however received, are investigated and reported to the Audit Committee. During 2015, the whistleblowing hotline received nine calls covering issues related to health and safety, employment and dishonest behaviour issues. All were resolved satisfactorily. The ESS for 2015 showed a continuing trend of increased understanding of how to raise a wrongdoing concern using the whistleblowing hotline. During the year further steps were taken to publicise and promote the hotline.

Rotork frequently makes use of detailed background checks provided by specialist bribery and corruption due diligence consultants before dealing with unknown third parties (including agents, on prospective acquisitions and suppliers) particularly where they are operating in higher risk jurisdictions or market sectors. Rotork also makes use of objective guidance on country risk, such as the Corruption Perception Index by Transparency International. When working with unknown third parties, after the initial detailed background checks, Rotork continues to screen these third parties via a large number of international sources, which can detect unethical behaviour including watchlists, sanctions lists and the media, using its due diligence consultants' proprietary databases.

Rotork has developed and delivered anti-bribery and corruption training, including an assessment, to all employees working in sales and purchasing roles, as well as to senior accountants, all managers and directors (including executive and non-executive directors). The anti-bribery and corruption training is delivered as an e-learning module. The course has been made available in numerous languages and almost 100% of employees required to complete the course have done so within the required period, including new employees from acquisitions. During 2016, those employees who have completed the course over 12 months ago will receive a refresher course. Last year, all the Company's agents received a bribery and corruption booklet which is required to be read by all employees of the agent working on the Rotork account. The relevant manager for the agent is required to sign off that this has been done.

Suppliers

Rotork operates an outsourced manufacturing model, selecting suppliers with sound reputations in the marketplace. Many of the suppliers have a long term working relationship with the Company, ensuring ingrained product knowledge within the supply chain.

Suppliers are subject to continuous automated online monitoring against sanctions lists, watchlists, regulatory and court records, and a large number of national and international media sources and the Company is alerted where any information is uncovered.

The supplier assessment programme includes CSR themed questions associated with equal rights and equal pay, anti-bribery and corruption policies, charitable giving, environmental impact and anti-compulsory or child labour practices. These surveys consider current and prospective suppliers. The assessments are discussed directly with the suppliers and any corrective action plan is agreed between the Company and the supplier.

Rotork Controls Limited and Rotork UK Limited, the Group's main UK trading companies, and Rotork plc, are signatories to the Prompt Payment Code. This ensures suppliers are paid according to the terms agreed and this encourages good practice to be passed down supply chains.

HEALTH AND SAFETY*

Rotork is fully committed to the health, safety and well-being of its employees and contractors. We ensure compliance to all relevant legal and regulatory requirements, and strive to continuously improve our health and safety performance.

Policies, procedures and systems of safe working are in place, supported with training to ensure the health, safety and well-being of our employees during their working day.

Fundamental principles

As the business continues to grow both organically and through acquisition, the fundamental principle of 'If we cannot do a job safely, we will not do the job' is maintained and communicated to all those who work for, or on behalf of, Rotork.

Progress

The objective for 2015 was to have an Accident Frequency Rate (AFR) below a target of 0.37. The actual AFR for 2015 was 0.25 which is a decrease of 19% on the previous year and a decrease of 55% since 2009.

The AFR is a calculation of accidents resulting in over three days lost time, divided by the average hours worked, multiplied by 100,000.

The number of days lost due to workplace injuries has increased by 0.3%. This has been significantly impacted by an incident that occurred in 2014 where lost time continued into 2015.

The number of minor injuries has increased by 9.6% and near misses have increased by 38%. These increases are believed to be due to improved reporting of minor injuries and near misses rather than a decrease in health and safety performance.

Occupational health

There have been no occupational diseases reported during 2015.

Rotork continues to promote the well-being of its employees.
For example, in Chennai (India) a welfare camp was run with a particular focus on bone mineral and bone density checks. 120 employees participated in the camp which aimed to identify those at risk of developing osteoporosis in later life. Lifestyle advice was given by a therapist and some employees had a consultation with an appointed doctor.

Awards and recognition

To ensure high standards of health and safety performance, a number of businesses within the Rotork Group have gained or have maintained certification to OHSAS18001. These include facilities in Bergamo (Italy), Leeds (UK), Wolverhampton (UK) and Singapore.

Dave Boulton, Alison Cox MBE, June Boulton and John Inverdale for Cardiac Risk in the Young

Assurance Activities

In 2015, the audit protocol was rebalanced to ensure a greater consistency in scoring and to focus on risk management processes and control. As a result, 51 subsidiaries were subject to a compliance audit during 2015. It was expected that the audit rebalancing would cause subsidiaries to have a reduced audit score (by between 5% and 10%) for previously audited sites.

At manufacturing facilities, the average audit score dropped from 84% to 78% which is within the predicted scoring range. Sales and service subsidiaries performed better than expected with the audit score falling from 84% to 81%, a reduction below the predicted fall. The average overall score for existing subsidiaries dropped from 84% to 80% which is better than predicted. With new subsidiaries added into the audit score the average has fallen from 84% to 78%.

No immediate actions were identified at any of the audits that were conducted. Corrective action plans are in place to ensure that issues raised during the internal audit process are tracked to closure.

Employee satisfaction Survey

During 2015, 71% of the workforce completed an employee satisfaction survey. For the question 'I believe that Rotork cares about my health and safety' overall satisfaction was at 81%, this was a slight increase of 1% on the previous year. For the question 'In the last year, I have seen actions taken to maintain safety at my workplace' there was an increase from 76.8% to 79.2%.

Conclusions

Throughout the year we continued to keep health and safety as a priority for employees and contractors which can be seen by the positive results in the employee satisfaction survey. We continue to learn from events, audits and inspections which enables us to continually improve our health and safety performance. As we move forward we will be looking to improve our processes and will look at innovative practices to continue to improve in this area.

Targets

The method adopted to set the AFR target is the calculated average of the previous three years AFR results, this sets the AFR target for 2016 at 0.30.

ACCIDENT FREQUENCY RATE

2015	0.25
2014	0.31
2013	0.33
2012	0.46
2011	0.46
2010	0.38
2009	0.56

Accident frequency rate (AFR) = three day events / average hours worked X 100,000

COMMUNITY INVOLVEMENT*

Rotork considers it important to contribute to, and engage positively with, stakeholders in the communities in which we operate and to be a good community neighbour around the world. We regard this as part of our ongoing responsibilities as a good corporate citizen.

This links into our corporate values which include producing a positive and beneficial impact in the areas in which we operate. One of the ways Rotork does this is by having local charity committees at each of our sites which donate to local charitable causes. This empowers local employees to decide how to distribute the funds in their local communities. Rotork aims to contribute 0.1% of profits to local charitable causes.

Local community involvement highlights from the year include:

- Leeds (UK) engaged in the Right to Read project that assisted pupils at a local primary school with reading.
- Dallas (USA) employees organised a food drive for North Texas Food Bank that raised a total of 737lbs of canned foods and non-perishable items. Their contribution provided access to over 600 meals for hungry children, families and seniors in north Texas.
- Shah Alam (Malaysia) deployed volunteers to the east coast of Malaysia for a relief mission following the worst flood the country had seen in 30 years. The volunteers distributed food and helped clean local community homes.
- Wolverhampton (UK) employees donated £250 to local charity Compton Hospice, which provides care and support to people with life limiting conditions.
- Winston-Salem (USA) employees raised more than US$4,000 for the Hospice & Palliative Care Center of Forsyth County by fundraising and participating in the Annual Hospice Hope Run.

Apprenticeship programmes are now well established throughout Rotork's global network of subsidiaries. Bath's apprenticeship scheme has run since the Company began nearly 60 years ago and similar established programmes now exist at several Rotork locations. Rotork values its apprentices and believes in investing in its own talent in order to succeed. We have also forged links with local universities, colleges and schools in a number of the locations where we operate.

In addition to local charitable and educational activities, Rotork has supported two major charities in 2015, WaterAid and Sightsavers. Following the progress of the Jeldu Woreda Project in Ethiopia which we supported in 2014, a new project, situated in the South East Asian state of Timor-Leste, was selected for 2015.

Our selected project (supported with a donation of £60,000) aims to improve the lives of families living in 12 communities in rural Timor-Leste over three years. WaterAid will work with the communities to build gravity flow systems to deliver clean, safe water to the communities. They will run hygiene programmes to raise awareness about handwashing and provide support for the communities to build handwashing facilities such as tippy taps. They will

Progress

- £60,000 contributed by the Group to WaterAid.
- £40,000 contributed to Sightsavers.
- £5,000 contributed to Freedom Matters.
- Variety of donations made to charitable causes relevant to the local communities of Rotork's operating sites.

2016 targets

- Donate 0.1% of Group profits to Rotork's nominated international charity.
- Donate 0.1% of Group profits to charitable causes local to Rotork's operating site.
- Continue to support WaterAid, and in particular the Timor-Leste Project.
- Continue to support Sightsavers, specifically urban based projects in India.


Sightsavers


Credit:
WaterAid/Tom Greenwood

provide training about the importance of toilets to health, inspiring community members to build their own toilets with guidance from local partners.

In addition to our ongoing support for WaterAid, we have also continued our support for Sightsavers, an international charity that works with partners in the developing world to combat avoidable blindness. Last year, we focused our support on two regions in Ghana, specifically the trachoma and river blindness programmes. This year Rotork has supported their Urban Eye Project in Kolkata.

Furthermore, following the devastating Nepal earthquake and aftershocks in April and May, the CSR Committee made a donation of £5,000 to Freedom Matters. Freedom Matters is a charity working on the ground in Nepal to deliver relief supplies to people who, before the earthquake had very little, and afterwards had virtually nothing. They are delivering basic food supplies, their strategy being that if a family can be provided with enough basic food to meet their immediate needs, they can spend their time rebuilding the other parts of their lives, step-by-step.

BOARD OF DIRECTORS

	1. Martin Lamb **Chairman**	**2. Bob Arnold** **President: Rotork Controls Inc.**	**3. Peter France** **Chief Executive**	**4. Sally James** **Non-Executive Director**
EXPERIENCE	Martin has an engineering background and worked for IMI for over 33 years, where he held a number of senior management roles. He served on the IMI plc board from 1996 until May 2014 and held the position of Chief Executive of IMI plc from 2001 to 2013.	Bob was appointed President of Rotork Controls Inc. in 1988 and has responsibility for all Rotork's interests in the Americas. He joined Rotork Controls Inc. in 1978 as Engineering Manager subsequently becoming Vice President, Engineering. Prior to joining Rotork, Bob worked for Westinghouse in the USA as a design engineer in the Nuclear Valve Group.	Peter was appointed as Chief Executive of Rotork plc in 2008. He joined Rotork in 1989 as an Inside Sales Engineer. In 1998, he was appointed Director and General Manager at Rotork Singapore before becoming Managing Director of the Fluid Systems Division and then Chief Operating Officer.	Sally previously held senior legal roles in investment banking in London and Chicago including Managing Director and EMEA General Counsel for UBS Investment Bank. She has also held the position of Bursar of Corpus Christi College, Cambridge.
APPOINTED TO THE BOARD	2014	2001	2006	2012
EXTERNAL APPOINTMENTS	Chairman of Evoqua Water Technologies LLC Senior independent director of Severn Trent plc Non-executive director of Mercia Technologies plc Member of the European Advisory Board of AEA Investors (UK) Ltd		Chairman of the Bath Education Trust	Non-executive director of Towry Limited Non-executive director of Moneysupermarket.com Group PLC Trustee of Legal Education Foundation Non-executive director of Bank of America Merrill Lynch International Limited
COMMITTEE MEMBERSHIP				

Nomination
Audit
Remuneration
Denotes chair of committee

5. John Nicholas
Senior Independent Director

John was appointed as Senior Independent Director of Rotork plc on 20 June 2014. Formerly, John was Group Finance Director of Tate & Lyle plc and Kidde plc.

2008

Chairman of Diploma plc

Non-executive director of Mondi plc

Non-executive director of Hunting plc

6. Lucinda Bell
Non-Executive Director

Lucinda is Chief Financial Officer of The British Land Company plc. She has served on the board of British Land since 2011 and has held a range of finance roles in the real estate industry.

2014

Chief Financial Officer of The British Land Company plc

7. Jonathan Davis
Group Finance Director

Jonathan joined Rotork in 2002 after holding a number of finance positions in listed companies. He gained experience of the Rotork business initially as Group Financial Controller and then as Finance Director of the Rotork Controls Division and in 2010 was appointed Group Finance Director.

2010

8. Gary Bullard
Non-Executive Director

Gary previously held senior management positions, including sales and marketing roles, at IBM and BT Group plc and was a non-executive director of Chloride Group plc. Gary most recently held the position of President of Logica UK until October 2012 and was a member of the Executive Committee of Logica plc.

2010

Founder and CEO of Catquin Ltd

Chairman of New Model Identity Ltd

CORPORATE GOVERNANCE REPORT

Martin Lamb
Chairman

Statement from the Chairman

I am pleased to set out our Corporate Governance Report on pages 62 to 68. The aim of this report is to provide a clear and comprehensive explanation of Rotork's governance framework and how it is applied day to day. Whilst ensuring we provide detailed reporting in our Corporate Governance Report, we have sought to place emphasis on explaining how the principles of the UK Corporate Governance Code (the Code) are applied across our Group.

As Peter France describes in his Chief Executive's Statement on pages 12 to 14, 2015 presented challenges for Rotork as a result of difficult trading conditions across most of Rotork's key markets and geographies. I believe strong corporate governance has a key role to play in protecting our business and its long term success, especially in challenging conditions. It is clear from the conversations I have had with a range of key shareholders since becoming Chairman, that the strength of the Board and its approach to corporate governance remains a highly valued component of Rotork's overall investment proposition.

There has been a natural focus by the Board on broader strategic issues throughout the year – these strategies encompass both short term measures designed to manage the current downturn in the Group's markets (such as the acceleration of planned cost saving measures), but also longer term strategies to effectively position the Group in changing markets.

Our consideration of strategy has been aided by the significant work undertaken by the Board on both risk assessment and risk appetite during the course of the year, ensuring that not only do we, as a Board, accurately identify and quantify the risks faced by the Group, but that the Board's appetite for risk informs decision making throughout the Group, so we can prudently take advantage of the opportunities that those changing markets will inevitably present. This work is explained in more detail below.

Rotork is subject to the Code, which was revised in 2014. The revised version of the Code applied to this financial year, and I am happy to report that throughout 2015 Rotork has complied with the revised Code, save in two respects.

First, the annual performance review of the Board is scheduled to take place during February and March 2016, shortly after the end of the financial year covered by this report. I felt it was important for me to have sufficient time to deepen my understanding of the dynamics and operation of the Board and its individual members before formulating, in conjunction with an external facilitator, an expanded review process from that adopted in recent years.

Second, in line with the revised Code, we have taken further steps during the year to facilitate improved ongoing oversight by the Board of the Group's risk management and internal control processes. The new reporting structures have been designed and were implemented during the fourth quarter of the year under review. Accordingly, the Board believes that the Company was in compliance with this element of the Code during the fourth quarter of 2015.

A number of initiatives to further strengthen the governance and internal controls within Rotork were undertaken during the course of the year. First, the Audit Committee undertook a detailed review of the Group's internal audit function, supported by an independent quality assessment by PwC. This review resulted in the identification of the need for a new Head of Risk and Internal Audit, who has been recruited and will start in April 2016. Further information on this review is set out in the Audit Committee Report on pages 69 to 72. Second, as noted above, significant focus was placed on risk management by the Board. This comprised two principal elements:

- the adoption of a Risk Appetite Framework and improved risk reporting procedures; and
- a robust assessment of the principal risks facing the Group in accordance with the requirements of the Code.

The centrepiece of the Board's work on risk was a risk workshop following both the March and April Board meetings, which was externally facilitated by Deloitte, with additional sessions throughout the year during which the outcomes from the initial workshop were analysed and refined. The principal output of the risk workshop was the Risk Appetite Framework, which is discussed in more detail below. This framework was developed by the full Board working together as a group, and I am grateful to them for their full engagement in the process; I believe this has led to a qualitatively better assessment and understanding of the risks facing our business, and improved procedures to ensure that a prudent analysis of risk is incorporated into our decision making processes. Further information on the risk review process is set out on pages 44 to 45, and a description of the principal risks facing the Group, and how the Board seeks to mitigate these risks, is set out on pages 46 to 47.

Finally, the Audit Committee has led the Board's work on the new longer term viability statement introduced by the revised Code, which looks at the prospects for the Group over the next three years. The statement is set out on page 47.

A summary of the business the Board considered during 2015 is set out page 64. However, I firmly believe that corporate governance does not stop at the boardroom door. It is important that the strong governance principles demonstrated by the Board are carried on throughout the Group at every level and in every location. As we continue to grow through acquisition, it becomes increasingly important to ensure that the culture of sound governance is applied worldwide in a consistent and unified way to ensure Rotork's unique culture is retained and developed.

CORPORATE GOVERNANCE REPORT
CONTINUED

Dates of Board meetings

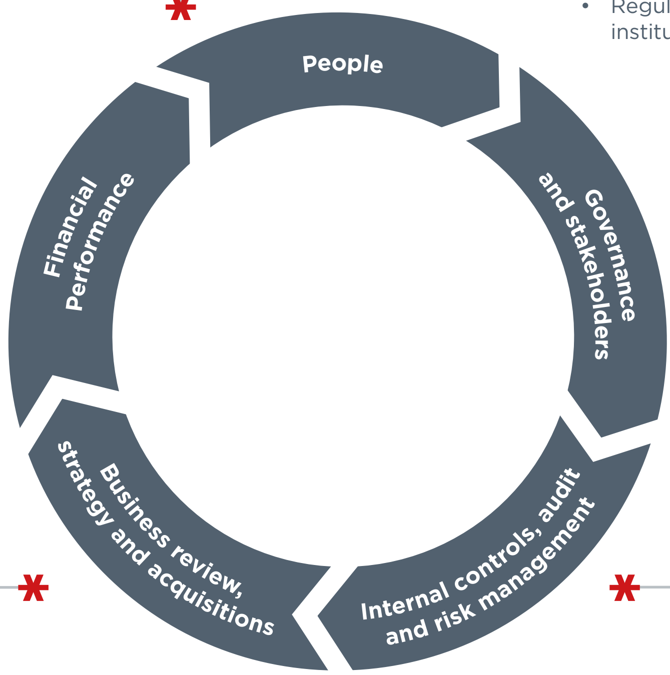
Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sept 15	Oct 15	Nov 15	Dec 15
	*	**	**		**	*	*	**		*	*

Board activity 2015

Financial performance
- Received regular financial performance updates from the Group Finance Director .
- Approval of 2016 budget.
- Consideration of 2014 financial statements.
- Approval of 2014 final dividend recommendation and 2015 interim dividend declaration.

People
- Approval of MJ Lamb as Chairman, following the Nomination Committee's recommendation.
- Consideration of Lord Davies' Fourth Annual Review and Five Year Summary and proposed. recommendations for 2020 targets.
- Received regular briefings on potential acquisition targets from the Chief Executive.

Governance and stakeholders
- Series of meetings undertaken between the Chairman and key shareholders to discuss governance issues.
- Approval of 2014 Annual Report and AGM business.
- Approval of Interim Report and trading updates.
- Implemented changes to the Group's governance structure to reflect changes to the Code, including focus on risk analysis and ongoing viability.
- Regular review of feedback from institutional shareholders.



Business review, strategy and acquisitions
- Received regular performance and business updates from the Chief Executive.
- Set the Group's strategy and vision, with an emphasis on addressing the challenges facing the Group as a result of adverse changes in its markets during the year.
- Received presentations from divisional and Group business function managers within the Group to consolidate understanding and awareness of activities and performance within the relevant divisions and business functions.
- Consideration and approval of all acquisitions completed during the year.
- Received regular briefings on potential acquisition targets from the Chief Executive.

Internal controls, audit and risk management
- Implemented new quarterly Executive Risk Report programme with effect from fourth quarter.
- Attendance at an externally facilitated Board risk workshop and further follow-up sessions.
- Undertook assessment of principal risks and established Group risk appetite.
- Approval of insurances for the Group, including levels of cover.
- Discussion of Audit Committee analysis of internal audit processes.

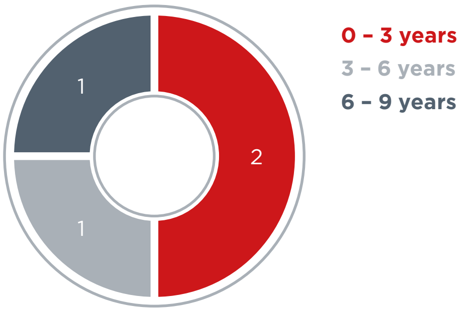
UK Corporate Governance Code Compliance Statement

The following section on pages 65 to 68 is a summary of the system of corporate governance adopted by Rotork. Throughout the year ended 31 December 2015, Rotork fully complied with the Code, save in two respects, which are set out below.

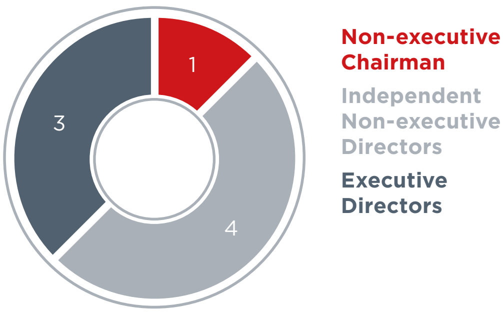
Formal Board evaluation

The formal performance evaluation of the Board in accordance with Code Provision B.6 is scheduled to take place in February and March 2016, falling outside the financial year under review. The review was delayed until after the end of the financial year to enable the Chairman to have sufficient time, following his appointment in April 2015, to formulate a clear understanding of the dynamics of the operation of the Board under his Chairmanship, together with his own assessment of the strengths and weaknesses of individual Board members. These insights were used to develop an improved performance review.

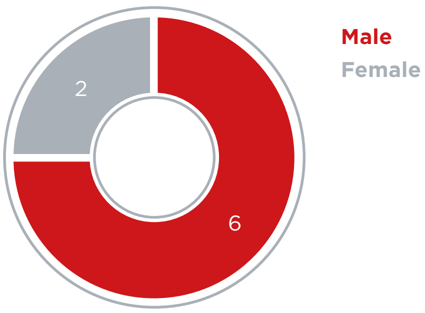
Length of tenure of independent non-executive Directors as at 31 December 2015



Balance of independent non-executive Directors and executive Directors as at 31 December 2015



Balance between male and female Directors on the Board as at 31 December 2015



Ongoing monitoring of risk management and internal controls

Provision C.2.3 of the revised Code states that the Board should monitor the Group's risk management and internal controls. This represents a shift in emphasis to ongoing oversight by the Board as a whole. Existing oversight has been improved by new reporting structures, including a new quarterly Executive Risk Summary, which have been implemented with effect from the fourth quarter of 2015. Further information on the new reporting structures is set out below.

The Code is available to download at www.frc.org.uk.

The Board of Directors

The Board has a duty to promote the long term success of Rotork for its shareholders; accomplished by entrepreneurial leadership, within a framework of prudent and effective controls. Its role therefore includes approval of strategy, risk reviews, finance matters, and internal control and risk management, including major contract approvals.

The terms and conditions of appointment of Directors are available for inspection during business hours at the registered office of Rotork plc and at the AGM.

Board composition

Rotork is led by an effective Board which consists of eight members: the Chairman, four independent non-executive Directors and three executive Directors. Apart from the Chairman, all non-executive Directors are considered to be independent from Rotork and are appointed for an initial term of three years. Upon the completion of this term, the appointment is reviewed and, if appropriate, extended.

Rotork is compliant with the recommendations of Lord Davies' 'Women on Boards' initiative, with female representation on the Board standing at 25% as at 31 December 2015.

The biographies of the Directors and details of Board committee membership are set out on pages 60 to 61.

All Directors are subject to annual re-election at the AGM in line with the Code.

Directors' attendance at Board and Committee meetings during 2015

	No. of meetings			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
RH Arnold	13	3[i]	1[i]	1[i]
LM Bell	13	5	5	3
GB Bullard	12	5	4	2
JM Davis	13	6[i]	1[i]	1[i]
PI France	13	6[i]	5[i]	3
SA James	13	6	5	3
MJ Lamb	12	6	4	1
RC Lockwood[ii]	5	2[i]	2[i]	2
JE Nicholas	13	6	5	3
GM Ogden[iii]	3	n/a	1[i]	1[i]

(i) By invitation.
(ii) RC Lockwood retired from the Board on 24 April 2015.
(iii) GM Ogden retired from the Board on 31 March 2015.

Strategic Report
Directors
Governance
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Company Information

CORPORATE GOVERNANCE REPORT
CONTINUED

Roles and responsibilities

There is a documented clear division of responsibilities between the Chairman and the Chief Executive to ensure that there is a balance of power and authority between leadership of the Board and executive leadership. The division of responsibilities was reviewed and updated during 2015 following MJ Lamb's appointment as Chairman.

All Directors are entitled to seek independent, professional advice at the Company's expense in order to discharge their responsibilities as Directors. Rotork maintains appropriate directors and officers' insurance cover.

How the Board operates effectively

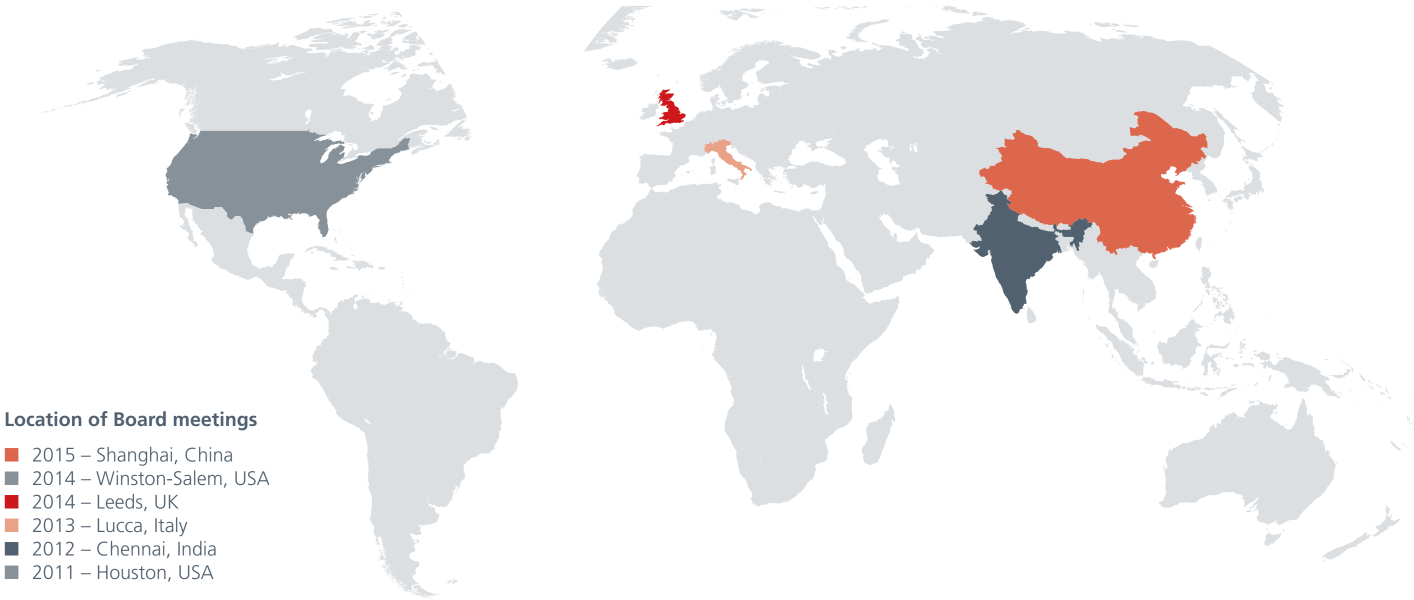
Board Activities

As part of Rotork's Board effectiveness, day-to-day responsibility for the running of the Company is delegated to executive management. However, there are a number of matters where, because of their importance in the context of the Group's operations, it is not considered appropriate to do this. The Board therefore has a formal and documented schedule of matters reserved for its decision. The schedule of reserved matters can be found on the Company's website at www.rotork.com.

In 2015, the Board met 10 times at scheduled meetings and three times at additional meetings.

The Chairman, through the Company Secretary, ensures that the Board agenda and all relevant information is circulated to the Directors sufficiently in advance of the meeting. During 2015, the Company transitioned to a new, secure, web-based platform for the hosting of Board information, including Board packs, relevant documentation and minutes of previous meetings of the Board and its Committees. This has greatly improved the availability of information for the Directors, and the platform also facilitates rapid communication between all members of the Board. The Chairman and the Company Secretary discuss the agenda in detail ahead of every meeting and the Chairman and Chief Executive hold a review meeting ahead of each Board meeting.

At least once annually, the Board travels to and meets at one of Rotork's locations, other than its head office in Bath. This allows the Board, and in particular the non-executive Directors, the opportunity to gain a deeper understanding of overseas businesses and their markets and to interact with local management and staff, as well as to view new capital investments and acquisitions. In 2015, the Board visited Rotork's manufacturing facility in Shanghai, China and met with and received presentations from local management.



All Directors constructively challenge executive management at Board meetings and are entitled to unfettered access to information and management across the Group. Rotork's executive directors understand the distinction between their roles as executive managers and as Board directors. Rotork Board members come from a variety of professional backgrounds including engineering, legal, accountancy and international sales, and collectively possess significant managerial experience, as well as experience of being company directors of other public limited companies.

At each Board meeting, the Board receives presentations from senior management regarding that senior manager's area of responsibility. The principal purpose of the presentations is to consolidate the Board's understanding of the Group's operations, and in particular current strategic and operational issues facing divisional management. The presentations are structured such that the Board has the opportunity to ask questions and constructively challenge senior management following their presentations. Management presentations normally take place immediately before the meeting so that any issues raised in them can be considered in wider Board discussions, particularly around strategy and risk. In 2015, the Board received presentations from management of all four business divisions, together with the management from Group business functions, including sales and IT.

The Chief Executive and Group Finance Director present to the Board the content of full and half year results announcements, together with all trading updates issued by the Company, and the Board is invited to comment on and approve those announcements.

Induction and development

New Board members receive a suitable and tailored induction. This is facilitated by the Company Secretary under the direction of the Chairman. No new Director appointments were made in 2015. However, additional induction activities were undertaken by MJ Lamb as a result of his appointment as Chairman in April 2015. This included a number of site visits to Rotork facilities in both the UK and overseas, together with meetings with investors.

Directors are encouraged to continually update their professional skills and knowledge. During 2015, development activities for the Directors included participation in external training seminars.

The Chairman is responsible for reviewing the level and nature of training given to the Directors at least annually.

Performance evaluations

During February 2016, the Board commenced a detailed review of its performance. As noted in the statement from the Chairman on page 62, the annual performance review was delayed until after the end of the financial year to allow MJ Lamb additional time to assess the performance and operation of the Board in his role as Chairman. As in previous years, the review process was externally facilitated by Vivienne Cassley of Useful Thinking, an independent external consultancy. This year, the written questionnaire which formed the basis of previous performance reviews was augmented by a series of one-on-one interviews between Vivienne Cassley and the Directors, held during February 2016, during which the performance of the Board and each of its members was critically examined.

The Chairman is due to formally report on the outcome of the evaluation process at the March Board meeting, with individual feedback meetings with Directors being held in March ahead of that meeting.

JE Nicholas is the current Senior Independent Director. As part of his role, he annually arranges a meeting of the non-executive Directors to appraise the Chairman's performance. This feedback is used by him to discuss with the Chairman his performance.

Diversity on the Board

Rotork currently has 25% female representation on the Board, in line with the recommendations of Lord Davies' 'Women on Boards' initiative. The Board is cognisant of the 'next step recommendations' set out in Lord Davies' five year summary report published in October 2015 and, as part of the Group's continuing commitment to fostering diversity in its business (described in more detail in the report of the Nomination Committee on page 73), will continue to pursue initiatives designed to increase diversity at all levels within the Group.

Internal controls and risk management

The Board has placed considerable focus on risk management and mitigation during the year, partly in response to the current market conditions and partly as a result of the changes to the Code and associated new guidance issued by the Financial Reporting Council (FRC) in relation to risk management, internal control and related reporting.

Details of the principal risks faced by the Group during the year and details of the processes to manage these risks, including the Board's approach to the principal risks the Group is willing to take in achieving its specific objectives (its 'risk appetite'), can be found on pages 44 to 47.

The Board is responsible for Rotork's system of internal control and risk management, and meets at least annually to review the effectiveness of it. This risk management process has been improved throughout the year as described below.

Adoption of Risk Appetite Framework and improved monitoring of risk management and internal controls

The Group has adopted a risk review process at a divisional level for many years, resulting in a 'bottom up' assessment and consolidation of the risks facing the Group. This process fed into a biannual review and assessment by the Board of the principal risks facing the Group. This existing risk management structure has been revised during the course of the year, aided by external consultancy provided by Deloitte. The key outputs of this process were:

- the adoption of a new Risk Appetite Framework (RAF), designed to:
  - Enhance the incorporation of risk into strategic decision making at Board and divisional management levels;
  - Improve quantitative and qualitative insight into principal risks and associated trends;
  - Enable the Board to lead by example in creating a risk-aware culture and ensure consistency in decision making; and
  - Facilitate proactive risk mitigation.
- the implementation of new quarterly Executive Risk Summary, in order to ensure continuous oversight by the Group's risk management and internal controls, with quarterly reporting being supplemented as necessary by monthly reporting to the Board by the executive management team on new or evolving risks.

In addition to the new reporting framework described above, all members of the Board receive full Audit Committee papers and prior meeting minutes, which contain the Audit Committee's assessment of the effectiveness of the Group's risk management and internal control systems. All non-executive Directors attend Audit Committee meetings. Additionally, the Audit Committee Chairman briefs the Board on the main business of the previous Audit Committee meeting, as well as making recommendations from the Audit Committee to the Board. Board members therefore receive information and updates on the work of the Audit Committee in reviewing the effectiveness of the Company's risk management and internal control systems throughout the year.

In the course of its activities during the year, the internal audit team identifies improvement recommendations at all locations visited. These are discussed with local management at the end of the audit and they are charged with implementing the agreed improvements. The issues

CORPORATE GOVERNANCE REPORT
CONTINUED

identified during the year did not have a material impact on the financial statements but the Board continues to look for ways to strengthen the Group's control environment.

This includes the recruitment of a new Head of Risk and Internal Audit and the appointment of regional finance managers in more regions. These regional finance managers have a focus on internal controls, as well as operational performance, and will provide an increased level of review and contact for the finance teams operating within the sales subsidiaries.

Main features of the Group's risk management and internal control systems
Risk management and internal control can only provide reasonable, not absolute, assurance against material misstatement or loss, as it is designed to manage the risks rather than remove them altogether.

The systems cover controls which enable Rotork to respond appropriately to financial, operational, compliance and any other risks. Key elements include:
- Robust assurance processes and controls over financial reporting procedures;
- A formal schedule of reserved matters for the Board including responsibility for reviewing Group strategy;
- Clearly defined levels of authority and a division of responsibilities throughout the Group;
- Formal documentation procedures;
- A formal whistleblowing policy with an external whistleblowing hotline; and
- An internal audit function made up of accountants from head office and across subsidiaries, supported by training in internal audit, best practice and control procedures to monitor and identify weaknesses in internal controls.

The systems have been augmented throughout the year by the improved processes described above in order to comply with the revised Code and the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Board considers that it was in compliance with the revised Code and the Guidance with effect from the fourth quarter of 2015.

Relations with shareholders
Communication with shareholders is a priority for Rotork and the Company maintains a regular dialogue with its major shareholders. In 2015 the Board, and in particular the Chief Executive and Group Finance Director, have engaged with shareholders in a number of ways including:
- Hosting conference calls;
- Hosting webcasts;
- Attending shareholder events, including a Capital Markets Day held in November in Leeds;
- Hosting investor site visits;
- Attending conferences;
- Hosting and participating in roadshows; and
- Arranging ad hoc meetings with shareholders.

The Chairman ensures that all Directors are made aware of major shareholder issues and concerns by ensuring the Board receives reports from the Chief Executive on meetings with analysts and fund managers as well as shareholders. In addition, the Board receives reports from its brokers which give anonymised feedback from investors.

During the year MJ Lamb had a series of individual meetings with current and potential principal shareholders in his new capacity as Chairman. Full written reports on these meetings were provided to the Board.

Rotork makes constructive use of its AGM as an opportunity for the Board to communicate with, and answer questions from, those shareholders who attend in person. The entire Board is normally available during the meeting and for lunch following the meeting to allow direct interaction between the Directors and the shareholders.

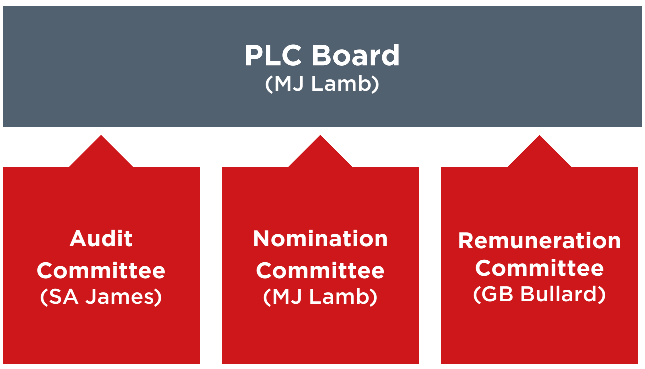
Rotork also maintains a comprehensive investor relations section on its website which provides a variety of resources for investors including current webcasts, presentations and press releases. The website can be accessed at www.rotork.com/en/investors.

Electronic communications are also used by Rotork to communicate with its shareholders. All shareholders have been asked whether they would like to receive the Annual Report and Accounts in electronic form rather than in hard copy form. Any shareholders wishing to receive corporate documents electronically can do this by registering for the service at www.shareview.co.uk and clicking on 'Register' under the 'Portfolio' section. Rotork also make available electronic proxy appointment for shareholders who wish to appoint a proxy online to vote at the Company's AGM.

Board Committees
The Board has Audit, Nomination and Remuneration Committees. Each Committee has formal, written Terms of Reference which are available to download from the Rotork website at www.rotork.com/en/investors/index/committees. All Board Committees have four independent non-executive Directors within their composition. The Group Company Secretary advises and acts as secretary to the Committees.

The Committees have authority to take external, independent professional advice at Rotork's expense for matters relating to the discharge of their duties.

Composition of Board and Committees showing Chairmen



The Audit Committee Report is on pages 69 to 72 and the Nomination Committee Report is on page 73. The work of the Remuneration Committee is described in the Directors' Remuneration Report on pages 74 to 88.

AUDIT COMMITTEE REPORT

Sally James
Audit Committee Chairman
Members: John Nicholas, Gary Bullard and Lucinda Bell

Activities of the Audit Committee during the year

The Audit Committee maintains a rolling programme of activities which is kept under review and forms the basis of its scheduled meetings throughout the year. This rolling programme is supplemented by consideration of specific issues as and when they arise. The Committee met six times during the year (once in February, April, July and August and twice in November). Meetings of the Committee are arranged to coordinate with the Group's financial reporting timetable to ensure appropriate scrutiny by the Committee of such announcements, including, in particular, review of year end and interim financial reports, in addition to other trading updates made during the year. A summary of its principal activities is set out on page 70.

During 2015, in addition to its usual schedule of work, the Committee focused on three key elements:

- The effectiveness of the Group's internal audit processes, which was supported by an independent quality assessment by PwC;
- Contribution to the Risk Appetite Framework and wider review of the Group's risk management and internal controls; and
- Consideration of the longer term Viability Statement mandated by the revised version of the UK Corporate Governance Code (the Code).

The membership of the Committee was unchanged during the year, save for the resignation of MJ Lamb from the Committee following his appointment as Chairman in April 2015. All Committee members are independent non-executive directors. LM Bell and JE Nicholas hold professional accounting qualifications and the Board considers both to have recent and relevant financial experience. Biographies of each member of the Committee can be found on pages 60 to 61. The Chairman, Chief Executive, Group Finance Director, Group Financial Controller, Internal Audit Coordinator and external Auditor also regularly attend meetings by invitation.

The Committee operates under formal Terms of Reference which are reviewed annually. A copy of the Terms of Reference is available on the Rotork website at www.rotork.com. Principal responsibilities are to review and report to the Board on:

- The integrity of financial reporting;
- Significant accounting policies and judgements;
- Internal control and risk management systems including monitoring the effectiveness of internal audit;
- The appointment, independence and effectiveness of the external Auditor, including the policy relating to non-audit work and policy relating to employment of former staff of the external Auditor;
- The external Auditor's remuneration; and
- Whistleblowing and other Group policies as relevant.

AUDIT COMMITTEE REPORT
CONTINUED

Summary of 2015 Audit Committee business

Financial reporting	Review of the full year accounts including material judgements and estimates, the draft Annual Report 2014, governance reports and draft results announcements
	Review of Interim Report including material judgements, estimates and draft results announcements
	Review of the external Auditor's report on the half year accounts and the proposed full year external audit scope, key risks, materiality and year end issues
	Review of quarterly trading updates
Internal controls and risk management	Internal controls and risk management review including consideration of processes and procedures for risk management, effectiveness of internal controls and fraud risk
	Review of internal audit reports, the internal audit programme, its remit, resourcing and effectiveness, and of the need for a separate internal audit function
	Commissioning and review of PwC's independent quality assessment in respect of the Group's internal audit function (PwC Report)
	Review of recommendations from the PwC Report and agreement to take these forward led by a Head of Risk and Internal Audit, a new senior appointment
External audit	Consideration of, and reporting to, the Board on the external Auditor's independence, objectivity and effectiveness including the annual audit
	Review of the Auditor's representation letter, views on the control environment and fraud risk management
	Meeting with the external Auditor without the presence of management
	Review of non-audit services undertaken by the external Auditor and consideration of policy on non-audit work
	Consideration of audit fees, engagement terms and risk of the external Auditor leaving the market
	Consideration of retendering the external audit contract
	Review of policies on the employment of ex-employees of the external Auditor
Other work	Review of bribery and corruption policy and procedures including training and communication
	Review of the whistleblowing policy and procedures including training and communication
	Consideration of accounting and corporate governance developments
	Review of Audit Committee effectiveness and Terms of Reference
	Introduction of requirement for annual presentations to the Committee from the Group Treasurer and Head of Tax

Financial reporting

A key role of the Committee in relation to financial reporting is to review the quality and appropriateness of the half year and year end financial statements with a particular focus on:

- Accounting policies and practices;
- The clarity of disclosures and compliance with International Financial Reporting Standards, UK company law and the Code;
- Material areas in which significant judgements have been applied or, where there has been discussion with the external Auditor; and
- Upon request of the Board, advising the Board on whether the Annual Report and financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance as a whole.

To assist the Committee, the Group Finance Director and Group Financial Controller present a detailed report at each meeting outlining significant matters and the external Auditor presents a report on the work they have undertaken on the half year and year end financial statements. They also present on the scope for the next full year audit for consideration by the Committee.

The principal matters of judgement considered by the Committee in relation to the 2015 accounts and how they were addressed were:

- Goodwill impairment testing: The year end balance sheet includes goodwill of £222.1m, this represents approximately 31.7% of the Group's assets. The Committee reviewed the carrying value of goodwill by examining a report from the Group Financial Controller which set out the values attributable to each cash generating unit, the expected value in use, based on projected cash flows and the key economic assumptions related to growth and discount rates. The Committee also considered the work undertaken by Deloitte in testing the assumptions. The Committee discussed the appropriateness of the assumptions used and compared expected growth rates to historical averages and the discount rate to the Group weighted average cost of capital and appropriate risk premiums. The Committee also considered whether it was possible that a reasonable change in assumptions might indicate impairment. Following discussion, the Committee were satisfied that the approach taken by management was appropriate and that there was no requirement to record any impairments in the accounts;

- Acquired intangible assets: During 2015, the Group acquired a number of businesses, the largest of which was Bifold Group Ltd, which was acquired in August. The Committee reviewed the accounting and reporting in relation to these acquisitions, in particular the determination and valuation of intangible assets prepared by the Group Financial Controller. The Committee considered this report together with comments from Deloitte; it also examined the disclosures in the Annual Report and Accounts and concluded the judgements made were reasonable and that the reporting was accurate;
- Retirement benefit schemes: The Group operates two defined benefit retirement plans which are still open to future accrual. The valuations are prepared by independent actuaries and are reviewed by Deloitte. The Committee considered the report and the comments by Deloitte and was satisfied the assumptions used were appropriate. The detailed disclosure for these schemes under IAS19 are shown in note 24 and the Committee is satisfied they are complete and accurate; and
- Valuation of inventory: The Group has £87.2m of inventory which is spread across all of the Group's global locations. The provisions made to write down slow-moving and obsolete inventory are based on an assessment of market developments and on an analysis of historic and projected usage. The calculation of the provisions requires application of judgement by management. Management confirmed to the Committee that there have been no significant changes to the approach used to estimate inventory provisions compared with the prior year. Deloitte explained the work that they have performed and confirmed that based on this work no material inconsistencies or misstatements were found. Following discussion, the Committee was satisfied that the judgements that had been exercised and valuation methodology were appropriate and that the provisions were appropriately stated at year end.

External Auditor

The year under review marks the second year during which Deloitte LLP has been the Group's external Auditor. The Committee assesses the effectiveness of the external audit process, the scope of the Group audit and the quality of the audit work throughout the year.

The assessment considers:

- Any issues arising from the prior year audit;
- The proposed audit plan including identification of risks specific to Rotork;
- Audit scope and materiality thresholds;
- Staffing continuity and experience;
- The delivery of the audit in line with the plan;
- Matters arising during the audit and the communication of these to the Committee;
- Feedback from executive management;
- Private meetings with the Auditor without management being present;
- The independence, objectivity and scepticism of the auditor; and
- The Financial Reporting Council (FRC) audit quality review (AQR) report on selected audits undertaken by Deloitte.

Having completed this review, the Committee agreed that the audit process, independence and quality of the external audit were satisfactory.

During the year, the 2014 external audit of the Group was subject to review by the FRC's AQR team. There were no significant findings and only one issue was formally reported. The final report and the action to address the reported finding was discussed and agreed at the November Committee meeting, and has been addressed in the 2015 external audit. The Committee is satisfied that there was nothing arising from the FRC review which impacted the proposed reappointment of Deloitte as external Auditors.

Consideration was given to the possibility of retendering the external work during the course of the year. The Audit Committee has recommended that Deloitte LLP be re-appointed Auditors for the 2016 financial year and Deloitte's continuing appointment will be subject to shareholder approval at the 2016 AGM.

Statement of compliance

The Company confirms that it has complied with the terms of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the Order) throughout the year.

In addition to requiring mandatory audit retendering at least every 10 years for FTSE 350 companies, the Order provides that only the Committee, acting collectively or through its Chairman, and for and on behalf of the Board, is permitted:

- To the extent permissible by law and regulations, to negotiate and agree the statutory audit fee and the scope of the statutory audit;
- To initiate and supervise a competitive tender process;
- To make recommendations to the Directors as to the auditor appointment pursuant to a competitive tender process;
- To influence the appointment of the audit engagement partner; and
- To authorise an auditor to provide any non-audit services to the Group, prior to the commencement of those non-audit services.

Non-audit services

In order to safeguard the independence and objectivity of the external Auditor, the Board has adopted a policy on non-audit services which restricts the work and fees available to the external audit firm and the policy is reviewed by the Committee annually to ensure it remains appropriate and in line with applicable requirements.

The policy specifies certain activities which the external Auditor may not undertake, such as work relating to financial statements which may be subject to external audits or management, or significant involvement with internal audit services.

For work within the policy scope, namely anything other than audit, half year review or tax compliance work, authority has been delegated to the Group Finance Director to approve fees of up to £10,000 per project or £40,000 in aggregate for general work, £50,000 in aggregate for tax work and £10,000 for acquisition related work. Non-audit work above these levels requires the prior approval of the Committee Chairman or the Committee as a whole.

At each Committee meeting, a summary is provided of all non-audit services awarded to the external Auditor during the year.

AUDIT COMMITTEE REPORT
CONTINUED

An analysis of fees paid to Deloitte, including the split between audit and non-audit is included in note 8 of the report and accounts. The total non-audit fees for 2015 represent 8.9% of the total Deloitte audit fee.

Risk management
The Committee has responsibility for reviewing and monitoring the effectiveness of the Group's control environment, internal audit and risk management process. As explained in the Corporate Governance Report, this year has seen particular focus on the Group's approach to risk and its internal control environment.

In the final quarter of 2014, the Audit Committee commenced work with the Board on a review of the Group's internal control and risk management systems in order to comply with the Code, which provides that the Board should undertake a robust assessment of the principal risks facing the Group and monitor the Group's risk management and internal controls.

This work continued into 2015, and was led by me, as Chair of the Audit Committee in conjunction with the Group Finance Director. The key outputs of the work, comprising a Risk Appetite Framework and new reporting procedures are summarised in the Corporate Governance Report on pages 62 to 68, with the result that both the Audit Committee and the Board are satisfied that the Company was in compliance with the requirements of the revised Code with regard to risk management during the fourth quarter of 2015.

The Audit Committee will be primarily responsible for oversight and review of the new reporting frameworks which have been introduced in order to ensure that these operate effectively during their first full year of implementation.

Internal controls
The second area of focus was on improving the quality of the Group's internal control procedures. The steps taken to improve the Group's internal controls during the year are summarised on pages 67 to 68.

During the year, the Committee considered reports on internal control from the Group Finance Director as well as reports on procedures to prevent bribery and corruption and whistleblowing events from the Company Secretary.

Internal audit
The final area of focus was on improving the quality of the Group's internal audit processes. PwC was commissioned to produce an independent quality assessment into the Group's internal audit function. PwC's review was undertaken through a series of one to one interviews with relevant personnel, peer comparison and review of internal audit procedure documentation.

The PwC report highlighted a number of improvements which could be made to the methodology and structure of the internal audit, including the appointment of a new Head of Risk and Internal Audit. These recommendations are being implemented, including the recruitment of a new Head of Risk and Internal Audit. This recruitment has been completed and the position will be filled in April 2016. The Head of Risk and Internal Audit will be supported by the Internal Audit Coordinator who was appointed in 2014. During the year, the internal audit coordinator has initiated improvements to the reports to the Committee and the reports issued to management on completion of an audit as well as introduced a risk based assessment to setting the audit visit plan. These improvements will be developed further in the coming year.

The Group does not have an independent internal audit function but does have a well established internal audit approach, using staff from one division to undertake audits in a different division. This arrangement encourages the sharing of best practice and provides career development for the staff involved. External resource was used during the year to supplement the internal team where specific technical or language expertise was required.

Whilst the Audit Committee is satisfied that this 'peer review' model remains appropriate for the Group's current internal audit objectives, it has noted PwC's observations that an independent function may be warranted in the future. Accordingly, the Audit Committee will, as in previous years, keep the need for an internal audit function under close review. The Head of Risk and Internal Audit will, however, provide increased independence and strategic direction whilst the peer review model is retained.

Alongside the PwC review and oversight of the implementation of its recommendations, the Committee continued to receive a report at each meeting on internal audit activity, any significant matters arising and the management response.

Other matters
In accordance with its Terms of Reference, the Committee, led by the Chairman, carried out a review of its effectiveness by way of a questionnaire, including how it discharged its responsibilities and Terms of Reference. Following this review, a number of actions will be undertaken during 2016 to improve the Committee's effectiveness.

The Committee's activities were also reviewed as part of the Board evaluation process referred to on page 67.

Throughout the year, the Committee also considered relevant accounting and corporate governance developments, in addition to those in relation to risk and internal controls discussed above.

Areas of focus for 2016
In the coming year, further development of the internal control environment and risk management processes will remain a priority. Increasing the resources and expertise in this area through the appointment of a Head of Risk and Internal Audit is the next step in this evolution.

NOMINATION COMMITTEE REPORT

Martin Lamb
Nomination Committee Chairman
Members: Peter France, John Nicholas, Sally James, Gary Bullard and Lucinda Bell

The Nomination Committee is responsible for leading the process for Board appointments and making recommendations to the Board: ensuring succession planning is in place; regularly reviewing the structure, size and composition of the Board, including its balance of skills, knowledge and experience; and making recommendations as appropriate.

Activities of the Nomination Committee during the year

The Committee met three times during the year (in February, March and November). A summary of principal activities is set out below:

Summary of 2015 Nomination Committee business

Appointment recommendation	Recommendation that MJ Lamb be appointed as Chairman
Succession planning	Consideration of paper from the Chief Executive on executive succession planning
	Consideration of paper from the Group Finance Director on future development of the Group's internal finance function and related appointments
	Consideration of FRC discussion paper on board succession planning

During the year, the Committee recommended to the Board the appointment of MJ Lamb as Chairman, with the appointment taking effect from the conclusion of the AGM held in April following Board approval of the appointment. MJ Lamb did not attend the Committee meeting at which his appointment was considered.

MJ Lamb's appointment as non-executive Director in 2014 was externally facilitated by Korn Ferry, an external search consultancy, in a process which contemplated his subsequent appointment as Chairman, subject to satisfactory performance. Korn Ferry has no other connection with the Company.

The Committee also considered succession planning in order to satisfy itself that plans are in place for an orderly succession for appointments to the Board and senior management to maintain an appropriate balance of skills and experience within the Group and to ensure progressive refreshing of the Board.

Further action on succession planning in the context of the Group's strategic objectives will constitute the main focus for the Committee in 2016, with constructive initial dialogue between the non-executive Directors having taken place following the Committee meeting in November 2015, at which the FRC discussion paper on board succession planning was discussed.

Diversity policy

As part of its commitment to maintaining an appropriate balance of skills, knowledge and experience, the Board seeks to attain a diverse mix of skills, experience, knowledge and background. In considering diversity, gender will play an important role but the Board will take account of ethnicity, nationality, background, profession and personality.

Rotork currently has 25% female representation on the Board, in line with the recommendations of Lord Davies' 'Women on Boards' initiative. The Board is cognisant of the 'next step recommendations' set out in Lord Davies' five year summary report published in October 2015.

The Board will take a number of voluntary actions to improve diversity, including only using external search consultants (where such consultants are engaged to make an appointment) which have signed up to the Voluntary Code of Conduct for Executive Search Firms and assisting the development of the executive pipeline by encouraging senior employees to take on additional roles, such as seeking non-executive director roles, to gain valuable board experience.

The Board's diversity policy also applies more generally throughout the Group and sets out other actions the Group will take to contribute to a more diverse pool of talent.

DIRECTORS' REMUNERATION REPORT

Gary Bullard
Remuneration Committee Chairman
Members: John Nicholas, Sally James and Lucinda Bell

STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

The Directors' Remuneration Report is split into two parts:
- The Policy Report, which sets out the Company's policy on Directors' remuneration. The policy was approved by shareholders at the 2014 AGM for a period of three years; and
- The Annual Report on Remuneration which discloses the payments and awards made to the Directors under the policy and shows the link between remuneration and the Group's performance.

The Policy Report is not subject to a shareholder vote this year. The Annual Report on Remuneration, together with this introductory statement, is subject to an advisory shareholder vote at the 2016 AGM.

During 2015, the Remuneration Committee (Committee) continued to monitor developments relating to remuneration. Throughout the year, the Committee has considered updates on best practice from relevant providers of corporate governance guidance. The Group supports the continued drive for improvement of best practice and for greater focus on transparency, moderation, simplicity and a closer alignment of the interests of the Directors with those of the shareholders.

Remuneration for 2015

As set out in the Annual Report on Remuneration, following a challenging year, the Company's performance against 2015 incentive targets resulted in an annual cash bonus payout of 18.8% of the maximum bonus opportunity available and a Long Term Incentive Plan (LTIP) vesting rate of nil for the 2013 award (which was based on earnings per share (EPS) and total shareholder return (TSR) performance over the three years to 31 December 2015). The cash bonus payment reflected the achievement of cash flow and accident frequency targets.

Remuneration for 2016

The Committee continues to be mindful of employee remuneration conditions around the Group and salary increases for executive Directors in 2016 will be 1%, which is broadly in line with the typical increase for other UK employees.

During the year, the Committee approved revised and simplified cash bonus criteria for the executive Directors for 2016, within the parameters of the existing Policy Report. In response to the challenging conditions facing the Group, the revised criteria reflect an increased emphasis on annual profit performance, with the balance based on the strategic and personal performance, cash generation performance, and accident frequency rate. Further details of the revised criteria are set out on page 88. The maximum cash bonus potential remains 125% of salary for the Chief Executive and 100% of salary for other executive Directors.

The LTIP awards will continue to be based on EPS and TSR performance (each accounting for 50% of the award). The TSR performance condition will be the same as set for previous awards. The EPS performance target for the 2016 awards will require 9% to 35% EPS growth over the three year performance period (for 15% to 100% vesting for this part of the award)[1]. The LTIP award levels for 2016 will be 150% of salary for the Chief Executive, 125% of salary for the Group Finance Director and 100% of salary for the President of Rotork Controls Inc. (increased from 125% for the Chief Executive and 100% for the Group Finance Director in 2015). These increased award levels are within the Policy Report maximum of 150% of salary and are designed to increase the competitiveness of the long term incentive opportunity. The Committee is satisfied that the performance targets are appropriately challenging taking into account expected performance and the proposed award levels.

Planning ahead for the 2017 AGM

During 2016, the Committee intends to review the Policy Report to ensure that it continues to support the business strategy, appropriately incentivises and rewards the Directors for their role in the long term success of the Group and is aligned to the interests of shareholders. This review will coincide with the requirement for the Company to submit the Policy Report to shareholders for approval at the 2017 AGM, and the outcome of the review and the Policy Report itself will be communicated in next year's remuneration report. Any significant changes will be subject to prior consultation with major shareholders.

Activities of the Committee during the year

The Remuneration Committee maintains a rolling programme of activities which forms the basis of its scheduled meetings throughout the year. This rolling programme is supplemented by consideration of specific issues as and when they arise. The Committee met five times during the year (in February, March, July, September and December). A summary of its principal activities is set out below:

Summary of 2015 Remuneration Committee business

Setting executive salary	Setting of basic salary for executive Directors for 2016
	Consideration of report from New Bridge Street on executive remuneration
Setting Chairman's remuneration	Setting the remuneration of MJ Lamb as Chairman
Setting LTIP and bonus opportunities	Approval of LTIP award levels and bonus opportunity for 2016 for executive Directors and other members of senior management
	Setting of financial and non-financial bonus targets
	Review of LTIP performance during the year
Reporting	Approval of the Directors' Remuneration Report 2014
Other	Consideration of current investor guidance from institutional investors on remuneration
	Consideration of legal and corporate governance developments
	Consideration of remuneration market trends
	Approval of the Committee's schedule of work for 2016

Directors' Remuneration Report

The Directors' Remuneration Report is presented to shareholders by the Board at the AGM. The Auditor is required to report on the information concerning the single figure of remuneration, total pension entitlements, scheme interests awarded during the financial year, payments made to past Directors (if any), payments for loss of office (if any) and the statement of Directors' shareholdings and share interests shown within the Annual Report on Remuneration.

POLICY REPORT

This report sets out the policy of the Company on the remuneration of the Directors. The Policy Report was approved by shareholders at the AGM of the Company held on 25 April 2014 and took effect from that date. The Policy Report is not subject to a shareholder vote this year but has been reproduced here for ease of reference. The graphs on page 81 have been updated to reflect the current salaries of the executive Directors.

Role of the Committee

The principal role of the Committee is to determine the framework and policy for remuneration of the executive Directors and the Chairman, ensuring that remuneration levels are sufficient but not excessive in order to attract, retain and motivate directors of the quality required to run the Company. The full Terms of Reference of the Committee can be found on the Company's website at: www.rotork.com/en/investors/index/committees.

Key responsibilities include:
- Within the approved policy, determining individual remuneration packages for the Chairman and executive Directors, including the terms of any discretionary share schemes in which executive Directors may be invited to participate, taking into account the level of remuneration for other Rotork Management Board members and being aware of remuneration conditions throughout the Group;
- Agreeing the terms and conditions to be included in service agreements for executive Directors, including termination payments; and
- Selecting, appointing and setting Terms of Reference with any remuneration consultants who may advise the Committee.

[1] The EPS target range for the 2015 LTIP awards was RPI + 10% to RPI + 25%. Further details on the 2015 LTIP grants are set out on page 83.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Consideration of conditions elsewhere in the Company

The Committee is sensitive to employee remuneration conditions in the Group and in determining remuneration takes account of remuneration conditions throughout the Group. While the Committee does not consult with employees on remuneration, it does invite the Group Human Resources Director to its meetings to provide, amongst other things, details of employee remuneration conditions and metrics such as pay rises awarded to employees.

Consideration of shareholder views

In formulating the Policy Report, the Committee takes into account guidance issued by shareholder representative bodies, including the Investment Association, the Pensions and Lifetime Savings Association (formerly the NAPF) and the Institutional Shareholders' Service. The Committee also takes into consideration any views expressed by shareholders during the year (including at the AGM) and encourages an open dialogue with its largest shareholders. Major shareholders would be consulted in advance about changes to the approved Policy Report or any significant proposed changes to the way in which it is implemented.

Overview of the Policy Report
Directors' future policy table

Element of remuneration	Purpose and how it supports the strategy	How the element operates (including maximum amounts payable)	Framework used to assess performance
Base salary	To attract and retain executive Directors of the right calibre and provide a core level of reward for the role.	Salary levels (and subsequent salary increases) are set after taking into account the responsibilities of the role, the value of the individual in terms of skills, experience and personal contribution, Company performance, internal relativities and pay conditions, and external market data (benchmarked against companies of a similar size and complexity and other companies in the same industry sector).The Committee also considers the impact of any increase to salaries on the total remuneration package. Salaries are paid monthly and reviewed annually (salaries are normally reviewed in December, with any changes effective from 1 January). Details of the current salaries of the executive Directors are set out in the Annual Report on Remuneration. Any salary increase will ordinarily be in line with the typical increase (as a percentage of salary) applied to the UK workforce. However, the Committee retains the discretion to award a higher increase if appropriate. For example, where there is a change in responsibility, progression in the role or to reflect the increased experience of the individual.	N/A
Benefits	To attract and retain executive Directors of the right calibre by providing a market competitive level of benefit provision.	The range of benefits that may be provided is set by the Committee after taking into account local market practice in the country where the executive is based. The executive Directors' benefits currently include a car and fuel, or car and fuel allowance, personal accident insurance for UK executive Directors only and private medical insurance. Additional benefits may be provided, as appropriate. Executive Directors are also entitled to membership of the all-employee Rotork Share Incentive Plan (SIP), or Overseas Profit Linked Share Scheme (OPLSS), within the maximum limits as set by HMRC. There is no prescribed maximum level, but the Committee monitors the overall cost of the benefit provision to ensure that it remains appropriately proportionate.	N/A

Element of remuneration	Purpose and how it supports the strategy	How the element operates (including maximum amounts payable)	Framework used to assess performance
Annual cash bonus	Drives and rewards performance against annual financial and operational goals which are consistent with the medium to long term strategic needs of the business.	The maximum annual bonus potential is 125% of salary for the Chief Executive and 100% of salary for other executive Directors. Bonuses are paid in cash.	The executive annual bonus is focused on the delivery of strategically important performance measures. These include demanding financial and non-financial measures. The financial measures (which account for the majority of the bonus potential) are currently based on annual profit target, three year profit growth, EPS and cash generation. The non-financial measures currently include the accident frequency rate and CO_2 emissions. However, the Committee may use different measures and/or weightings for future bonus cycles to take into account changes in the strategic needs of the business. For each measure, normally a sliding scale of stretching targets is set by the Committee, which apply from the beginning of each financial year. The threshold level of bonus under each financial measure varies but accounts for no more than one third of the maximum bonus opportunity under any single measure. Under the terms of the bonus plan, the Committee has the discretion, in exceptional circumstances, to amend previously set targets or to adjust the proposed payout to ensure a fair and appropriate outcome. Policy update: as noted on page 74, and as permitted under the Policy Report, the Committee has approved revised bonus measures for 2016. Bonuses for 2016 will be based on annual profit, cash generation, strategic and personal targets and the accident frequency rate.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Element of remuneration	Purpose and how it supports the strategy	How the element operates (including maximum amounts payable)	Framework used to assess performance
Long Term Incentive Plan (LTIP)	To incentivise long term value creation and alignment with shareholder interests.	The LTIP permits an annual grant of shares which vest, subject to performance and continued employment. The LTIP awards will be granted in accordance with the rules of the plan, which were approved by shareholders in 2010, and the discretions contained therein. A copy of the rules is available on request from the Company Secretary. Under the rules of the LTIP, the maximum award size is 150% of salary. Details of the proposed award level for 2016 are set out in the Annual Report on Remuneration. Awards under the LTIP may be granted in the form of conditional shares, forfeitable shares, nil-cost options or cash (where the award cannot be settled in shares). Awards are currently structured as nil-cost options. The executive Directors are also subject to a shareholding requirement to build and maintain a shareholding in Rotork equivalent to 150% of salary.	Awards under the LTIP are currently subject to two performance conditions. Half of the awards are subject to an EPS performance condition and half of the awards are subject to a relative TSR performance condition, each measured over three financial years. The TSR performance condition is also subject to an underpin relating to underlying financial performance. A sliding scale of targets is set for each measure with no more than 25% of the award (under each measure) vesting for achieving the threshold performance hurdle. The performance targets are set prior to the grant of each award. Different targets and/or weightings between measures may be set for future award cycles. Under the LTIP rules approved by shareholders, the Committee has the discretion to amend the targets applying to existing awards in exceptional circumstances providing the new targets are no less challenging than originally envisaged. The Committee also has the power to adjust the number of shares subject to an award in the event of a variation in the capital of the Company.
Pension	To provide a market competitive remuneration package to enable the recruitment and retention of executive Directors.	The Company may fund contributions to a Director's pension as appropriate. This may include participation in the Company's defined benefit pension schemes (which are now closed to new members), contributions to a money purchase scheme and/or payment of a cash allowance where appropriate. Further details on the Company's policy on pension arrangements (including maximum entitlements) are set out below. Life assurance is provided for executive Directors based in the UK only.	N/A

Element of remuneration	Purpose and how it supports the strategy	How the element operates (including maximum amounts payable)	Framework used to assess performance
Chairman and non-executive Directors' fees	To attract and retain non-executive Directors of the right calibre.	Fees for the Chairman and non-executive Directors are reviewed periodically. Non-executive Director fees are determined by the Chairman and Chief Executive. The fees for the Chairman are determined by the Committee taking into account views of the Chief Executive. The Chairman excludes himself from such discussions. The fees for the non-executive Directors (which are paid quarterly in cash) normally comprise a basic Board fee, with additional fees paid to the Senior Independent Director and for chairing a Committee. The fee levels set are set by reference to rates in companies of comparable size and complexity. The fee levels are reviewed periodically taking into account the responsibilities of the role and the time commitment of the individual. The maximum aggregate fee level is £500,000.	N/A

Performance measures

Performance measures are used to determine the extent of any awards made under the variable elements of the executive Directors' remuneration mix, being the annual cash bonus and the LTIP. The performance measures used are set out in the Directors' future policy table above. The performance measures were selected because of their use as key performance indicators (KPIs) to assess Company performance and to align the interests of the Directors to those of the shareholders. Non-financial KPIs constitute part of the annual cash bonus award and these are selected to ensure that performance measured by financial KPIs is not delivered at the expense of important non-financial considerations, in this case the safety of Rotork's people and Rotork's impact on the environment.

Clawback and malus

The payment of any bonus is at the ultimate discretion of the Committee and the Committee also retains an absolute discretion to reclaim some, or all, of any annual bonus paid in exceptional circumstances, such as misstatement of results, an error in the calculation of the performance targets and/or award size and gross misconduct.

In terms of the LTIP, the Committee has the discretion to reclaim some, or all, of a vested LTIP award in exceptional circumstances (the categories for clawback being the same as for the annual bonus plan). In addition, the Committee may lapse or reduce an award prior to vesting where the participant is found to be guilty of serious misconduct.

Pension policy

PI France and JM Davis are active members of the Rotork Pension and Life Assurance Scheme (Pension Scheme), a defined benefit pension scheme. If they remain active members of the Pension Scheme until their normal retirement age of 60 and 65 respectively, PI France will be entitled to a pension of 66.7% of the earnings cap and JM Davis will be entitled to a pension of 47.5% of the earnings cap (which is set at £149,400 per annum for 2016) but may increase in line with inflation. These figures ignore any benefits transferred from another pension arrangement and the tax implications of remaining in the Pension Scheme until normal retirement age. In addition, they receive a cash allowance on salary above the cap (22.5% for PI France and 18% for JM Davis). GM Ogden was a preserved member of the Pension Scheme and received a cash allowance of 44% of salary in lieu of pension until his retirement on 31 March 2015 when he became a pensioner. RH Arnold is a member of the Rotork Controls Inc. pension scheme and a supplementary executive retirement plan, which in aggregate are targeted to provide a pension of 60% of uncapped basic salary at age 65. The Company's defined benefit pension schemes in the UK and the USA are closed to new entrants. The pension arrangement that would be offered to a new executive Director would be limited to a maximum 25% of salary cash allowance or contribution to one of the Company's defined contribution schemes and/or continued participation in a defined benefit scheme if the executive is an existing member of one of the schemes.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Differences between the policy on Directors' remuneration and the policy on employee remuneration

The Board recognises that it is appropriate for a significant proportion of executive Directors' remuneration to be contingent on the performance of the Company and that such remuneration is at risk subject to the satisfaction of stretching performance conditions. Consequently, executive Directors are invited to participate in the LTIP where shares awarded will vest contingent upon performance conditions over a three year period. Executive Directors are also invited to participate in the annual cash bonus scheme which will result in a cash bonus payment being made if targets are achieved. For employee remuneration, the Board considers it more appropriate that employees share in the success of the Company through a profit based bonus plan which is based on the performance of their business unit. This is coupled with the opportunity, for eligible employees, to receive free shares from the Company, paid from the Company's profits.

Approach to recruitment remuneration

Base salary levels will be set in accordance with Rotork's remuneration policy, taking into account the experience and calibre of the individual and their existing remuneration package. Where it is appropriate to offer a lower salary initially, a series of increases to salary may be given over subsequent years, subject to individual performance. Benefits will generally be provided in accordance with the approved policy, with relocation expenses/an expatriate allowance paid for if necessary.

The structure of the variable pay element will be in accordance with Rotork's approved policy detailed above. The maximum aggregate variable pay opportunity under the policy is up to 275% of salary for the role of Chief Executive and up to 250% of salary for other executive Directors. Different performance measures may be set initially for the annual bonus, taking into account the responsibilities of the individual, and the point in the financial year that the executive joined.

In the case of an external hire, it may be necessary to buy-out incentive pay or benefit arrangements (which would be forfeited on leaving the previous employer). This would be provided for taking into account the form (cash or shares) and timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards, if used, may be granted using Rotork's existing share plans to the extent possible, although awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules.

In the case of an internal hire, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant.

Fees for a new Chairman or non-executive Director will be set in line with the approved Policy Report.

Service contracts and policy on payments for loss of office

Under the executive Directors' service contracts, 12 months' notice of termination of employment is required by either party (except in the case of RH Arnold, see below). Should notice be served, the executives can continue to receive basic salary, benefits and pension for the duration of their notice period, during which time the Company may require the individual to continue to fulfil their current duties or, for PI France or JM Davis, may assign a period of garden leave. The Company applies a general principle of mitigation in relation to termination payments and the service contracts for PI France and JM Davis (which reflect the policy to be used for future hires) expressly include the use of monthly phased payments following termination in lieu of notice which can be reduced to the extent that alternative remunerated employment is found.

The service contracts for PI France and JM Davis also enable the Company to elect to make a payment in lieu of notice equivalent in value to 12 months' base salary only.

RH Arnold does not have a signed service agreement in place. Instead the conditions of his employment are governed by local state law (he is resident in the USA). The Company may terminate his employment without notice or compensation (providing it meets any employer obligations such as the settlement of unpaid holiday entitlement and sick leave).

In the event of cessation of employment, the executives may still be eligible for a bonus at the discretion of the Committee, payable in cash, on a pro rata basis, but only for the period of time served from the start of the financial year to the date of termination and not for any period in lieu of notice. Different performance measures (to the other executive Directors) may be set for the bonus for the period up until departure, as appropriate, to reflect changes in responsibility.

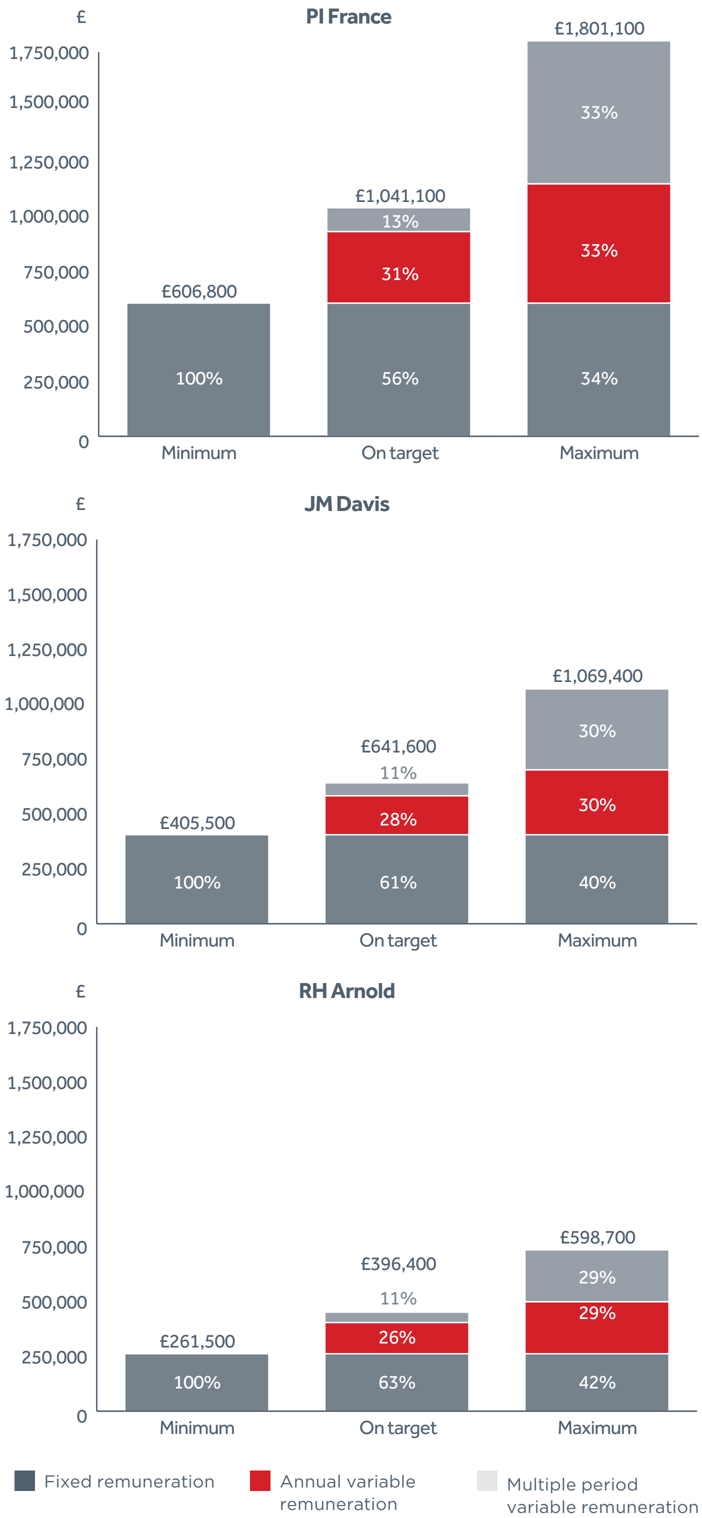
The rules of the LTIP set out what happens to awards if a participant leaves employment before the end of the vesting period. Generally, any outstanding share awards will lapse when an executive leaves employment except in certain circumstances. If the executive ceases to be employed as a result of death, injury, retirement, transfer of employment or any other reason at the discretion of the Committee, then they will be treated as a 'good leaver' under the plan rules. The shares for a good leaver will vest subject to an assessment of performance, with a pro rata reduction to reflect the proportion of the vesting period served. For awards granted in 2013 and prior, the awards for a good leaver will vest on cessation of employment. For awards to be granted in 2014 and beyond, the awards for a good leaver will vest on the normal vesting date, unless the Committee determines that they should vest early (for example, following the death of the participant). In determining whether an executive should be treated as a good leaver and the extent to which their award may vest (up to the pro rated amount), the Committee will take into account the circumstances of an individual's departure.

Outplacement services and reimbursement of legal costs may be provided where appropriate.

Any statutory entitlements or sums to settle or compromise claims in connection with a termination would be paid as necessary.

Illustration of the application of the Policy Report

The charts below illustrate how the Policy Report would function for minimum, on target and maximum performance for 2016 for each executive Director.



Salary levels (and consequently the other elements of the remuneration package which are calculated as a percentage of salary) are based on those applying on 1 January 2016. Taxable benefits are shown as the cost to the Company of supplying those benefits for the year ending 31 December 2015. On target performance, for illustrative purposes, assumes achievement of 60% of the maximum available bonus and threshold LTIP vesting (20% of the maximum). Maximum performance assumes achievement of the maximum bonus and full vesting of the LTIP shares. The LTIP grant level for: RH Arnold is 100% of salary; PI France from 2016 is 150% of salary; and JM Davis from 2016 is 125% of salary. No share price growth has been assumed and for simplicity, the benefit derived from participating in the Company's all employee SIP or OPLSS has been excluded.

DIRECTORS' REMUNERATION REPORT
CONTINUED

ANNUAL REPORT ON REMUNERATION

Single figure of remuneration (£000s) (audited)
Executive Directors

	Salary		Benefits(i)		Annual cash bonus		LTIP(ii)(iv)		Pension and related benefits		Total remuneration	
Name	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
RH Arnold(iii)	**264**	232	**18**	17	**50**	153	**–**	99	**413**	84	**745**	585
JM Davis	**292**	285	**18**	18	**55**	188	**–**	113	**88**	80	**453**	684
PI France	**430**	422	**18**	18	**101**	348	**–**	173	**147**	131	**696**	1,092
GM Ogden(v)	**52**	205	**13**	18	**10**	135	**28**	84	**23**	90	**126**	532

(i) The benefit value consists of a car and fuel (or a car and fuel allowance), private medical insurance (executive Director only) and the cash value on allocation of SIP and OPLSS share awards as appropriate.
(ii) The 2015 figures relate to the vesting of the 2013 LTIP award. The threshold performance targets for the award (which were based on performance over the three financial years to 31 December 2015) were not achieved and the award will lapse in March 2016.
(iii) RH Arnold is paid in US dollars.
(iv) The 2014 figures have been updated to reflect the actual share price on vesting of the 2012 LTIP award.
(v) GM Ogden retired from the Board on 31 March 2015.
(vi) This figure includes an amount of £28,457 which relates to pro rata vesting of GM Ogden's 2013 LTIP award. GM Ogden's 2014 award will, following exercise of the Committee's discretion for the award not to lapse after consideration of its performance, vest in whole part or not at all based on performance at the end of the three year performance period on a pro rata basis.

Directors not performing an executive function (£000s)

	Base fees		Additional fees		Total remuneration	
Name	**2015**	2014	**2015**	2014	**2015**	2014
LM Bell	**43**	20	**–**	–	**43**	20
GB Bullard	**43**	43	**7**	7	**50**	50
SA James	**43**	43	**8**	4	**51**	47
MJ Lamb	**137**	25	**–**	–	**137**	25
RC Lockwood(i)	**45**	140	**–**	–	**45**	140
JE Nicholas	**43**	43	**8**	8	**51**	51

(i) RC Lockwood retired as a director of the Company on 24 April 2015.

Additional fees relate to the supplementary fee paid to the Chairmen of the Audit and Remuneration Committees and the Senior Independent Director.

All Directors have confirmed that, save as disclosed in the single figures of remuneration tables above, they have not received any other items in the nature of remuneration.

Annual cash bonus for 2015
The annual cash bonus is calculated according to targets which total 80% and which are allocated to Directors at 100% of basic salary, except for the Chief Executive where the allocation is 125% of basic salary. The targets, weightings and achievement in relation to performance in 2015 are as follows:

	Performance required to trigger bonus payment	Performance required at target	% payable at target performance	Performance required at maximum	% payable at maximum	Performance outcome	% bonus awarded
Accident frequency rate	0.37	<0.37	5%	<0.37	5%	0.25	5.0%
CO_2 reduction	-1%	-3%	5%	-3%	5%	+18.9%	0.0%
Cash generation	85%	100%	10%	100%	10%	115.4%	10.0%
EPS growth	>13.2p	14.5p	10%	14.5p	10%	10.4p	0.0%
Three year profit growth	>£146.5m	£176.0m	15%	£196.3m	25%	£125.3m	0.0%
Annual profit target	>£149.3m	£155.3m	15%	£159.4m	25%	£125.3m	0.0%
Total	**–**	**–**	**60%**	**–**	**80%**	**–**	**15.0%**

Overall this resulted in the following bonus payments:
- RH Arnold – £50,000 (18.8% of salary);
- JM Davis – £55,000 (18.8% of salary);
- PI France – £101,000 (23.4% of salary); and
- GM Ogden – £10,000 (18.8% of salary) based on pro rata payment following his retirement on 31 March 2015.

LTIP

The LTIP rewards the creation of shareholder value which is a strategic priority. Performance is measured over a three year period using a combination of EPS, growth and TSR compared to a comparator group. The performance measures and weightings are summarised in the table below.

The awards granted and vesting under this plan to the executives are detailed in the table below:

	Note	Year of grant	Awards at 1 January 2015[1]	Awards granted during the year	Awards vesting during the year	Awards lapsed during the year	Awards at 31 December 2015	Vesting date
RH Arnold	(i)	2012	111,140	–	(41,060)	(70,080)	–	5 March 2015
	(ii)	2013	83,620	–	–	–	83,620	3 March 2016
	(iii)	2014	83,080	–	–	–	83,080	7 March 2017
	(iv)	2015	–	100,840	–	–	100,840	6 March 2018
			277,840	**100,840**	**(41,060)**	**(70,080)**	**267,540**	
JM Davis	(i)	2012	126,540	–	(46,750)	(79,790)	–	5 March 2015
	(ii)	2013	92,920	–	–	–	92,920	3 March 2016
	(iii)	2014	103,560	–	–	–	103,560	7 March 2017
	(iv)	2015	–	117,120	–	–	117,120	6 March 2018
			323,020	**117,120**	**(46,750)**	**(79,790)**	**313,600**	
PI France	(i)	2012	193,140	–	(71,360)	(121,780)	–	5 March 2015
	(ii)	2013	141,820	–	–	–	141,820	3 March 2016
	(iii)	2014	153,440	–	–	–	153,440	7 March 2017
	(iv)	2015	–	215,500	–	–	215,500	6 March 2018
			488,400	**215,500**	**(71,360)**	**(121,780)**	**510,760**	
GM Ogden[(v)]	(i)	2012	94,120	–	(34,770)	(59,350)	–	5 March 2015
	(ii)	2013	69,840	–	(13,590)	(56,250)	–	3 March 2016
	(iii)	2014	74,600	–	–	(43,520)	31,080	7 March 2017
			238,560	**–**	**(48,360)**	**(159,120)**	**31,080**	

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

(i) The 2012 awards were based on TSR and EPS performance to 31 December 2014 (each condition accounting for 50% of the award). TSR was measured relative to the FTSE 250 index (excluding all financial services, insurance companies and investment trusts). For the EPS condition, EPS growth must be at least RPI + 10% for 25% vesting, increasing on a straight-line basis to full vesting for EPS growth of RPI + 25% and above. Rotork's actual TSR performance was 48% resulting in 0% of the TSR element of the award vesting. Rotork's actual EPS growth was 28% resulting in 73.9% of the EPS element of the award vesting. The overall vesting of the awards was 37% and the total number of shares vesting in respect of all executives was therefore 193,940[1]. The shares vested on 5 March 2015 and the share price on the date of vesting was £2.50[1].

(ii) The performance conditions for the 2013 awards are based on performance to 31 December 2015. The targets are the same as for the 2012 awards. Rotork's actual TSR performance was 0% and the EPS growth was -16.4% resulting in the minimum performance criteria not being achieved. The awards will lapse in March 2016.

(iii) The 2014 awards were granted on 7 March 2014 and are subject to the same performance targets as the 2013 awards (albeit based on performance to 31 December 2016).

(iv) The 2015 awards were granted on 6 March 2015 and are subject to the same performance targets as the 2012, 2013 and 2014 awards (albeit based on performance to 31 December 2017). Further details on the awards are set out in the table below.

(v) GM Ogden retired from the Board on 31 March 2015. He had been treated as a good leaver in respect of his outstanding LTIP awards (see page 87). The awards continue to vest subject to performance and a time pro rata reduction. For the 2013 LTIP award, performance was measured to the date of cessation of employment. The TSR element of the award did not vest. The EPS element of the award vested at 52.6%. For the 2014 LTIP award, performance will be measured at the end of the performance period (31 December 2016).

LTIP awards made during the year (audited)

	Share awards made during 2015[1]	Basis on which award made	Face value of award	Number of shares vesting for minimum performance[(i)]	Number of shares vesting for maximum performance	End of performance period
RH Arnold	100,840	100% of salary	£251,000	20,168	100,840	31 December 2017
JM Davis	117,120	100% of salary	£292,000	23,424	117,120	31 December 2017
PI France	215,500	125% of salary	£538,000	43,100	215,500	31 December 2017

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

(i) Vesting if the minimum performance EPS and TSR conditions are achieved (20% of the maximum award). The share price used to determine the number of shares under the award was £2.49[1], being the share price immediately prior to the date of the award.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Free SIP and OPLSS share awards (audited)

In common with all eligible employees, UK based executive Directors receive an entitlement to ordinary shares under the SIP which is approved by HMRC. Under the SIP and the OPLSS an aggregate total of up to 5% of profits are distributed to employees each year in the form of ordinary shares. The distribution is calculated by reference to years of service and basic salary. Details of free share awards under the SIP and OPLSS made to executive Directors in 2015 are set out below. Free shares awarded to all three UK executive Directors under the SIP are subject to the HMRC upper limit of £3,600 by value. This limit also applies to the OPLSS for the year under review.

	Date of grant	Free share awards made during the year[1]	Basis on which award made	Face value of award
RH Arnold[(i)]	8 April 2015	1,420	Non performance based	£3,587
JM Davis	8 April 2015	1,420	Non performance based	£3,587
PI France	8 April 2015	1,420	Non performance based	£3,587
GM Ogden[(ii)]	8 April 2015	–	Non performance based	–

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

(i) RH Arnold, in common with other eligible overseas employees, participates in the OPLSS. The scheme Trustee is based in Jersey, Channel Islands. The figure shown for RH Arnold relates solely to OPLSS.
(ii) GM Ogden retired on 31 March 2015 prior to the date of grant and received £6,792.25 in cash being the grossed up amount in lieu of a share award. The share price used for the award was £2.53[1], based on the average share price for the three business days prior to the date of the award.

Partnership SIP share awards (audited)

In line with all eligible UK based employees, UK based Directors are entitled to purchase monthly partnership shares under the SIP to a maximum of £150 per month. Interests in partnership shares as at 31 December 2015 are shown in the table below:

	Partnership share interest as at 31 December 2015
RH Arnold	N/A
JM Davis	8,309
PI France	3,445
GM Ogden	–

Sharesave options granted to executive Directors (audited)

In common with all eligible UK employees, UK based executive Directors are entitled to participate in the HMRC approved Rotork Sharesave Scheme. Under the Sharesave Scheme, employees are permitted to save up to £500 per month for a term of three or five years, after which the employee is allowed to exercise the share option. The option price is determined in accordance with the HMRC approved Sharesave Scheme Rules and is calculated by taking an average of the share price over the five days preceding the invitation date.

The option exercise period is the six months following the lapse of the options.

	Shares under option	Basis on which award made	Option price[1]	Duration	Date of grant	Date of vesting
JM Davis	12,162	Non performance based	£1.48	3 years	13 October 2015	1 December 2018
PI France	20,270	Non performance based	£1.48	5 years	13 October 2015	1 December 2020

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

Sharesave accounts closed/options exercised in 2015

	Shares under option[1]	Basis on which award made	Option Price	Duration	Date of grant	Date of Vesting	Status
JM Davis	4,100	Non performance based	£2.194	3 years	30 September 2013	1 December 2016	Cancelled 23 September 2015
JM Davis	4,020	Non performance based	£2.236	3 years	30 September 2014	1 December 2017	Cancelled 23 September 2015
PI France	11,790	Non performance based	£1.31	5 years	5 October 2010	1 December 2015	Exercised 23 December 2015(ii)
PI France	6,770	Non performance based	£2.236	5 years	30 September 2014	1 December 2019	Cancelled 24 September 2015
GM Ogden(i)	4,100	Non performance based	£2.194	3 years	30 September 2013	1 December 2016	Cancelled 18 September 2015
GM Ogden(i)	4,020	Non performance based	£2.236	3 years	30 September 2014	1 December 2017	Cancelled 18 September 2015

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

(i) GM Odgen retired on 31 March 2015. Following retirement, Sharesave participants can continue saving and buy a reduced number of shares within six months of leaving, using the savings accumulated up to that point.
(ii) The share price on the date of exercise was £1.87.

Statement of Directors' shareholding and share interests (audited)

The table below shows total beneficial shareholdings of the Directors as at 31 December 2015.

	Beneficial shares held		Outstanding LTIP awards	Outstanding options	% Shareholding of salary achieved(i)
	2015	2014[1]	2015	2015	2015
RH Arnold	**414,419**	387,030	**267,450**	**–**	**194%**
JM Davis	**203,969**	185,720	**313,600**	**12,162**	**128%**
PI France	**639,865**	613,910	**510,760**	**20,270**	**272%**
GM Ogden(ii)	**351,004**	388,710	**31,080**	**–**	**–**
LM Bell	**7,150**	–	**–**	**–**	**N/A**
GB Bullard	**45,161**	35,060	**–**	**–**	**N/A**
SA James	**10,500**	10,500	**–**	**–**	**N/A**
MJ Lamb	**70,000**	20,000	**–**	**–**	**N/A**
RC Lockwood	**5,000**	5,000	**–**	**–**	**N/A**
JE Nicholas	**5,000**	5,000	**–**	**–**	**N/A**

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

(i) The share price used to determine the percentage of the shareholding of salary achieved is 182.7p being the share price as at 31 December 2015.
(ii) GM Ogden retired as a Director on 31 March 2015.

Share retention policy statement

All executive Directors are required to maintain a shareholding of at least 150% of basic salary. The policy requires the use of shares vesting under the LTIP to achieve this requirement. All executive Directors have met this requirement, except JM Davis who, due to the share price falling during the year, is now at a shareholding of 128% of salary. There has been no change in the Directors' interests in the ordinary share capital of the Company between 31 December 2015 and 29 February 2016.

DIRECTORS' REMUNERATION REPORT
CONTINUED

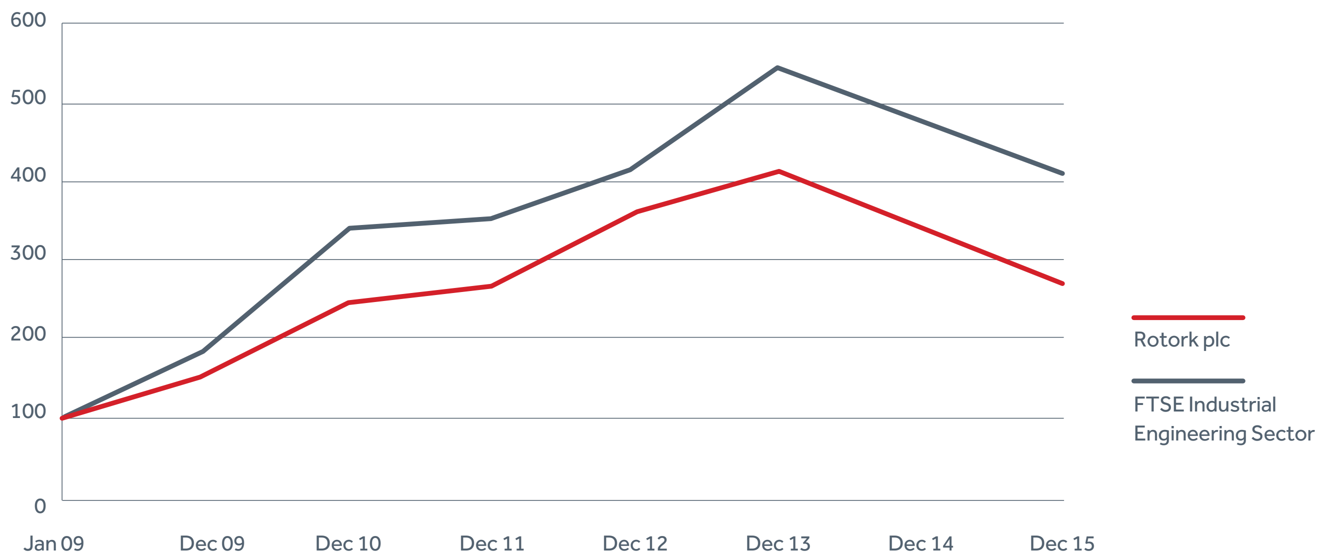
Total pension entitlements (audited)

Director	Normal retirement age	**Total accrued pension in the defined benefit scheme as at 31 December 2015 (£ per annum)**	Value of pension-related benefits (£) accrued during Company financial year to: 31 December 2014			**31 December 2015**		
			Defined benefit scheme	Cash in lieu of pension	Total	**Defined benefit scheme**	**Cash in lieu of pension**	**Total**
RH Arnold	65	**150,934**	83,250	–	83,250	**412,800**	**–**	**412,800**
JM Davis	65	**31,226**	53,900	25,920	79,820	**61,960**	**26,339**	**88,299**
PI France	60	**66,185**	67,360	63,293	130,653	**82,880**	**63,945**	**146,825**
GM Ogden	60	**101,198***	–	90,332	90,332	**–**	**22,990**	**22,990**

* Please refer to note 2 below.

1. The amounts above have been calculated in accordance with Statutory Instrument 2013 No 1981 – The Large and Medium-sized Companies and Groups (Account and Reports) (Amendment) Regulations 2013.
2. The total accrued pension in the defined benefit scheme as at 31 December 2015 is that which would be paid annually on retirement from normal pension age, based on service to 31 December 2015, except for GM Ogden who became a preserved member of the Rotork Pension and Life Assurance Scheme on 5 April 2012 and began drawing his benefits from 5 April 2015. The figure shown for GM Ogden's total benefit as at 31 December 2015 includes deferred revaluation applied to the date he began drawing benefits and deduction for annual allowance tax charges, but does not include any reduction applied for early retirement or exchanging pension for a cash sum, or any subsequent pension increases applied before 31 December 2015.
3. The value of benefits in the defined benefit pension scheme is based on the increase in accrued pension over the year incorporating an increase for Consumer Prices Index (CPI) inflation.
4. GM Ogden became a preserved member of the scheme as at 5 April 2012 and so did not accrue any additional pension during 2015. He receives a cash allowance of 44% of basic salary in lieu of this pension benefit, which amounted to £22,990 in 2015 (up to the date of his retirement).
5. The pensionable salary used to calculate benefits in the defined benefit scheme for PI France and JM Davis is restricted to a scheme specific earnings cap which was £145,800 for 2015. In lieu of this limitation on their benefits under the scheme they receive a monthly cash sum equal to 22.5% and 18% respectively of their basic salary above the scheme's specific cap. During 2015, this resulted in additional cash allowances of £63,945 and £26,339 respectively.
6. The figures shown for RH Arnold are in respect of his membership of the Rotork Controls Inc. pension scheme and a supplemental executive retirement plan so that, in aggregate, the pension arrangements for RH Arnold are targeted to provide a pension of at least 60% of uncapped basic salary at age 65. The valuations of the benefits are affected by movements in the US dollar relative to sterling (which is the cause of the large increase in value over 2015) and are therefore not directly comparable with the directors in the UK scheme. If exchange rates had been unchanged from those used for 2014, then the increase in the value of RH Arnold's benefit over 2015 would have been £94,060. We have assumed that RH Arnold does not contribute to this arrangement.
7. The accrued pension figures for PI France include a fixed transfer-in pension amount of £5,123 which is payable from his normal retirement date at age 60.

TSR performance graph



Historic Chief Executive remuneration table

Year	Chief Executive	Chief Executive single figure remuneration (£000s)	Annual cash bonus as a % of maximum opportunity	LTIP vesting rate as a % of maximum opportunity
2015	PI France	696	23.4%	0%
2014	PI France	1,092	66.0%	37.0%
2013	PI France	1,452	94.4%	67.0%
2012	PI France	1,539	91.3%	75.5%
2011	PI France	1,182	88.9%	30.0%
2010	PI France	1,288	91.9%	94.4%
2009	PI France	1,062	99.5%	100.0%

Percentage change in remuneration of Director undertaking the role of Chief Executive

This shows the percentage change in remuneration (salary, benefits and bonus) between 2014 and 2015 of the Chief Executive, PI France, compared to percentage change for UK employees, being the group against which salary increases are compared, calculated on a per head basis.

The remuneration breakdown varies from country-to-country so the best comparison should be provided by looking at total remuneration. Total remuneration per employee has reduced year on year by 2%. However, this comparison is distorted by currency movements as the average salary increase between 2014 and 2015 for overseas employees was 2.8% and for the UK workforce was 1.9%.

	PI France Chief Executive	Average per UK employee
	2015 % change from 2014	2015 % change from 2014
Base salary	1.8%	1.9%
Benefits	3.4%	(14.6%)
Bonus	(71%)	(40%)

Relative importance of spend on pay

The following table shows actual expenditure of the Company and change in spend between current and prior financial periods on remuneration paid to all employees against distributions to shareholders.

	2015	2014	% change
Employee remuneration (£000s)	**139,136**	143,579	(3.2%)
Dividends (£000s)[i]	**43,765**	42,702	2.5%

(i) Dividends paid were the only distributions to shareholders during the year.

Retirement of GM Ogden

GM Ogden retired from the Company on 31 March 2015. He did not receive any compensation for loss of office. He received a prorated annual cash bonus for 2015 as set out in the single figure of remuneration table on page 82. The Committee has exercised its discretion in relation to his outstanding LTIP awards for 2013 and 2014 for them not to lapse on his retirement in line with the relevant scheme rules applicable for each award. The Committee considered that the use of its discretion in this way was justified given GM Ogden's length of service as an employee and overall contribution to the Group. The awards remained eligible for vesting subject to performance and a time pro rata reduction to reflect the proportion of the performance period served. For the 2013 award, under the plan rules, performance was measured to the date of cessation of employment. This resulted in 13,600 of shares vesting to GM Ogden with respect to the 2013 award. For the 2014 award performance is measured until the end of the outstanding performance period being 31 December 2016 and there will be a pro rata vesting in the event that the performance criteria are achieved. Any outstanding Sharesave or SIP awards will vest in accordance with their terms.

Retirement of RH Arnold

As announced in March 2016, RH Arnold will retire from Rotork in August 2016, following 38 years' of service with the Group, including 28 years as President of Rotork Controls Inc.. He will not receive any compensation for loss of office. He will be eligible to receive a prorated annual cash bonus for 2016 based on the period worked. The Committee has exercised its discretion in relation to his outstanding LTIP awards for them not to lapse on his retirement in line with the relevant scheme rules applicable for each award. The Committee considered that the use of its discretion in this way was justified given his length of service and overall contribution to the Group. The awards will remain eligible for vesting (on the normal vesting date) subject to performance and a time pro rata reduction to reflect the proportion of the performance period served. Any outstanding OPLSS awards will vest in accordance with their terms.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Statement of implementation of the remuneration policy in 2016
The base salaries for the executive Directors were reviewed in December 2015 and the percentage increases shown below (effective from 1 January 2016) were agreed by the Committee. This is consistent with the typical increase for the UK workforce (which was 1%).

The salaries from 1 January 2016 are therefore as follows:
- RH Arnold – US$393,657 (1%);
- JM Davis – £295,046 (1%); and
- PI France – £434,300 (1%).

Following a review, the Committee decided to make certain changes to the annual cash bonus for 2016. The three year profit growth and EPS target will be removed, and strategic and personal targets are being introduced to more appropriately reflect the business strategy. The annual cash bonus for 2016 will therefore be based on annual profit target (60%), cash generation (15%), accident frequency rate (5%), and strategic and personal target objectives (20%). As was the case in 2015, the maximum cash bonus potential is 100% of basic salary for executive Directors, except for the Chief Executive where the bonus potential is 125% of basic salary. The specific targets relating to the cash bonus have not been disclosed as they are considered by the Committee to be commercially sensitive, but full details will be given on a retrospective basis in next year's report.

The LTIP award levels for 2016 will be 150% of salary for the Chief Executive, 125% of salary for the Group Finance Director and 100% of salary for the President of Rotork Controls Inc. (increased from 125% for the Chief Executive and 100% for the Group Finance Director in 2015). These increased award levels are within the Policy Report maximum of 150% of salary and are designed to increase the competiveness of the long term incentive opportunity.

Consistent with the approach used in previous years, the LTIP performance conditions will be subject to TSR and EPS performance conditions (each accounting for 50% of the award). TSR will be measured relative to the FTSE 250 Index excluding all financial services, insurance companies and investment trusts with 25% vesting at median increasing to full vesting for upper quartile performance or above. For the EPS condition, EPS growth must be at least 9% for 15% vesting, increasing on a straight-line basis to full vesting for EPS growth of 35% and above. The revised target range, which is no longer referenced to the UK RPI, reflects the increasingly international nature of the Company and the expected future outlook for the business given the uncertain macro-economic environment. The Committee is satisfied that the EPS targets remain appropriately challenging given the current outlook for the Group and the proposed award levels.

The fees for the non-executive Directors were reviewed in December 2015. The fee for the Chairman was reviewed in March 2015 as part of the search process for a successor Chairman. The current fee policy is:
- Chairman: £180,000;
- Base Board fee: £47,000;
- Additional fee for chairing the Audit Committee £10,000;
- Additional fee for chairing the Remuneration Committee £8,000; and
- Additional fee for the role of Senior Independent Director £8,000.

Consideration by the Directors of matters relating to Directors' remuneration
The members of the Committee are: GB Bullard (Chairman), LM Bell, SA James and JE Nicholas. MJ Lamb ceased to be a member when he became Chairman of the Board. The Committee invites the Group Human Resources Director to inform the Committee of pay awards throughout the Group when setting executive Director remuneration. The Chairman and Chief Executive are also invited to attend meetings except when their own remuneration is considered. The Company Secretary acts as secretary to the Committee.

New Bridge Street is remuneration advisor to the Committee and was appointed by the Committee in September 2013 following a retendering process. New Bridge Street is a trading name of Aon plc and a signatory to the Remuneration Consultants' Group Code of Conduct. A subsidiary of Aon plc is also the scheme actuary for the Group's USA pension plan. The Committee is satisfied that New Bridge Street is sufficiently independent to act as remuneration adviser to the Committee.

In 2015, the Company paid £54,926 (2014: £52,068) to New Bridge Street for services to the Committee.

Statement of voting at general meeting
At the 2015 AGM of the Company, the percentages of votes cast 'for', 'against' and 'withheld' in respect of the Directors' Remuneration Report were as follows:

Resolution	Votes cast 'for'	Votes cast 'against'	Votes 'withheld'
To approve the Directors' Remuneration Report	99.6	0.40%	0%

'Against' votes cast at the AGM were a very small proportion of the overall votes and accordingly the Directors did not deem it necessary to take any remedial action regarding these votes.

REPORT OF THE DIRECTORS

The Directors submit their report which incorporates the management report required under the Disclosure and Transparency Rules for listed companies and the audited accounts for the year ended 31 December 2015 as set out on pages 98 to 144. In compiling this report, the Directors have consulted with the management of the Group.

Directors

The names of the Directors in office during the year, still in office at the year end, and their biographies and other details are set out on pages 60 to 61. RC Lockwood and GM Ogden were Directors during the year and resigned from the Board on 31 March 2015 and 24 April 2015, respectively.

Directors' indemnification and insurance

The Company's articles of association provide for the Directors and officers of the Company to be appropriately indemnified, subject to the provisions of the Companies Act 2006. The Company purchases and maintains insurance for the Directors and officers of the Company in performing their duties, as permitted by section 233 Companies Act 2006.

Powers of the Directors

As set out in the Company's articles of association, the business of the Company is managed by the Board who may exercise all the powers of the Company.

Appointment and removal of Directors

The Board may appoint a Director, either to fill a vacancy or as an additional Director. Any Director appointed by the Board must retire at the next AGM of the Company and put themselves forward for reappointment by the shareholders. In accordance with the recommendations of the UK Corporate Governance Code (Code), each member of the Board submits themselves for re-election on an annual basis.

In addition to any power of removal conferred by the Companies Act 2006, the Company may by ordinary resolution remove any Director before the expiration of their period of office and may, subject to the articles of association, by ordinary resolution appoint another person who is willing to act as a Director in their place.

Political donations

No political donations were made during the year. The Group has a policy of not making political donations in any part of the world.

Dividend

The Directors recommend a final dividend of 3.1p per ordinary share (2014: 3.09p) for the year, payable on 16 May 2016 to shareholders on the register on 8 April 2016. An interim dividend for 2015 of 1.95p per ordinary share (2014: 1.92p) was paid on 25 September 2015.

Dividend information has been restated to reflect the subdivision of the Company's ordinary share capital referred to below.

Information required in the Report of the Directors set out in the Strategic Report

Information relating to likely future developments of the Company and its subsidiaries and information relating to the R&D activities of the Company and its subsidiaries is set out in the Strategic Report on pages 2 to 59.

Use of financial instruments

An explanation of the Group policies on the use of financial instruments and financial risk management objectives are contained in note 26 to the accounts.

Post-balance sheet events

There have been no important post-balance sheet events.

Existence of branches outside the UK

The Company has no branches outside of the UK.

Share capital

Details of the Company's share capital including the rights and obligations attached to each class of shares and the ordinary shares issued during 2015 are summarised in note 17 of the financial statements. On 18 May 2015, each of the Company's ordinary shares of 5p were subdivided into 10 ordinary shares of 0.5p each. 0.5p ordinary shares represent over 99.9% of the Company's total share capital and £1 9.5% cumulative preference shares represent less than 0.1% of the Company's total share capital.

There are no securities of the Company carrying special rights with regard to the control of the Company.

At the Company's last AGM held on 24 April 2015, the shareholders authorised the Company to make market purchases of ordinary shares limited to just under approximately 10% of its issued ordinary share capital at that time and of certain issued preference shares, and to allot shares within certain limits approved by the shareholders. These authorities expire at the 2016 AGM and appropriate renewals will be sought.

The Company did not acquire any of its own shares in 2015.

The Company's articles of association contain customary restrictions on the transfer of shares as applicable only in certain limited circumstances (e.g. in relation to transfers to a minor). Save for those provisions, there are no restrictions on the transfer of ordinary shares in the capital of the Company other than certain restrictions which may be required from time to time by law, for example, insider trading law. In accordance with the Model Code, which forms part of the Listing Rules of the UK Listing Authority (as adopted by the Company), Directors and certain employees are required to seek the prior approval of the Company to deal in its shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights. The Company's articles of association contain limited restrictions on the exercise of voting rights (e.g. in relation to disenfranchised shares following the issue of a notice to shareholders under section 793 Companies Act 2006).

The Company's share schemes each contain provisions providing voting rights to the scheme trustee.

Amendments to the Company's articles of association

The Company's articles of association may only be amended by special resolution at a general meeting of the shareholders.

REPORT OF THE DIRECTORS
CONTINUED

Significant agreements – change of control
The Company is not aware of any significant agreements to which it is party that take effect, alter or terminate upon a change of control of the Company following a takeover. There are no agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Greenhouse gas emissions
The disclosures concerning greenhouse gas emissions required by law are set out in the Corporate Social Responsibility Report on page 53.

Disabled persons and employee involvement
The disclosures concerning the Group's policies on the employment of disabled persons and employee involvement are set out in the Corporate Social Responsibility Report on page 54.

Substantial shareholders
As at 31 December 2015, the following notifiable interests in issued share capital had been received by the Company under the Disclosure and Transparency Rules (DTR 5) of the UK Listing Authority. It should be noted that these holdings are likely to have changed since notified to the Company. However, notification of any change is not required until an applicable threshold is crossed.

Identity	Size of holding	Nature of holding
AXA Investment Managers S.A.	5.01%	Indirect
APG Asset Management NV	5.01%	Direct
Blackrock Inc.	4.86%	Indirect
Fiera Capital Corporation	4.23%	Indirect
Mondrian Investment Partners Limited	5.01%[1]	Indirect

[1] The Company was informed on 18 February 2016 that Mondrian Investment Partners Limited had decreased the size of its holding to 4.91% of the voting capital. No other changes to the above have been disclosed to the Company in accordance with DTR 5 between the end of the financial year and 29 February 2016.

Corporate Governance
The Company's Corporate Governance Report can be found on pages 62 to 68.

Disclosure of information to auditors
The Directors who held office at the date of approval of this report of the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

'Going concern' basis of preparation
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 financial statements. In forming this view, the Directors have considered trading and cash flow forecasts, financial commitments, the significant order book with customers spread across different geographic areas and industries and the significant net cash position.

Statement of Directors' responsibility for preparing the Annual Report and Financial Statements
Directors' responsibilities
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the European Union. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:
- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibility statement
We confirm that to the best of our knowledge:
1. The financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
2. The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
3. The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on pages 60 to 61, confirm that, to the best of each person's knowledge and belief:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company;
- The Report of the Directors includes a fair review of the development and performance of the business, and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face; and
- Having taken advice from the Audit Committee, the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategies.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

External Auditor

Upon the recommendation of the Audit Committee and approval of the Board, a resolution to appoint Deloitte LLP as Auditor, and to authorise the Directors to determine their remuneration are to be proposed at the forthcoming AGM.

On behalf of the Board

Stephen Rhys Jones
Company Secretary
29 February 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROTORK PLC

Opinion on financial statements of Rotork plc	In our opinion: the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2015 and of the Group's and the parent company's profit for the year then ended; • the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; • the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 'Reduced Disclosure Framework'; and • the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes 1 to 30. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 'Reduced Disclosure Framework'.
Going concern	As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the directors' statement on the longer-term viability of the Group contained within the Strategic Report on page 47. We have nothing material to add or draw attention to in relation to: • the directors' confirmation on page 91 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures on pages 44 to 47 that describe those risks and explain how they are being managed or mitigated; • the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; • the director's explanation on page 47 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.
Independence	We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

The risks identified are the same risks as identified in the prior year:

Risk	How the scope of our audit responded to the risk
Impairment of the carrying value of goodwill The gross carrying value of goodwill at 31 December 2015 was £222.1m. Details of its valuation are included by management in the 'critical accounting estimates and judgements' section on page 106 and note 10 to the accounts. Management perform an impairment review under IAS 36 'Impairment of Assets' on an annual basis and whenever an indication of impairment exists. Assessment of the carrying value of goodwill and intangible assets is a significant risk due to the quantum of the balance and the number of judgements involved in assessing impairment, in particular in relation to the revenue and profit growth assumptions and the discount rates used for each cash generating unit ('CGU'). During the period management combined a number of the CGUs with the Instruments division to form the Instruments sub group. This new CGU consists of the Fairchild, Soldo, YTC and Midland acquisitions. Following changes in the businesses post acquisition, and cross selling of products within the division it is no longer possible to identify independent cash flows attributable to each of them.	We challenged the reasonableness of the assumptions used in the forecast cashflow model with reference to the budgets approved by the Board. We performed a specific review and challenge, involving internal valuations specialists, of the discount rates applied for each CGU against the Group weighted average cost of capital and third party data relating to premiums applied to take account of cash flows arising in overseas locations. We recalculated management's sensitivity analysis on key assumptions and replaced key assumptions with alternative scenarios e.g. further changes in discount and growth rates. We evaluated the change in identified CGUs against how goodwill is monitored within the business and the extent to which sale of products are made between the businesses. We also reviewed management's assessment that there was no impairment of the individual CGU's prior to the aggregation. We have reviewed the disclosures made in the financial statements and assessed compliance with IAS 36.
Valuation of acquired intangibles During the year, the Group has acquired six businesses, Bifold, Eltav, M&M, OMAS Teknik, Roto Hammer and SMS for total consideration of £147.6m. £66.7m of intangible assets have been identified in relation to the acquisitions in the year. Details of their valuation are included by management in the 'critical accounting estimates and judgements' section on page 106 and note 3 to the accounts. The Bifold acquisition is individually significant with separately identifiable intangible assets valued at £53.6m. The valuation of intangible assets represents a key judgement area based on a number of inputs in the discounted cash flow and royalty relief valuations, which include the discount rates, growth rates and royalty rates. Identified intangibles include brands, customer relationships, order book, intellectual property and product patent design.	Our audit of the acquired intangible assets focused on management's valuation model. We challenged the key assumptions including discount rates, growth rates and royalty rates. We used our internal valuation specialists to support our assessment of the discount rates. We challenged the reasonableness of underlying forecast cash flows through discussions with management, results of the business pre and post-acquisition and review of any related financial due diligence reports.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROTORK PLC
CONTINUED

Risk	How the scope of our audit responded to the risk
Valuation of inventory The Group had inventory of £87.2m at 31 December 2015, held in numerous global locations across several product lines. Details of its valuation are included by management in the 'critical accounting estimates and judgements' section on page 106 and note 14 to the accounts. There is a risk of obsolescence of stock in niche markets and industries where customer demand fluctuates over periods. Both raw materials and finished goods require assessment for provisions based on past and predicted future product usage. The calculation of the provisions requires application of judgement by management. There is a risk that local systems can present inconsistent data and/or management override occurs.	Our audit work assessed the design and implementation of controls in relation to the valuation of inventory with a specific focus on the key judgements related to inventory provisions. At our in-scope components we compared the methodology applied in calculating the provision to the Group's policy. We investigated manual overrides to the application of the policy and obtained evidence to support any significant adjustments. Our work on provisions included agreeing the provision calculations to historical inventory usage and ageing data. We recalculated provisions based on this data.
Defined benefit pension liability valuation The Group has a defined benefit pension net liability of £23.3m (gross liabilities of £180.4m) at 31 December 2015. Details of the valuation of the liability is included by management in the 'critical accounting estimates and judgements' section on page 106 and note 24 to the accounts. There is a risk relating to judgements made by management in valuing the defined benefit pension plans as small changes in the key model input assumptions such as the discount rate, mortality assumption and inflation rate, can have a signficant effect on the valuation of the liability.	We challenged the key assumptions supporting management's valuation of the pension liability. We used our internal actuarial experts to compare the discount, inflation and life expectancy rates against externally derived data and determined whether the key assumptions are reasonable. We challenged management to understand the sensitivity of changes in assumptions and quantify a range of reasonable rates that could be used in their calculation. We also considered the adequacy of the Group's disclosures in respect of the sensitivity of the deficit to changes in these key assumptions.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 70 and 71.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

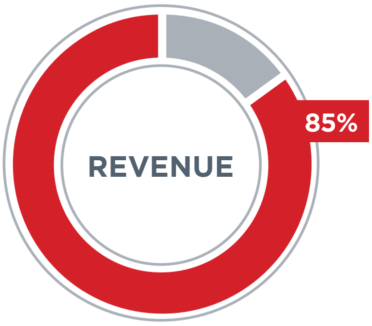
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £5.3m (2014: £6.9m), which is 5% of pre-tax profit. The decrease in materiality is a result of the reduction in profit before tax compared to the prior year.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £106,000 (2014: £138,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at a group level. Based on that assessment, we focused our group audit scope primarily on the audit work at 32 components. 24 components were subject to a full scope audit and audit procedures were performed on key account balances at the other eight locations where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations.



The 32 locations represent the principal business units within the Group's four reportable segments across 16 countries and account for 85% of the Group's revenues, 95% of profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at these locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality ranging from £1.9m to £2.9m.

Due to the significance to the group audit of the 24 components' operations subject to full scope audits, a programme has been designed and implemented for senior members of the group audit team to visit the key components where the group audit scope was focused at least once every three years. As part of the 2015 audit, senior members of the group audit team visited key components in the United Kingdom, Italy, United States of America, China, Korea, Dubai and Australia.

For each of the businesses included within the programme of planned visits, the group audit team also discusses audit findings with the relevant component audit team throughout the audit engagement and reviews relevant audit working papers. For the remaining locations where full audits were completed, we discuss audit findings with the relevant component audit team, review audit working papers in relation to key issues and discuss key matters with divisional management where considered necessary in forming our group audit opinion. In relation to the locations which were subject to an audit of key account balances, we discuss the results of these businesses and accounting matters arising through our involvement in close meetings with management.

At the parent entity level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining 34 components not subject to audit or audit of specified account balances. None of these components represented more than 2% of revenue, profit before taxation or total group net assets individually.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROTORK PLC
CONTINUED

Opinion on other matters prescribed by the Companies Act 2006	In our opinion: • the part of the Directors Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and • the information given in the Strategic Report and the Report of the Directors' for the financial year for which the financial statements are prepared is consistent with the financial statements.
Matters on which we are required to report by exception	
Adequacy of explanations received and accounting records	Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent company financial statements are not in agreement with the accounting records and returns. We have nothing to report in respect of these matters.
Directors' remuneration	Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.
Corporate Governance Statement	Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.
Our duty to read other information in the Annual Report	Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor	As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews. This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.
Scope of the audit of the financial statements	An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Nicola Mitchell FCA
(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
29 February 2016

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £000	2014 £000
Revenue	2	**546,459**	594,739
Cost of sales		**(296,944)**	(309,280)
Gross profit		**249,515**	285,459
Other income	4	**427**	277
Distribution costs		**(4,613)**	(5,466)
Administrative expenses		**(140,877)**	(137,832)
Other expenses	5	**(66)**	(211)
Operating profit before the amortisation of acquired intangible assets		**125,272**	157,167
Amortisation of acquired intangible assets		**(20,886)**	(14,940)
Operating profit	2	**104,386**	142,227
Finance income	7	**1,740**	1,421
Finance expense	7	**(4,257)**	(2,483)
Profit before tax	8	**101,869**	141,165
Income tax expense	9	**(27,012)**	(37,963)
Profit for the year		**74,857**	103,202
Basic earnings per share	18	**8.6p**	11.9p[1]
Adjusted basic earnings per share	18	**10.4p**	13.2p[1]
Diluted earnings per share	18	**8.6p**	11.9p[1]
Adjusted diluted earnings per share	18	**10.4p**	13.1p[1]

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £000	2014 £000
Profit for the year	**74,857**	103,202
Other comprehensive income		
Items that may be subsequently reclassified to the income statement:		
Foreign exchange translation differences	**(6,511)**	(869)
Effective portion of changes in fair value of cash flow hedges net of tax	**(1,448)**	(1,810)
	(7,959)	(2,679)
Items that are not subsequently reclassified to the income statement:		
Actuarial gain/(loss) in pension scheme net of tax	**8,049**	(15,341)
Income and expenses recognised directly in equity	**90**	(18,020)
Total comprehensive income for the year	**74,947**	85,182

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2015

	Notes	2015 £000	2014 £000
Non-current assets			
Goodwill	10	**222,086**	149,679
Intangible assets	11	**118,555**	72,270
Property, plant and equipment	12	**72,008**	64,050
Deferred tax assets	13	**13,698**	15,703
Other receivables	15	**2,234**	1,976
Total non-current assets		**428,581**	303,678
Current assets			
Inventories	14	**87,210**	81,090
Trade receivables	15	**118,801**	128,472
Current tax	15	**4,458**	1,962
Derivative financial instruments	23	**25**	1,913
Other receivables	15	**13,225**	12,586
Cash and cash equivalents	16	**48,968**	46,816
Total current assets		**272,687**	272,839
Total assets		**701,268**	576,517
Equity			
Issued equity capital	17	**4,349**	4,346
Share premium		**10,018**	9,422
Reserves		**(3,989)**	3,970
Retained earnings		**397,424**	359,057
Total equity		**407,802**	376,795
Non-current liabilities			
Interest bearing loans and borrowings	19	**69,756**	1,303
Employee benefits	20	**26,320**	38,864
Deferred tax liabilities	13	**28,973**	20,358
Derivative financial instruments	23	**431**	–
Provisions	21	**11,990**	1,913
Total non-current liabilities		**137,470**	62,438
Current liabilities			
Interest bearing loans and borrowings	19	**50,352**	20,274
Trade payables	22	**36,724**	40,162
Employee benefits	20	**11,118**	16,018
Current tax	22	**14,276**	15,200
Derivative financial instruments	23	**3,601**	1,119
Other payables	22	**34,612**	35,191
Provisions	21	**5,313**	9,320
Total current liabilities		**155,996**	137,284
Total liabilities		**293,466**	199,722
Total equity and liabilities		**701,268**	576,517

These financial statements were approved by the Board of Directors on 29 February 2016 and were signed on its behalf by:

PI France and **JM Davis**, Directors.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	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
Other comprehensive income							
Foreign exchange 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
Total other comprehensive income	–	–	(869)	–	(1,810)	(15,341)	(18,020)
Total comprehensive income	–	–	(869)	–	(1,810)	87,861	85,182
Transactions with owners, recorded directly in equity							
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
Profit for the year	–	–	–	–	–	74,857	74,857
Other comprehensive income							
Foreign exchange translation differences	–	–	(6,511)	–	–	–	(6,511)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	(1,790)	–	(1,790)
Actuarial gain on defined benefit pension plans	–	–	–	–	–	9,704	9,704
Tax in other comprehensive income	–	–	–	–	342	(1,655)	(1,313)
Total other comprehensive income	–	–	(6,511)	–	(1,448)	8,049	90
Total comprehensive income	–	–	(6,511)	–	(1,448)	82,906	74,947
Transactions with owners, recorded directly in equity							
Equity settled share-based payment transactions	–	–	–	–	–	(1,447)	(1,447)
Tax on equity settled share-based payment transactions	–	–	–	–	–	(799)	(799)
Share options exercised by employees	3	596	–	–	–	–	599
Own ordinary shares acquired	–	–	–	–	–	(2,785)	(2,785)
Own ordinary shares awarded under share schemes	–	–	–	–	–	4,257	4,257
Dividends	–	–	–	–	–	(43,765)	(43,765)
Balance at 31 December 2015	**4,349**	**10,018**	**(4,712)**	**1,644**	**(921)**	**397,424**	**407,802**

Detailed explanations for equity capital, the translation reserve, capital redemption reserve and hedging reserve can be seen in note 17.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £000	2015 £000	2014 £000	2014 £000
Cash flows from operating activities					
Profit for the year		**74,857**		103,202	
Adjustments for:					
Amortisation of intangibles		**20,886**		14,940	
Amortisation of development costs		**1,814**		1,461	
Depreciation		**9,759**		7,996	
Equity settled share-based payment expense		**2,810**		5,160	
(Profit)/loss on sale of property, plant and equipment		**(280)**		88	
Finance income		**(1,740)**		(1,421)	
Finance expense		**4,257**		2,483	
Income tax expense		**27,012**		37,963	
		139,375		171,872	
Decrease/(increase) in inventories		**731**		(1,891)	
Decrease/(increase) in trade and other receivables		**15,664**		(16,349)	
Decrease in trade and other payables		**(6,931)**		(1,327)	
Difference between pension charge and cash contribution		**(5,051)**		(5,241)	
Decrease in provisions		**(56)**		(1,379)	
(Decrease)/increase in employee benefits		**(4,226)**		2,176	
		139,506		147,861	
Income taxes paid		**(35,716)**		(42,992)	
Cash flows from operating activities			**103,790**		104,869
Investing activities					
Purchase of property, plant and equipment		**(11,762)**		(17,518)	
Development costs capitalised		**(3,063)**		(2,676)	
Sale of property, plant and equipment		**1,508**		224	
Acquisition of businesses, net of cash acquired	3	**(133,857)**		(81,263)	
Contingent consideration paid		**(4,536)**		(1,463)	
Interest received		**1,103**		1,048	
Cash flows from investing activities			**(150,607)**		(101,648)
Financing activities					
Issue of ordinary share capital		**599**		584	
Own ordinary shares acquired		**(2,785)**		(6,300)	
Interest paid		**(1,759)**		(1,120)	
Increase in bank loans		**98,326**		19,496	
Repayment of finance lease liabilities		**(100)**		(36)	
Dividends paid on ordinary shares		**(43,765)**		(42,702)	
Cash flows from financing activities			**50,516**		(30,078)
Increase/(decrease) in cash and cash equivalents			**3,699**		(26,857)
Cash and cash equivalents at 1 January			**46,816**		68,873
Effect of exchange rate fluctuations on cash held			**(1,547)**		4,800
Cash and cash equivalents at 31 December	16		**48,968**		46,816

NOTES TO THE GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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

Rotork plc is a company domiciled in England. The consolidated financial statements of the Company for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the Group). The accounting policies contained below in note 1 and the disclosures in notes 2 to 30 all relate to the Group financial statements. The Company balance sheet, Accounting policies and applicable notes can be found following note 30.

1. Accounting policies

The accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

Basis of preparation

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

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

New accounting standards and interpretations

The following narrow scope amendments which were issued as part of the IFRS Annual improvement cycles 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 or on the amounts recognised in the Group's consolidated financial statements.

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 2018.

IFRS9 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.

IFRS16 Leases was issued on 13 January 2016 and has a mandatory effective date of 1 January 2019. The new standard will eliminate the classification of leases as either operating or finance leases and result in operating leases being treated as finance leases. This will result in previously recognised operating leases being treated as property, plant and equipment and a finance lease creditor. The introduction of the standard will increase the value of property, plant and equipment and the finance lease liability on the balance sheet but it is unlikely to have a material impact on the profit in any year. An assessment will be carried out to understand the full impact of the standard prior to it becoming effective in January 2019.

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.

Going concern

After carrying out a detailed review of the viability of the business, 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 financial statements. In forming this view, the directors have considered trading and cash flow forecasts, financial commitments, the significant order book with customers spread across different geographic areas and industries and the net cash position.

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year to 31 December 2015. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. Intra-Group balances and any unrealised gains or losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to sterling at foreign exchange rates at the dates the values were determined.

Assets and liabilities of foreign subsidiaries, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at rates of exchange ruling at the balance sheet date. The revenues and expenses of foreign subsidiaries are translated to sterling at rates approximating those ruling at the date of the transactions. Differences on exchange arising from the retranslation of the opening net investment in subsidiaries, and from the translation of the results of those subsidiaries at average rate, are reported as an item of other comprehensive income and accumulated in the translation reserve.

Any differences that have arisen since 1 January 2004, the date of transition to IFRS, are presented as a separate component of equity. Translation differences that arose before the date of transition to IFRS in respect of all foreign entities are not presented as a separate component.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group’s activities.

Revenue from the sale of actuators, gearboxes and flow control products is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer in accordance with the contracted shipping terms.

Revenue from service work is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated completion costs, the possible return of goods or continuing management involvement with the goods.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

The fair value of the assets and liabilities assumed are provisional for a 12 month period.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Goodwill is stated at cost or deemed cost less any impairment losses. The carrying value of goodwill is reviewed at each balance sheet date and is allocated to cash-generating units (CGU). An impairment loss is recognised whenever the carrying value of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in the income statement.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2015

1. Accounting policies continued

Intangible assets

i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred. Development costs incurred after the point at which the commercial and technical feasibility of the product have been proven, and the decision to complete the development has been taken and resources made available, are capitalised. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Development expenditure has an estimated useful life of five years and is written off on a straight-line basis.

ii) Other intangible assets

Other intangible assets that are acquired by the Group as part of a business combination are stated at cost less accumulated amortisation and impairment losses. The useful life of each of these assets is assessed based on discussions with the management of the acquired business and takes account of the differing natures of each of the intangibles acquired. The assessed useful lives of intangibles acquired are as follows:

Brands and trademarks	4 to 10 years
Customer relationships	2 to 7 years
Product design patents	4 to 8 years
Order backlog	3 months to 1 year

Amortisation is charged on a straight-line basis over the estimated useful life of the assets.

Property, plant and equipment

Freehold land is not depreciated. Long leasehold buildings are amortised over 50 years or the expected useful life of the building where less than 50 years. Other assets are depreciated in equal annual instalments by reference to their estimated useful lives and residual values at the following annual rates:

Freehold buildings	2% to 4%
Short leasehold buildings	period of lease
Plant and equipment	10% to 33%

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation.

Leases

Where fixed assets are financed by leasing agreements, which give rights approximating to ownership, the assets are treated as if they had been purchased and the capital element of the leasing commitments are shown as obligations under finance leases. Assets acquired under finance leases are initially recognised at the present value of the minimum lease payments. The rentals payable are apportioned between interest, which is charged to the income statement, and liability, which reduces the outstanding obligation so as to give a constant rate of charge on the outstanding lease obligations. Costs in respect of operating leases are charged on a straight-line basis over the term of the lease in arriving at the operating profit.

Interest-bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profits. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventory and work in progress
Inventory and work in progress is valued at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost includes all production overheads and the attributable proportion of indirect overhead expenses which are required to bring inventories to their present location and condition. The net realisable value in respect of old and slow moving inventory is assessed by reference to historic usage patterns and forecast future usage.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and short term (with an original maturity less than three months) deposits. Bank overdrafts that are repayable on demand form part of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Equity
Equity comprises issued equity capital, share premium, reserves and retained earnings.

When issued equity capital is repurchased, the amount paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are debited direct to equity and shown as a deduction from retained earnings.

Provisions
i) Warranties
A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty cost data, known issues and management expectations of future costs.

ii) Contingent consideration
The terms of an acquisition may provide that the value of the purchase consideration, which may be payable in cash at a future date, depends on uncertain future events. The amounts recognised in the financial statements represent a fair value estimate at the balance sheet date of the amounts expected to be paid.

Employee benefits
i) Pension plans
Where the Group operates a defined benefit pension scheme, contributions are made in accordance with qualified actuaries' recommendations. In respect of all actuarial gains and losses that arise in calculating the Group's obligation in respect of the plans, these are recognised in equity. Interest on pension scheme liabilities has been recognised within financing expenses.

The Group also operates defined contribution pension schemes. The costs for these schemes are recognised in the income statement as incurred.

ii) Share-based payment transactions
The Rotork Sharesave Plan, introduced in 2004, offers certain employees the opportunity to purchase shares in Rotork plc at a discounted price compared with the market price at the time of grant. Details of the scheme are given in note 25. The fair value of the right/option is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period between grant and maturity. The right/option reaches maturity when the employee becomes unconditionally entitled. The fair value of the grant is measured using a Black-Scholes model, taking into account the terms and conditions upon which the rights were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

The Rotork Long Term Incentive Plan grants awards of shares to executive directors and senior managers. These awards may vest after a period of three years dependent upon both market and non-market performance conditions being met. Details of the grants are given in note 25. The fair value of the award is measured at grant date, using a Monte Carlo simulation model which takes into account the market based performance criteria, and spread over the vesting period. The fair value of the award is recognised as an employee expense with a corresponding increase in equity for the share settled award. The amount recognised as an expense is adjusted to exclude options that do not vest as a result of non-market performance conditions not being met.

The Overseas Profit Linked Share Plan (OPLSS) and the Share Incentive Plan (SIP) are discretionary profit linked shares schemes based on the prior year profit of the participating Rotork companies. The value of the award to each employee is based on salary and the length of service, the value of the awards can be up to £3,600. Shares awarded under these schemes are issued by the trustee at the cost of purchase. The costs of providing these plans are recognised in the Consolidated Income Statement over the period to which the employee has earned the award.

iii) Long term service leave
The Group's net obligation in respect of long term service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

iv) Other employee benefits
The Group offers a number of discretionary bonus schemes to employees around the world. The costs of these schemes are recognised in the income statement as incurred.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2015

1. Accounting policies continued

Derivative financial instruments

The Group uses forward exchange contracts and swaps to hedge its exposure to foreign exchange risk arising from operational and financing activities. These are the only derivative financial instruments used by the Group. In accordance with its Treasury Policy, the Group does not hold or issue contracts for trading purposes. Forward exchange contracts that do not qualify for hedge accounting are accounted for as trading instruments.

Forward exchange contracts are recognised initially at fair value. Where a forward exchange contract is designated as a hedge of the variability in cash flows of a recognised liability, a firm commitment or a highly probable forecasted transaction, the effective part of any gain or loss on the forward contract is recognised directly in equity. Any effective cumulative gain or loss is removed from equity and recognised in the income statement at the same time as the hedged transaction. The ineffective part of any gain or loss is recognised in the income statement immediately.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss held in equity is recognised in the income statement immediately.

Dividends

Interim dividends are recorded in the financial statements when they are paid. Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders.

Critical accounting estimates and judgements

Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year are listed below.

i) Impairment of intangible assets

Intangible assets (other than goodwill) are amortised over their useful lives which are based on management's estimates of the period over which the assets will generate revenue. The useful lives are periodically reviewed to ensure they continue to be appropriate. Changes to the estimates used can result in significant variations in the carrying value.

The Group assesses the impairment of intangible assets subject to amortisation whenever events or changes in circumstances indicate that the carrying value might not be recoverable. Additionally, goodwill arising on acquisitions and indefinite lived assets are subject to impairment review. The Group undertakes an impairment review annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors considered important that could trigger an impairment review of intangible assets include the following:

- Significant underperformance relative to historical or projected future operating results;
- Significant changes in the use of the acquired assets or the strategy for the overall business; or
- Significant negative industry or economic trends.

The key assumptions in the value in use calculations are the discount rate and growth rates. Explanations of the estimates, judgements and sensitivities in respect of the current year impairment review are detailed in note 10.

ii) Valuation of acquired intangible assets

Acquisitions may result in the recognition of customer relationships, brands and trademarks, product design patents and order backlogs. These are valued using discounted cash flow models or a relief from royalty method. In applying these methodologies certain key judgements and assumptions are made over discount rates, growth rates, royalty rates and tax rates where a group of companies is acquired. Further details of the accounting policies are shown earlier in this note and the valuation of the acquired intangible assets are shown in note 11.

iii) Valuation of inventory

The Group inventory is spread across all of the Group's global locations. The provisions made to write down slow-moving and obsolete inventory are based on an assessment of market developments and on an analysis of historic and projected usage. The calculation of the provisions requires application of judgement by management.

iv) Retirement benefits

The Group's financial statements include costs in relation to, and provisions for, retirement benefit obligations. The costs and the present value of any pension value of any related pension assets and liabilities depend on such factors as life expectancy of the members, salary increases, inflation, the returns that the plan assets will generate and the discount rate to calculate the present value of the liabilities. The Group uses previous experience and impartial actuarial advice to calculate the present value of the liabilities. The estimates and the effects of variances in the key estimates are shown in note 24.

2. Operating segments

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.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

Geographic analysis

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

Analysis by operating segment

	Controls 2015	Fluid Systems 2015	Gears 2015	Instruments 2015	Elimination 2015	Unallocated 2015	Group 2015
Revenue from external customers	**286,708**	**149,228**	**46,072**	**64,451**	**–**	**–**	**546,459**
Inter segment revenue	**–**	**–**	**12,562**	**2,875**	**(15,437)**	**–**	**–**
Total revenue	**286,708**	**149,228**	**58,634**	**67,326**	**(15,437)**	**–**	**546,459**
Adjusted operating profit	**85,479**	**15,215**	**11,991**	**18,306**	**–**	**(5,719)**	**125,272**
Amortisation of acquired intangible assets	**(3,326)**	**(2,300)**	**(990)**	**(14,270)**	**–**	**–**	**(20,886)**
Operating profit	**82,153**	**12,915**	**11,001**	**4,036**	**–**	**(5,719)**	**104,386**
Net finance expense							**(2,517)**
Income tax expense							**(27,012)**
Profit for the year							**74,857**

	Controls 2014	Fluid Systems 2014	Gears 2014	Instruments 2014	Elimination 2014	Unallocated 2014	Group 2014
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
Adjusted operating profit	104,709	31,180	13,011	14,433	–	(6,166)	157,167
Amortisation of acquired intangible 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 finance expense							(1,062)
Income tax expense							(37,963)
Profit for the year							103,202

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2015

2. Operating segments continued

	Controls 2015	Fluid Systems 2015	Gears 2015	Instruments 2015	Unallocated 2015	Group 2015
Depreciation	**4,585**	**2,560**	**1,194**	**1,369**	**51**	**9,759**
Amortisation:						
– Other intangibles	**3,326**	**2,300**	**990**	**14,270**	**–**	**20,886**
– Development costs	**1,514**	**148**	**67**	**85**	**–**	**1,814**
Non-cash items: equity settled share-based payments	**1,911**	**549**	**351**	**103**	**(104)**	**2,810**
Net financing expense	**–**	**–**	**–**	**–**	**(2,517)**	**(2,517)**
Acquired as part of business combinations:						
– Goodwill	**1,321**	**–**	**3,933**	**69,206**	**–**	**74,460**
– Intangible assets	**3,048**	**–**	**4,951**	**58,685**	**–**	**66,684**
Capital expenditure	**5,093**	**4,970**	**811**	**818**	**46**	**11,738**

	Controls 2014	Fluid Systems 2014	Gears 2014	Instruments 2014	Unallocated 2014	Group 2014
Depreciation	4,396	2,012	813	715	60	7,996
Amortisation:						
– Other intangibles	3,477	1,585	428	9,450	–	14,940
– Development costs	1,342	20	44	55	–	1,461
Non-cash items: equity settled share-based payments	2,779	1,162	574	181	464	5,160
Net financing expense	–	–	–	–	(1,062)	(1,062)
Acquired as part of business combinations:						
– Goodwill	–	1,753	–	43,301	–	45,054
– Intangible assets	–	1,346	–	31,042	–	32,388
Capital expenditure	6,082	6,820	3,875	613	2	17,392

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

Geographical analysis:

Revenue by location of subsidiary	2015	2014
UK	**64,415**	57,424
Italy	**57,254**	66,447
Rest of Europe	**92,908**	110,790
USA	**137,898**	144,366
Other Americas	**30,698**	36,327
Rest of World	**163,286**	179,385
	546,459	594,739

	UK 2015	Rest of Europe 2015	USA 2015	Other Americas 2015	Rest of World 2015	Group 2015
Non-current assets:						
– Goodwill	**81,328**	**53,645**	**48,817**	**740**	**37,556**	**222,086**
– Intangible assets	**60,917**	**20,833**	**16,827**	**–**	**19,978**	**118,555**
– Property, plant and equipment	**25,675**	**22,362**	**7,834**	**618**	**15,519**	**72,008**

	UK 2014	Rest of Europe 2014	USA 2014	Other Americas 2014	Rest of World 2014	Group 2014
Non-current assets:						
– Goodwill	14,107	53,409	42,565	759	38,839	149,679
– Intangible assets	11,972	21,767	16,824	–	21,707	72,270
– Property, plant and equipment	21,770	18,257	7,265	801	15,957	64,050

3. Acquisitions

i) Bifold

On 27 August 2015, the Group acquired 100% of the share capital of Bifold Group Limited (Bifold) for £125,643,000. Bifold is a leading manufacturer of pneumatic and hydraulic instrument valves and components focused on the oil and gas industry and wider industrial markets, headquartered in Manchester, UK. The acquired business is reported within the Instruments division. In the four months to 31 December 2015 Bifold contributed £10,893,000 to Group revenue and £2,004,000 to consolidated operating profit before amortisation. The amortisation charge in the four month period from the acquired intangible assets was £4,141,000.

If the acquisition had occurred on 1 January 2015 the business would have contributed £33,296,000 to Group revenue, £4,388,000 to Group operating profit and £3,534,000 to profit attributable to equity shareholders.

ii) Other acquisitions

The Group acquired 100% of the share capital of M&M International Srl (M&M) for £7,649,000 on 3 August 2015. M&M is a leading manufacturer of solenoid valves, piston actuated valves and automatic drain valves for use in commercial and industrial flow control industries based in Bergamo, Italy. The acquired business is reported within the Instruments division.

The Group acquired 100% of the share capital of Roto Hammer Industries Inc. (Roto Hammer) for £8,215,000 on 24 September 2015. Roto Hammer is a manufacturer of custom-designed chain wheel manual valve operators based in Tulsa, USA. The acquired business is reported within the Gears division.

The Group acquired 100% of the share capital of Servo Moteurs Service sarl (SMS) for £1,303,000 on 29 September 2015. SMS, an actuator service business based in Marseilles, France. The acquired business is reported within the Controls division.

The Group acquired 100% of the share capital of Eltav Wireless Monitoring Limited (Eltav) for £1,980,000 on 30 October 2015. Eltav is engaged in the research and development of wireless systems for monitoring production activity in the process industry based in Tel-Aviv, Israel. The acquired business is reported within the Instruments division.

The Group purchased the assets of the actuator and service business of a former Rotork agent, OMAS Teknik based in Turkey for £2,843,000 on 26 February 2015. This purchase is reported within the Controls division.

In the period from acquisition to 31 December 2015, the other acquisitions contributed £4,305,000 to Group revenue and £836,000 to consolidated operating profit before amortisation. The amortisation charge in respect of these acquisitions during the year was £1,031,000. If these other acquisitions had occurred on 1 January 2015 they would have contributed £11,497,000 to Group revenue, £1,372,000 to Group operating profit and £730,000 profit attributable to equity shareholders.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2015

3. Acquisitions continued

iii) Acquisitions fair value table

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

	Bifold			Other acquisitions			Total
	Book value	Adjustments	**Provisional fair value**	Book value	Adjustments	**Provisional fair value**	**Provisional fair value**
Non-current assets							
Property, plant and equipment	5,251	–	**5,251**	1,308	1,448	**2,756**	**8,007**
Intangible assets	–	53,599	**53,599**	11	13,074	**13,085**	**66,684**
Deferred tax asset	–	–	**–**	–	518	**518**	**518**
Current assets							
Inventory	7,115	(304)	**6,811**	1,835	(260)	**1,575**	**8,386**
Trade and other receivables	7,849	(80)	**7,769**	2,454	8	**2,462**	**10,231**
Corporation tax	–	–	**–**	188	–	**188**	**188**
Cash	1,030	–	**1,030**	1,117	–	**1,117**	**2,147**
Current liabilities							
Trade and other payables	(4,643)	(271)	**(4,914)**	(1,667)	(285)	**(1,952)**	**(6,866)**
Employee benefits	–	–	**–**	(544)	–	**(544)**	**(544)**
Warranty provision	(182)	–	**(182)**	–	(50)	**(50)**	**(232)**
Corporation tax	(263)	(200)	**(463)**	(55)	–	**(55)**	**(518)**
Loans and other borrowings	(397)	–	**(397)**	(18)	–	**(18)**	**(415)**
Non-current liabilities							
Deferred tax liability	(102)	(9,980)	**(10,082)**	–	(4,331)	**(4,331)**	**(14,413)**
Total net assets	15,658	42,764	**58,422**	4,629	10,122	**14,751**	**73,173**
Goodwill			**67,221**			**7,239**	**74,460**
Purchase consideration			**125,643**			**21,990**	**147,633**
Paid in cash			**115,143**			**21,604**	**136,747**
Contingent consideration			**10,500**			**386**	**10,886**
Purchase consideration			**125,643**			**21,990**	**147,633**

Cash movements in respect of acquisitions	**Total**
Purchase consideration paid in cash	**136,747**
Cash held in acquired subsidiary	**(2,147)**
Price adjustment in respect of YTC acquisition in 2014	**(743)**
	133,857

The adjustments shown in the table represent the alignment of accounting policies of the acquired businesses to Rotork Group policies and the fair value adjustments of the assets and liabilities at the acquisition date of each of the businesses.

Due to their contractual dates, the fair value of receivables (shown above) approximate to the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial.

The contingent consideration in respect of Bifold is payable in 2017 or 2018 and is dependent on an earnings before interest, tax, depreciation and amortisation (EBITDA) target being achieved.

The goodwill arising from these acquisitions represents the opportunity to grow by exploiting new routes to market via the Rotork sales network and the technical expertise of the acquired workforce. Goodwill arising on acquisition is not deductible for income tax purposes except for the £1,320,000 in respect of the asset purchase.

The intangible assets identified comprise customer relationships, brands, intellectual property, product design patents and acquired order books.

iv) Acquisition costs

Acquisition costs of £1,321,000 have been expensed in administration expenses in the income statement (2014: £598,000).

4. Other income

	2015	2014
Gain on disposal of property, plant and equipment	**325**	111
Other	**102**	166
	427	277

5. Other expenses

	2015	2014
Loss on disposal of property, plant and equipment	**45**	199
Other	**21**	12
	66	211

6. Personnel expenses

	2015	2014
Wages and salaries (including bonus and incentive plans)	**114,806**	117,198
Social security costs	**14,596**	14,891
Pension costs (note 24)	**7,056**	6,085
Share-based payments (note 25)	**2,810**	5,160
(Decrease)/increase in liability for long term service leave	**(132)**	245
	139,136	143,579

	2015 Number	2014 Number
During the year, the average monthly number of employees, analysed by business segment was:		
Controls	**1,787**	1,801
Fluid Systems	**865**	838
Gears	**365**	354
Instruments	**390**	231
	3,407	3,224
UK	**847**	697
Overseas	**2,560**	2,527
	3,407	3,224

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2015

7. Finance income and expense
Recognised in the income statement

	2015	2014
Interest income	**1,119**	1,057
Foreign exchange gains	**621**	364
Finance income	**1,740**	1,421

	2015	2014
Interest expense	**(1,811)**	(1,159)
Interest charge on pension scheme liabilities (note 24)	**(1,181)**	(788)
Foreign exchange losses	**(1,265)**	(536)
Finance expense	**(4,257)**	(2,483)

Recognised in equity

	2015	2014
Effective portion of changes in fair value of cash flow hedges	**(1,123)**	667
Fair value of cash flow hedges transferred to income statement	**(667)**	(3,035)
Foreign currency translation differences for foreign operations	**(6,511)**	(869)
	(8,301)	(3,237)
Recognised in:		
Hedging reserve	**(1,790)**	(2,368)
Translation reserve	**(6,511)**	(869)
	(8,301)	(3,237)

8. Profit before tax
Profit before tax is stated after charging the following:

	Notes	2015	2014
Depreciation of property, plant and equipment:			
– Owned assets	i	**9,714**	7,902
– Assets held under finance lease contracts	i	**45**	94
Amortisation:			
– Other intangibles	i	**20,886**	14,940
– Development costs	i	**1,814**	1,461
Inventory write downs recognised in the year	ii	**3,547**	1,825
Hire of plant and machinery	i	**2,264**	1,893
Other operating lease rentals	i	**4,033**	3,512
Research and development expenditure	iii	**6,588**	7,187
Exchange differences realised	iv	**644**	172

	2015	2014
Audit fees and expenses paid to Deloitte:		
– Audit of these financial statements	**953**	696
– Audit of financial statements of subsidiaries of the Company	**90**	75
	1,043	771
Other auditors of financial statements of subsidiaries of the Company	**7**	18
Total audit fees and expenses	**1,050**	789
Amounts paid to Deloitte and its associates in respect of:		
– Taxation compliance services	**19**	8
– Taxation advisory services	**10**	–
– Half year review	**40**	45
– Corporate finance services	**–**	157
– Other assurance services	**24**	–
	93	210

These costs can be found under the following headings in the income statement:
i) Both within cost of sales and administrative expenses.
ii) Within cost of sales.
iii) Within administrative expenses.
iv) Within financing income and expenses.

9. Income tax expense

	2015	2015	2014	2014
Current tax:				
UK corporation tax on profits for the year	**3,154**		6,122	
Adjustment in respect of prior years	**(668)**		(766)	
		2,486		5,356
Overseas tax on profits for the year	**28,995**		36,283	
Adjustment in respect of prior years	**(232)**		229	
		28,763		36,512
Total current tax		**31,249**		41,868
Deferred tax:				
Origination and reversal of other temporary differences	**(3,540)**		(3,650)	
Impact of rate change	**(732)**		–	
Adjustment in respect of prior years	**35**		(255)	
Total deferred tax		**(4,237)**		(3,905)
Total tax charge for year		**27,012**		37,963
Effective tax rate (based on profit before tax)		**26.5%**		26.9%
Profit before tax		**101,869**		141,165
Profit before tax multiplied by the blended standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)		**20,629**		30,350
Effects of:				
Different tax rates on overseas earnings		**7,910**		8,841
Permanent differences		**1,331**		1,444
Losses not recognised		**463**		–
Research and development credits		**(1,724)**		(1,880)
Impact of rate change		**(732)**		–
Adjustments to tax charge in respect of prior years		**(865)**		(792)
Total tax charge for year		**27,012**		37,963

A tax expense of £799,000 (2014: £274,000) in respect of share-based payments has been recognised directly in equity in the year.

The reduction in the effective tax rate from 26.9% to 26.5% is primarily due the impact of the reduction of the UK rate of corporation tax substantively enacted on 26 October 2015. The Group continues to expect its effective rate of corporation tax to be higher than the standard UK rate due to higher rates of tax in the USA, China, Canada, France, Germany, Italy, Japan and India.

There is an unrecognised deferred tax liability for temporary differences associated with investments in subsidiaries. Rotork plc controls the dividend policies of its subsidiaries and the timing of the reversal of the temporary differences. The value of temporary differences associated with unremitted earnings of subsidiaries for which deferred tax has not been recognised is £307,714,000 (2014: £292,704,000).

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2015

10. Goodwill

	2015	2014
Cost		
At 1 January	**149,679**	105,150
Acquisition through business combinations (note 3)	**74,460**	45,054
Other movements	**(743)**	–
Exchange adjustments	**(1,310)**	(525)
At 31 December	**222,086**	149,679
Provision for impairment		
At 1 January and 31 December	**–**	–
Carrying amounts	**222,086**	149,679

Other movements represents a final purchase price adjustment in respect of YTC which was acquired in 2014.

Cash generating units
Goodwill acquired through business combinations have been allocated to the lowest level of cash generating unit (CGU) and to the division in which it is reported. Where the acquired entity's growth into new markets is through the Group's existing sales network and/or where manufacturing of certain products is transferred to other businesses within a division the lowest level of CGU is considered to be at a divisional sub-group level. During the year Fairchild, Soldo, YTC and Midland were combined to form an Instruments sub-group.

Cash generating unit	Discount rates		2015	2014
Controls				
Schischek	**14.7%**	(2014: 13.3%)	**16,835**	17,874
Other cash generating units	**12.7%-16.7%**	(2014: 14.8%-15.1%)	**10,723**	9,428
			27,558	27,302
Fluid Systems				
Rotork Fluid Systems	**14.4%**	(2014: 15.1%)	**6,728**	7,143
Rotork Sweden	**13.7%**	(2014: 13.3%)	**5,818**	5,965
Other cash generating units	**13.5%-14.8%**	(2014: 14.1%-15.1%)	**13,717**	13,786
			26,263	26,894
Gears				
Other cash generating units	**12.1%-14.7%**	(2014:13.1%-15.1%)	**12,963**	8,991
			12,963	8,991
Instruments				
Bifold	**12.5%**	–	**67,221**	–
Instruments sub-group	**12.5%**	(2014: 13.8%)	**86,016**	86,492
Other cash generating units	**14.6%**	–	**2,065**	–
			155,302	86,492
Total			**222,086**	149,679

Impairment testing
Goodwill is not amortised but is tested annually for impairment.

Value in use calculations are used to determine the recoverable amount of goodwill allocated to each of the CGUs. These calculations use cash flow projections from management forecasts which are based on the budget and the three year plan. The three year plan is a bottom up process which takes place as part of the annual budget process. Once the budget for the next financial year is finalised, years 2 and 3 of the three year plan are prepared by each reporting entity's management reflecting their view of the local market, known projects and experience of past performance. The annual budget and the three year plan are reviewed and approved by the Board each year.

The key assumptions in the annual impairment review which are common to all CGUs are set out below:

i) Long term growth rates
In the period after the three year plan growth rates are forecast at 5% per annum for the first two years and 2% thereafter for each CGU. The 5% rate reflects a realistic market forecast for the flow control market up until 2020. The continued need for our customers to improve their infrastructure by automating valves gives confidence that the growth rate of our market will exceed the long term growth rate of 2% used in the impairment calculations.

ii) Discount rates
The discount rates presented above are pre-tax nominal weighted average cost of capital (WACC) for each of the CGUs. The WACC is the weighted average of the pre-tax cost of debt financing and the pre-tax cost of equity finance.

Sensitivity analysis

Sensitivity analysis has been undertaken for each CGU to assess the impact of any reasonable change in assumptions. Using the key assumptions above and applying sensitivities to these assumptions below, Bifold and the Instruments sub-group would be the first CGUs to trigger a potential impairment. Apart from these there is no reasonable change that would cause the carrying amount of any other CGU goodwill to exceed the recoverable amount.

The Instruments sub-group downside sensitivities have been assessed. A decrease in the growth rate by 7% in each of the next five years or an increase in the discount rate by 3% to 15.5% would result in the headroom being reduced from £44,500,000 in the base case to zero. It is anticipated that as the acquired businesses continue to leverage the sales network opportunities from being part of the Rotork Group the long term growth rate of the CGU should comfortably exceed the growth rates assumed in the impairment review.

Bifold downside sensitivities have also been assessed. A growth rate of 2% per annum from year three of the three year plan would result in a reduction of the headroom from £39,200,000 in the base case to zero. It is anticipated that as Bifold continues to develop its sales of recently launched products, brings more products to market over the next couple of years and at the same time develops the sales network opportunities from being part of the Group, the growth rates will exceed the long term growth rate of 2% used in the impairment review.

11. Intangible assets

		Acquired intangible assets			
	Research and development costs	Brands	Customer relationships	Other	Total
Cost					
1 January 2014	11,096	29,680	38,436	7,730	86,942
Acquisition through business combinations	226	4,808	22,579	4,775	32,388
Internally developed	2,746	–	–	–	2,746
Exchange adjustments	16	(135)	82	(77)	(114)
31 December 2014	14,084	34,353	61,097	12,428	121,962
Acquisition through business combinations	–	11,004	45,414	10,266	66,684
Internally developed	3,050	–	–	–	3,050
Exchange adjustments	13	(25)	(364)	(134)	(510)
31 December 2015	**17,147**	**45,332**	**106,147**	**22,560**	**191,186**
Amortisation					
1 January 2014	6,064	7,725	15,020	4,652	33,461
Charge for the year	1,461	4,188	8,255	2,497	16,401
Exchange adjustments	1	(38)	(121)	(12)	(170)
31 December 2014	7,526	11,875	23,154	7,137	49,692
Charge for the year	1,814	4,974	12,014	3,898	22,700
Exchange adjustments	1	196	74	(32)	239
31 December 2015	**9,341**	**17,045**	**35,242**	**11,003**	**72,631**
Net book value					
31 December 2014	6,558	22,478	37,943	5,291	72,270
31 December 2015	**7,806**	**28,287**	**70,905**	**11,557**	**118,555**

Other acquired intangible assets represent order books and intellectual property.

The amortisation charge is recognised within administrative expenses in the income statement.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 DECEMBER 2015

12. Property, plant and equipment

	Land and buildings	Plant and equipment	Total
Cost			
1 January 2014	33,053	58,674	91,727
Additions	4,063	13,329	17,392
Disposals	–	(1,883)	(1,883)
Acquisition through business combinations	8,144	1,310	9,454
Exchange adjustments	(383)	(644)	(1,027)
31 December 2014	44,877	70,786	115,663
Additions	2,292	9,446	11,738
Disposals	(1,332)	(1,174)	(2,506)
Acquisition through business combinations	5,597	2,410	8,007
Exchange adjustments	(602)	(874)	(1,476)
31 December 2015	**50,832**	**80,594**	**131,426**
Depreciation			
1 January 2014	8,408	37,448	45,856
Charge for the year	1,042	6,954	7,996
Disposals	–	(1,577)	(1,577)
Exchange adjustments	(173)	(489)	(662)
31 December 2014	9,277	42,336	51,613
Charge for the year	1,324	8,435	9,759
Disposals	(320)	(933)	(1,253)
Exchange adjustments	(117)	(584)	(701)
31 December 2015	**10,164**	**49,254**	**59,418**
Net book value			
31 December 2014	35,600	28,450	64,050
31 December 2015	**40,668**	**31,340**	**72,008**

The net book value of the Group’s plant and equipment includes £325,000 (2014: £25,000) in respect of assets held under finance leases.

Net book value of land and buildings can be analysed between:

	2015	2014
Land	**6,310**	6,004
Buildings	**34,358**	29,596
Net book value at 31 December	**40,668**	35,600

It is the Group’s policy to test assets for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. No impairment was identified in the year.

13. Deferred tax assets and liabilities

	Assets 2015	Liabilities 2015	Net 2015	Assets 2014	Liabilities 2014	Net 2014
Property, plant and equipment	**111**	**(1,645)**	**(1,534)**	162	(987)	(825)
Intangible assets	**307**	**(27,086)**	**(26,779)**	54	(18,383)	(18,329)
Employee benefits	**6,876**	**(461)**	**6,415**	9,487	(77)	9,410
Provisions	**4,885**	**–**	**4,885**	4,551	–	4,551
Other items	**4,607**	**(2,869)**	**1,738**	2,915	(2,377)	538
Net tax assets/(liabilities)	**16,786**	**(32,061)**	**(15,275)**	17,169	(21,824)	(4,655)
Set off of tax	**(3,088)**	**3,088**	**–**	(1,466)	1,466	–
	13,698	**(28,973)**	**(15,275)**	15,703	(20,358)	(4,655)

Movements in the net deferred tax balance during the year are as follows:

	2015	2014
Balance at 1 January	**(4,655)**	(5,142)
Credited to the income statement	**4,237**	3,905
Charged directly to equity in respect of share-based payments	**(139)**	(425)
Acquired as part of business combinations	**(13,895)**	(8,046)
(Charged)/credited directly to equity in respect of pension schemes	**(1,655)**	4,491
Credited directly to hedging reserves in respect of cash flow hedges	**342**	558
Exchange differences	**490**	4
Balance at 31 December	**(15,275)**	(4,655)

A deferred tax asset of £13,698,000 (2014: £15,703,000) has been recognised at 31 December 2015. The directors are of the opinion, based on recent and forecast trading, that the level of profits in the current and future years make it more likely than not that these assets will be recovered.

A deferred tax asset of £1,302,000 (2014: £1,519,000) has not been recognised in relation to capital losses. This asset may be recovered if sufficient capital profits are made in future in the companies concerned. There is no expiry date in relation to this asset.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2015

14. Inventories

	2015	2014
Raw materials and consumables	**60,604**	58,590
Work in progress	**8,890**	10,088
Finished goods	**17,716**	12,412
	87,210	81,090

Included in cost of sales was £192,826,000 (2014: £206,104,000) in respect of inventories consumed in the year.

15. Trade and other receivables

	2015	2014
Non-current assets:		
Other non-trade receivables	**2,234**	1,976
Other receivables	**2,234**	1,976
Current assets:		
Trade receivables	**124,285**	130,819
Less provision for impairment of receivables	**(5,484)**	(2,347)
Trade receivables – net	**118,801**	128,472
Corporation tax	**4,458**	1,962
Current tax	**4,458**	1,962
Other non-trade receivables	**2,025**	2,161
Other taxes and social security	**6,002**	6,046
Prepayments	**5,198**	4,379
Other receivables	**13,225**	12,586

16. Cash and cash equivalents

	2015	2014
Bank balances	**35,013**	23,777
Cash in hand	**63**	45
Short term deposits	**13,892**	22,994
Cash and cash equivalents	**48,968**	46,816
Bank overdraft	**–**	–
Cash and cash equivalents in the Consolidated Statement of Cash Flows	**48,968**	46,816

17. Capital and reserves

Share capital and share premium

	0.5p Ordinary shares Issued and fully paid up 2015	£1 Non-redeemable preference shares 2015	0.5p Ordinary shares Issued and fully paid up 2014	£1 Non-redeemable preference shares 2014
At 1 January	**4,346**	**40**	4,344	40
Issued under employee share schemes	**3**	**–**	2	–
At 31 December	**4,349**	**40**	4,346	40
Number of shares (000)	**869,738**		869,279[1]	

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

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

The Group received proceeds of £599,000 (2014: £584,000) in respect of the 458,990 (2014[1]: 573,210) ordinary shares issued during the year: £3,000 (2014: £2,000) was credited to share capital and £596,000 (2014: £582,000) to share premium. Further details of the share awards are shown in note 25.

The preference shareholders take priority over the ordinary shareholders when there is a distribution upon winding up the Company or on a reduction of equity involving a return of capital. The holders of preference shares are entitled to vote at a general meeting of the Company if a preference dividend is in arrears for six months or the business of the meeting includes the consideration of a resolution for winding up the Company or the alteration of the preference shareholders' rights.

Within the retained earnings reserve are own shares held. The investment in own shares held is £3,920,000 (2014: £5,393,000) and represents 1,406,000 (2014[1]: 2,020,980) ordinary shares of the Company held in trust for the benefit of directors and employees for future payments under the Share Incentive Plan and Long Term Incentive Plan. The dividends on these shares have been waived.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Capital redemption reserve

The capital redemption reserve arises when the Company redeems shares wholly out of distributable profits.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments that are determined to be an effective hedge.

Dividends

The following dividends were paid in the year per qualifying ordinary share:

	2015 Payment date	2015	2014
3.09p final dividend[1] (2014[1]: 3.0p)	**19 May**	**26,835**	26,046
1.95p interim dividend (2014[1]: 1.92p)	**26 September**	**16,930**	16,656
		43,765	42,702

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

	2015	2014
Final proposed dividend per qualifying ordinary share		
3.10p	**26,962**	
3.09p[1]		26,861

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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2015

18. Earnings per share

Basic earnings per share

Earnings per share is calculated for both the current and previous years using the profit attributable to the ordinary shareholders for the year. The earnings per share calculation is based on 867.8m shares (2014: 867.4m shares[1]) being the weighted average number of ordinary shares in issue (net of own ordinary shares held) for the year.

	2015	2014[1]
Net profit attributable to ordinary shareholders	**74,857**	103,202
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**867,258**	867,080
Effect of own shares held	**428**	246
Effect of shares issued under Sharesave plans	**131**	68
Weighted average number of ordinary shares during the year	**867,817**	867,394
Basic earnings per share	**8.6p**	11.9p

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

Adjusted basic earnings per share

Adjusted basic earnings per share is calculated for both the current and previous years using the profit attributable to the ordinary shareholders for the year after adding back the after tax amortisation charge.

	2015	2014[1]
Net profit attributable to ordinary shareholders	**74,857**	103,202
Amortisation	**20,886**	14,940
Tax effect on amortisation at effective rate	**(5,538)**	(4,018)
Adjusted net profit attributable to ordinary shareholders	**90,205**	114,124
Weighted average number of ordinary shares during the year	**867,817**	867,394
Adjusted basic earnings per share	**10.4p**	13.2p

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

Diluted earnings per share

Diluted earnings per share is based on the profit for the year attributable to the ordinary shareholders and 869.3m shares (2014: 870.9m shares[1]). The number of shares is equal to the weighted average number of ordinary shares in issue (net of own ordinary shares held) adjusted to assume conversion of all potentially dilutive ordinary shares. The Company has two categories of potentially dilutive ordinary shares: those share options granted to employees under the Sharesave plan where the exercise price is less than the average market price of the Company's ordinary shares during the year and contingently issuable shares awarded under the Long Term Incentive Plan (LTIP).

	2015	2014[1]
Net profit attributable to ordinary shareholders	**74,857**	103,202
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares for the year	**867,817**	867,394
Effect of Sharesave options	**1,214**	1,123
Effect of LTIP share awards	**300**	2,378
Weighted average number of ordinary shares (diluted) during the year	**869,331**	870,895
Diluted earnings per share	**8.6p**	11.9p

Adjusted diluted earnings per share

	2015	2014[1]
Net profit attributable to ordinary shareholders	**74,857**	103,202
Amortisation	**20,886**	14,940
Tax effect on amortisation at effective rate	**(5,538)**	(4,018)
Adjusted net profit attributable to ordinary shareholders	**90,205**	114,124
Weighted average number of ordinary shares (diluted) during the year	**869,331**	870,895
Adjusted diluted earnings per share	**10.4p**	13.1p

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

19. Interest bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings. For more information about the Group's exposure to interest rate, liquidity and currency risks, see note 26.

	2015	2014
Non-current liabilities		
Preference shares classified as debt	**40**	40
Bank loans	**69,645**	1,253
Finance lease liabilities	**71**	10
	69,756	1,303
Current liabilities		
Bank loans	**50,098**	20,259
Finance lease liabilities	**254**	15
	50,352	20,274

Terms and debt repayment schedule

The terms and conditions of outstanding loans were as follows:

	Currency	Interest rates	Year of maturity	**2015**	2014
Non-redeemable preference shares	Sterling	9.5%	–	**40**	40
Bank loans and overdrafts	Sterling, Euro	0%-4.5%	2016-32	**119,743**	21,512
Finance lease liabilities	Sterling, Euro	0%-1.9%	2016-18	**325**	25
				120,108	21,577

Repayment profile

Finance leases and bank loans are payable as follows:

	Principal 2015	**Interest 2015**	**Minimum payments 2015**	Principal 2014	Interest 2014	Minimum payments 2014
Bank loans less than one year	**50,098**	**386**	**50,484**	20,259	45	20,304
Bank loans more than one and less than five years	**68,987**	**73**	**69,060**	494	87	581
Bank loans more than five years	**658**	**99**	**757**	759	113	872
Finance leases less than one year	**254**	**7**	**261**	15	1	16
Finance leases more than one and less than five years	**71**	**2**	**73**	10	1	11
	120,068	**567**	**120,635**	21,537	247	21,784

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2015

20. Employee benefits

	2015	2014
Recognised liability for defined benefit obligations:		
– Present value of funded obligations	**180,406**	187,918
– Fair value of plan assets	**(157,131)**	(151,786)
	23,275	36,132
Other pension scheme liabilities	**239**	435
Employee bonuses	**8,601**	13,105
Long Term Incentive Plan	**80**	404
Employee indemnity provision	**2,495**	1,971
Other employee benefits	**2,748**	2,835
	37,438	54,882
Non-current	**26,320**	38,864
Current	**11,118**	16,018
	37,438	54,882

Defined benefit pension scheme disclosures are detailed in note 24.

21. Provisions

	Contingent consideration	Warranty provision	Total
Balance at 1 January 2015	5,493	5,740	11,233
Exchange differences	(68)	(46)	(114)
Increase as a result of business combinations	10,886	232	11,118
Provisions utilised during the year	(4,536)	(1,828)	(6,364)
Charged to the income statement	–	1,430	1,430
Balance at 31 December 2015	**11,775**	**5,528**	**17,303**
Maturity at 31 December 2015			
Non-current	**10,147**	**1,843**	**11,990**
Current	**1,628**	**3,685**	**5,313**
	11,775	**5,528**	**17,303**
Maturity at 31 December 2014			
Non-current	–	1,913	1,913
Current	5,493	3,827	9,320
	5,493	5,740	11,233

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

Contingent consideration in respect of the Bifold acquisition is £10,500,000, £10,000,000 will become payable if an EBITDA target is achieved at the end of the 2016 or 2017 financial year. Other contingent consideration relates to amounts outstanding in respect of the GTA Group and SMS acquisitions. It is currently anticipated the non-current balance will be paid in 2017.

22. Trade and other payables

	2015	2014
Trade payables	**36,724**	40,162
Corporation tax	**14,276**	15,200
Current tax	**14,276**	15,200
Other taxes and social security	**8,592**	8,123
Payments on account	**6,674**	7,617
Other payables and accrued expenses	**19,346**	19,451
Other payables	**34,612**	35,191

23. Derivative financial instruments

	2015 Assets	2015 Liabilities	2014 Assets	2014 Liabilities
Forward foreign exchange contracts – cash flow hedges	**25**	**975**	1,243	576
Foreign exchange swaps – cash flow hedges	**–**	**3,057**	670	543
	25	**4,032**	1,913	1,119
Less non-current portion:				
Forward foreign exchange contracts – cash flow hedges	**–**	**431**	–	–
Current portion	**25**	**3,601**	1,913	1,119

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

There was no ineffectiveness to be recorded from the use of foreign exchange contracts.

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates. Gains and losses in respect of these derivatives recognised in the hedging reserve in equity at 31 December 2015 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement.

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24. Pension schemes
i) Defined benefit pension schemes
The Group operates two defined benefit pension arrangements the Rotork Pension and Life Assurance Scheme (UK Scheme) and the Rotork Controls Inc. Pension Plan (US Pension plan). On retirement, leaving service or death the Schemes provide benefits based on final salary and length of service.

The UK Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Company must agree with the trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective and contributions to pay for future accrual of benefits.

The UK Scheme is managed by a Trustee, with directors appointed in part by the Group and part from elections by members of the Scheme. The Trustee has responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Trustee delegates some of these functions to its professional advisers where appropriate.

The US Pension Plan is subject to the ERISA funding requirements. A valuation of the Plan is carried out annually to ensure the Funding Objective is met under ERISA by contributing at least the Minimum Required Contribution. As part of this process the Company must contribute to the Plan enough contributions to ensure at least the Minimum Contribution is deposited in the Trust to pay for the accrual of benefits.

The two defined benefit pension arrangements expose the Group to a number of risks:
- Investment risk. The Schemes hold investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Schemes' liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Schemes hold assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. A significant proportion of the benefits under the Schemes are linked to inflation. Although the Schemes' assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.
- Mortality risk. In the event that members live longer than assumed a deficit will emerge in the Scheme.

There were no plan amendments, curtailments or settlements during the period.

Movements in the present value of defined benefit obligations

	2015	2014
Liabilities at 1 January	**187,918**	152,882
Current service costs	**3,353**	2,579
Administration costs	**128**	132
Member contributions	**499**	494
Interest cost	**6,836**	7,035
Benefits paid	**(5,956)**	(4,291)
Actuarial (gain)/loss	**(13,449)**	27,827
Currency loss	**1,077**	1,260
Liabilities at 31 December	**180,406**	187,918

Movements in fair value of plan assets

	2015	2014
Assets at 1 January	**151,786**	132,684
Interest income on plan assets	**5,655**	6,247
Employer contributions	**8,297**	8,038
Member contributions	**499**	494
Benefits paid	**(5,956)**	(4,291)
Return on plan assets, excluding interest income on plan assets	**(3,745)**	7,995
Currency gain	**595**	619
Assets at 31 December	**157,131**	151,786

Expense recognised in the income statement

	2015	2014
Current service costs	**3,353**	2,579
Administration costs	**128**	132
Net interest cost	**1,181**	788
	4,662	3,499

The expense is recognised in the following line items in the income statement

	2015	2014
Cost of sales	**1,193**	962
Administrative expenses	**2,288**	1,749
Net finance expense	**1,181**	788
	4,662	3,499

Remeasurements over the year

	2015	2014
Experience adjustments on plan assets	**(3,745)**	7,995
Experience adjustments on plan liabilities	**1,669**	1,063
Actuarial gain/(loss) from changes to financial assumptions	**7,970**	(27,293)
Actuarial gain/(loss) from changes to demographic assumptions	**3,810**	(1,597)
Experience adjustments on currency	**(482)**	(641)
	9,222	(20,473)

Reconciliation of net defined benefit obligation

	2015	2014
Net defined benefit obligation at the beginning of the year	**36,132**	20,198
Current service costs	**3,353**	2,579
Administration costs	**128**	132
Net financing expense	**1,181**	788
Remeasurements over the year	**(9,222)**	20,473
Employer contributions	**(8,297)**	(8,038)
	23,275	36,132

Liability for defined benefit obligations

The principal actuarial assumptions at 31 December 2015 (expressed as weighted averages):

	UK scheme (% per annum)		US scheme (% per annum)		Weighted average (% per annum)	
	2015	2014	2015	2014	2015	2014
Discount rate	**3.8**	3.6	**4.8**	4.3	**3.9**	3.7
Rate of increase in salaries	**3.7**	3.6	**3.0**	3.0	**3.6**	3.5
Rate of increase in pensions (post May 2000)	**3.1**	3.0	**0.0**	0.0	**2.7**	2.7
Rate of increase in pensions (pre May 2000)	**4.6**	4.6	**0.0**	0.0	**4.1**	4.1
Rate of inflation	**3.2**	3.1	**3.0**	3.0	**3.2**	3.1

The Retail Price Index is used as the rate of inflation as it is a requirement of the pension scheme rules.

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24. Pension schemes continued

The split of the Schemes' assets were as follows:

	2015 Fair value	2014 Fair value
Equities	**75,550**	71,928
Bonds	**60,111**	59,748
Property	**9,687**	8,717
Cash	**137**	1,403
US deposit administration contract	**11,646**	9,990
Total	**157,131**	151,786
Actual return on the Schemes' assets	**1,910**	14,242

The mortality assumptions used are the S1NXA year of birth tables with future improvements in mortality based on the CMI_2015 projections (2014: CMI_2012 projections) with a long-term rate of improvement of 1.25% per annum (2014: 1.25%).

By way of example the respective mortality tables indicate the following life expectancy:

	2015 Life expectancy at age 65		2014 Life expectancy at age 65	
Current age	Male	Female	Male	Female
65	**22.0**	**24.4**	22.5	25.0
45	**23.7**	**26.4**	24.2	26.9

Sensitivity analysis on the Schemes' liabilities

Adjustments to assumptions	Approximate effect on liabilities
Discount rate	
Plus 0.5% pa	(17,300)
Minus 0.5% pa	19,300
Inflation	
Plus 0.5% pa	8,800
Minus 0.5% pa	(8,400)
Salary Increase	
Plus 0.5% pa	3,900
Minus 0.5% pa	(3,700)
Life Expectancy	
Decrease mortality rates by a factor of 10%	5,400
Increase mortality rates by a factor of 10%	(4,900)

The above sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

For the life expectancy sensitivity we have increased/decreased the mortality rates by a factor of 10%. Broadly speaking this decreases/increases the assumed life expectancy by slightly less than one year.

The sensitivity analysis shown above was determined using the same method as per the calculation of liabilities for the balance sheet disclosures, but using assumptions adjusted as detailed above.

Effect of the Schemes on the Group's future cashflows

The Group is required to agree a Schedule of Contributions with the Trustees of the UK Scheme following a valuation which must be carried out at least once every three years. The next valuation of the Scheme will have an effective date of 31 March 2016. In the event that the valuation reveals a larger deficit than expected the Group may be required to increase contributions above those set out in the existing Schedule of Contributions. Conversely, if the position is better than expected, contributions may be reduced.

The Group estimates that cash contributions to the Group's defined benefit pension schemes during 2016 will be £3,029,000 for regular payments (2015: £2,900,000) and £5,500,000 of additional payments in relation to past service (2015: £5,500,000).

The weighted average duration of the defined benefit obligation is 21 years.

ii) Other pension plans

The Group makes a contribution to a number of defined contribution plans around the world to provide benefits for employees upon retirement. Total expense relating to these plans in the year was £3,703,000 (2014: £3,506,000).

25. Share-based payments

The Group awards shares under the Long Term Incentive Plan, the Save As You Earn scheme (Sharesave plan), the Overseas Profit Linked Share Plan (OPLSS) and the Share Incentive Plan (SIP). The equity settled share-based payment expense included in the income statement for each of the plans can be analysed as follows:

	2015	2014
Sharesave plan (a)	**1,093**	361
Long Term Incentive Plan (b)	**(445)**	1,501
OPLSS/SIP profit linked share scheme (c)	**2,162**	3,298
Total expense recognised as employee costs (note 6)	**2,810**	5,160

Volatility assumptions for equity-based payments

The expected volatility of all equity compensation benefits is based on the historic volatility (calculated based on the weighted average remaining life of each benefit), adjusted for any expected changes to future volatility due to publicly available information.

a) Sharesave plan

UK employees are invited to join the Sharesave plan when an offer is made each year. All the offers to date were made at a 20% discount to market price at the time. There are no performance criteria for the Sharesave plan. Employees are given the option of joining either the 3 year or the 5 year scheme.

	3 year scheme		5 year scheme	
	2015	2014[1]	2015	2014[1]
Grant date	**13 October**	30 September	**13 October**	30 September
Share price at grant date	**180p**	277p	**180p**	277p
Exercise price	**148p**	224p	**148p**	224p
Shares granted under scheme	**1,777,023**	499,750	**1,415,398**	722,090
Vesting period	**3 years**	3 years	**5 years**	5 years
Expected volatility	**24.6%**	24.0%	**25.5%**	24.6%
Risk free rate	**0.82%**	1.33%	**1.24%**	1.83%
Expected dividends expressed as a dividend yield	**2.8%**	1.8%	**2.8%**	1.8%
Probability of ceasing employment before vesting	**6%**	20%	**10%**	20%
Fair value	**38p**	68p	**42p**	78p

Movements in the number of share options outstanding and their weighted average prices are as follows:

	2015		2014[1]	
	Average option price per share	Options	Average option price per share	Options
At 1 January	**192p**	**2,864,430**	153p	2,279,630
Granted	**148p**	**3,192,421**	224p	1,221,840
Exercised	**122p**	**(458,990)**	102p	(573,210)
Forfeited	**213p**	**(1,230,494)**	192p	(63,830)
At 31 December	**159p**	**4,367,367**	192p	2,864,430

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

Of the 4,367,367 outstanding options (2014[1]: 2,864,430), 169,000 are exercisable (2014[1]: 141,340).

The Group received proceeds of £599,000 in respect of the 458,990 options exercised during the year: £3,000 was credited to share capital and £596,000 to share premium. The weighted average share price at date of exercise was 201p (2014[1]: 236p).

The weighted average remaining life of 2,137,864 (2014[1]: 1,056,270) awards outstanding under the 3 year plan is 2.6 years. The weighted average remaining life of 2,229,503 (2014[1]: 1,808,160) awards outstanding under the 5 year plan is 3.9 years.

b) Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) is a performance share plan under which shares are conditionally allocated to selected members of senior management at the discretion of the Remuneration Committee on an annual basis. Following shareholder approval of the LTIP at the Company's AGM on 18 May 2000, awards over shares are made to executive directors and senior managers each year.

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25. Share-based payments continued

2010 LTIP

Following shareholder approval of the 2010 LTIP at the Company's AGM on 23 April 2010, awards of shares have been made annually to executive and senior managers. Half of these awards vest under a Total Shareholder Return (TSR) performance condition and half under an earnings per share (EPS) performance condition.

TSR measures the change in value of a share and reinvested dividends over the period of measurement. The actual number of shares transferred will be determined by the number of shares initially allocated multiplied by a vesting percentage. The actual number of shares transferred will be 25% at the 50th percentile rising to 100% at the 75th percentile.

The EPS performance condition is satisfied with 15% of the awards vesting if the EPS growth is RPI + 10% over the vesting period up to a maximum of 100% vesting if EPS growth exceeds RPI +25%.

The performance period for the 2012 awards which ended on 31 December 2014. The TSR element of the award did not vest as the Company was in the 40th percentile relative to the comparator group. The EPS growth was 28.0% over the performance period which exceeded RPI by 20.4%.Messrs. PwC LLP as independent actuaries certified to the Remuneration Committee that there was a 37.0% vesting of this award. These awards vested in 2015.

The performance period for the 2013 awards ended on 31 December 2015. The TSR element of the award did not vest as the Company was in the 13th percentile relative to the comparator group. The EPS element also did not vest as the growth in EPS did not exceed RPI + 10% over the vesting period.

	2015	2014[1]
Grant date	**6 March 2015**	7 March 2014
Share price at grant date[1]	**249p**	275p
Shares granted under scheme[1]	**1,198,890**	1,064,020
Vesting period	**3 years**	3 years
Expected volatility	**22.6%**	25.1%
Risk free rate	**0.9%**	1.0%
Expected dividends expressed as a dividend yield	**2.0%**	1.7%
Probability of ceasing employment before vesting	**5% p.a.**	5% p.a.
Fair value of awards under TSR performance conditions[1]	**111p**	126p
Fair value of awards under EPS performance conditions[1]	**236p**	262p

	Outstanding at start of year[1]	Granted during year	Vested during year	Lapsed	**Outstanding at end of year**
2012 Award	1,226,950	–	(453,210)	(773,740)	**–**
2013 Award	988,320	–	(13,600)	(55,340)	**919,380**
2014 Award	1,064,020	–	–	(43,520)	**1,020,500**
2015 Award	–	1,198,900	–	–	**1,198,900**
	3,279,290	1,198,900	(466,810)	(872,600)	**3,138,780**

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

At the date of vesting the 2012 awards were valued at 250p[1]. The weighted average remaining life of awards outstanding is one year.

c) Overseas Profit Linked Share Plan and the Share Incentive Plan

These discretionary profit linked shares schemes are annual schemes based on the prior year profit of participating Rotork companies. The value of the award to each employee is based on salary and length of service, the value of the award can be up to £3,600.

26. Financial instruments

Financial risk and treasury policies

The Treasury department maintains liquidity, identifies and manages foreign exchange risk, manages relations with the Group's bankers and provides a treasury service to the Group's businesses. Treasury dealings such as investments, borrowings and foreign exchange are conducted only to support underlying business transactions.

The Group has clearly defined policies for the management of credit, foreign exchange and interest rate risk. The Group Treasury department is not a profit centre and, therefore, does not undertake speculative foreign exchange dealings for which there is no underlying exposure. Exposures resulting from sales and purchases in foreign currency are matched where possible and the net exposure may be hedged.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash on deposit with financial institutions.

Management has a credit policy in place and exposure to credit risk is both monitored on an ongoing basis and reduced through the use of credit insurance covering 80% to 95% of trade receivables at any time. Credit evaluations are carried out on all customers requiring credit above a certain threshold, with varying approval levels set around this depending on the value of the sale. At the balance sheet date there were no significant concentrations of credit risk.

Goods are sold subject to retention of title clauses, so that in the event of non–payment the Group may have a secured claim.

The Group maintains an allowance for impairment in respect of non–insured receivables where recoverability is considered doubtful.

The Group Treasury Committee meets regularly and reviews the credit risk associated with institutions that hold a material cash balance. As well as credit ratings, counterparties and instruments are assessed for credit default swap pricing and liquidity of funds.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2015	2014
Trade receivables	**118,801**	128,472
Other receivables	**15,459**	14,562
Cash and cash equivalents	**48,968**	46,816
Foreign exchange contracts	**25**	1,913
	183,253	191,763

Other receivables consist principally of tax receivables and prepayments. These items do not give rise to significant credit risk.

The maximum exposure to credit risk for trade receivables at the reporting date by currency was:

	Carrying amount	
	2015	2014
Sterling	**17,591**	15,207
US dollar	**32,800**	37,750
Euro	**44,579**	45,014
Other	**23,831**	30,501
	118,801	128,472

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26. Financial instruments continued
Provisions against trade receivables

The aging of trade receivables and the associated provision for impairment at the reporting date was:

	Gross 2015	Provision 2015	Gross 2014	Provision 2014
Not past due	**81,557**	**(11)**	86,682	(93)
Past due 0–30 days	**18,186**	**(96)**	21,910	(105)
Past due 31–60 days	**10,428**	**(38)**	10,363	(40)
Past due 61–90 days	**3,197**	**(208)**	3,184	(275)
Past due more than 91 days	**10,917**	**(5,131)**	8,680	(1,834)
	124,285	**(5,484)**	130,819	(2,347)

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group is highly cash generative, and uses monthly cash flow forecasts to monitor cash requirements and to optimise its return on investments. Typically the Group ensures that it has sufficient cash on hand to meet foreseeable operational expenses; it also maintains a £7m overdraft facility (2014: £7m) on which interest would be payable at base rate plus 1.5%.

During 2015, the Group refinanced its loan facilities. It extended its £20,000,000 committed 364 day facility to August 2016 at LIBOR plus 0.35%, and it entered into a £90,000,000 term facility which matures in August 2018 at LIBOR plus 0.8%, and a £60,000,000 Revolving Credit Facility which matures in August 2020 at LIBOR plus 0.85%. At year end £119,000,000 of the committed facilities were drawn, resulting in £51,000,000 being available.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

			Analysis of contractual cash flow maturities			
31 December 2015	**Carrying amount**	**Contractual cash flows**	**Less than 12 months**	**1–2 years**	**2–5 years**	**More than 5 years**
Bank loans and overdrafts	**119,743**	**120,301**	**50,483**	**30,037**	**39,023**	**758**
Finance lease liabilities	**325**	**334**	**262**	**70**	**2**	**–**
Trade and other payables	**71,336**	**71,336**	**71,336**	**–**	**–**	**–**
Contingent consideration	**11,775**	**11,775**	**1,628**	**10,147**	**–**	**–**
Foreign exchange contracts	**4,032**	**4,032**	**3,601**	**431**	**–**	**–**
Non-redeemable preference shares	**40**	**40**	**–**	**–**	**–**	**40**
	207,251	**207,818**	**127,310**	**40,685**	**39,025**	**798**

			Analysis of contractual cash flow maturities			
31 December 2014	Carrying amount	Contractual cash flows	Less than 12 months	1–2 years	2–5 years	More than 5 years
Bank loans and overdrafts	21,512	21,757	20,304	254	327	872
Finance lease liabilities	25	27	16	10	1	–
Trade and other payables	75,353	75,353	75,353	–	–	–
Contingent consideration	5,493	5,493	5,493	–	–	–
Foreign exchange contracts	1,119	1,119	1,119	–	–	–
Non-redeemable preference shares	40	40	–	–	–	40
	103,542	103,789	102,285	264	328	912

Where a counterparty experiences credit stress then the foreign exchange contracts may be settled on a net basis but standard practice is to settle on a gross basis and the undiscounted gross outflow in respect of these contracts is £175,777,000 (2014: £144,706,000) and the gross inflow is £172,144,000 (2014: £145,566,000).

c) Market risk

Market risk arises from changes in market prices, such as currency rates and interest rates, and may affect the Group's results. The objective of market risk management is to manage and control market risk within suitable parameters.

i) Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the business unit's functional currency. The currencies primarily giving rise to this risk are the US dollar and related currencies and the euro. The Group hedges up to 75% of forecast US dollar or euro foreign currency exposures using forward exchange contracts. In respect of other non-sterling monetary assets and liabilities the exposures may also be hedged up to 75% where this is deemed appropriate.

As part of the Group's cash management some of the overseas subsidiaries have loan and deposit balances where their intra-group counterparty is in the UK. The balances are typically in local currency for the subsidiary so the UK holds a foreign currency current asset or liability which is usually hedged through the use of foreign exchange swaps. At the balance sheet date only the 'forward' part of the swap remains and this is designated as a cash flow hedge to match the currency exposure of the intercompany loan asset.

The Group classifies its forward exchange contracts (that hedge both the forecast sale and purchase transactions and the intercompany loan and deposit balances) as cash flow hedges and states them at fair value. The net fair value of foreign exchange contracts used as hedges at 31 December 2015 was a £4,007,000 liability (2014: £794,000 asset) comprising an asset of £25,000 (2014: £1,913,000) and a liability of £4,032,000 (2014: £1,119,000). Forward exchange contracts in place at 31 December 2015 mature in 2016 and 2017.

Changes in the fair value of foreign exchange contracts that economically hedge monetary assets and liabilities in foreign currencies, and for which no hedge accounting is applied, are recognised in the income statement.

Sensitivity analysis

It is estimated that, with all other variables held equal (in particular other exchange rates), a general change of one cent in the value of euro against sterling would have had an impact on the Group's operating profit for the year ended 31 December 2015 of £235,000 (2014: £325,000) and a change of one cent in the value of US dollar against sterling would have had an impact of the Group's operating profit for the year ended 31 December 2015 of £400,000 (2014: £550,000). The method of estimation, which has been applied consistently, involves assessing the transaction impact of US dollar and euro cash flows and the translation impact of US dollar and euro profits.

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2015	2014	**2015**	2014
US dollar	**1.53**	1.65	**1.47**	1.55
Euro	**1.38**	1.24	**1.36**	1.28

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2015

26. Financial instruments continued

ii) Interest rate risk

The Group does not undertake any hedging activity in this area. All cash deposits are made at prevailing interest rates and the majority is available with same day notice, though deposits are sometimes made with a maturity of no more than three months. The main element of interest rate risk concerns sterling, US dollar, euro and renminbi deposits, all of which are on a floating rate basis.

The interest rate profile of the Group's financial liabilities at 31 December was as follows:

	2015	2014
Fixed rate financial liabilities	**604**	512
Floating rate financial liabilities	**119,504**	21,065
	120,108	21,577

The fixed and floating rate financial liabilities comprise finance leases, preference shares and bank loans. The floating rate lease obligations bear interest at rates determined by reference to the relevant LIBOR or equivalent rate.

The weighted average interest rate of the fixed rate financial liabilities is 1.98% or 1.99% excluding the zero rate debt (2014: 1.7% or 1.9%). The weighted average period for which (non zero) interest rates on the fixed rate financial liabilities are fixed is 1.6 years.

The maturity profile of the Group's financial liabilities at 31 December was as follows:

	2015	2014
In one year or less	**50,352**	20,274
In more than one year but not more than two years	**30,084**	237
In more than two years but not more than five years	**38,975**	267
In more than five years	**697**	799
Total	**120,108**	21,577

d) Capital risk management

The primary objective of the Group's capital management is to ensure it maintains sufficient capital in order to support its business and maximise shareholder value. The Group has an asset-light business model and uses cash generated from operations to either invest organically or by acquisition. The Group manages its capital structure and makes adjustments to it in light of changes in economic and market conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Group defines capital as net funds and equity attributable to shareholders (see note 17). There are no externally imposed restrictions on the Group's capital structure.

The Group monitors capital using the following indicators:

i) Group net debt

	2015	2014
Total borrowings	**(120,108)**	(21,577)
Cash and cash equivalents (note 16)	**48,968**	46,816
Group net (debt)/funds	**(71,140)**	25,239

ii) Return on capital employed

	2015	2014
Adjusted operating profit		
Operating profit	**104,386**	142,227
Amortisation of acquired intangible assets	**20,886**	14,940
	125,272	157,167
Capital employed		
Shareholders' funds	**407,802**	376,795
Cash and cash equivalents (note 16)	**(48,968)**	(46,816)
Interest bearing loans and borrowings	**120,108**	21,577
Net debt/(cash)	**71,140**	(25,239)
Pension deficit net of deferred tax	**17,532**	27,950
	496,474	379,506
Average capital employed	**437,990**	330,237
Return on capital employed	**28.6%**	47.6%

e) Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, were as follows:

	Carrying amount 2015	Fair value 2015	Carrying amount 2014	Fair value 2014
Loans and receivables				
Trade receivables	**118,801**	**118,801**	128,472	128,472
Other receivables	**15,459**	**15,459**	14,562	14,562
Financial assets				
Cash and cash equivalents	**48,968**	**48,968**	46,816	46,816
Designated cash flow hedges				
Foreign exchange contracts:				
Financial assets	**25**	**25**	1,913	1,913
Financial liabilities	**(4,032)**	**(4,032)**	(1,119)	(1,119)
Financial liabilities at amortised cost				
Bank loans	**(119,743)**	**(119,743)**	(21,512)	(21,512)
Trade and other payables	**(71,336)**	**(71,336)**	(75,353)	(75,353)
Contingent consideration	**(11,775)**	**(11,775)**	(5,493)	(5,493)
Preference shares	**(40)**	**(40)**	(40)	(40)
Finance lease liabilities	**(325)**	**(325)**	(25)	(25)
	(23,998)	**(23,998)**	88,221	88,221

Fair value hierarchy

The fair value of the Group's outstanding derivative financial assets and liabilities consisted of foreign exchange contracts and swaps and were estimated using year 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.

The other financial instruments are classified as level 3 in the fair value hierarchy and are valued as follows:

i) Trade and other receivables/payables

As the majority of receivables/payables have a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

ii) Contingent consideration

As all the contingent consideration is contractually due for payment within 14 months (2014: 12 months), the carrying amount is equal to the fair value.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2015

27. Operating leases
Non-cancellable operating lease rentals are payable as follows:

	2015	2014
Less than one year	**4,232**	4,785
Between one and five years	**9,281**	8,714
More than five years	**386**	518
	13,899	14,017

Of the £13,899,000 (2014: £14,017,000), £10,361,000 (2014: £10,206,000) relates to property and the balance to plant and equipment.

28. Capital commitments
Capital commitments at 31 December for which no provision has been made in these accounts were:

	2015	2014
Contracted	**2,813**	1,037

29. Contingencies

	2015	2014
Performance guarantees and indemnities	**7,534**	3,735

The performance guarantees and indemnities have been entered into in the normal course of business. A liability would only arise in the event of the Group failing to fulfil its contractual obligations.

30. Related parties
The Group has a related party relationship with its subsidiaries and with its directors and key management. A list of subsidiaries is shown on pages 139 to 141 of these financial statements. Transactions between two subsidiaries for the sale and purchase of products or the subsidiary and parent Company for management charges are priced on an arm's length basis.

Severn Trent plc is a related party of Rotork plc by virtue of M J Lamb's non-executive directorship. Sales to subsidiaries and associates of Severn Trent plc totalled £1,229,000 during the year (2014: £1,352,000) and £106,580 was outstanding at 31 December 2015 (2014: £226,000).

Key management emoluments
The emoluments of those members of the management team, including directors, who are responsible for planning, directing and controlling the activities of the Group were:

	2015	2014
Emoluments including social security costs	**2,972**	4,594
Post employment benefits	**269**	298
Pension supplement	**208**	251
Share-based payments	**(309)**	1,134
	3,140	6,277

ROTORK PLC COMPANY BALANCE SHEET
AT 31 DECEMBER 2015

	Notes	2015 £000	2014 £000
Non-current assets			
Property, plant and equipment	c	**115**	120
Investment property	d	**–**	1,005
Investments	e	**43,205**	43,205
Deferred tax assets	f	**51**	239
		43,371	44,569
Current assets			
Amounts owed by Group undertakings		**129,974**	77,649
Other receivables	g	**203**	90
Cash and cash equivalents		**1,680**	148
		131,857	77,887
Total assets		**175,228**	122,456
Equity			
Share capital	j	**4,349**	4,346
Share premium		**10,018**	9,422
Capital redemption reserve		**1,644**	1,644
Retained earnings		**155,031**	102,883
		171,042	118,295
Non-current liabilities			
Preference share capital		**40**	40
		40	40
Current liabilities			
Trade payables		**232**	151
Amounts owed to Group undertakings		**1,051**	1,051
Other payables	h	**2,863**	2,919
		4,146	4,121
Total equity and liabilities		**175,228**	122,456

These Company financial statements were approved by the Board of Directors on 29 February 2016 and were signed on its behalf by:

PI France and **JM Davis**, Directors.

ROTORK PLC COMPANY STATEMENT OF CHANGES IN EQUITY
AT 31 DECEMBER 2015

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 31 December 2013	4,344	8,840	1,644	105,225	120,053
Profit for the year	–	–	–	38,625	38,625
Equity settled share-based payment transactions net of tax	–	–	–	2,608	2,608
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	1,644	102,883	118,295
Profit for the year	–	–	–	95,905	95,905
Equity settled share-based payment transactions net of tax	–	–	–	(1,464)	(1,464)
Share options exercised by employees	3	596	-	–	599
Own ordinary shares acquired	–	–	–	(2,785)	(2,785)
Own ordinary shares awarded under share schemes	–	–	–	4,257	4,257
Dividends	–	–	–	(43,765)	(43,765)
Balance at 31 December 2015	**4,349**	**10,018**	**1,644**	**155,031**	**171,042**

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

a) Accounting policies
The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. Notes a to k relate to the Company rather than the Group.

Basis of preparation
The financial statements have been prepared under the historical cost convention, except that investment property is stated at fair value. The financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and the amendments issued in July 2015 (2014/15 Cycle and minor amendments) have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (Adopted IFRSs), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note k.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:
- A Cash Flow Statement and related notes
- Comparative period reconciliations for share capital and tangible fixed assets
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management
- The effects of new but not yet effective IFRSs
- An additional balance sheet for the beginning of the earliest comparative period following transition (see note k)
- Disclosures in respect of the compensation of key management personnel.

The Company produces consolidated financial statements which are prepared in accordance with International Financial Reporting Standards. As the consolidated financial statements of the Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:
- IFRS2 Share Based Payments in respect of group settled share based payments
- The disclosures required by IFRS7 and IFRS13 regarding financial instrument disclosures have not been provided.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee. The Company accounts for intra group cross guarantees under IAS37.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Investments in subsidiaries
Investments are measured at cost less any provision for impairment and comprise investments in subsidiary companies.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Plant and machinery is depreciated by equal annual instalments by reference to their estimated useful lives and residual values at annual rates of between 10% and 33%. Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Investment property
Investment property is stated at cost less accumulated depreciation.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2015

a) Accounting policies continued

Post-retirement benefits
The Company participates in a UK Group pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the Company. The sponsoring employer for the UK Group pension scheme is Rotork Controls Ltd. No contractual agreement or policy is in place for charging to individual group entities the net defined benefit cost for the plan as a whole. As a result, in accordance with IAS19, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Classification of preference shares
In line with the requirements of IAS32, Financial Instruments, the cumulative redeemable preference shares issued by the Company are classified as long term debt. The preference dividends are charged within interest payable.

Share-based payments
The Company's has adopted IFRS2 and its policy in respect of share-based payment transactions is consistent with the Group policy shown in note 1 to the Group financial statements. Costs in relation to share-based awards made to other Group company employees are recharged to each subsidiary company.

Deferred taxation
Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Dividends
Interim dividends are recorded in the financial statements when they are paid. Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders.

b) Personnel expenses in the Company profit and loss account

	2015	2014
Wages and salaries (including bonus and incentive plans)	**2,221**	3,064
Social security costs	**134**	295
Pension costs	**233**	439
Share-based (credit)/payments	**(237)**	551
	2,351	4,349

During the year, there were 15 (2014: 13) employees of Rotork plc plus the three (2014: four) executive directors. The personnel costs accounted for within the Company include the full costs of the employees, the Group Finance Director, the Group Chief Executive, but the full costs of the other executive director is reported within the subsidiary where he is based.

Disclosures required by paragraph 1 of schedule 5 of SI2008/410 are set out in the Directors' Remuneration Report on pages 74 to 88.

Share-based payments
The share-based payment charge relates to employees of the Company participating in the Long Term Incentive Plan (LTIP). The disclosures required under IFRS2 can be found in note 25 to the Group financial statements. The table below sets out the movement of share options under the LTIP for employees of the Company.

	Outstanding at start of year[1]	Granted during year	Vested during year	Lapsed during year	**Outstanding at end of year**
2012 Award	435,030	–	(160,710)	(274,320)	**–**
2013 Award	289,820	–	–	–	**289,820**
2014 Award	316,920	–	–	–	**316,920**
2015 Award	–	400,940	–	–	**400,940**
	1,041,770	400,940	(160,710)	(274,320)	**1,007,680**

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

At the date of vesting the 2012 awards were valued at 250p. The weighted average remaining life of awards outstanding at the year end is one year.

c) Property, plant and equipment in the Company balance sheet

	Plant and equipment	Total
Cost		
At 1 January 2015	175	175
Additions	46	46
At 31 December 2015	**221**	**221**
Depreciation		
At 1 January 2015	55	55
Charge for year	51	51
At 31 December 2015	**106**	**106**
Net book value		
At 31 December 2015	**115**	**115**
At 31 December 2014	120	120

d) Investment property in the Company balance sheet

	Investment property	Total
Cost		
At 1 January 2015	1,468	1,468
Disposals	(1,468)	(1,468)
At 31 December 2015	**–**	**–**
Depreciation		
At 1 January 2015	463	463
Disposals	(463)	(463)
At 31 December 2015	**–**	**–**
Net book value		
At 31 December 2015	**–**	**–**
At 31 December 2014	**1,005**	**1,005**

The Company disposed of its investment property in September 2015, resulting in a profit on disposal of £134,000.

e) Investments in the Company balance sheet
Shares in Group companies

	2015	2014
At 1 January and 31 December	**43,205**	43,205

The Company has the following investments in wholly-owned subsidiaries:

Subsidiary	**Incorporated in**
100% owned by Rotork plc	
GH Chaplain & Co (Engineers) Limited	England and Wales
Rotork Analysis Limited	England and Wales
Rotork Cleaners Limited	England and Wales
Rotork Control and Safety Limited	England and Wales
Rotork Instruments Limited	England and Wales
Rotork Nominees Limited	England and Wales
Widcombe (Developments) Limited	England and Wales
Rotork Controls Limited	England and Wales
Rotork Overseas Limited	England and Wales

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2015

e) Investments in the Company balance sheet continued

Subsidiary	Incorporated in
100% owned by Rotork Controls Limited	
Rotork Actuation (Shanghai) Co Limited	China
Rotork Trading (Shanghai) Co Limited	China
Rotork Controls (India) Private Limited	India
Rotork UK Limited	England and Wales
Valvekits Limited	England and Wales
100% owned by Rotork Overseas Limited	
Rotork Australia Pty Limited	Australia
Rotork Fluid System Pty Limited	Australia
Rotork Controls Comercio De Atuadores LTDA	Brazil
Rotork Controls (Canada) Limited	Canada
Rotork Chile SpA	Chile
Bifold Group Limited	England and Wales
Rotork Midland Limited	England and Wales
Rotork Motorisation SAS	France
Rotork Controls (Deutschland) GmbH	Germany
Rotork Germany Holdings GmbH	Germany
Rotork Limited	Hong Kong
Eltav Wireless Monitoring Limited	Israel
Rotork Italy Holdings Srl	Italy
Rotork Japan Co Limited	Japan
Rotork Middle East FZE	Jebel Ali Free Zone
Rotork (Malaysia) Sdn Bhd	Malaysia
Rotork Actuation Sdn Bhd	Malaysia
Rotork BV	Netherlands
Rotork Gears Holding BV	Netherlands
Robusta Miry Brook BV	Netherlands
Rotork Norge AS	Norway
Rotork Polska zoo	Poland
Rotork Rus Limited	Russia
Rotork Controls (Singapore) Pte Limited	Singapore
Rotork Africa (Pty) Limited	South Africa
Rotork Controls (Korea) Co Limited	South Korea
Young Tech Co Limited	South Korea
Rotork Controls (Iberia) SL	Spain
Rotork Sweden AB	Sweden
Schischek AG	Switzerland
Rotork Inc	USA
Rotork Controls de Venezuela SA	Venezuela
Rotork Turkey Akış Kontrol Sistemleri Ticaret Limited Şirketi	Turkey
100% owned by Valvekits Limited	
Circa Engineering Limited	England and Wales
100% owned by Rotork Trading (Shanghai) Co Limited	
Centork Trading (Shanghai) Co. Ltd	China
100% owned by Rotork UK Limited	
Prokits Limited	England and Wales
Flowco Limited	England and Wales
100% owned by Rotork Motorisation SAS	
Servo Moteurs Service SARL	France
100% owned by Rotork Italy Holdings Srl	
Rotork Controls Italia Srl	Italy
Soldo Srl	Italy
GT Attuatori Srl	Italy
Rotork Fluid Systems Srl	Italy
M&M International Srl	Italy
Masso Ind Srl	Italy

Subsidiary	Incorporated in
100% owned by Rotork Controls Italia Srl	
Rotork Gears Srl	Italy
100% owned by Rotork Gears Holding BV	
Rotork Gears BV	Netherlands
100% owned by Rotork Inc	
Rotork (Thailand) Limited	Thailand
Rotork Controls Inc	USA
Ralph A Hiller Company	USA
Flow-Quip Inc	USA
Remote Control Inc	USA
Ranger Acquisition Corporation	USA
100% owned by Ranger Acquisition Corp	
K-Tork International Inc	USA
Fairchild Industrial Products Company	USA
Rotork Valvekits Inc	USA
Roto Hammer Industries, Inc.	USA
100% owned by K-Tork International Inc	
Rotork Dallas Inc	USA
100% owned by Fairchild Industrial Products Company	
Fairchild Industrial Products (Sichuan) Company Limited	China
Fairchild India Private Limited	India
100% owned by Bifold Group Limited	
Bifold Fluidpower (Holdings) Limited	England and Wales
100% owned by Bifold Fluidpower (Holdings) Limited	
Bifold Fluidpower Limited	England and Wales
MTS Precision Limited	England and Wales
Marshalsea Hydraulics Limited	England and Wales
Bifold Company (Manufacturing) Limited	England and Wales
100% owned by Bifold Fluidpower Limited	
Fluidpower (Stainless Steel) Limited	England and Wales
100% owned by Rotork Germany Holdings GmbH	
Max Process GmbH	Germany
Schischek GmbH	Germany
Schischek Produktion Technischer Gerate GmbH	Germany
100% owned by Schischek AG	
Schischek do Brasil Ltda	Brazil
Schischek Limited	England and Wales
Schischek EURL	France
Schischek Srl	Italy
Schischek Inc	USA
60% owned by Max Process GmbH	
GT Attuatori Europe GmbH	Germany
40% owned by Rotork Germany Holdings GmbH	
GT Attuatori Europe GmbH	Germany
100% owned by Robusta Miry Brook BV	
Rotork Servo Controles de Mexico S.A de C.V	Mexico
100% owned by Rotork Controls (Iberia) SL	
Actuation Iberia S.L	Spain
Centork Valve Control S.L	Spain
100% owned by Soldo Srl	
Soldo Controls USA Inc	USA

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2015

f) Deferred tax assets and liabilities in the Company balance sheet
Deferred tax assets and liabilities are attributable to the following:

	Assets 2015	Liabilities 2015	Net 2015	Assets 2014	Liabilities 2014	Net 2014
Tangible fixed assets	**1**	**–**	**1**	–	(5)	(5)
Provisions	**50**	**–**	**50**	42	–	42
Share-based payments	**–**	**–**	**–**	202	–	202
	51	**–**	**51**	244	(5)	239

Movements in the net deferred tax balance during the year are as follows:

	2015	2014
Balance at 1 January	**239**	334
(Charged)/credited to the income statement	**(171)**	20
Charged directly to equity in respect of share-based payments	**(17)**	(115)
	51	239

There is an unrecognised deferred tax liability for temporary differences associated with investments in subsidiaries. Rotork plc controls the dividend policies of its subsidiaries and subsequently the timing of the reversal of the temporary differences. The value of temporary differences associated with unremitted earnings of subsidiaries for which deferred tax has not been recognised is £307,713,000 (2014: £292,704,000).

g) Other receivables in the Company balance sheet

	2015	2014
Prepayments and accrued income	**118**	55
Corporation tax	**–**	–
Other receivables	**85**	35
	203	90

h) Other payables in the Company balance sheet

	2015	2014
Other taxes and social security	**42**	43
Corporation tax	**447**	143
Other payables	**973**	1,817
Accruals and deferred income	**1,401**	916
	2,863	2,919

The Company has a £25,000,000 gross overdraft facility (2014: £25,000,000) and is part of a UK banking arrangement, see note i.

i) Contingencies in the Company
The UK banking arrangements are subject to cross-guarantees between the Company and its UK subsidiaries. These accounts are subject to a right of set–off. The performance guarantees and indemnities have been entered into in the normal course of business. A liability would only arise in the event of the Group failing to fulfil its contractual obligations.

During 2015, the Company refinanced its loan facilities. It extended its £20,000,000 committed 364 day facility to August 2016 at LIBOR plus 0.35%, and it took out a £90,000,000 term facility which matures in August 2018 at LIBOR plus 0.8%, and a £60,000,000 Revolving Credit Facility which matures in August 2020 at LIBOR plus 0.85%. These facilities are available to the Company, Rotork Controls Limited and Rotork Overseas Limited. At year end £119,000,000 of the committed facilities were drawn, resulting in £51,000,000 being available.

j) Capital and reserves in the Company balance sheet
Details of the number of ordinary shares in issue and dividends paid in the year are given in note 17 to the Group financial statements.

k) Explanation of transition to FRS 101

As stated in note a, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note a have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening FRS 101 balance sheet at 1 January 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Reconciliation of movements from UK GAAP to FRS 101

i) Reconciliation of equity

		1 January 2014			31 December 2014		
	Notes	UK GAAP	Effect of transition to FRS 101	FRS 101	UK GAAP	Effect of transition to FRS 101	FRS 101
Non-current assets							
Property, plant and equipment	a	1,183	(1,033)	150	1,125	(1,005)	120
Investment property	a	–	1,033	1,033	–	1,005	1,005
Investments		43,205	–	43,205	43,205	–	43,205
Deferred tax assets	b	272	62	334	271	(32)	239
		44,660	62	44,722	44,601	(32)	44,569
Current assets							
Amounts owed by Group undertakings		78,377	–	78,377	77,649	–	77,649
Other debtors		39	–	39	35	–	35
Prepayments and accrued income		249	–	249	55	–	55
Corporation tax		474	–	474	–	–	–
Cash and cash equivalents		4,277	–	4,277	148	–	148
		83,416	–	83,416	77,887	–	77,887
Total assets		128,076	62	128,138	122,488	(32)	122,456
Equity							
Called up share capital		4,344	–	4,344	4,346	–	4,346
Share premium account		8,840	–	8,840	9,422	–	9,422
Capital redemption reserve		1,644	–	1,644	1,644	–	1,644
Retained earnings	b	105,163	62	105,225	102,915	(32)	102,883
		119,991	62	120,053	118,327	(32)	118,295
Non-current liabilities							
Preference share capital		40	–	40	40	–	40
		40	–	40	40	–	40
Current liabilities							
Trade creditors		80	–	80	151	–	151
Amounts owed to Group undertakings		3,653	–	3,653	1,051	–	1,051
Other taxes and social security		39	–	39	43	–	43
Corporation tax		–	–	–	143	–	143
Other creditors		3,766	–	3,766	1,817	–	1,817
Accruals and deferred income		507	–	507	916	–	916
		8,045	–	8,045	4,121	–	4,121
Total equity and liabilities		128,076	62	128,138	122,488	(32)	122,456

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2015

k) Explanation of transition to FRS 101 continued

Notes to the reconciliation from UK GAAP to FRS 101

a) The Company holds an investment property leased to another Group company. Under UK GAAP, this was recognised as a fixed asset. IAS40 permits property which is leased to other group companies to be recognised as investment property and therefore it has been reclassified.

b) Deferred tax assets have been recalculated based on the approach required by IAS12. The adjustments made to the deferred tax asset are as follows:

	1 January 2014	Movement	31 December 2014
UK GAAP previously reported net deferred tax balance	272	(1)	271
Revised deferred tax on plant and equipment	(4)	4	–
Revised deferred tax on share-based payments	66	(98)	(32)
FRS 101 net deferred tax balance	334	(95)	239

The £32,000 restatement in respect of the December 2014 balance is as result of a £62,000 credit to retained earnings at 1 January 2014, a £97,000 credit to the income statement in 2014 and a £191,000 debit to retained earnings in 2014.

ii) Reconciliation of profit for the year ended 31 December 2014

	£000
Amount under UK GAAP	38,528
Deferred taxation adjustments	97
Amount under FRS 101	38,625

Adjustment arising due to changes in the income tax expense resulting from the recognition of deferred tax assets and liabilities (see note b to the reconciliation of equity above).

TEN YEAR TRADING HISTORY

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Revenue	**546,459**	594,739	578,440	511,747	447,833	380,560	353,521	320,207	235,688	206,709
Cost of sales	**(296,944)**	(309,280)	(304,066)	(272,199)	(236,359)	(199,742)	(187,600)	(176,046)	(127,748)	(115,603)
Gross profit	**249,515**	285,459	274,374	239,548	211,474	180,818	165,921	144,161	107,940	91,106
Overheads	**(145,129)**	(143,232)	(135,109)	(115,081)	(99,474)	(83,094)	(74,384)	(69,272)	(52,553)	(46,017)
Operating profit	**104,386**	142,227	139,265	124,467	112,000	97,724	91,537	74,889	55,387	45,089
Adjusted[1] operating profit	**125,272**	157,167	151,412	131,866	115,921	99,442	92,103	76,014	55,461	45,187
Amortisation of acquired intangible assets	**(20,886)**	(14,940)	(12,147)	(7,399)	(3,921)	(1,718)	(1,153)	(1,125)	(74)	(98)
Disposal of property	**-**	–	–	–	–	–	587	–	–	–
Operating profit	**104,386**	142,227	139,265	124,467	112,000	97,724	91,537	74,889	55,387	45,089
Net interest	**(2,517)**	(1,062)	(1,268)	(273)	550	131	(621)	862	1,866	972
Profit before taxation	**101,869**	141,165	137,997	124,194	112,550	97,855	90,916	75,751	57,253	46,061
Tax expense	**(27,012)**	(37,963)	(38,488)	(34,879)	(32,149)	(28,334)	(26,884)	(22,331)	(17,957)	(14,728)
Profit for the year	**74,857**	103,202	99,509	89,315	80,401	69,521	64,032	53,420	39,296	31,333
Dividends	**43,765**	42,702	38,735	33,924	49,534	35,912	24,102	29,970	24,732	24,140
Basic EPS[2]	**8.6p**	11.9p	11.5p	10.3p	9.3p	8.1p	7.4p	6.2p	4.6p	3.6p
Adjusted* EPS[2]	**10.4p**	13.2p	12.5p	10.9p	9.6p	8.2p	7.5p	6.3p	4.6p	3.7p
Diluted EPS[2]	**8.6p**	11.9p	11.4p	10.3p	9.3p	8.0p	7.4p	6.2p	4.5p	3.6p

[1] Adjusted is before the amortisation of acquired intangible assets and the disposal of property.
[2] Restated to reflect subdivision of 5p ordinary shares into 0.5p ordinary shares.

SHARE REGISTER INFORMATION

The tables below show the split of shareholder and size of shareholding in Rotork plc

Ordinary shareholder by type	Number of holdings	%	Number of shares	%
Individuals	2,132	68.2	25,518,364	2.9
Bank or nominees	940	30.0	840,818,469	96.7
Other company	36	1.2	1,543,996	0.2
Other corporate body	20	0.6	1,869,761	0.2
	3,128	100.0	869,750,590	100.0

Range	Number of holdings	%	Number of shares	%
1-1,000	538	17.2	264,654	0.1
1,001-2,000	348	11.1	515,926	0.1
2,001-5,000	657	21.0	2,195,730	0.2
5,001-10,000	457	14.6	3,362,319	0.4
10,001-50,000	658	21.0	14,754,990	1.7
50,001-100,000	131	4.2	9,313,552	1.0
100,001 +	339	10.9	839,343,419	96.5
	3,128	100.0	869,750,590	100.0

Source: Equiniti

Dividend information

The table below details the amounts of interim, final and additional dividends declared in respect of each of the last five years.

	Interim dividend (p)	Final dividend (p)	Additional interim dividends (p)	Total dividends (p)
2015	1.95	3.10	–	5.05
2014	1.92	3.09	–	5.01
2013	1.81	3.00	–	4.81
2012	1.64	2.66	–	4.30
2011	1.45	2.28	2.30	6.03

Comparative data restated to reflect subdivision of 5p ordinary shares into 0.5p ordinary shares.

Financial calendar

1 March 2016	Preliminary announcement of annual results for 2015
7 April 2016	Ex-dividend date for final proposed 2015 dividend
8 April 2016	Record date for final proposed 2015 dividend
29 April 2016	Announcement of trading update
29 April 2016	Annual General Meeting held at Rotork House, Brassmill Lane, Bath, BA1 3JQ
2 August 2016	Announcement of interim financial results for 2016
22 November 2016	Announcement of trading update

CORPORATE DIRECTORY

Company Secretary
Stephen Rhys Jones

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