

TRILLIUM FLOW TECHNOLOGIES UK LIMITED
(formerly WEIR VALVES & CONTROLS UK LIMITED)

Annual Report and Financial Statements

Registered number 00869208
31 December 2019

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Company Information

Directors

Christopher J Riordan
Robert Mitchell (appointed 25 March 2019)
Patrick Verspecht (appointed 28 June 2019)
Steven Brayley (appointed 1 November 2019)
Nicholas S Adcock (appointed 3 February 2020)
Jennifer Magowan (resigned 29 March 2019)
Michael Mannion (resigned 1 November 2019)

Company Secretary

Gillian Kyle (resigned 28 June 2019)
Christopher J Riordan (appointed 16 August 2019)

Independent auditors

BDO LLP
3 Hardman Street
Manchester
M3 3AT

Bankers

HSBC Bank Plc
62-76 Park Street
London
SE1 9DZ

Registered office

Britannia House
Huddersfield Road
Elland
Halifax
HX5 9JR

Country of incorporation

England and Wales

Strategic report

The directors present their Strategic report on Trillium Flow Technologies UK Limited ('the Company') for the year ended 31 December 2019.

Principal activities

The principal activity of the Company continues to be the production of high and low pressure valves.

Business review

The Company engineers and manufactures a range of control and isolation valves plus aftermarket products. The key markets that are being serviced through this product range include conventional power, upstream / downstream oil and gas, petrochemical and nuclear. The Company has remained well placed within the market despite the prolonged depression in capital investment due to the flexibility within the product range and is developing technologies to enter new energy markets.

On 25 February 2019, The Weir Group PLC announced that it had entered into an agreement to sell its Flow Control division to First Reserve, resulting in the subsequent purchase of Weir Valves & Controls UK Limited by Trillium Flow Technologies Holdings Limited on 28 June 2019. As an outcome of this sale and purchase, the name of Weir Valves & Controls UK Limited was changed to Trillium Flow Technologies UK Limited from 19th August 2019.

The Company's key financial and other performance indicators during the year were as follows:

	2019	2018	
	£000	£000	Change
Revenue	37,712	45,004	-16%
Operating profit (before exceptional items)	2,047	3,060	-33%
Profit before tax (before exceptional items)	1,754	2,919	-40%
Profit for the year (before exceptional items)	1,273	2,083	-35%
Exceptional items	1,133	-	100%
Profit for the year (after tax and exceptional items)	140	2,083	-89%
Shareholders' funds	10,167	10,577	-4%
Working capital as % of sales	24%	23%	100bps
Current assets as % of current liabilities	148%	135%	1,512bps
Average number of employees	159	166	-4%

Turnover has decreased by 16% from the prior year which is mainly due revenue slippage driven by material delays.

The Company made an operating profit of £2.0m before exceptional items which is a decrease of £1.0m against the prior year profit (2018: profit of £3.1m). The reduction in operating profit is a consequence of lower revenue in the year which has been offset by improved margins achieved in the year as a result of the mix of products delivered. The Company also incurred exception costs of £632k which related to headcount reductions. During the current year, the directors also approved a share capital and share premium reduction and a subsequent payment of an interim dividend of £550,000.

Future outlook

Looking forward to 2020, opportunities exist to expand current service offerings such as valves, engineered parts and service engineering innovation across territories and sectors. There are no significant plans to alter the business of the company in the future.

Principal risks

Risk is inherent in our business activities and as a consequence of operating a sound risk management process the Company has identified the following principal risks and uncertainties, which it believes could have a materially adverse effect on its business, turnover, profit, assets, liquidity, resources and reputation. The nature of risk is such that no list can be comprehensive and it is possible that other risks may arise, or that risks not currently considered material may become so in the future.

Strategic report *(continued)*

Covid-19

The outbreak of Covid-19 disease in the early months of 2020 resulted in several governments imposing restrictions on the movement of people across borders. The risk to the business is that governments impose and maintain these restrictions for a prolonged period. Although the directors have considered this risk, they do not anticipate this to have a significant impact on the business as during the initial round of restrictions, Company's products and services were generally deemed to be "essential". Our production facilities continued to operate, and the Company was able to deliver products to its customers. The Company will continue to monitor the emerging situation and directors will take corrective actions as and when required.

Political risks

The Company and its customers operate around the world including in the UK, Europe, South Korea, China, India, Far East, South Africa and North America. While benefiting from the opportunities in these regions, the Company and its customers are exposed to the political and business risks associated with international operations, such as sudden changes in regulation, expropriation of assets, imposition of trade barriers and limits on the export of currency.

Product liability claims

The Company faces an inherent business risk of exposure to product liability and warranty claims in the event that a failure of a product results in, or is alleged to result in, bodily injury, property damage and/or consequential loss. The Company's ultimate parent company maintains insurance coverage for product liability claims where possible. For warranty claims not covered by insurance, warranty costs may be incurred which the Company may not be able to recover.

Employee issues

Company performance depends on the skills and efforts of its employees and management team across all of its businesses. The Company recognises that failing to attract new talent and retain existing expertise, knowledge and skills in operations, products and infrastructure areas such as information technology could have a negative impact on its business.

Health & safety

The Company operates in a number of demanding environments and safe working practices are extremely important to protect everyone on the Company's premises with long established working practices and controls to minimise damage and injury.

During 2019, the Company achieved the milestone of 10 years without a lost time injury.

Customer relationships

The Company benefits from close commercial relationships with a number of key customers. The loss of any of these key customers, or a significant worsening in commercial terms, could impact on the Company's results. The Company devotes significant resources to supporting these relationships to ensure they continue to operate satisfactorily.

Supply chain risk

The Company subcontracts certain elements of the manufacturing process through supply chains external to the Company. Any failure of the supply chain would represent a risk to the Company's ability to meet customer requirements and achieve its financial goals. The Company's strategy is to simplify the external supply chain and forge deeper strategic relationships with fewer but stronger suppliers.

Business continuity and disaster recovery

The Company has a Business continuity and disaster recovery plan which is reviewed annually. Risk of disablement of the Company's business critical systems at a key location is mitigated by data back-up designed to ensure that information can be recovered rapidly and independently of any disabled location. In addition, I.T. disaster recovery plans are in place for each location in the event of disruption.

Financial risk management objectives & policies

The Company's principal financial instruments comprise cash, intercompany loans and financial instruments. The main purpose of these financial instruments is to manage the Company's funding and liquidity requirements. The Company has other financial instruments such as trade receivables and trade payables which arise directly from its operations. The principal financial risks to which the company is exposed are listed below. These risks are managed in accordance with Board approved policies.

Strategic report *(continued)*

Foreign exchange risk

As a result of the Company's business activities it is exposed to transactional currency risk. Transactional currency exposure arises when the Company enters into transactions denominated in currencies other than its functional currency which is Sterling. Foreign currency exposures are identified and managed directly by the Company within the policies and guidelines established by the Company's operational Holding Company, Trillium Flow Technologies Holdco Limited. The Company makes limited use of derivative financial instruments to hedge balance sheet translation exposures. Transaction exposures are hedged with the use of forward exchange rate contracts where deemed appropriate and where they can be reliably forecasted. It is policy not to engage in any speculative transaction of any kind.

Commodity price risk

The Company's exposure to raw material price risk is generally diminished by restricting bid validity to periods within those quoted by suppliers and by material price escalation clauses.

Credit risk

The credit risk on liquid funds and derivative financial instruments is limited because the counter parties are banks with high credit-ratings assigned by international credit-rating agencies. The Company's credit risk is primarily attributable to its trade receivables. The Company is exposed to risk over a large number of countries and customers and there is no significant concentration of risk. Where appropriate, the Company endeavours to minimise risk by the use of trade finance instruments such as letters of credit and insurance. Credit worthiness checks are also undertaken before entering into contracts with new customers and credit limits are set as appropriate. Due to long established relationships with the majority of customers, the Company does not consider there to be a significant credit quality issue. The amounts presented in the balance sheet are net of an allowance for expected credit losses, measured in accordance with the impairment requirements of IFRS 9.

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and inter-company trading accounts.

Interest rate risk

The Company's borrowings consist of inter group loans and these are at variable rates of interest. Based on current levels of net debt, interest rate risk is not considered to be material.

Section 172 Statement

At Trillium Flow Technologies UK Limited, we recognize the importance of operating the company for the benefit of all of our stakeholders with good business conduct. We further understand, that to be successful, we must have strong working relationships and build trust with the people, communities, groups, and organizations we encounter. We have firmly embedded these principles in our values, strategic framework, and business initiatives.

Through an ongoing strategic process, we have identified the members of our stakeholder community to include customers, employees, suppliers, shareholders, lenders, the community, and the environment.

Stakeholder	Why we engage	How we engage	What's important to the stakeholder and how we respond
Customers	The Directors recognize that we must engage with, create value for, attract, and retain customers to be successful. The cashflows derived from customers are the lifeblood of the business.	Using a mix of original equipment, aftermarket and service sales professionals, engineers, and marketing personnel, we engage with customers to understand their needs further and to offer solutions such that we create value for them. We have targeted key customers which we manage through a defined key account program. Further, we use specific methods and processes to capture the voice of the customer.	<p>Safety – Through a comprehensive safety program that focuses on the reduction of hazards, compliance to Group standard, and continuous improvement.</p> <p>Technology & Quality – We perform on-going product development based on customer and manufacture to the highest industry standards.</p> <p>Efficiency – Throughout the design, manufacture and supply of products and services, we deploy lean principles, optimize supply chains and work to improve our performance continuously.</p> <p>Aftermarket Support – We focus and deploy resources to support our customer's operations where they operate and in our facilities, to meet customer's unique aftermarket needs.</p> <p>Sustainability – In 2020 we launched a comprehensive sustainability charter and we are further actioning a broad sustainability initiative intended to improve key sustainability metrics continuously</p>

Strategic report (continued)

Section 172 Statement (continued)

<p>Shareholders (First Reserve and Stepstone private equity funds and management) and Lenders</p>	<p>Shareholders invest in, as well as own the business. They aim to get a fair return on their investment and due to this, have a keen interest in the business strategy and on-going performance. The lender group has provided and continues to provide on-going capital in the form of loans to support operations and incremental investments.</p>	<p>Representatives of both shareholder groups sit on the Board of Directors ("BOD") and attend regularly scheduled monthly calls and quarterly meetings. Further, there is an established Delegation of Authority that involves the BOD in critical decision making. Additionally, there are active committees and working groups involving board members and management team members.</p> <p>Through quarterly meetings, the company provides the lender group regular performance updates and engages through regular reporting as required by the lender agreements.</p>	<p>Clear Strategy & Good Execution – The business works to a defined strategy that is approved by the Board of Directors which then reviews strategic initiative metrics and performance. Broadly, the company lender group is aware of the company's strategy and management provides them regular strategic updates</p> <p>Financial Discipline – Throughout the business, we have implemented financial controls and reporting.</p> <p>Fair & Timely Returns on Investment – Management is committed to sustainable and profitable market share growth and has a supporting business plan</p> <p>Protecting the Business' Reputation – In 2019, we launched our company's values and soon after we drafted and implemented a Code of Conduct which the company strictly enforces. Additionally, we have hired a compliance manager charged with continuously improving our processes, systems, and oversight such that we protect the business. Further, we lead in a manner consistent with our values, one of which is integrity.</p>
<p>Workforce</p>	<p>The Company's business is based on manufacturing goods and delivering services through its diverse group of employees. To successfully maintain and grow the business, the Company must work to recruit, retain and develop employees.</p>	<p>Regular communications through newsletters, CEO led town hall events.</p> <p>We foster an open culture of sharing and engagement by annually conducting an employee engagement survey and employing a performance management process for employees.</p> <p>Additionally, we engage with specific local workforce unions.</p>	<p>Safety, Wellness, Environment Protection and Community Engagement – One of our core values is to "Protect People & the Environment" We operate using an established safety program and put safety above all else in our business. We recently launched Trillium Flow Technologies' sustainability charter, where the committee leads the improvement of our environmental impact and further engages in our local communities</p> <p>Fair treatment – Another of our core values is "Integrity" and we believe that we will only succeed if we work as a "Team." As such, we act with fairness and are embedding fairness in our hiring, rewards, promotion and management processes. We recently launched our diversity and inclusion charter and policy, which we will use to build on the foundation to improve diversity and inclusion throughout the organization further.</p> <p>Alignment of Personal & Company Values – Our employees are engaged in the development of and know our strategic framework and supporting values. We train, recruit and retain a workforce aligned to our values and remain consistent in that practice.</p> <p>Being heard and making a difference in the business – We have established an inclusive culture and are working to make it even better. Further, we ensure all employees know the importance of their role in the business and the impact they have on the business and its other stakeholders.</p>

Strategic report *(continued)*

Section 172 Statement *(continued)*

Suppliers	The business, by its nature, requires a broad and diverse set of suppliers for its manufacturing inputs and services. Additionally, the company relies on a broad group of professional service companies to support its needs.	The company selects suppliers through formal and informal processes based on the company's commercial, compliance, and technical needs and transacts through formal contracts. The company has established supplier quality management and compliance programs within its operations that include regular feedback, audits, and visits.	Collaborate Relationships to improve mutual benefits – The company has established supplier management professionals and programs aimed to align supplier and company needs and priorities such that both parties benefit. The company's supplier management program focuses on total value, timeliness, quality, and technology development. Trusted Partnership – The company has equal opportunity policies for suppliers and works within agreed-upon terms and conditions with its suppliers.
Community & Environment	The business forms part of the wider community and, as such, has a responsibility to use its resources in such a way to support communities and protect the environment.	The company provides support to local charities. Collaborations with local schools and universities. We promotion and support Science, Technology, Engineering and Mathematics programs within our schools and communities. The company also supports internship and apprenticeship programs.	Jobs – We directly provide jobs nationally and worldwide. Local Investment – We regularly invest in our facilities to improve our operations and drive growth in our business. Want us to operate safely and ethically – We live our values, protect our people, and work ethically. That we have a positive impact on our communities – We actively support our communities by donating time and resources. We are responsible stewards of the environment – We recently launched our sustainability program, which includes developing initiatives to reduce our carbon footprint while working towards a circular economy.

This report was approved by the Board of Directors and signed on its behalf.



Robert Mitchell
Director

25 November 2020

Directors' report

The directors present their report and the audited financial statements of Trillium Flow Technologies UK Limited (Registered Number 00869208) ('the Company') for the year ended 31 December 2019.

Result and dividend

The profit for the financial year was £140,000 (2018: £2,083,000).

A dividend of £550,000 (2018: £nil) was paid to the parent undertaking during the year.

Principal activities and review of the business

The Strategic report presents a summary of the Company's principal activities and future developments.

Change of Name

The Company passed a special resolution on 19 August 2019 changing its name from Weir Valves & Controls UK Limited to Trillium Flow Technologies UK Limited.

Research and development

Expenditure on research and development was directed to the expansion and efficiency improvements of existing product ranges alongside developing new technology and new product ranges.

Employee involvement

Within commercial confidence, information continues to be given to employees about the progress of the Company and on matters of concern to them as employees. Regular meetings are held to discuss matters affecting employees.

During the year the Company has continued arrangements whereby it periodically makes presentations to employees on the performance of the Company and its objectives in the context of both internal and external economic factors.

Foreign branches

The company operated a branch in Australia during the financial year.

Financial instruments

The Company's principal financial instruments are shown on the balance sheet. The principal financial risks to which the Company is exposed are outlined in the Strategic report.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review contained in the Strategic report, as is the financial position of the Company. In addition, the Strategic report includes the Company's objectives, policies and processes for managing its capital, financial instruments and its financial risk management objectives and policies.

The directors have adopted the going concern assumption and the accompanying financial statements have been prepared in accordance with that assumption. Please refer to Note 2, Critical accounting estimates and judgements for a discussion of the process the directors used to assess and conclude that the Group is a going concern.

In addition, the Company is ultimately owned by FR Flow Control Midco Limited ('the Group') and it participates in the Group's centralised treasury arrangements. As a consequence, the Company depends, in part, on the ability of the Group to continue as a going concern. The directors have considered the Company's funding relationship with FR Flow Control Midco Limited to date and have considered available relevant information relating to FR Flow Control Midco Limited's ability to continue as a going concern. In addition, the directors have no reason to believe that FR Flow Control Midco Limited will not continue to fund the Company, should it become necessary, to enable it to continue in operational existence, until such time as it ceases to be the majority shareholder of the Company.

As a result, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

Directors' report *(continued)*

Events after the reporting date

In January 2020, an outbreak of novel coronavirus (also known as "COVID-19") started in Wuhan, China. The virus was recognized as a global pandemic by the World Health Organization on March 11, 2020 and recommended containment and mitigation measures worldwide. In response to the rapid spread of the virus, governments around the world instituted varying levels of actions to contain the virus's spread. As of the date of filing this Annual Report, all of the Company's manufacturing plants are operating and, to date, our normal operations and global supply chains have not been materially affected by the global pandemic. Due to the unprecedented actions taken to stem the spread of the virus and the uncertainty of the duration and impact of additional actions that may be required, the resulting future disruptions to the Company's operations are uncertain.

In response to the extraordinary steps taken to combat the spread of COVID-19 and the unrelated sharp decrease in global oil prices in early 2020, the Company carried out a reforecast to determine the potential financial impact of these events on the Company's results of operations and cash flows. The resulting actions from the reforecast include reducing planned capital expenditures and non-essential operating expenses.

In July 2020, a significant value contract was cancelled with the Company. The financial impact of this contract cancellation are still under review due to ongoing commercial negotiation with the customer.

Future developments

Future developments affecting the business are discussed in the Future outlook section of the Strategic report.

Directors

The directors of the company during the year and up to the date of this report were:

Christopher J Riordan
Robert Mitchell (appointed 25 March 2019)
Patrick Verspecht (appointed 28 June 2019)
Steven Brayley (appointed 1 November 2019)
Nicholas S Adcock (appointed 3 February 2020)
Jennifer Magowan (resigned 29 March 2019)
Michael Mannion (resigned 1 November 2019)

Directors' liabilities

The Company's Articles of Association contain a provision that every director or other officer shall be indemnified against all losses and liabilities which they may incur in the course of acting as directors (or officers as the case may be) permitted by the Companies Act 2006 (as amended). These indemnities are uncapped in amount. The Company's ultimate parent company maintained directors and officers liability insurance throughout 2019 and up to the date of approval of the financial statements in respect of the Company's directors and officers.

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report 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 auditors are aware of that information.

Independent auditors

BDO LLP were appointed under section 485 of the Companies Act 2006 as the Company's auditors at the Annual General Meeting of the Group on 11 June 2020 and have indicated their willingness to continue in office.

On behalf of the board



Robert Mitchell
Director

25 November 2020

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report, and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the 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 United Kingdom Accounting Standards, comprising FRS 101, 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 auditors' report to the members of Trillium Flow Technologies UK Limited

Report on the audit of financial statements

Opinion

We have audited the financial statements of Trillium Flow Technologies UK Limited ("the Company") for the year ended 31 December 2019, which comprise: the Statement of comprehensive income, the Balance Sheet, Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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 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 have been prepared in accordance with applicable legal requirements.

Independent auditors' report to the members of Trillium Flow Technologies UK Limited *(continued)*

Matters on which we are required to report by exception

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 material misstatements in the Strategic report and Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, 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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

BDO LLP

Steven Roberts (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
27 November 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of comprehensive income

for the year ended 31 December 2019

	Year ended 31 December 2019			Restated Year ended 31 December 2018			
	Before exceptional items	Exceptional items (note 4)	Total	Before exceptional	Exceptional items (note 4)	Total	
	Notes	£000	£000	£000	£000	£000	
Revenue	3	37,712	-	37,712	45,004	-	45,004
Cost of Sales		(26,603)	-	(26,603)	(32,305)	-	(32,305)
Gross profit		11,109	-	11,109	12,699	-	12,699
Other operating income		31	-	31	40	-	40
Selling & distribution costs		(3,707)	-	(3,707)	(4,376)	-	(4,376)
Administrative expenses		(5,388)	(1,133)	(6,519)	(5,303)	-	(5,303)
Operating profit		2,047	(1,133)	914	3,060	-	3,060
Finance costs	7	(347)	-	(347)	(402)	-	(402)
Finance income	8	54	-	54	261	-	261
Profit before tax		1,754	(1,133)	621	2,919	-	2,919
Tax on profit	9	(481)	-	(481)	(836)	-	(836)
Profit for the financial year		1,273	(1,133)	140	2,083	-	2,083

The results stated above are derived from continuing operations. There was no other comprehensive income for 2019 (2018: £Nil).

The notes on pages 15 to 32 form part of these financial statements.

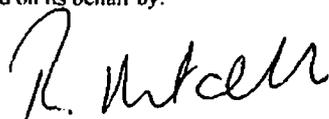
Balance sheet

at 31 December 2019

	Notes	December 2019 £'000	Restated December 2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	696	522
Right of use assets	11	2,870	-
Intangibles	12	1,367	2,020
Investments	13	140	140
Deferred tax asset	9	301	462
Derivative financial instruments	19	-	157
Total non-current assets		5,374	3,301
Current assets			
Inventories	14	6,622	7,443
Trade & other receivables	15	15,264	21,742
Derivative financial instruments	19	-	440
Cash and short-term deposits	16	1,488	38
Total current assets		23,374	29,663
Total assets		28,748	32,964
Liabilities			
Current liabilities			
Financial Liabilities	17	-	(4,130)
Trade & other payables	18	(12,849)	(14,207)
Derivative financial instruments	19	-	(981)
Provisions	20	(2,466)	(2,725)
Lease liabilities	21	(550)	-
Total current liabilities		(15,865)	(22,043)
Non-current liabilities			
Derivative financial instruments	19	-	(13)
Provisions	20	(477)	(331)
Lease liabilities	21	(2,239)	-
Total non-current liabilities		(2,716)	(344)
Total liabilities		(18,581)	(22,387)
Net assets		10,167	10,577
Capital & reserves			
Called up share capital	22	-	35,647
Share premium		-	140
Retained earnings		10,167	(25,210)
Total equity		10,167	10,577

The notes on pages 15 to 32 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 25 November 2020 and were signed on its behalf by:



Robert Mitchell
Director

Statement of changes in equity

for the year ended 31 December 2019

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 31 December 2018	35,647	140	(25,210)	10,577
Share capital & Share premium reduction (note 22)	(35,647)	(140)	35,787	-
Profit for the financial year	-	-	140	140
Dividends paid (note 22)	-	-	(550)	(550)
At 31 December 2019	-	-	10,167	10,167

The notes on pages 15 to 32 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2019

1 Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Trillium Flow Technologies UK Limited for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 25 November 2020 and the balance sheet was signed on the Board's behalf by Robert Mitchell.

Trillium Flow Technologies UK Limited is a private limited company, limited by shares, incorporated and domiciled in England and Wales under the Companies Act 2006.

The financial statements were prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

The Company's financial statements are presented in Sterling and all values have been presented in thousands (£000) except where otherwise indicated.

The Company was exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare Group financial statements. The results of the Company are included in the consolidated financial statements of FR Flow Control Midco Limited, which is company registered in England and Wales. These consolidated financial statements are publicly available from Companies House, Crown Way, Cardiff.

2 Accounting policies

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019 ('2019'), the comparative information is provided for the year ended 31 December 2018 ('2018'). The accounting policies are consistent with those of the previous period, with the exception of the following new standards which apply for the first time in 2019.

Adoption of new accounting standards

IFRS 16 Leases

The Company adopted IFRS 16 with effect from 1 January 2019. The Company applied the standard using the modified retrospective approach and thus comparative information has not been restated and is presented, as previously reported, under IAS 17.

The new standard results in all land and buildings and motor vehicle leases being recognised on the Balance Sheet as, from a lessee perspective, there is no longer any distinction between operating and finance leases. Under IFRS 16, an asset, based on the right to use a leased item over a long-term period and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- Short-term leases (leases of less than 12 months) and leases with less than 12 months remaining as at the date of adoption of the new standard are not within the scope of IFRS 16; and
- Leases for which the asset is of low value (IT equipment and small items of office equipment) are not within the scope of IFRS 16.

The impact of adopting IFRS 16 has been to reduce the Company's operating expenses as lease rentals are no longer recognised straight line under operating expenses and to increase the Company's depreciation and finance costs as the Company depreciates the right of use assets and unwinds the time effect of the related lease liabilities. The overall profile of the expense recognised in the income statement has changed as a higher level of finance costs are recognised earlier in the lease term. The recognition of the lease liabilities has increased the Company's net debt however the cash position of the Company remains unchanged.

Details of the Company's accounting policies under IFRS 16 are listed below:

- The right of use assets are valued initially at an equivalent value to the lease liability with the addition of any directly attributable costs. The assets are subsequently measured at cost less accumulated depreciation and impairments.
- The right of use assets are depreciated using the straight-line method from the commencement date to the shorter of the lease term or the useful economic life of the underlying asset.

Notes to the financial statements (continued)

2. Accounting policies (continued)

IFRS 16: Leases (continued)

- Lease liabilities are initially measured at the present value of the future lease payments discounted using the interest rate implicit in the lease or if this cannot be readily determined using an incremental borrowing rate calculated by the Group. The lease liabilities are subsequently measured by increasing the value to reflect the unwind of interest and reducing the value to reflect the lease payments made by the Company.
- The Company remeasures the lease liability when either the lease term changes, the lease payments change due to a change in an index or rate or where the lease is modified, and the modification does not result in a separate lease. Where a lease liability is remeasured, a corresponding entry is made to the right of use asset.
- The Company has used the exemption for leases of low value assets resulting in the expense being recognised straight line in operating expenses.

Statutory instruments & exemptions

The financial statements have been prepared on the going concern basis and the historic cost convention, as modified by the revaluation of land and buildings and derivative financial assets and liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- paragraphs 45(b) and 46-52 of IFRS 2 *Share-based Payment*, because the share-based payment arrangement concerns the instruments of the Weir Group PLC;
- IFRS 7 *Financial Instruments: Disclosures*, paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- IAS 7 *Statement of Cash Flows*, paragraph 38 of IAS 1 *Presentation of financial statements* comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1; paragraph 73(e) of IAS 16 *Property, Plant & Equipment*; and paragraph 118(e) of IAS 38 *Intangible Assets*; paragraph 17 of IAS 24 *Related Party Disclosures*;
- IAS 24 *Related Party Disclosures* disclosure of related party transactions with a fellow wholly owned subsidiary in IAS 24 *Related Party Disclosures*: paragraph 10(d), 16, 38A, 38B, 38C, 38D, 111, 134-136 of IAS 1 *Presentation of financial statements*; and
- paragraph 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

Standards and amendments that are issued but not yet applied by the Company

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2020:

IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment – Definition of Material)

IFRS 3, *Business Combinations* (Amendment – Definition of Business) Revised Conceptual Framework for Financial Reporting

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The Company is currently assessing the impact of these new accounting standards and amendments and does not believe that the amendments to IAS 1 or other standards issued will have a material impact on the group.

Revenue recognition

Revenue is the consideration received or receivable which reflects the amount expected to be received from customers, mainly the transaction price adjusted for variable consideration. Revenue will only be recognised when the fulfilment of performance obligations is achieved. Revenue is shown net of sales taxes and discounts.

Notes to the financial statements (*continued*)

2. Accounting policies (*continued*)

Revenue recognition (*continued*)

Sale of goods

Revenue from the sale of goods is recognised in the income statement when the transfer of control has been demonstrated, usually on despatch of goods. No revenue is recognised where recovery of the consideration is not probable or there are significant uncertainties regarding associated costs, or the possible return of goods. Transfer of control can vary depending on the nature of the products sold and the individual terms of the contract of sale. Where the sale of product requires customer inspection, revenue is not recognised until the inspection has been completed and approved by the customer.

This policy is applicable to the sale of both original equipment and spare parts, whether sold individually, in bulk or as part of a cross-selling marketing strategy.

Provision of services

Revenue from the rendering of services is generally recognised on completion if the service is short-term in nature. Where this is not the case, revenue from services is recognised in proportion to the stage of completion of the performance obligations at the balance sheet date. The stage of completion is assessed by reference to the transfer of control over time which usually corresponds to the contractual agreement with each separate customer and the costs incurred on the contract to date in comparison with the total forecast costs of the contract. Revenue recognition commences only when the performance obligations within each service contract are completed.

Construction contracts

Construction contracts usually contain discrete elements separately transferring control to customers over the life of the contract. The stage of completion of a contract is determined either by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, or by reference to the completion of a physical proportion of the contract work. The basis used is dependent upon the nature of the underlying contract and takes into account the degree to which the physical proportion of the work is subject to formal customer acceptance procedures. Losses on contracts are recognised in the year when such losses become probable.

Royalty income

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Liquidated damages provision

Under the terms of its contracts with customers, the Company is also subject to liquidated damages in the event that specified delivery dates are not met. The Company accounts for liquidated damages, based on the terms of the individual contracts, as a reduction of the related contract revenue.

Exceptional items

Exceptional items 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 to allow a better understanding of the elements of the Company's financial performance for the year and are presented on the face of the income statement to facilitate comparisons with prior periods and assessment of trends in financial performance. Exceptional items may include but are not restricted to: profits or losses arising on disposal or closure of businesses; the cost of significant business restructuring; significant impairments of intangible or tangible assets; adjustments to the fair value of acquisition related items such as contingent consideration and inventory; other items deemed exceptional due to their significance, size or nature; and the related exceptional taxation.

Foreign currency translation

Transactions denominated in foreign currencies are translated into the Company's functional currency at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the exchange rate ruling at the balance sheet date. Currency translation differences are recognised in the income statement.

Investments

Investments are held at historical cost less a provision for impairment when required.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment losses. Freehold land and assets under construction are not depreciated.

Depreciation of property, plant and equipment, other than freehold land and assets under construction, is provided on a straight line basis so as to charge the cost less residual value, based on prices prevailing at the balance sheet date, to the income statement over the expected useful life of the asset concerned, and is in the following ranges:

Plant & equipment

4 - 20 years

Notes to the financial statements (continued)

2. Accounting policies (continued)

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any recognised impairment losses.

Intangible assets acquired separately are measured at cost on initial recognition. An intangible asset with a finite life is amortised on a straight-line basis so as to charge its cost to the income statement over its useful life. An intangible asset with an indefinite life is not amortised but is tested at least annually for impairment and carried at cost less any recognised impairment losses.

The expected useful lives of acquired intangible assets are as follows:

Product Development	up to 8 years
Purchased Software	up to 4 years

Impairment of non-current assets

All non-current assets are tested for impairment whenever events or circumstances indicate that their carrying values might be impaired. Additionally, goodwill, intangible assets with an indefinite life and any capitalised development expenditure are subject to an annual impairment test.

An impairment loss is recognised to the extent that an asset's carrying value exceeds its recoverable amount, which represents the higher of the asset's fair value less costs to sell and its value in use. An asset's value in use represents the present value of the future cash flows expected to be derived from the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is conducted for the cash generating unit to which it belongs. Similarly, the recoverable amount of goodwill is determined by reference to the discounted future cash flows of the cash generating units to which it is allocated.

Impairment losses are recognised in the income statement. Impairment losses recognised in previous periods for an asset other than goodwill are reversed if there has been a change in the estimates used to determine the asset's recoverable amount. The carrying amount of an asset shall not be increased above the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. Impairment losses recognised in respect of goodwill are not reversed.

Inventories

Inventories are valued at the lower of cost and net realisable value, with due allowance for any obsolete or slow-moving items. Cost represents the expenditure incurred in bringing inventories to their existing location and condition and comprises the cost of raw materials, direct labour costs and related production overheads. Raw materials cost is generally determined on a first in, first out basis. Net realisable value is the estimated selling price less costs to complete and sell.

Financial assets & liabilities

The Company's principal financial assets and liabilities, other than derivatives, comprise the following:

- bank overdrafts
- cash and short-term deposits
- trade receivables
- trade payables
- intercompany treasury accounts

A financial asset is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Trade receivables

Trade receivables, which are generally of a short term nature, are recognised at original invoice amount where the consideration is unconditional. If they contain significant financing components, trade receivables are instead recognised at fair value. The Company holds trade receivables to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details of the Company's impairment policies and calculation of the loss allowance are provided in note 13.

Notes to the financial statements (*continued*)

2. Accounting policies (*continued*)

Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, the obligation can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Derivative financial instruments & hedge accounting

The Company uses derivative financial instruments, principally forward foreign currency contracts and cross currency swaps, to reduce its exposure to exchange rate movements. The Company also uses foreign currency borrowings as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Additionally, the Company uses interest rate swaps to manage its exposure to interest rate risk. The Company does not hold or issue derivatives for speculative or trading purposes.

Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. The fair value of forward foreign currency contracts is calculated as the present value of the estimated future cash flows based on spot and forward foreign exchange rates and counterparty and the Company's own credit risk. The fair value of interest rate swaps and cross currency swaps is calculated as the present value of the estimated future cash flows based on interest rate curves, spot foreign exchange rates and counterparty and own credit risk. Changes in their fair values are recognised in the income statement, except where hedge accounting is used, provided the conditions specified by IFRS 9 are met. Hedge accounting is applied in respect of hedge relationships where it is both permissible under IFRS 9 and practical to do so. When hedge accounting is used, the relevant hedging relationships are classified as fair value hedges, cash flow hedges or net investment hedges, as appropriate.

Where the hedging relationship is classified as a fair value hedge, the carrying amount of the hedged asset or liability will be adjusted by the increase or decrease in its fair value attributable to the hedged risk and the resulting gain or loss will be recognised in the income statement where, to the extent that the hedge is effective, it will be offset by the change in the fair value of the hedging instrument.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised through other comprehensive income is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss that was reported in equity is immediately reclassified to the income statement in the period.

Derivatives embedded in non-derivative host contracts which are not already measured at fair value through profit or loss, are recognised separately as derivative financial instruments when their risks and characteristics are not closely related to those of the host contract and the host contract is not stated at its fair value with changes in its fair value recognised in the income statement.

Share based payments

Equity settled share-based incentives were provided to certain employees of the company under a share reward plan ('SRP'), formerly a long-term incentive plan ('LTIP') operated by the previous ultimate parent company, The Weir Group PLC, as a consequence of occasional one-off conditional awards made to senior executives. The company recognised an expense in respect of shares awarded under the plan. This expense, which is based on the fair value of the awards, is recognised in the profit and loss account.

The fair value of the awards is determined at the date of grant and is not subsequently re-measured unless the conditions on which the award was granted are modified. The fair value at the date of the grant is calculated using appropriate option pricing models and the cost is recognised on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy service conditions or non-market performance conditions.

There are no outstanding share-based schemes under the new ownership and all schemes have been settled as part of the acquisition.

Notes to the financial statements (continued)

2. Accounting policies (continued)

Leases

On transition to IFRS 16 Trillium Flow Technologies UK Limited recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease liability (present value of minimum lease payments), and subsequently at that amount less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

Subsequent to initial recognition on implementation of IFRS 16, right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Trillium Flow Technologies UK Limited is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease as provided by HM Treasury.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in the future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Taxation

Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the year.

Deferred tax is recognised on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base with the following exceptions:

- Deferred tax arising from the initial recognition of goodwill, or of an asset or liability in a transaction that is not a business combination, that, at the time of the transaction, affects neither accounting nor taxable profit or loss, is not recognised;
- Deferred tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future; and
- 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 liabilities represent tax payable in future years in respect of taxable temporary differences. Deferred tax assets represent tax recoverable in future years in respect of deductible temporary differences, the carry forward of unutilised tax losses and the carry forward of unused tax credits. Deferred tax is measured on an undiscounted basis using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Current and deferred tax is recognised in the income statement except if it relates to an item recognised directly in equity, in which case it is recognised directly in equity.

Dividends

Dividend income is recognised when the right to receive payment is established.

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date, and the amounts reported for revenues and expenses during the year. These estimates and assumptions are based on historical experience, information available at the time and other factors considered relevant.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Critical accounting estimates and judgements (continued)

Taxation (estimate)

The level of current and deferred tax recognised in the financial statements is dependent on subjective judgements as to the interpretation of complex tax regulations and, in some cases, the outcome of decisions by tax authorities, together with the ability of the Company to utilise tax attributes within the limits imposed by the relevant tax legislation.

In all cases, provisions for open tax issues are based on management's interpretation of tax law as supported where appropriate by the Company's external advisors and reflect the single best estimate of likely outcome for each liability. The Company believes it has made adequate provision for such matters.

Provisions

Provisions are recognised where the Company has an obligation, as a result of a past event, that can be measured reliably and where an outflow of economic benefits is considered probable. Management estimates are used to determine the amount of such provisions taking into account the commercial drivers which gave rise to them, the Company's previous experience of similar obligations and the progress of any associated legal proceedings. With regard to inventory provisioning, historical usage as well as anticipated future demand is considered. Where changes to these factors occur during the year, this may impact on the assumption integral to management's assessment of the provision and the overall valuation. Any changes are recognised in the income statement in the year.

Impairment

The company carries out impairment testing on any assets that show indications of impairment as well as annually for goodwill and other intangible assets with indefinite lives and so not subject to amortisation. This testing includes exercising management judgement about future cash flows and other events which are, by their nature, uncertain.

Percentage of completion revenue recognition

For contracts which qualify for revenue recognition over time, the Group determines at contract inception the most appropriate measure of the progress towards completion of the performance obligation(s). Often, the Group determines that the most appropriate measure of progress towards completion is obtained by comparing costs incurred to total estimated costs for the project (the "cost to cost method"). The costs incurred are captured by the Group's job costing records. Estimates of the total anticipated costs for the project are updated on a periodic basis after discussions between the project and operations management teams.

The resulting estimate of the percentage of completion of the project is multiplied by the expected contractual revenue to determine the project to date revenue. The associated project to date cost of goods sold is determined by reference to the current estimate of total expected project costs as a percentage of the expected contractual revenue. The current period revenue and cost of goods sold recognised for a project is the difference between the calculated project to date amounts and those previously recognised in the consolidated statement of income.

Going concern

The Directors make a combined assessment on going concern with respect to the Group and the Company as the forecasts and range of possible scenarios on the financial position have been assessed as such, with considerations to the principal risks and uncertainties as set out in the Strategic Report.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Board has considered and debated a range of substantial possible scenarios on the Company's operations, financial position and forecasts. These take into account sensitivity analysis and stress testing performed on the forecasts to assess the impact of Covid-19 on the business and the resulting impact on revenue and cash flows together with mitigating actions taken including cost reductions and utilising government assistance programmes. In addition, the Group has also performed additional stress testing on the break-even point at which the debt compliance covenants are breached resulting in the bank loans being repayable on demand and the potential resulting need to obtain additional funding.

The primary purpose of these scenarios was to demonstrate mitigating cost reduction actions could be enacted to offset the loss of gross margins if adverse scenarios mentioned above materialised. The Directors highlight, as at the date of approval of these financial statements, there has been no loss of revenue nor decrease in customer quoting activity and the Group's ability to accurately forecast revenue reflects that a high proportion of future sales within the sales pipeline are placed on order.

After review of the forecasts along with mitigating factors available to them, the Directors have a reasonable expectation that the Company have adequate resources to continue in operational existence and to satisfy any upcoming covenant conditions in the foreseeable future. Accordingly, the Directors have adopted the going concern basis in preparing the annual report and financial statements.

Notes to the financial statements (continued)

3. Revenue

All revenue arises from customer contracts and is accounted for in accordance with IFRS 15, Revenue from Contracts with Customers. For determination of when an entity should recognize revenue associated with its contractual performance obligations, IFRS 15 focuses on when the customer obtains control of the promised good or service. Due to the nature of the Company's manufacturing processes and products, the customer will typically not obtain control of the product until it is completed and received. As a result, the Group recognizes revenue on the majority of its customer contracts at a point in time either when the product is shipped or received, based on the individual contract terms.

However, IFRS 15 does have an exception to the customer control criteria which will allow an entity to recognize revenue over time as performance obligations are completed if (i) the Group has no alternative use for the asset created; and (ii) there is an enforceable right to payment for performance to date (including a reasonable profit margin) in the event the customer terminates the contract for convenience. As such, the Group reviews its contract terms to determine whether they satisfy those criteria and therefore qualify for revenue recognition over time. Progress towards completion for contracts under which the Group qualifies for revenue recognition over time is typically assessed by comparing costs incurred to total estimated costs for the project.

	2019	Restated 2018
	£000	£000
Timing of revenue recognition		
At a point in time	36,827	45,004
Over time	885	-
	37,712	45,004

4. Operating profit

	2019	2018
	£000	£000
Operating profit is stated after charging		
Research & development costs	901	978
Depreciation of assets (note 10)	149	148
Depreciation of right of use assets (note 11)	612	-
Amortisation of intangible fixed assets (note 12)	653	649
Loss on disposal of fixed assets	-	3
Amounts provided for (released) in respect of provisions (note 20)	(113)	1,308
Exchange losses	546	982
Cost of inventories recognised as an expense (included in cost of sales)	18,567	22,144
Including: write down of stocks to net realisable value	127	504
Audit fees payable to the Company's auditors	45	38
Operating lease payments	-	641

Notes to the financial statements (continued)

5. Exceptional Items

	2019 £000	2018 £000
Recognised in arriving at operating profit from continuing operations		
Separation costs	501	-
Reorganisation costs	632	-
	1,133	-

The Company incurred separation costs in respect of the sale of the Flow Control Division by The Weir Group PLC to First Reserve. During the year, the Company also recognised costs with regards to reorganisation in relation to redundancies.

6. Staff costs & directors' remuneration

	2019 £000	2018 £000
Employee benefits expense		
Wages and salaries	6,252	6,768
Social security costs	637	714
Other pension costs	432	452
	7,321	7,934

Pension costs of £432,000 (2018: £452,000) in respect of the defined contribution scheme.

	2019	2018
Employee numbers		
The average number of people employed by the company (including directors) is as follows		
Direct	23	33
Indirect	136	133
	159	166

	2019 £000	2018 £000
Directors' remuneration		
Aggregate emoluments of directors in respect of qualifying services	804	546
Aggregate Company contributions to defined contribution pension plans	31	32
Aggregate payments in respect of long term incentive plans	-	15
	835	593

Christopher J Riordan, Jennifer Magowan (resigned), Michael Mannion (resigned), Robert Mitchell (appointed) and Steven Brayley (appointed) were employed by the Company and have been remunerated by the Company in their capacity as Directors. Mike Mannion stepped down from the Board on 1 November 2019; he continued to receive his normal pay and benefits until 1 November 2019. Payments totalling £39,616 in lieu of notice were also paid in November.

	2019 £000	2018 £000
In respect of the highest paid director		
Aggregate remuneration	456	278
Accrued pension contributions in the year	14	16
Share options exercised during the year	-	10
	470	304

Notes to the financial statements (continued)

7. Finance costs

	2019 £000	2018 £000
Interest payable to group undertakings	270	402
Unwind of discount on right-of-use lease liability	77	-
	347	402

8. Finance income

	2019 £000	2018 £000
Interest receivable from group undertakings	54	261

9. Tax on profit

	2019 £000	2018 £000
The tax charge is made up as follows		
Current income tax		
UK corporation tax	95	378
Foreign tax	34	224
Adjustments	191	215
Total current income tax	320	817
Deferred income tax		
Origination & reversal of temporary differences	145	(8)
Adjustment in respect of previous periods	16	27
Total deferred tax	161	19
Total income tax charge in the income statement	481	836

Factors affecting the tax charge for the year

The standard rate of tax for the year based on the UK standard rate of corporation tax is 19.00% (2018: 19.00%). The actual tax charge for the current year is set out in the following reconciliation.

	2019 £000	2018 £000
Profit from continuing operations before tax	621	2,919
Tax calculated at UK standard rate of corporation tax of 19.00% (2018: 19.00%)	118	555
Effect of:		
Expenses not deductible for tax purposes	94	4
Research and development	-	(23)
Effect of higher taxes on overseas earnings	-	82
Tax overprovided in previous periods	269	242
Change in tax laws and rate	-	(24)
Tax expense in the income statement	481	836

Notes to the financial statements (continued)

9. Tax on profit (continued)

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017. Deferred taxes at the balance sheet date have been measured using these enacted rates and reflected in these financial statements.

	2019 £000	2018 £000
Deferred income tax assets		
Decelerated depreciation for tax purposes	164	191
Offset against liabilities	137	271
Deferred income tax assets	301	462

10. Property, plant & equipment

	Plant & equipment £000
Cost	
At 1 January 2019	6,107
Additions	323
At 31 December 2019	6,430
Accumulated depreciation	
At 31 December 2018	5,585
Charge for year	149
At 31 December 2019	5,734
Net book value at 31 December 2018	522
Net book value at 31 December 2019	696

There are no outstanding capital commitments at the end of the financial year.

Notes to the financial statements (continued)

11. Leases: Right of use assets

	Right of use assets Land & Buildings £000	Right of use assets Motor Vehicles £000	Total £000
Cost			
At 1 January 2019	-	-	-
Right-of-use assets recognised on adoption of IFRS16 (note 2)	3,438	44	3,482
At 31 December 2019	3,438	44	3,482
Accumulated depreciation			
At 1 January 2019	-	-	-
Charge for year	579	33	612
At 31 December 2019	579	33	612
Net book value at 31 December 2019	2,859	11	2,870

The Company applied the IFRS 16 leases standard from its mandatory adoption date of 1 January 2019, as a result the note reflects right-of-use assets recognised in accordance with IFRS 16.

12. Intangible assets

	Purchased software £000	Product development £000	Total £000
Cost			
At 1 January 2019	189	4,340	4,529
Additions	-	-	-
At 31 December 2019	189	4,340	4,529
Accumulated amortisation			
At 1 January 2019	143	2,366	2,509
Charge for the year	19	634	653
At 31 December 2019	162	3,000	3,162
Net book value at 31 December 2018	46	1,974	2,020
Net book value at 31 December 2019	27	1,340	1,367

Notes to the financial statements (continued)

13. Investments

	£000
Cost	140
Additions	-
At 31 December 2019	140
Impairment	
At beginning and end of the year	-
Net book value at 31 December 2019	140

Dividends of £Nil (2018: £Nil) were received from subsidiaries in the year.

The subsidiary undertakings of the Company are as follows.

Legal name	Country of incorporation	Registered address	Class of shares	Percentage of shares held	Nature of business	Ownership
Autotork Controls Ltd	England and Wales	Britannia House Huddersfield Road Elland, West Yorkshire HX5 9JR	Ordinary	100%	Dormant	Direct
Hopkinsons Ltd	Scotland	Clydesdale Bank Exchange, Fourth Floor, 20 Waterloo Street, Glasgow, G2 6BD	Ordinary	100%	Dormant	Direct
The Batley Valve Company Ltd	England and Wales	Britannia House Huddersfield Road Elland, West Yorkshire HX5 9JR	Ordinary	100%	Dormant	Direct
Blakeborough Valves Ltd	Scotland	Clydesdale Bank Exchange, Fourth Floor, 20 Waterloo Street, Glasgow, G2 6BD	Ordinary	100%	Dormant	Direct

14. Inventories

	2019 £000	2018 £000
Raw materials	2,348	2,949
Work in progress	4,101	4,340
Finished goods	173	154
	6,622	7,443

Inventories are stated after impairment of £2,311,000 (2018: £2,184,000).

Notes to the financial statements (continued)

15. Trade and other receivables

	2019	2018
	£000	£000
Trade receivables	5,666	7,013
Contract assets	3,031	1,585
Amounts receivable from group undertakings	6,094	12,078
Other receivables	365	667
Prepayments	108	399
	15,264	21,742

The Company has recognised the following assets in relation to contracts with customers.

	2019	2018
	£000	£000
Accrued Income	3,031	1,585
	3,031	1,585

Trade receivables are stated after provisions for impairment of £567,000 (2018: £189,000).

All amounts are recoverable within one year.

Amounts receivable from group undertakings include a loan receivable balance from the group's various subsidiaries. The loan is interest bearing, unsecured and repayable on demand.

Other receivables relate to VAT repayments due to the Company from HMRC.

Impairment of trade & other receivables

Amounts owed by subsidiaries and other group undertakings relate to management recharges in respect of support services provided and intercompany trade. Intercompany balances are typically managed on a Group basis, and the Company's credit risk management practices reflect this. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all such receivables.

For the amounts owed by subsidiaries and other group undertakings, it is the Company's expectation that materially all the amounts owed by subsidiaries are fully recoverable over time. Expected credit losses at both 1 January 2019 and 31 December 2019 are therefore immaterial, and there has been no material change to the expected loss allowance during the year.

The company has two types of financial asset being trade receivables for sales of products and services, and contract assets.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics.

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Due to the way in which these contracts are managed, expected credit loss is included within the loss allowance for trade receivables.

For short-term trade receivables, historical loss rates are deemed an appropriate basis for the estimate of expected future losses. These are then adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written-off when there is no reasonable expectation of recovery.

Notes to the financial statements (continued)

15. Trade and other receivables (continued)

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Reconciliation of opening to closing loss allowance for trade receivables

	2019 £000	2018 £000
Balance at the beginning of the year	189	160
Impairment losses recognised on receivables	378	29
Amounts written off as uncollectable	-	-
Balance at the end of the year	567	189

16. Cash and short-term deposits

	2019 £000	2018 £000
Cash	1,488	38

17. Financial liabilities

	2019 £000	2018 £000
Amounts due are repayable as follows		
Current		
- loans from group undertakings	-	4,130
	-	4,130

In 2018, amounts owed to Group undertakings included a loan repayable to the ultimate parent company. This loan was interest bearing, unsecured and repayable on demand. The Company had no loans outstanding as at 31 December 2019.

18. Trade and other payables

	2019 £000	Restated 2018* £000
Trade payables	4,989	5,323
Contract liabilities	1,172	1,561
Amounts owed to group undertaking	3,352	3,722
Tax payable	63	419
Accruals	3,273	3,182
	12,849	14,207

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

The Group has recognised the following liabilities in relation to contracts with customers.

	2019 £000	2018 £000
Payments received on account	1,172	1,030
Advance milestones billed	-	531
	1,172	1,561

Notes to the financial statements (continued)

19. Derivatives

	2019 £000	2018 £000
Non-current assets		
Forward foreign currency contracts	-	157
	-	157
Current assets		
Forward foreign currency contracts	-	440
	-	440
Current liabilities		
Forward foreign currency contracts	-	(981)
	-	(981)
Non-current liabilities		
Forward foreign currency contracts	-	(13)
	-	(13)

20. Provisions

	Warranties £000	Liquidated damages £000	Dilapidation* £000	Total £000
Cost				
At 1 January 2019	1,155	1,570	331	3,056
Additions	333	405	146	884
Utilised	(89)	(908)	-	(997)
At 31 December 2019	1,399	1,067	477	2,943
Current	1,399	1,067	-	2,466
Non-current	-	-	477	477
	1,399	1,067	477	2,943

* The opening position has been restated to correct the classification from accruals to dilapidation provision.

A warranties provision has been made in respect of actual warranty claims on goods and services provided in addition to an allowance which has been made for potential warranty claims based on past experience.

Under the terms of its contracts with customers, the Company is subject to liquidated damages in the event that specified delivery dates are not met. The Company accounts for liquidated damages, based on the terms of the individual contracts, as a reduction of the related contract revenue.

Leasehold dilapidations provision relates to the expected costs to be incurred in restoring leasehold properties to the condition in which they were entered into. Amounts will be utilised as the respective leases end and restoration works are undertaken.

Notes to the financial statements (continued)

21. Lease liabilities

	2019 £000
At 1 January 2019	-
Lease liability recognised on adoption of IFRS16 (note 2)	3,335
Principal payments	(623)
Unwind of discount on right-of-use lease liability	77
	2,789

	2019 £000
Current	550
Non-current	2,239
	2,789

Lease liabilities are initially measured at the present value of the outstanding lease payments at the start of the lease term. This is discounted using an incremental borrowing rate, where none is readily available in the lease contract. The lease liability is subsequently reduced by cash payments and increased by interest costs, which is the unwinding of the lease liability. See Note 7 for the finance costs in relation to the lease liability.

22. Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
300 (2018: 35,647,300) ordinary shares of £1.00 each	-	35,647
	-	35,647

During the year, the Directors approved a share capital and share premium reduction of £35,787,000 and the payment of a dividend of £550,000 to its immediate parent company, Trillium Flow Technologies Holdings Limited.

23. Related party disclosures

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

24. Events after the reporting date

Details of all subsequent events are noted in the Directors report on page 8.

25. Prior year adjustment

Below prior year reclassification adjustment has been made to align the prior year to the current year;

- an amount of £304,000 pertaining to liquidity damages has been reclassified from cost of sales to revenue; and
- an amount of £331,000 has been reclassified from accruals to provision.

The above adjustments have had a £Nil impact on the net assets held as at 31 December 2018 and £Nil impact on profit for the year.

26. Operating lease commitment

	2019 £000	2018 £000
Less than one year	-	634
After one year but no more than five years	-	2,551
More than five years	-	673
	-	3,858

Notes to the financial statements *(continued)*

27. Ultimate group undertaking

The immediate parent company is Trillium Flow Technologies Holdings Limited, a company incorporated and registered in the United Kingdom.

The ultimate controlling company is FR Flow Control Topco Limited, a company incorporated and registered in Jersey. The consolidated Group financial statements are filed with the financial statements of FR Flow Control Midco Limited, which are available to the public from Companies House, Crown Way, Cardiff.

On 28 June 2019, Trillium Flow Technologies Holdings Limited became the immediate parent company and FR Flow Control Topco Limited became the ultimate controlling company of Trillium Flow Technologies UK Limited, following the sale of the Flow Control Division by The Weir Group PLC to First Reserve.