Company registration number 00608345

Rotork Controls Limited

Annual Report and Financial Statements

31 December 2022

ROTORK CONTROLS LIMITED

COMPANY INFORMATION

DIRECTORS:	J M Davis
	K Huynh (appointed 10 January 2022)
	K G Hostetler (resigned 10 January 2022)
SECRETARY:	J E Baldry
REGISTERED OFFICE:	Rotork House Brassmill Lane Bath BA1 3JQ
AUDITOR:	Deloitte LLP Statutory Auditor Bristol

STRATEGIC REPORT

Business review

The principal activities of the Company include the design, manufacture, installation and service of actuators for the power, hydrocarbon, petrochemical and water industries.

Revenue increased 21.5% during the year, with operating profits also increasing by 14.9% as a result of a strong order book throughout the year. Operating margins dropped slightly to 18.2% from 19.3% as a result of wage inflation, increase in global travel as restrictions eased and investment in commercial activities. Profit before tax decreased by 14.3% as a result of lower income from shares in group undertakings, from fewer dividends being declared by group companies. The order intake throughout the year was up compared to 2021 and 2022 had also started with a modest order book level brought forward from the previous year. Net assets have improved by 6.7% primarily due to continued strong profits.

A summary of the results and KPIs for the year is as follows:

	2022 **£000**	2021 £000
Revenue	**87,928**	72,343
Profit before tax	**48,749**	56,896
Tax (expense)/credit	**(5,129)**	253
Profit for the year	**43,620**	57,149
Net assets	**85,122**	79,745

Principal risks and uncertainties

The Company is part of Rotork plc (Rotork Group). The risks and uncertainties relating to the Rotork Group and its subsidiaries are also applicable to the Company and they are disclosed on pages 89 to 97 of the Rotork plc annual report and accounts for the year ended 31 December 2022. The directors are of the opinion that there are no other risks and uncertainties specific to the Company which require disclosure.

Environmental impact

Environmental matters relating to the Rotork Group also apply to the Company. These are further disclosed on pages 57 to 66 of the Rotork plc annual report and accounts for the year ended 31 December 2022.

Section 172 Statement

Section 172 of the Companies Act 2006 ('s172') requires the Board to act in a way that promotes the success of the Company for the benefit of shareholders as a whole, whilst having regard (among other matters) to:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Group's business relationships with suppliers, customers and others;
- The impact of the Group's operations on the community and the environment;
- The desirability of the Group maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the Company.

From the perspective of the Board, as a result of the Group governance structure, the matters that it is responsible for considering under s172 have been considered to an appropriate extent by the Group Board in relation both to the Group and to the Company. The Board has also considered relevant matters where appropriate. To the extent necessary for an understanding of the development, performance and position of the

Company, an explanation of how the Group Board has considered the matters set out in s172 (for the Group and for the Company) is set out on pages 80 and 81 of the Group's annual report, which does not form part of this report.

STRATEGIC REPORT (Continued)

Employee engagement

The Company's policy is to provide, wherever possible, employment opportunities for disabled people, to care for employees who become disabled whilst employed by the Company and to make the best possible use of their skills and potential.

The Company is committed to consultation with employees on a comprehensive range of topics related to its overall business objectives. Ownership of shares in Rotork plc (the ultimate parent) is encouraged under both the Rotork all employee Sharesave Scheme and the Rotork all employee Share Investment Plan Scheme under which the Company provides employees with free shares on a profit share basis and gives employees the opportunity to purchase partnership shares under the plan.

As a result of the Group governance structure, the Group Board has taken the lead in carrying out the duties of a Board in respect of the Company's employees, including engaging with them, having regard to their interests and the effect of that regard (including on the principal decisions taken by the Company during the year). The Board of the Company has also considered relevant matters where appropriate. An explanation of how the Group Board has carried out these responsibilities (for the Group and for the Company) is set out on pages 69 to 73 of the Group's annual report, which does not form part of this report.

The Company actively recognises its responsibility under Health and Safety legislation and has conducted extensive training in this area. It also undertakes to discharge its responsibilities for the care of the environment through the integration of environmental issues with its core business strategy.

Going concern

The directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report.

In forming this view, the macroeconomic conditions, supply chain disruption and geo-political instability on the Company has been considered. The company shows a strong cash position of £45.3m at 31 December 2022 (2021: £54.3m). In addition to this the company shows a strong net asset position at 31 December 2022 of £85.1m (2021: £79.7m), however has a net current liabilities position of £88.0m (2021: net current liability of £81.7m). As such, a letter of support has also been obtained from the directors of the Parent Company, who are common directors of this company, that full repayment of the intercompany liabilities will not be demanded for at least 12 months from the signing of these financial statements.

The directors are satisfied that any downside scenarios are considered remote and that the Company would continue to have headroom on available facilities. The Company also has a number of mitigating actions that it can take at short notice to preserve cash, for example reduction in capital programmes and other reductions in discretionary spend.

Based on the factors described above the directors' consider it appropriate for the financial statements to be prepared on a going concern basis.

This report was approved by the board and signed on its behalf.

J M Davis
Director
Rotork House, Brassmill Lane, Bath, BA1 3JQ
11 August 2023

ROTORK CONTROLS LIMITED

DIRECTORS' REPORT

The directors present the annual report and audited financial statements for Rotork Controls Limited for the year ended 31 December 2022 (Company number: 00608345).

Political and charitable contributions

The Company made no political donations or expenditure during the year (2021: £nil). The Company made charitable donations of £11,700 (2021: £3,250) during the year.

Research and development

Total expenditure on research and development in the year was £7,245,000 of which £2,180,000 was capitalised (2021: £6,814,000 of which £1,547,000 was capitalised). The development of new products is important to maintain the Company's market position and we continue to provide innovative solutions to our customers' needs.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Financial risk management objectives and policies

The financial risk management objectives and policies relating to the Rotork Group and its subsidiaries are also applicable to the Company and they are disclosed on pages 197 to 201 of the Rotork plc annual report and accounts for the year ended 31 December 2022. This includes how the group treasury department manages financial risks.

Future developments

We continue to expect challenges as a result of the pandemic, notably around logistical challenges of receiving materials on a timely basis to meet customer demands and geo-political instability. We also expect to continue to deliver end-market operational changes and process efficiency improvements. We will focus on our Customer Service Structure and Site Services footprint including order fulfilment process to improve our customer service levels and cost savings opportunities. Overall, we expect full year margins to show progress in 2023.

Dividends

A dividend of £30,000,000 was paid in the year (2021: £25,000,000).

Directors

The directors who served during the year and subsequently, unless otherwise stated, are as stated on page 1.

Directors' indemnification

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.

DIRECTORS' REPORT (Continued)

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

This report was approved by the board and signed on its behalf.

J M Davis
Director
Rotork House, Brassmill Lane, Bath, BA1 3JQ
11 August 2023

ROTORK CONTROLS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires directors to prepare financial statements for each financial year. Under that law he has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"). Under company law 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, directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

ROTORK CONTROLS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Rotork Controls Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorized for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Other information (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, employment law, and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

In applying IFRS 15 *Revenue from Contracts with Customers* there is judgement required in determining the timing of the transfer of control of products to customers, which impacts the amount of revenue recognised in the company's financial statements. This judgement could be the subject of management bias and so we considered that the cut-off of revenue represents a risk of potential fraud in respect of revenue recognition. In response to the identified risk we performed the following procedures:

- Obtained an understanding of the relevant controls in place to address the risk of inappropriate revenue cut off; and
- Evaluated a sample of transactions to determine whether revenue has been recognised in the correct period based on the status of products at year end including an inspection of invoices, dispatch and delivery notes and shipping terms. This included a challenge of whether control has passed in line with the requirements of IFRS 15 Revenue from Contracts with Customers.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

ROTORK CONTROLS LIMITED

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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.

Georgina Miles (Senior statutory auditor)
For and on behalf of Deloitte LLP Statutory Auditor
Bristol, United Kingdom
11 August 2023

ROTORK CONTROLS LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £000	2021 £000
Revenue	2	**87,928**	72,343
Cost of sales		**(52,112)**	(42,829)
Gross profit		**35,816**	29,514
Distribution costs		**(403)**	(414)
Administrative expenses		**(43,832)**	(37,770)
Other income		**24,428**	22,690
Other expenses		**(3)**	(90)
Adjusted operating profit		**24,310**	22,389
Other adjustments	4	**(8,304)**	(8,459)
Operating profit		**16,006**	13,930
Income from shares in group undertakings		**32,686**	41,840
Finance income	5	**2,856**	1,666
Finance expense	5	**(2,799)**	(540)
Profit before tax	6	**48,749**	56,896
Tax (expense)/credit on profit	8	**(5,129)**	253
Profit for the financial year		**43,620**	57,149

All of the results presented are derived from continuing activities.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £000	2021 £000
Profit for the year	**43,620**	57,149
Other comprehensive income		
Items that may subsequently be reclassified to profit or loss:		
Effective portion of changes in fair value of cash flow hedges net of tax	**(1,627)**	(88)
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain in pension scheme net of tax	**(6,616)**	17,458
Other comprehensive (expense)/income for the period net of tax	**(8,243)**	17,370
Total comprehensive income for the period attributable to the owners of the Company	**35,377**	74,519

ROTORK CONTROLS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	2022 £000	2021 £000
Non-current assets			
Intangible assets	9	**18,983**	15,827
Property, plant and equipment	10	**12,599**	13,389
Investments	11	**80,843**	76,783
Deferred tax assets	12	**4,717**	6,770
Other receivables	14	**62,977**	56,029
		180,119	168,798
Current assets			
Inventories	13	**13,498**	8,122
Trade and other receivables	14	**48,616**	77,183
Corporation Tax		**3,755**	2,503
Derivative financial instruments	19	**136**	1,896
Cash and cash equivalents		**45,357**	54,301
		111,362	144,005
Total assets		**291,481**	312,803
Equity			
Share capital	15	**16,015**	16,015
Capital contribution reserve		**1,844**	1,844
Hedging reserve		**(798)**	829
Retained earnings		**68,061**	61,057
		85,122	79,745
Non-current liabilities			
Loans and Borrowings	16	**59**	85
Employee benefits	22	**4,256**	4,933
Deferred tax liabilities	12	**2,487**	2,226
Derivative financial instruments	19	**215**	106
		7,017	7,350
Current liabilities			
Loans and Borrowings	16	**26**	44
Trade and other payables	18	**195,902**	224,964
Derivative financial instruments	19	**2,729**	-
Provisions	17	**685**	700
		199,342	225,708
Total equity and liabilities		**291,481**	312,803

The financial statements were approved and authorised for issue by the Board of Directors on 11 August 2023 and were signed on its behalf by:

J M Davis
Director

ROTORK CONTROLS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Called up share capital £000	Capital contribution reserve £000	Hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2021		16,015	1,844	917	11,450	30,226
Profit for the year		-	-	-	57,149	57,149
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedges		-	-	(109)	-	(109)
Actuarial gain on defined benefit pension plans	22	-	-	-	21,943	21,943
Tax in other comprehensive income	12	-	-	21	(4,485)	(4,464)
Total other comprehensive income		-	-	(88)	17,458	17,370
Total comprehensive income for the year		-	-	(88)	74,607	74,519
Transactions with owners						
Dividends paid during the year		-	-	-	(25,000)	(25,000)
Balance at 31 December 2021		**16,015**	**1,844**	**829**	**61,057**	**79,745**
Profit for the year		**-**	**-**	**-**	**43,620**	**43,620**
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedges		**-**	**-**	**(2,066)**	**-**	**(2,066)**
Actuarial loss on defined benefit pension plans	22	**-**	**-**	**-**	**(6,094)**	**(6,094)**
Tax in other comprehensive income	12	**-**	**-**	**439**	**(522)**	**(83)**
Total other comprehensive income		**-**	**-**	**(1,627)**	**(6,616)**	**(8,243)**
Total comprehensive income for the year		**-**	**-**	**(1,627)**	**37,004**	**35,377**
Transactions with owners						
Dividends paid during the year		-	-	-	**(30,000)**	**(30,000)**
Balance at 31 December 2022		**16,015**	**1,844**	**(798)**	**68,061**	**85,122**

Detailed explanations for equity capital, the capital contribution reserve and the hedging reserve can be seen in note 15.

The notes on pages 14 to 37 form part of these financial statements.

1. Accounting policies

The principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

General information

Rotork Controls Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

The nature of the Company's operations and its principal activities are set out in the strategic report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. Except where indicated, these notes are rounded to the nearest thousand pounds (£000).

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared on the historical cost basis in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework', subject to the items that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the derivative financial instruments accounting policy below.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in respect of the following:

- A cash flow statement and related notes;
- Comparative period reconciliations for share capital, property, plant and equipment and intangible assets;
- Presentation of a third balance sheet to reflect the impact of changes in accounting policy on prior periods;
- Disclosures in respect of transactions with wholly-owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Rotork plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share-based Payments in respect of group-settled share-based payments; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company is exempt by virtue of S400 of the Companies Act 2006 from the requirement to prepare group accounts since the Company is itself a wholly-owned subsidiary of an EC parent.

The Company's parent undertaking, Rotork plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Rotork plc are prepared in accordance with International Financial Reporting Standards, are available to the public and may be obtained from the address given on page 1.

1. Accounting policies (continued)

New accounting standards

I. Amendments

A number of amended standards became applicable for the current reporting period. The application of these amendments has not had any material impact on the disclosures or on the amounts recognised in the entity's financial statements.

Going concern

The directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report.

In forming this view, the macroeconomic conditions, supply chain disruption and geo-political instability on the Company has been considered. The company shows a strong cash position of £45.3m at 31 December 2022 (2021: £54.3m). In addition to this the company shows a strong net asset position at 31 December 2022 of £85.1m (2021: £79.7m), however has a net current liabilities position of £88.0m (2021: net current liability of £81.7m). As such, a letter of support has also been obtained from the directors of the Parent Company, who are common directors of this company, that full repayment of the intercompany liabilities will not be demanded for at least 12 months from the signing of these financial statements.

The directors are satisfied that any downside scenarios are considered remote and that the Company would continue to have headroom on available facilities. The Company also has a number of mitigating actions that it can take at short notice to preserve cash, for example reduction in capital programmes and other reductions in discretionary spend.

Based on the factors described above the directors' consider it appropriate for the financial statements to be prepared on a going concern basis.

Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control of a product or service to a customer and is shown net of value-added tax, returns, rebates and discounts.

Revenue from the sale of actuators and flow control products is recognised in the income statement when control of the goods has transferred, being when the goods have been transferred to the customer in accordance with the contracted shipping terms.

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.

The Company has applied the practical expedient in IFRS 15.121 and therefore not disclosed the information in IFRS 15.120 regarding unsatisfied (or partially unsatisfied) performance obligations on contracts with a duration of one year or less.

Other income

Sales-based royalties on a licence of intellectual property are not recognised until the relevant product sale occurs.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date.

1. Accounting policies (continued)

Adjustments to profit

Adjustments to profit are items of income and expense which, because of the nature, size and/or infrequency of the events giving rise to them, merit separate presentation. These specific items are presented on the face of the income statement to provide greater clarity and a better understanding of the impact of these items on the Company's financial performance. In doing so, it also facilitates greater comparison of the Company's underlying results with prior periods and assessment of trends in financial performance. This split is consistent with how underlying business performance is measured internally.

Adjustments to profit items may include but are not restricted to: costs of significant business restructuring, significant impairments of intangible or tangible assets, adjustments to the fair value of acquisition related items such as contingent consideration, acquired intangible asset amortisation and other items due to their significance, size or nature, and the related taxation.

Leases

At the lease commencement date, the entity recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the entity, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The entity depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The entity also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the entity measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the entity's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The entity has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the balance sheet, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in loans and borrowings.

1. Accounting policies (continued)

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 up to five years and is written off on a straight-line basis.

Software as a Service

For 'Software as a Service' ('SaaS') arrangements, the Company capitalise costs only relating to the configuration and customisation of SaaS arrangements as intangible assets where control of the software and associated configured and customised elements exists.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss 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 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Expense classification

Cost of sales includes all direct manufacturing costs and related overheads including depreciation. Distribution costs consist of transport costs, but exclude all other overheads. Administrative expenses include costs of product development and all other overheads.

Inventory and work in progress

Inventory and work in progress are valued on a 'first in, first out' basis at the lower of cost and net realisable value. In respect of work in progress, cost includes all production overheads and the attributable proportion of indirect overhead expense.

Investments

Investments in subsidiaries are held at historical cost less any applicable provision for impairment.

1. Accounting policies (continued)

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. It is not amortised but is tested annually for impairment, or more frequently where there is an indicator of impairment. For the purpose of impairment testing, goodwill is allocated to each of the company's cash-generating units and each of these units is reviewed of any signs of impairment. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Property, plant and equipment

Long leasehold buildings are amortised over fifty years or the expected useful life of the building where this is less than fifty years. Other assets are depreciated by equal annual instalments by reference to their estimated useful lives at the following annual rates:

Plant and machinery and motor vehicles 20%.

No depreciation is provided on freehold land.

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

Pensions

Defined contribution plans

Obligations for contributions to a defined contribution pension plan are recognised as an expense in the statement of profit or loss in the periods during which services are rendered by employees.

Defined benefit plans

The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the

discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit pension plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of the benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Company is the sponsoring employer of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is the Company.

1. Accounting policies (continued)

Share-based payments

The Sharesave plan and long-term incentive plan grant employees free shares or allow them to acquire shares of the parent company Rotork plc. The fair value of options is recognised as staff cost with a corresponding increase in amounts owed to Rotork plc. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

The share incentive plan (SIP) is a discretionary profit-linked share scheme based on the prior year profit of the 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. Shares awarded under the scheme are issued by the trustee at the cost of purchase. The cost of providing the plan is recognised in the income statement over the period to which the employee has earned the award.

Financial instruments

The Company recognises financial assets and liabilities on its balance sheet when it becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are offset, and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

When financial assets and liabilities are initially recognised, they are measured at fair value, being the consideration given or received plus directly attributable transaction costs. Originated loans and receivables are initially recognised in accordance with the policy stated above and subsequently remeasured at amortised cost using the effective-interest method. Allowance for impairment is estimated on a case-by-case basis.

A financial asset is derecognised when the Group loses control over the contractual rights to the cash flows from the asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. Originated loans and receivables are derecognised on the date they are transferred by the Company.

The Group assesses at each balance sheet reporting date whether there is any objective evidence that a financial asset, or group of financial assets, is impaired. For trade receivables the Company recognises impairment provisions based on lifetime expected credit losses.

Derivative financial instruments

The Company uses forward foreign 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 Company. In accordance with its Treasury policy, the Company does not hold or issue contracts for trading purposes.

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 high probable forecasted transaction, the effective part of any gain or loss in 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.

1. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

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 resulting estimates and judgements 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) Critical accounting judgements

There are no critical accounting judgments in applying the Company's accounting policies.

Critical accounting judgements and key sources of estimation uncertainty (continued)

ii) Key sources of estimation uncertainty

Retirement benefits

The Company's financial statements include costs in relation to, and provisions for, retirement benefit obligations. Management is required to estimate the future rates of inflation, salary increases, discount rates and longevity of members, each of which may have a material impact on the defined benefit obligations that are recorded. Sensitivities to changes in key estimates affecting the pension scheme's liabilities are shown in note 22.

2. Revenue

Revenue represents sales of goods supplied, excluding value added tax and returns and allowances.

The breakdown of revenue by destination is as follows:

	2022	2021
	£000	£000
United Kingdom	**9,559**	8,968
Rest of Europe	**21,606**	21,877
Americas	**24,395**	14,095
Asia	**19,431**	19,546
Rest of World	**12,937**	7,857
	87,928	72,343

3. Staff numbers and costs

The average monthly number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2022 No.	2021 No.
Production	**85**	86
Administration	**286**	268
	371	354

The aggregate payroll costs of these persons were as follows:

	2022 £000	2021 £000
Wages and salaries	**22,790**	20,592
Social security costs	**2,448**	1,988
Pension costs	**1,404**	1,358
	26,642	23,938

4. Other adjustments

The other adjustments are adjustments that management consider to be significant and where separate disclosure enables stakeholders to assess the underlying trading performance of the Company on a consistent basis.

The other adjustments to profit included in statutory profit are as follows:

	2022 £000	2021 £000
Software as a Service arrangements	**8,304**	8,459

During the year £8,304,000 (2021: £8,459,000) of configuration costs were incurred on the development of cloud based software which do not meet the criteria of IAS 38 to be capitalised. All adjustments are included in administrative expenses.

5. Finance income and expense

Recognised in the income statement

	2022 £000	2021 £000
Interest income	**201**	282
Interest receivable from group undertakings	**2,655**	1,384
Finance income	**2,856**	1,666

	2022 £000	2021 £000
Interest expense	**79**	146
Interest payable to group undertakings	**2,690**	3
Interest payable on leases	**1**	2
Interest charge on pension scheme liabilities (see note 22)	**29**	389
Finance expense	**2,799**	540

Recognised in equity

	2022 £000	2021 £000
Effective portion of changes in fair value of cash flow hedges	**(479)**	(2,545)
Fair value of cash flow hedges transferred to income statement	**2,545**	2,654
Recognised in the Hedging reserve	**2,066**	109

6. Profit before taxation

Profit before taxation is stated after charging/(crediting) the following:

	2022 £000	2021 £000
Depreciation of tangible fixed assets	**2,885**	2,479
Amortisation of development costs	**1,089**	1,056
Research and development expenditure	**5,065**	5,267
Audit fees payable to the Company's auditor for the audit of the annual accounts	**90**	74
Fees payable to the Company's auditor for non-audit services	**-**	-
Foreign exchange (gain)	**(201)**	(1,038)
Share-based payments expense	**2,094**	832

7. Emoluments of directors

The Company receives management and operational recharges for relevant pooled group costs which may include a portion of the directors' emoluments along with numerous other costs. The directors who served during the year are also directors of a number of fellow subsidiaries within the group. It is not practicable to make an accurate apportionment of the emoluments in respect of each of the subsidiaries. Accordingly, their emoluments are disclosed in the financial statements of Rotork plc, with whom they have their primary employment contracts.

8. Taxation

	2022 £000	2021 £000
Current tax:		
UK corporation tax	**832**	637
Overseas tax	**2,496**	2,623
	3,328	3,260
Adjustment in respect of prior periods	**(430)**	(323)
	2,898	2,937
Deferred tax:		
Origination and reversal of timing differences	**2,090**	(3,156)
Adjustment in respect of prior periods	**141**	(34)
Total deferred tax (note 12)	**2,231**	(3,190)
Total tax charge/(credit) for the year	**5,129**	(253)

The effective rate of corporation tax is lower (2021: lower) than the rate of corporation tax in the UK of 19.00% (2021: 19.00%). The differences are explained below:

	2022 £000	2021 £000
Profit before tax	**48,749**	56,896
Profit multiplied by standard effective rate of corporation tax in the UK of 19.00% (2021: 19.00%)	**9,262**	10,810
Effects of:		
Income not taxable	**(5,413)**	(10,916)
Overseas withholding tax suffered	**2,496**	2,623
Amounts not deductible	**800**	37
R&D/intellectual property incentives	**(1,727)**	(1,702)
Impact of rate change	**-**	(749)
Adjustments to tax charge in respect of prior periods	**(289)**	(356)
Total tax charge / (credit) for the year	**5,129**	(253)

The UK main corporation tax rate increased from 19% to 25% on 1 April 2023 as legislated. The increase was introduced in the Finance Bill 2021 and has been reflected in the measurement of deferred tax in the opening and closing balance sheets.

9. Intangible assets

	Software £000	Development costs £000	Goodwill £000	Total £000
Cost				
Cost at 1 January 2022	9,624	15,731	2,841	**28,196**
Additions	2,065	2,180	-	**4,245**
At 31 December 2022	**11,689**	**17,911**	**2,841**	**32,441**
Amortisation				
At 1 January 2022	-	12,369	-	**12,369**
Amortisation in year	-	1,089	-	**1,089**
At 31 December 2022	**-**	**13,458**	**-**	**13,458**
Net book value				
At 31 December 2022	**11,689**	**4,453**	**2,841**	**18,983**
At 31 December 2021	9,624	3,362	2,841	15,827

Development costs have been capitalised in accordance with IAS 38 Intangible Assets and are therefore not treated, for dividend purposes, as a realised loss.

10. Property, plant and equipment

	Land and buildings £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2022	9,174	26,656	**35,830**
Additions	85	2,010	**2,095**
Disposals	-	(233)	**(233)**
At 31 December 2022	**9,259**	**28,433**	**37,692**
Depreciation			
At 1 January 2022	4,436	18,005	**22,441**
Charged in year	294	2,591	**2,885**
Disposals	-	(233)	**(233)**
At 31 December 2022	**4,730**	**20,363**	**25,093**
Net book value			
At 31 December 2022	**4,529**	**8,070**	**12,599**
At 31 December 2021	4,738	8,651	13,389

The net book value of the land and buildings comprises:

	2022 £000	2021 £000
Freehold land (not depreciated)	**480**	480
Freehold buildings	**1,589**	1,789
Long leasehold buildings	**2,460**	2,469
	4,529	4,738

11. Investments

Investments comprise shares in subsidiary undertakings.

	2022 £000	2021 £000
Cost and net book value at 1 January	**76,783**	76,783
Additions	4,060	-
Cost and net book value at 31 December	**80,843**	76,783

During the year, Rotork Controls Limited invested £4,060,000 for 75% of the share capital in a newly-established entity in Saudi Aribia, with the remaining 25% owned by a third party.

The Company has the following investments in subsidiaries, all with share capital consisting solely of ordinary shares. The principal activities of all the subsidiaries are those of the Group.

Subsidiary	Incorporated in	Registered address
100% owned by Rotork Controls Limited		
Rotork Actuation (Shanghai) Co Limited	China	Building G, No.260 Liancao Road, Minhang District, Shanghai, PRC 201108
Rotork Trading (Shanghai) Co Limited	China	Room 1177, No.400, Middle Zhejiang Road, HuangPu District, Shanghai, China
Rotork Controls (India) Private Limited	India	28B, Ambattur Industrial Estate (North Phase), Ambattur, Chennai 600 098
Rotork UK Limited	England and Wales	Rotork House, Brassmill Lane, Bath BA1 3JQ
Valvekits Limited	England and Wales	Rotork House, Brassmill Lane, Bath BA1 3JQ
Rotork Americas Holdings Limited	England and Wales	Rotork House, Brassmill Lane, Bath BA1 3JQ
75% owned by Rotork Controls Limited		
Rotork Saudi Arabia LLC	Saudi Arabia	LC07, Al-Khobar, 31671 Dammam, Kingdom of Saudi Arabia
100% owned by Rotork UK Limited		
Prokits Limited	England and Wales	Rotork House, Brassmill Lane, Bath BA1 3JQ
Flowco Limited	England and Wales	Rotork House, Brassmill Lane, Bath BA1 3JQ
100% owned by Rotork Trading (Shanghai) Co Limited		
Centork Trading (Shanghai) Co. Ltd	China	Room C-02, 1/F, West Area No. 2 Building, No. 29 Jiatai Free Trade Zone, Shanghai, China
Rotork Instruments Chengdu Co. Ltd	China	Room 1201, Building I, 88 Shenghe Road, High Tech Zone, Chengdu, Sichuan, China 610041
100% owned by Valvekits Limited		
Circa Engineering Limited	England and Wales	Rotork House, Brassmill Lane, Bath BA1 3JQ

12. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities:

	Assets 2022 £000	**Liabilities 2022 £000**	**Net 2022 £000**	Assets 2021 £000	Liabilities 2021 £000	Net 2021 £000
Property, plant and equipment	**902**	**-**	**902**	1,575	-	1,575
Intangible assets	**2,283**	**-**	**2,283**	1,560	-	1,560
Employee benefits	**1,014**	**-**	**1,014**	3,149	-	3,149
Share-based payments	**273**	**-**	**273**	680	-	680
Designated cash flow hedges	**245**	**-**	**245**	-	(194)	(194)
Unremitted earnings	**-**	**(2,487)**	**(2,487)**	-	(2,226)	(2,226)
Tax assets/(liabilities)	**4,717**	**(2,487)**	**2,230**	6,964	(2,420)	4,544
Set off of tax	**-**	**-**	**-**	(194)	194	-
Net tax assets/(liabilities)	**4,717**	**(2,487)**	**2,230**	6,770	(2,226)	4,544

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

	2022 £000	2021 £000
Balance at 1 January	**4,544**	5,818
(Charged)/credited to the income statement	**(2,231)**	3,190
Charged directly to equity in respect of pension scheme	**(522)**	(4,485)
Credited directly to equity in respect of designated cash flow hedges	**439**	21
Balance at 31 December	**2,230**	4,544

Deferred tax assets of £4,717,000 (2021: £6,770,000) have been recognised at 31 December 2022. 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.
There is an unrecognised deferred tax liability for temporary differences associated with investments in subsidiaries. The Company 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 £31,585,000 (2021: £32,158,000).

13. Inventories

	2022 £000	2021 £000
Raw material and purchased components	**13,054**	7,781
Work in progress	**444**	341
	13,498	8,122

Included in cost of sales was £42,256,000 (2021: £33,219,000) in respect of inventories consumed in the year.

14. Trade and other receivables

	2022 £000	2021 £000
Non-current assets		
Amounts owed by Parent	**25,964**	19,423
Amounts owed by Rotork Group undertakings	**37,013**	36,606
	62,977	56,029
Current Assets		
Trade receivables	**69**	705
Amounts owed by Parent	**-**	46,295
Amounts owed by Rotork Group undertakings	**33,818**	19,634
Other debtors	**2,782**	4,109
Prepayments and accrued income	**11,947**	6,440
	48,616	77,183

The £25,964,000 (2021: £65,718,000) owed by Parent are non-interest-bearing loans and are repayable upon demand.

Of the £70,831,000 (2021: £56,240,000) owed by Rotork Group undertakings, £37,013,000 (2021: £36,606,000) are interest-bearing loans, which are repayable upon demand and attract a weighted average interest rate of EURIBOR plus 2.0% (2021: 2.0%). The remaining £33,818,000 (2021: £19,634,000) are trading balances which are settled on normal payment terms.

Amounts owed by Parent and Rotork Group undertakings which are expected to be settled within the normal operating cycle are shown as current assets, otherwise are shown as a non-current asset.

15. Capital and reserves

	2022 £000	2021 £000
Share capital authorised, allotted, called up and fully paid:		
16,015,000 Ordinary Shares of £1 each (2021: 16,015,000)	**16,015**	16,015

Capital contribution reserve
The capital contribution reserve arose as a result of share based payments being awarded to employees without reimbursement to Rotork plc. From 2010 the company has settled the cost of the award in cash to Rotork plc.

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:

	2022 £000	2021 £000
Equity shares:		
£1.87 per share interim dividend paid (2021: £1.56)	**30,000**	25,000
	30,000	25,000

16. Loans and borrowings

	2022 £000	2021 £000
Non-current liabilities		
Lease Liabilities	**59**	85
	59	85
Current liabilities		
Lease Liabilities	**26**	44
	26	44

The Company is part of Rotork plc's Group banking arrangements. During the year, a £60,000,000 committed Revolving Credit Facility was available. This matured in June 2022 and was not replaced. The facility was available to the Rotork Plc, Rotork Controls Limited and Rotork Overseas Limited.

17. Provisions

	Warranty provision £000	**Total £000**
Balance at 1 January 2022	700	703
Utilised during the year	(15)	(3)
Balance at 31 December 2022	**685**	**700**
Current	685	700
	685	**700**

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.

18. Trade and other payables

	2022 £000	2021 £000
Trade payables	**8,976**	9,607
Amounts owed to Parent	**1,206**	-
Amounts owed to Rotork Group undertakings	**180,733**	209,490
Other payables	**2,757**	2,830
Other taxes and social security	**751**	628
Accruals and deferred income	**1,479**	2,409
	195,902	224,964

The £1,206,000 (2021: £nil) owed to Parent are non-interest-bearing short term loans. Of the £180,733,000 (2021: £209,490,000) owed to Rotork Group undertakings, £93,175,000 (2021: £107,939,000) are interest-bearing short-term loans, which are payable upon demand and attract an average interest rate of EURIBOR/SONIA/LIBOR less 0.125% (2021: 0.125%). The remaining £87,558,000 (2021: £101,551,000) are non-interest-bearing short-term loans.

19. Financial instruments

Cash flow hedges

	Assets 2022 £000	Liabilities 2022 £000	Assets 2021 £000	Liabilities 2021 £000
Forward foreign exchange contracts	**136**	**1,239**	1,186	106
Foreign exchange swaps	**-**	**1,705**	710	-
	136	**2,944**	1,896	106
Less current portion	**(136)**	**(2,729)**	(1,896)	-
Non-current	**-**	**215**	-	106

The full fair value of a hedging instrument 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 2022 are recognised in the income statement in the period or periods during which the hedged forecast transaction is recorded in the income statement.

20. Capital commitments

Capital commitments at 31 December 2022 and 2021 for which no provision has been made in these financial statements were:

	2022 £000	2021 £000
Contracted	**868**	3,270

21. Leases

The entity leases vehicles, machinery and IT equipment. Information about leases for which the entity is a lessee is presented below.

Right-of-use assets

The right-of-use assets are disclosed as a non-current asset and are part of the property, plant and equipment balance of £12,599,000 at 31 December 2022.

2022	Plant and equipment £000	**Total £000**
Balance at 1 January	129	**129**
Additions to right-of-use assets	-	**-**
Depreciation charge for the year	(44)	**(44)**
	85	**85**

Lease Liabilities

	2022 £000	2021 £000
Maturity analysis- contractual undiscounted cash flows		
Less than one year	**26**	46
One to five years	**60**	87
Total undiscounted lease liability at 31 December	**86**	133
Interest cost associated with future periods	**(1)**	(4)
Lease liabilities included in statement of financial position at 31 December	**85**	129

Current	**26**	44
Non-current	**59**	85

Amounts recognised In profit and loss

The entity has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

	2022 £000	2021 £000
Interest on lease liabilities	**1**	2
Expenses relating to short-term leases and leases of low value assets	**95**	89
Depreciation of right-of-use assets	**44**	63

Total cash outflow for leases	**140**	144

22. Pensions

i) Defined benefit pension schemes

Rotork Controls Limited participates in the Rotork Pension and Life Assurance Scheme, a contributory defined benefit pension scheme which provides benefits based on final salary and length of service on retirement, leaving service or death. There is no contractual agreement or policy in place for recharging the net defined benefit cost of the Scheme to the participating group companies and therefore, as permitted by IAS 19, the Company, as sponsoring employer for the Scheme, recognises the net defined benefit cost in its own financial statements.

The 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 Trustee of the Scheme the contributions to be paid to address any shortfalls against the Statutory Funding Objective.

The Scheme is managed by a Trustee, with directors appointed in part by the Company and in part from elections by members of the Scheme. The Trustee has responsibility for obtaining valuations of the Scheme, administering benefit payments and investing the Scheme's assets. The Trustee delegates some of these functions to their professional advisers where appropriate.

The defined benefit pension arrangement exposes the Company to a number of risks:

- Investment risk: the Scheme holds investments in asset categories, such as equities, which have volatile market values and whilst 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 Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds 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 Scheme are linked to inflation. Although the Scheme's 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.

The Scheme was closed to future accrual on 31 March 2018, from when active members were able to join the Company's defined contribution plan.

The impact of the requirement to equalise benefits of men and women for unequal GMPs was estimated to be a 0.5% addition to liabilities in 2018. The impact of the requirement to equalise benefits of men and women for unequal GMPs has been revised downwards from a 0.5% to a 0.3% addition to the liabilities of the Scheme. This revision reflects an updated estimate by the scheme actuary.

Movements in the present value of defined benefit obligations

	2022	2021
	£000	£000
Liabilities at 1 January	**211,959**	229,653
Administration costs	**-**	-
Interest cost	**3,961**	2,940
Benefits paid	**(8,644)**	(6,920)
Actuarial gain	**(81,762)**	(13,714)
Liabilities at 31 December	**125,514**	211,959

22. Pensions (continued)

Movement in fair value of plan assets

	2022 £000	2021 £000
Assets at 1 January	**207,026**	196,366
Interest income on plan assets	**3,932**	2,551
Employer contributions	**6,800**	6,800
Benefits paid	**(8,644)**	(6,920)
Return on plan assets, excluding interest income on plan assets	**(87,856)**	8,229
Assets at 31 December	**121,258**	207,026

Expense recognised in the income statement

	2022 £000	2021 £000
Administration costs	**-**	-
Net interest cost	**29**	389
Defined benefit expense	**29**	389

The expense is recognised in the following line items in the income statement:

	2022 £000	2021 £000
Cost of sales	**-**	-
Administrative expenses	**-**	-
Net finance expense	**29**	389
	29	389

Remeasurements over the year

	2022 £000	2021 £000
Experience adjustments on plan assets	**(87,856)**	8,229
Experience adjustments on plan liabilities	**(3,121)**	(2,496)
Actuarial gain from changes to financial assumptions	**84,759**	16,009
Actuarial gain from changes to demographic assumptions	**124**	201
	(6,094)	21,943

22. Pensions (continued)

Reconciliation of net defined benefit obligation

	2022 £000	2021 £000
Net defined benefit obligation at the beginning of the year	**4,933**	33,287
Administration costs	**-**	-
Net financing expense	**29**	389
Remeasurements over the year	**6,094**	(21,943)
Employer contributions	**(6,800)**	(6,800)
	4,256	4,933

Liability for defined benefit obligations

The principal actuarial assumptions at 31 December 2022 were as follows:

	2022	2021
	% per annum	
Discount rate	**4.75**	1.9
Rate of increase in pensions (post May 2000)	**3.00**	3.2
Rate of increase in pensions (pre May 2000)	**4.60**	4.6
Rate of inflation	**3.10**	3.3

The Retail Prices Index is used as the rate of inflation as it is a requirement of the pension scheme rules.

The split of the Scheme's assets and liabilities was as follows:

	2022 £000	2021 £000
Equities	**17,244**	36,339
Target return	**12,966**	56,434
Property	**1,134**	3,681
Multi-asset credit	**21,152**	21,176
LDI/Absolute return bonds	**68,879**	88,795
Cash and net current assets	**(117)**	601
Total	**121,258**	207,026
Actual return on the Scheme's assets	**(83,924)**	10,780

The Scheme has a strategic asset allocation which was agreed after considering its liability profile, funding position, expected return of the various asset classes and the need for diversification. The level of interest rate and inflation hedging has been increased by the use of liability driven investment (LDI) funds. Currently the Scheme has hedged around 75% of both the interest rate risk and the inflation risk of its liabilities, as measured on a low risk gilts basis.

22. Pensions (continued)

The only change made to the demographic assumptions at the 2022 year-end is that future improvements in mortality are now based on the CMI_2021 projection model, albeit with no allowance for 2020's and 2021's actual experience which reflected the impact of the pandemic (2021: CMI_2020).

By way of example the respective mortality tables indicate the following life expectancy:

	2022 Life expectancy at age 65		2021 Life expectancy at age 65	
Current age	**Male**	**Female**	Male	Female
65	**23.2**	**23.8**	23.2	23.7
45	**24.6**	**25.2**	24.5	25.2

Sensitivity analysis on the Scheme's liabilities

	Approximate effect on liabilities	
Adjustment to assumptions	**2022 £000**	2021 £000
Discount rate		
Plus 1.0% pa	**(19,000)**	(39,300)
Minus 1.0% pa	**22,600**	48,800
Inflation		
Plus 0.5% pa	**6,600**	13,700
Minus 0.5% pa	**(6,300)**	(13,000)
Life expectancy		
Increase of one year in assumed life expectancy	**4,000**	9,700

Note that the above sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

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 Scheme on the Company's future cash flows

The Company is required to agree a Schedule of Contributions with the Trustee of the Scheme as a result of the actuarial valuation which must be carried out at least once every three years. Following the valuation of the Scheme as at 31 March 2019, the Company is paying agreed deficit contributions of £6,800,000 a year until 30 September 2023 and then £5,500,000 until 31 March 2025. However, the level of deficit contributions will be reviewed at the 31 March 2022 valuation.

Subsequent to the year end, the 31 March 2022 valuation has been completed. The agreed contributions that the Company will pay are £6,800,000 until 30 September 2023 and £5,500,000 until 31 August 2024. The Company estimates that its cash contributions to the Scheme during 2023 will be £6,475,000 (2022 actual: £6,800,000).

The weighted average duration of the defined benefit obligation is 17 years.

22. Pensions (continued)

ii) Other pension plans

The Company makes a contribution to a defined contribution plan to provide benefits for employees upon retirement. Total expense relating to this plan in the year was £1,404,000 (2021: £1,358,000).

23. Contingent liabilities

The Company has given an unlimited guarantee in favour of Barclays Bank plc in respect of the borrowing and guarantees of certain other group companies, which at 31 December 2022 amounted to £nil (2021: £nil).

In addition the Company has given guarantees, indemnities and bonds not provided in the financial statements amounting to £140,000 (2021: £140,000).

24. Share-based payments

Sharesave plan

Following shareholder approval of the Sharesave plan at the Rotork plc Annual General Meeting on 18 May 2000, the first offer was made to employees in 2004. Company employees are invited to join the Rotork plc 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 three-year plan or the five-year plan.

Of the 1,196,000 outstanding options held by the Company's employees (2021: 1,169,000), 89,000 are exercisable (2021: 71,000). The weighted average remaining life of 781,000 (2021: 694,000) awards outstanding under the three-year plan is two years. The weighted average remaining life of 415,000 (2021: 475,000) awards outstanding under the five-year plan is four years. The range of exercise prices is 189.0p to 282.5p.

Rotork plc received total proceeds of £529,000 (2021: £850,000) in respect of the Sharesave plan options exercised by the Company's employees during the year. The weighted average share price at date of exercise was 307p (2021: 348p).

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 of shares are made to executive directors and senior managers each year.

2010 LTIP plan

Following shareholder approval of the 2010 LTIP plan at the Company's AGM on 23 April 2010, awards of shares have been made annually to executive and senior managers. From 2017 onwards, a third of these awards vested under a TSR performance condition, a third under an EPS performance condition and a third under a Return on Invested Capital (ROIC) 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 9% over the vesting period up to a maximum of 100% vesting if EPS growth exceeds 35%.

24. Share-based payments (continued)

Vesting of awards under the ROIC condition is determined by calculating the growth in ROIC, on a cumulative basis, over the performance period. For the 2020, 2021 and 2022 awards, the awards will vest by comparing the average ROIC over the performance period against a set of pre-defined targets.

The performance period for the 2019 awards ended on 31 December 2021. Messrs. PricewaterhouseCoopers LLP as independent actuaries certified to the Remuneration Committee that there was an 9.4% vesting of this award as the Company was in the 51st percentile relative to the comparator group. The EPS and ROIC elements of the scheme did not vest as the performance criteria were not met. These awards vested during 2022.

The performance period for the 2020 awards ended on 31 December 2022. Messrs. PricewaterhouseCoopers LLP as independent actuaries certified to the Remuneration Committee that there was a 0% vesting of this award. The TSR, EPS and ROIC elements of the scheme did not vest as the performance criteria was not met.

The weighted average remaining life of awards outstanding is one year.

The Share Incentive Plan

The Share Incentive Plan (SIP) is a discretionary profit-linked share scheme based on the prior year profit of the 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.

25. Ultimate holding company

The immediate parent undertaking, ultimate parent company, ultimate controlling party and the smallest and largest group to consolidate these financial statements is Rotork plc, a company incorporated in England and Wales and registered in England. Copies of the accounts of Rotork plc can be obtained from the company's registered office at the address stated on page 1.

26. Post balance sheet events

The company made a special contribution of £20m to the Rotork Pension and Life Assurance Scheme in May 2023. In June 2023 the scheme used this contribution and existing assets to purchase an insurance product which covers all existing pensioner liabilities. The deferred pensioner liabilities remain outstanding under the scheme. This has been treated as a buy-in.