TRILLIUM FLOW TECHNOLOGIES UK LIMITED

Annual Report and Financial Statements

Registered number 00869208

31 December 2020

Contents

Company Information

Directors

Christopher J Riordan
Robert Mitchell
Patrick Verspecht (resigned 6 August 2021)
Steven Brayley
Nicholas S Adcock (appointed 3 February 2020)
Matt Norris (appointed 6 August 2021)

Company Secretary

Christopher J Riordan

Independent auditors

BDO LLP
3 Hardman Street
Manchester
M3 3AT

Banker

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 2020.

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.

During the year the Company's Australian branch acquired the net liabilities of Skye Holdco Australia Pty Limited receiving a consideration of £104,000. This was driven as an initiative by the Company's Parent entity to simplify the organizational structure and to use the Company's Australian branch for operational activities. Further detail is given in note 3 of the financial statements.

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

	2020	2019	
	£000	£000	**Change**
Revenue	**31,263**	37,712	-17%
Operating profit (before exceptional items)	**1,396**	2,047	-32%
Profit before tax (before exceptional items)	**1,026**	1,754	-41%
Profit for the year (before exceptional items)	**878**	1,273	-31%
Exceptional items	**272**	1,133	-76%
Profit for the year (after tax and exceptional items)	**606**	140	333%
Shareholders' funds	**10,773**	10,167	6%
Working capital as % of sales	**35%**	24%	1,100bps
Current assets as % of current liabilities	**158%**	148%	1,000bps
Average number of employees	**126**	159	-21%

Turnover has decreased by 17% from the prior year due to a lower orderbook going into 2020 when compared against the previous year and the impact of caution in the market from COVID-19 driven uncertainty.

The Company made an operating profit of £1.4m before exceptional items which is a decrease of £0.6m against the prior year profit (2019: profit of £2.0m). The reduction in operating profit is largely driven by a one-off contract loss provision of £1.5m incurred in 2020, however excluding this contract provision, the underlying operating profit is £2.9m which is £0.9m higher than 2019, mainly driven by improved margins achieved in the year as a result of the mix of products delivered and savings on overheads.

The Company incurred exceptional costs of £272k which mainly related to an intercompany loan write off.

Future outlook
Looking forward to 2021, opportunities exist to grow revenue through targeting our key markets and increased volume from COVID-19 delayed maintenance at our key customers. There are no significant plans to alter the business of the company in the future.

Whilst bookings have been robust throughout the COVID-19 pandemic the outlook remains cautious as the Company is a late cycle business. There is limited visibility of the long-term impact of Brexit however it is anticipated port disruptions and increased logistics costs will impact the Company over the next 12 months.

Strategic report *(continued)*

Principal risks and uncertainties

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.

Covid-19

The impact of the outbreak of Covid-19 pandemic in 2020 resulted in extensive government-imposed restrictions on the movement of people across borders globally. The risk to the business is that governments impose and maintain these restrictions for a prolonged period and the economic impact of these continued restrictions. Although the directors have considered these risks, they do not anticipate that they will have a significant impact on the business as, the 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. Demand for our products has remained. The Company will continue to monitor the evolving situation and directors will take corrective actions as and when required.

Brexit

Following general elections in 2017 and 2019, Parliament ratified the withdrawal agreement, and the UK left the EU at 11 p.m. GMT on 31 January 2020. The effects of Brexit will in part be determined by the EU–UK Trade and Cooperation Agreement which was agreed on 24 December 2020 and ratified by the UK Parliament on 30 December 2020 and was applied by the EU from 31 December 2020. There is limited visibility at this point regarding the long-term impact of the future relationship, which will determine the extent of the impact of Brexit to the Company. The Company serves a diverse range of customers globally and has limited direct exposure to continental European customers, which mitigates any further trade disruption risks, should they arise.

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 2020, the Company achieved the milestone of 11 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.

Strategic report *(continued)*

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.

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.

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 advance payments. 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 inter-company trading accounts. Liquidity was strong throughout 2020, with cash generated from operating activities of £5.1m, up £3.4 million from £1.7 million in 2019. Liquidity has remained strong at the start of 2021 and is expected to remain strong for the coming year.

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.

Strategic report *(continued)*

Section 172 Statement *(continued)*

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.	**Safety** – Through a comprehensive safety program that focuses on the reduction of hazards, compliance to Group standard, and continuous improvement. **Technology & Quality** – We perform on-going product development based on customer and manufacture to the highest industry standards. **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. **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. **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.
Shareholders (First Reserve and Stepstone private equity funds and management) and Lenders	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.	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. Through quarterly meetings, the company provides the lender group regular performance updates and engages through regular reporting as required by the lender agreements.	**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 **Financial Discipline** – Throughout the business, we have implemented financial controls and reporting. **Fair & Timely Returns on Investment** – Management is committed to sustainable and profitable market share growth and has a supporting business plan **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, the Group have hired a compliance manager charged with continuously improving 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.

Strategic report *(continued)*

Section 172 Statement *(continued)*

Stakeholder	Why we engage	How we engage	What's important to the stakeholder and how we respond
Workforce	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.	Regular communications through newsletters, CEO led town hall events. We foster an open culture of sharing and engagement by annually conducting an employee engagement survey and employing a performance management process for employees. Additionally, we engage with specific local workforce unions.	**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 **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. **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. **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 it other stakeholders.
Suppliers	The business, by its nature, requires a broad and diverse set of suppliers for it's 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.

Strategic report *(continued)*

Section 172 Statement *(continued)*

Stakeholder	Why we engage	How we engage	What's important to the stakeholder and how we respond
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. **Covid-19** Our production facilities continued to operate, and the Company was able to deliver products to its customers. Demand for our products has remained. The Company will continue to monitor the evolving situation and directors will take corrective actions as and when required.

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

R Mitchell

Robert Mitchell
Director

02 September 2021

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 2020.

Result and dividend
The profit for the financial year was £606,000 (2019: £140,000).

The directors do not recommend the payment of a dividend for the year (2019: £550,000).

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

Acquisition
During the year the Company's Australian branch acquired the net liabilities of Skye Holdco Australia Pty Limited receiving a consideration of £104,000. This was driven by an initiative by the Company's Parent entity to simplify the organizational structure and to use the Company's Australian branch for operational activities. Further detail is given in note 3 of the financial statements.

Research and development
Expenditure on research and development was directed to the 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. The Company continues to operate an Employee Partnership 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 Company 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 is 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)*

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
Patrick Verspecht (resigned 6 August 2021)
Steven Brayley
Nicholas S Adcock (appointed 3 February 2020)
Matt Norris (appointed 6 August 2021)

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 2020 and up to the date of approval of the financial statements in respect of the Company's directors and officers.

Greenhouse gas emissions, energy consumption and energy efficiency action
The Company has taken the exemption available to subsidiary companies not to disclose information in respect of greenhouse gas emissions, energy consumption and energy efficiency action given this is disclosed in the consolidated financial statements of the parent company, FR Flow Midco Limited.

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 auditor
BDO LLP were reappointed 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

R. Mitchell

Robert Mitchell
Director

02 September 2021

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

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and:
- have been prepared with the requirements of the Companies Act 2006.

We have audited the financial statements of Trillium Flow Technologies UK Limited ("the Company) for the year ended 31 December 2020 which comprises the Statement of comprehensive income, the Balance sheet, Statement of Changes in Equity and 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 Accounting Standards, including Financial Reporting Standard 101 The Financial Reporting Standard applicable in the UK and Republic of Ireland (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 directors are responsible for the other information. The other information comprises the information included in the annual report 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.

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.

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

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.

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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.

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

Extent to which the audit was 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:

Based on our understanding and accumulated knowledge of the Company and the sector in which it operated we considered the risks of acts by the Company which were contrary to applicable laws and regulations, including fraud, and whether such actions or non-compliance might have a material effect on the financial statements. These included but are not limited to those that relate to the form and content of the financial statements, such as Company accounting policies, UK GAAP, the Companies Act 2006, relevant tax legislation and Health and Safety.

We determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and revenue cut off. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or including specific keywords;
- Testing a sample of revenue transactions within a specified cut off window pre and post year end to determine if they have been recorded in the correct period;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of minutes of Board meetings throughout the period; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Steven Roberts
49BD0A55E7C14AD...

Steven Roberts (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
02 September 2021

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 2020

		Year ended 31 December 2020			Year ended 31 December 2019		
		Before exceptional items	Exceptional items (note 5)	Total	Before exceptional	Exceptional items (note 5)	Total
	Notes	£000	£000	£000	£000	£000	£000
Revenue	3	**31,263**	-	**31,263**	37,712	-	37,712
Cost of Sales		**(22,597)**	-	**(22,597)**	(26,603)	-	(26,603)
Gross profit		**8,666**	-	**8,666**	11,109	-	11,109
Other operating income		**81**	-	**81**	31	-	31
Selling & distribution costs		**(3,061)**	-	**(3,061)**	(3,707)	-	(3,707)
Administrative expenses		**(4,290)**	**(272)**	**(4,562)**	(5,386)	(1,133)	(6,519)
Operating profit	4	**1,396**	**(272)**	**1,124**	2,047	(1,133)	914
Finance costs	7	**(403)**	-	**(403)**	(347)	-	(347)
Finance income	8	**33**	-	**33**	54	-	54
Profit before tax		**1,026**	**(272)**	**754**	1,754	(1,133)	621
Tax on profit	9	**(148)**	-	**(148)**	(481)	-	(481)
Profit for the financial year		**878**	**(272)**	**606**	1,273	(1,133)	140

The results stated above are derived from continuing operations. There was no other comprehensive income for 2020 (2019: £Nil).

The notes on pages 17 to 32 form part of these financial statements.

Balance sheet
at 31 December 2020

	Notes	December 2020 £'000	December 2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	**690**	696
Right of use assets	11	**2,275**	2,870
Intangibles	12	**704**	1,367
Investments	13	**140**	140
Deferred tax asset	9	**297**	301
Total non-current assets		**4,106**	5,374
Current assets			
Inventories	14	**5,200**	6,622
Trade & other receivables	15	**17,464**	15,264
Cash and short-term deposits	16	**1,105**	1,488
Total current assets		**23,769**	23,374
Total assets		**27,875**	28,748
Liabilities			
Current liabilities			
Trade & other payables	17	**(11,697)**	(12,849)
Provisions	18	**(2,740)**	(2,466)
Lease liabilities	19	**(574)**	(550)
Total current liabilities		**(15,011)**	(15,865)
Non-current liabilities			
Provisions	18	**(457)**	(477)
Lease liabilities	19	**(1,634)**	(2,239)
Total non-current liabilities		**(2,091)**	(2,716)
Total liabilities		**(17,102)**	(18,581)
Net assets		**10,773**	10,167
Capital & reserves			
Called up share capital	20	**-**	-
Share premium		**-**	-
Retained earnings		**10,773**	10,167
Total equity		**10,773**	10,167

The notes on pages 17 to 32 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 02 September 2021 and were signed on its behalf by:

R. Mitchell

Robert Mitchell
Director

Statement of changes in equity

for the year ended 31 December 2020

	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	(35,647)	(140)	35,787	-
Profit for the financial year	-	-	140	140
Dividends paid	-	-	(550)	(550)
At 31 December 2019	**-**	**-**	**10,167**	**10,167**
Profit for the financial year	-	-	606	606
At 31 December 2020	**-**	**-**	**10,773**	**10,773**

The notes on pages 17 to 32 form part of these financial statements.

Notes to the financial statements

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 2020 were authorised for issue by the Board of Directors on 02 September 2021 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, a 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 2020 ('2020'), the comparative information is provided for the year ended 31 December 2019 ('2019'). 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.

Statutory instruments & exemptions

The financial statements have been prepared on the going concern basis and the historic cost convention 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:

- The requirements of IFRS 7, *Financial Instruments*: Disclosures.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, *Revenue from Contracts with Customers.*
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16, *Leases*. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total.
- The requirement in paragraph 38 of IAS 1, *Presentation of Financial Statements* to present comparative information in respect of:
    - paragraph 79(a)(iv) of IAS 1;
    - paragraph 73(e) of IAS 16, *Property, Plant and Equipment*;
    - paragraph 118(e) of IAS 38, *Intangible Assets.*
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1, *Presentation of Financial Statements.*
- The requirements of IAS 7, *Statement of Cash Flows.*
- The requirements of paragraphs 30 and 31 of IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*
- The requirements of paragraph 17 and 18A of IAS 24, *Related Party Disclosures.*
- The requirements in IAS 24, *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36, *Impairment of Assets.*

Notes to the financial statements *(continued)*

2. Accounting policies *(continued)*

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.

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.

Notes to the financial statements *(continued)*

2. Accounting policies *(continued)*

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

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:

- 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.

Notes to the financial statements *(continued)*

2. Accounting policies *(continued)*

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 16.

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.

Leases
Identifying Leases

The Company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

a) There is an identified asset;
b) The Company obtains substantially all the economic benefits from use of the asset; and
c) The Company has the right to direct use of the asset.

The Company considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Company obtains substantially all the economic benefits from use of the asset, the Company considers only the economic benefits that arise from use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Company has the right to direct use of the asset, the Company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Company applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favor of the Company if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

Notes to the financial statements *(continued)*

2. **Accounting policies** *(continued)*

Leases: Identifying Leases *(continued)*

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 recognized where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term.

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- In all other cases where the renegotiated terms increase the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognized in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease, i.e., it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

In the capacity of a lessee

The Company leases a number of properties in the jurisdictions from which it operates. In these jurisdictions, the periodic rent is fixed over the lease term, with inflationary increases incorporated into the fixed payments stipulated in the lease agreements. Where rental agreements include market rate escalations, the lease liability is re-measured when the change in cash payments takes effect.

The Company also leases certain vehicles. Leases of vehicles comprise only fixed payments over the lease terms.

At 31 December 2020 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because it was considered reasonably certain that the Company would not exercise its right to exercise any right to break the lease.

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.

Notes to the financial statements *(continued)*

2. Accounting policies *(continued)*

Taxation *(continued)*

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:

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 Company determines at contract inception the most appropriate measure of the progress towards completion of the performance obligation(s). Often, the Company 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.

Notes to the financial statements *(continued)*

Critical accounting estimates and judgements *(continued)*

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 addition 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.

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 Company 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 Company 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 Company 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 Company qualifies for revenue recognition over time is typically assessed by comparing costs incurred to total estimated costs for the project.

	2020	2019
	£000	£000
Timing of revenue recognition		
At a point in time	**31,178**	36,827
Over time	**85**	885
	31,263	37,712

Notes to the financial statements *(continued)*

4. Operating profit

	2020	2019
	£000	£000
Operating profit is stated after charging		
Research & development costs	**853**	901
Depreciation of assets (note 10)	**190**	149
Depreciation of right of use assets (note 11)	**571**	612
Amortisation of intangible fixed assets (note 12)	**650**	653
Loss on disposal of fixed assets	**13**	-
Amounts provided for (released) in respect of provisions – net (note 18)	**254**	(113)
Contract Loss provisions	**1,500**	-
Exchange losses	**271**	546
Cost of inventories recognised as an expense (included in cost of sales)	**14,032**	18,567
Write down of stocks to net realisable value	**256**	127
Audit fees payable to the Company's auditors	**43**	45

5. Exceptional Items

	2020	2019
	£000	£000
Recognised in arriving at operating profit from continuing operations		
Loan write off	**234**	-
Separation costs	**38**	501
Reorganisation costs	**-**	632
	272	1,133

During the year, the Company waived off a loan with a fellow subsidiary of the Group and recognised that as an exception cost. In addition, the Company continued to incur IT costs in relation to the continued use of Weir Group IT systems. This has fully transitioned out in 2020.

6. Staff costs & directors' remuneration

	2020	2019
	£000	£000
Employee benefits expense		
Wages and salaries	**5,387**	6,252
Social security costs	**505**	637
Other pension costs	**337**	432
	6,229	7,321

Pension costs of £337,000 (2019: £432,000) in respect of the defined contribution scheme.

	2020	2019
Employee numbers		
The average number of people employed by the company (including directors) is as follows		
Direct	**21**	23
Indirect	**105**	136
	126	159

Notes to the financial statements *(continued)*

6. Staff costs & directors' remuneration *(continued)*

	2020 £000	2019 £000
Directors' remuneration		
Aggregate emoluments of directors in respect of qualifying services	**441**	804
Aggregate Company contributions to defined contribution pension plans	**27**	31
	468	835

Christopher J Riordan, Robert Mitchell and Steven Brayley were employed by the Company and have been remunerated by the Company in their capacity as Directors.

	2020 £000	2019 £000
In respect of the highest paid director		
Aggregate remuneration	**168**	456
Accrued pension contributions in the year	**11**	14
	179	470

7. Finance costs

	2020 £000	2019 £000
Interest payable to group undertakings	**340**	270
Unwind of discount on right-of-use lease liability	**63**	77
	403	347

8. Finance income

	2020 £000	2019 £000
Interest receivable from group undertakings	**33**	54

9. Tax on profit

	2020 £000	2019 £000
The tax charge is made up as follows		
Current income tax		
UK corporation tax	**135**	95
Foreign tax	**21**	34
Adjustments	**(4)**	191
Total current income tax	**152**	320
Deferred income tax		
Origination & reversal of temporary differences	**(6)**	145
Adjustment in respect of previous periods	**2**	16
Total deferred tax	**(4)**	161
Total income tax charge in the income statement	**148**	481

Notes to the financial statements *(continued)*

9. Tax on profit *(continued)*

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% (2019: 19.00%). The actual tax charge for the current year is set out in the following reconciliation.

	2020	2019
	£000	£000
Profit from continuing operations before tax	754	621
Tax calculated at UK standard rate of corporation tax of 19.00% (2019: 19.00%)	143	118
Effect of:		
Expenses not deductible for tax purposes	1	94
Tax overprovided in previous periods	-	269
Effect of higher taxes on overseas income	2	-
Changes in tax laws / rates	(43)	-
Other	45	-
Tax expense in the income statement	148	481

Factors that may affect future tax charges
An increase in the future main corporation tax rate to 25% from 1 April 2023, from the previously enacted 19%, was announced at the budget on 3 March 2021, and substantively enacted on 24 May 2021. The deferred tax balance at 31 December 2020 has been calculated based on the tax rate as at the balance sheet date'

	2020	2019
	£000	£000
Deferred income tax assets		
Decelerated depreciation for tax purposes	164	164
Offset against liabilities	133	137
Deferred income tax assets	297	301

10. Property, plant & equipment

	Plant & equipment
	£000
Cost	
At 1 January 2020	6,430
Additions	184
At 31 December 2020	6,614
Accumulated depreciation	
At 31 December 2020	5,734
Charge for year	190
At 31 December 2020	5,924
Net book value at 31 December 2019	696
Net book value at 31 December 2020	690

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	Right of use assets Motor Vehicles	Total
	£000	£000	£000
Cost			
At 1 January 2020	3,438	44	3,482
Additions	-	46	46
Reassessment	(70)	-	(70)
At 31 December 2020	**3,368**	**90**	**3,458**
Accumulated depreciation			
At 1 January 2020	579	33	612
Charge for year	555	16	571
At 31 December 2020	**1,134**	**49**	**1,183**
Net book value at 31 December 2019	**2,859**	**11**	**2,870**
Net book value at 31 December 2020	**2,234**	**41**	**2,275**

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.

The reassessment in the book value of the Right of Use assets is in relation to the estimation of the lease payments. The lease payments are dependent on the Base RPI, as a result the annual lease payment are subject to change every year.

12. Intangible assets

	Purchased software	Product development	Total
	£000	£000	£000
Cost			
At 1 January 2020	**189**	**4,340**	**4,529**
Disposals	-	(98)	(98)
At 31 December 2020	**189**	**4,242**	**4,431**
Accumulated amortisation			
At 1 January 2020	**162**	**3,000**	**3,162**
Charge for the year	18	632	650
Disposals	-	(85)	(85)
At 31 December 2020	**180**	**3,547**	**3,727**
Net book value at 31 December 2019	27	1,340	1,367
Net book value at 31 December 2020	**9**	**695**	**704**

Notes to the financial statements *(continued)*

13. Investments

	£000
Cost	
At 1 January 2020	**140**
Additions	**-**
At 31 December 2020	**140**
Impairment	
At beginning and end of the year	**-**
Net book value at 31 December 2020	**140**

Dividends of £Nil (2019: £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

	2020	2019
	£000	£000
Raw materials	**1,371**	2,348
Work in progress	**3,650**	4,101
Finished goods	**179**	173
	5,200	6,622

Inventories are stated after impairment of £4,067,000 (2019: 2,311,000). The increase from the prior year is driven by a one-off contract loss provision of £1.5m incurred in 2020, which has been offset against inventory.

Notes to the financial statements *(continued)*

15. Trade and other receivables

	2020	2019
	£000	£000
Trade receivables	6,489	5,666
Contract assets	2,235	3,031
Amounts receivable from group undertakings	8,176	6,094
Other receivables	436	365
Prepayments	128	108
	17,464	15,264

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

	2020	2019
	£000	£000
Accrued Income	2,235	3,031
	2,235	3,031

Trade receivables are stated after provisions for impairment of £984,000 (2019: £567,000).

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 include VAT repayments due to the Company from HMRC of £406,000.

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 2020 and 31 December 2020 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

	2020	2019
	£000	£000
Balance at the beginning of the year	567	189
Impairment losses recognised on receivables	417	378
Amounts written off as uncollectable	-	-
Balance at the end of the year	984	567

There has been an increase in the impairment loss in the year due to the risk profile on receivables being generally higher due to Covid-19 interruptions.

16. Cash and short-term deposits

	2020 £000	2019 £000
Cash	1,105	1,488

17. Trade and other payables

	2020	2019
	£000	£000
Trade payables	5,146	4,989
Contract liabilities	1,446	1,172
Amounts owed to group undertaking	2,438	3,352
Tax payable	68	63
Accruals	2,599	3,273
	11,697	12,849

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.

	2020	2019
	£000	£000
Payments received on account	620	1,172
Advance milestones billed	826	-
	1,446	1,172

Notes to the financial statements *(continued)*

18. Provisions

	Warranties £000	Liquidated damages £000	Dilapidation £000	Total £000
Cost				
At 1 January 2019	1,399	1,067	477	2,943
Additions	10	1,026	-	1,036
Utilised	(519)	(243)	(20)	(782)
At 31 December 2020	890	1,850	457	3,197
Current	890	1,850	-	2,740
Non-current	-	-	457	457
	890	1,850	457	3,197

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.

19. Lease liabilities

	2020 £000
At 1 January 2020	2,789
Additions	46
Principal payments	(618)
Reassessment	(72)
Unwind of discount on right-of-use lease liability	63
At 31 December 2020	2,208

	2019 £000
Current	574
Non-current	1,634
	2,208

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 8 for the finance costs in relation to the lease liability.

Notes to the financial statements *(continued)*

20. Share capital

Allotted, called up and fully paid	2020 £000	2019 £000
300 (2019: 300) ordinary shares of £1.00 each	-	-
	-	-

21. 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.

22. 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.