Company Registration No. 02741659 (England and Wales)

FLOWSERVE GB LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

FLOWSERVE GB LIMITED

COMPANY INFORMATION

Directors	W Meeke C Lawrence P Bull
Company number	02741659
Registered office	One St Peter's Square Manchester M2 3DE
Independent auditors	Grant Thornton UK LLP Statutory Auditors and Chartered Accountants 2nd Floor St John's House Haslett Avenue West Crawley RH10 1HS
Bankers	BNP Paribas 10 Harewood Avenue, London NW1 6AA
Solicitors	Addleshaw Goddard LLP One St Peter's Square Manchester M2 3DE

FLOWSERVE GB LIMITED

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FLOWSERVE GB LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their strategic report on the company for the year ended 31 December 2022.

Principal activities

The principal activities of the company during the financial year were the manufacture and sale of pumps & pumping equipment, mechanical seals and valves together with related services.

Results and dividends

	2022 £'000	2021 £'000
Turnover	59,249	61,311
Operating profit/(loss)	2,449	(2,265)
Profit/(loss) for the financial year	534	(2,952)

Business Review

The strategy of the business is fully aligned with that of its ultimate parent, Flowserve Corporation. The company has two divisions: Flow Solutions & Flow Control.

The business reviews in this strategic report for each of the divisions describe the underlying businesses for the full year ended 31 December 2022, with comparative information for the year ended 31 December 2021. The directors consider this to be the most appropriate presentation for an understanding of the performance of the company.

FLOW SOLUTIONS DIVISION

Business Environment

The Flow Solutions Division design, manufacture and repair pumps and seals predominantly into the Chemical Processing, General Industry, Oil & Gas & Water Industries on a worldwide basis.
The order book has been increased in 2022 after the uncertainty associated with economic impact of covid-19 pandemic in the prior year. Based on the recent market activity and customers inquiries, directors believe that the order book will further increase in 2023.

Principal Risks and Uncertainties

The key business risks affecting the company together with their mitigation are set out below:

Risks	Mitigating Factors
Lower levels of market activity	The nature of our products and the industries we serve have given us resilience against some lowering of market activity.
Supply chain capabilities	Our suppliers also face the business issues we see so avoiding single source supply is a key strategy.
Supply chain capabilities	Long term agreements have been established with key global suppliers to ensure that supply chain capacity constraints are minimised as well as an expansion of low-cost country resourcing.

FLOWSERVE GB LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Key Performance Indicators:

	2022 %	2021 %	Definition, method of calculation and analysis
Growth/(decline) in Orders	19	(11)	2022 saw a recovery in the bookings. Longer lead time in engineered pumps and API pump bookings were increased significantly in 2022. 2021 was a quiet period due to covid-19 recovery.
Decline in Sales	(2)	(16)	Impact of volume of bookings with longer lead times means some large jobs due to ship in 2022 delayed to 2023.
Contribution Margin as percentage of sales before royalties adjustment but after direct & indirect costs	15.7	7.8	Increase in Margin was mainly due to release of Pleuger obsolete provision, improved standard costing process and manufacturing efficiencies.
EBITDA (Earnings before interest, tax, depreciation, amortization, and after royalties adjustment) as percentage of sales	15	1.79	The EBITDA margin is a measure of a company's operating profit as a percentage of its sales. Higher EBITDA was due to release of Pleuger obsolete provision, improved standard costing process and manufacturing efficiencies, and adjustment of royalties income of £2.2m

FLOW CONTROLS DIVISION

Business Environment

The principal activities of the Flow Controls division are the manufacture and sale of valves, actuators and steam components. The major industries served by the company are Oil & Gas, Petrochemical, Pharmaceuticals, Defence and Power.

The Flow Controls Division order book increased over the year by 35%, this is mainly due to increased spending from the Oil &Gas industry as well as in chemical sector. Based on the recent market activity and customers inquiries, directors believe that the order book will further increase in 2023.

Principal Risks and Uncertainties

The key business risks affecting the company together with their mitigation are set out below:

Risks	Mitigating Factors
Global economic conditions	The global economic slowdown may impact investments and projects. However, we continue to improve service levels and product offering in addition to cost reductions to remain competitive.
Reduced Opportunities in traditional markets	We continue our efforts to look for opportunities outside of the traditional markets of Oil, Gas, Water and Defence. We are investing in energy transition and carbon reduction products.

FLOWSERVE GB LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Key Performance Indicators:

	2022 %	2021 %	Definition, method of calculation and analysis
Growth/(decline) in Bookings	35	(20)	This year was a very good year for bookings due to post covid- 19 recovery & increased spending from the Oil & Gas industry.
Decline in Sales	(3)	(21)	Slight decline in sales as compared to 2021. The bookings conversion rate for Q4-22 has increased resulting in greater sales however some jobs due to be shipped in 2022 delayed to 2023.
Contribution Margin as percentage of sales before royalties adjustment but after direct & indirect costs	15	23.1	Reduction in the gross margin was mainly due to the higher materials and freight costs which includes some higher air freight charges.
EBITDA (Earnings before interest, tax, depreciation, amortization and after royalties adjustment) as percentage of sales	10	16.2	The EBITDA margin is a measure of a company's operating profit as a percentage of its sales. EBITDA decreased due to higher corporate management fees, foreign exchange impact and lower royalties income adjustment.

Non-Financial Key Performance Indicators:

Ethics and Compliance

Flowserve believes its success is based upon every employee adhering to its Code of Conduct.

To support our people in this, there is a comprehensive Code of Conduct which clearly identifies how we are all expected to behave and what actions should be taken when the employees are confronted by difficult or sensitive situations.

People

With the goal of developing and maintaining a people-first culture, we focus on several elements in our strategic efforts to continuously enhance our organizational capability, including:

i. fully committing to providing a safe work environment for our associates, worldwide,

ii. upholding a high-performance workforce, that is empowered, accountable and flexible,

iii. becoming an employer of choice by fostering a people-first culture and

iv. recruiting, developing and retaining a global and diverse workforce.

Process & Technology

With the goal of improving our productivity and delivering a continuous stream of innovative solutions to our customers, we focus on select strategies relating to:

i. developing and maintaining an enterprise-first business approach across all operating units and functional organizations,

ii. simplifying our business processes and optimizing corporate structural costs,

iii. continually reducing our product cost and rationalizing our product portfolio and

iv. remaining a technical leader in the flow control industry.

Customers

With the goal of achieving the highest level of customer satisfaction amongst our peers, we focus on select strategies related to rigorous and disciplined selection of target markets and customers, while maintaining competitive lead times and emphasizing the highest levels of on-time delivery and quality. We seek to provide an outstanding experience for our customers over the entire product lifecycle by providing unique, integrated flow-control solutions that solve real-world application problems in our customers' facilities.

Future outlook

Global chemical output expected to rise 3% in 2023 driven by Middle East and Asia investments. Energy security and independence driving investment in existing facilities and renewable power investment continues to grow globally. We are investing in energy transition and carbon reduction products. We are committed to enabling our customers in achieving their energy transition goals, including energy efficiency and carbon reduction, through the diversification, decarbonisation and digitisation of both our offerings and operations.
Flowserve has a long-standing reputation across its customer base coupled with exceptional levels of expertise, with further targeted initiatives the business is targeting growth across all of its UK sites.

The company is constantly expecting and driving for growth across all facilities.

Chris Lawrence

On behalf of the board
C Lawrence
Director

Date: 7/9/2023

FLOWSERVE GB LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the audited financial statements of the company for the financial year ended 31 December 2022.

Information in respect of principal activities, results, business review, key performance indicators and future outlook are not shown in the Directors' report because they are presented in the Strategic Report in accordance with s414c of the Companies Act 2006.

Dividends

No dividends were proposed for the year (2021: £Nil).

Charitable and political donations

Charitable donations during the year amounted to £NIL (2021: £NIL). There were no donations for political purposes (2021: £Nil).

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, interest rate risk, cash flow risk and foreign currency exposure risk. The company has in place a risk management program that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance, the related finance costs and foreign currency exposures.

The policies set by the board of directors are implemented by Flowserve GB Limited's UK finance department.

I. Foreign currency exposure risk

The company is exposed to foreign currency risks that, in some cases, are mitigated by sales in currencies being offset by purchases in the same currency. Furthermore, this risk is further reduced using financial instruments as deemed appropriate.

II. Price risk

The company is exposed to commodity price risk, mainly in respect of certain materials. Some of these costs can be passed on to customers which reduces the financial impact of the risk.

III. Interest risk & Cash Flow risk

While the company is exposed to Interest & cashflow risk, support from the Parent company through a cash pooling process reduces the financial impact.

IV. Credit and liquidity risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

Short to medium term funding/investment decisions are managed via inter-company loans co-ordinated through the Flowserve corporate treasury department.

Directors

The directors who held office during the financial year and up to the date of signing of the financial statements, unless otherwise stated, are given below:

W Meeke
C Lawrence
P Bull

Directors' qualifying third party and pension scheme indemnity provisions

The directors are provided with third party indemnity insurance by Flowserve Corporation, which was in force during the year and up to the date of approval of the financial statements.

FLOWSERVE GB LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Research and development

Research and development are coordinated through Flowserve Corporation in the USA. The company is committed to providing the optimum design solutions to meet its customers' needs.

The company plays an active role in the development of new products and improvement of existing designs. There is an active engineering department which ensures that our products are designed and engineered to the highest levels and meet customer requirements. New product design and existing product redesign activities are carried out by the business. The costs associated to research and development projects are transferred to Flowserve Corporation in the USA, therefore no research and development cost is reported in Flowserve GB Limited financial statements.

Health and safety

At Flowserve we acknowledge our obligations and responsibilities under European and UK Health and Safety Legislation and we recognise the importance of health and safety as an integral part of our activities. We encourage the active participation of every one of our employees at all our locations in order to achieve and maintain the highest standards of health and safety at work.

Our business activities are conducted with due regard to all statutory requirements, with appropriate safeguards to protect employees, contractors, visitors to all our locations and the general public against risk to their health and safety.

We have clearly defined areas of responsibility throughout our management structures, and every manager regards health and safety issues as being of paramount importance.

Streamlined Energy and Carbon Reporting summary

Flowserve GB Limited recognises that our global operations have an environmental impact and we are committed to monitoring and reducing our emissions year-on-year. We are also aware of our reporting obligations under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. We have upgraded our energy and carbon reporting to meet these requirements and increase the transparency with which we communicate about our environmental impact to our stakeholders.

2022 Performance

We calculated our environmental impact across our UK operation for scope 1, 2 and 3 (select categories) emission sources for the calendar year 2022. Our results show continued progress in reducing carbon emissions.

Emissions are presented on both a location and market basis. On a location basis (using the UK grid emissions intensity) our emissions decreased from 1,063 tCO_2e in 2021 to 998 tCO_2e in 2022, achieving a 6% reduction. Similarly, market based GHG emissions were reduced from 1,200 tCO_2e to 1,115 tCO_2e. Our emissions intensity ratio declined to 3.1 tCO2e/FTE on lower emissions and increased headcount.

Annual UK operations energy use, associated with consumed fuel and energy, declined 2% from 4,779,032 Kwh to 4,696,384 Kwh. Decreased liquid and gaseous fuel use was significant contributor to lower energy use.

Energy and Carbon action

In calendar year 2022, Flowserve continued to make progress in reducing GHG emissions in the following areas:

- Continued progress towards the corporate carbon intensity target – Flowserve has a publicly-announced corporate goal to reduce Scope 1+2 carbon intensity 40% by 2030. At year-end 2022, Flowserve has achieved 80% of that target.
- Focus on energy management and efficiency – After completing multiple energy efficiency projects in 2021, Flowserve continued to identify and execute on opportunities to reduce fuel and electricity consumption.

FLOWSERVE GB LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

- Enterprise greenhouse gas reporting software upgrade – In 2022, Flowserve implemented new enterprise software to increase the quantity and quality of data obtained for external reporting.

2022 Results

The methodology used to calculate the GHG emissions is in accordance with the requirements of the following standards:

- World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol (revised version)
- Defra's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019).
- UK office emissions have been calculated using the Defra/UK Government GHG Conversion Factors for Company Reporting published June 2022.

Following an operational control approach to defining our organisational boundary, our calculated GHG emissions from business activities fall within the reporting period January 1, 2022, to December 31, 2022.

Emission and energy usage

		2021 (January 1, 2021-December 31, 2021)	**2022 (January 1, 2022-December 31, 2022)**
	Emissions Source	**tCO_2e**	**tCO2e**
Scope 1	Natural gas	460	324
	Other fuel types	18	14
	Company owned and leased cars Fleet	158	86
	Refrigerant	0	11
Total Scope 1		**636**	**435**
Scope 2	Electricity	278	239
Total Scope 2		**278**	**239**
Scope 3	Category 3. Electricity transmission and distribution	25	22
	Category 7. Employee commuting	124	242
	Category 8. Upstream Leased Assets *	-	60
Total Scope 3		**149**	**324**
Total (Market Based)		**1,200**	**1,115**
Total (Location Based)		**1,063**	**998**
Total Energy Usage, kWh		**4,779,032**	**4,696,384**
Normaliser	tCO_2e per FTE	4.5	3.1

Table 1 – Energy and carbon disclosures for reporting year.

[1] Energy reporting includes kWh from scope 1, scope 2 and scope 3 employee cars only (as required by the SECR regulation)

* Flowserve has changed its accounting procedure for certain leased vehicles that are not under the direct control of facility operations. These vehicles are now reported under Scope 3 Category 8 "Upstream Leased Assets".

FLOWSERVE GB LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Employee involvement and disabled persons

All employees of the company are actively encouraged to participate in and contribute towards achieving the company's objectives. Regular meetings are held between employees and local management to communicate the company's operating performance and future business prospects. Flowserve Corporation also publishes various magazines on its international operations, which are made available to all employees. It is the policy and practice of the company to give full and fair consideration to assist the employment of the disabled and their training and career development and, wherever practicable, to retain employees who become disabled.

Certain employees are entitled to participate in Flowserve Corporation employee share option schemes.

Section 172(1) Statement

This Statement contains an overview of how the directors have performed their duty to promote the success of the Company as set out in section 172(1) of the UK's Companies Act 2006. That section requires a director of a company to act in a way that would most likely promote the success of the Company for the benefit of its shareholders. In doing this, the director must have regard, amongst other matters, to:

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

Decision Making

The directors understand our business and the markets within which we operate. By focusing on our purpose, the strategy set by the Board is intended to ensure that we continue to deliver value to our customers, partners and other stakeholders. All matters that, under the Company's governance arrangements, are reserved for decision by the directors are presented at Board meetings. Directors are briefed on any potential impacts and risks for our customers, partners and other stakeholders and how these are to be managed. The directors consider these factors before making a final decision, which as a Board, they believe is in the best interests of the Company.

Employees

Employee engagement is a primary focus for the directors of the Company – empowering employees to contribute to improving business performance and creating an environment in which everyone can fulfil their potential. We keep the Company's employees informed about what is happening across the Company.

Fostering Business Relationships with Suppliers, Customers and Others

The directors recognise that fostering business relationships with key stakeholders, such as customers, suppliers and regulatory authorities, is essential to the Company's success. The Company is part of the Flowserve Group and follow the group wide Code of Business Conduct and Ethics, which provides all employees of the Group with guidance on the key principles that each employee should follow.

Impact on the Community and the Environment

The directors recognise the importance of leading a company that not only generates value for shareholders but also contributes to wider society.

FLOWSERVE GB LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Maintaining a reputation for high standards of business conduct

The directors consider it fundamental to maintain a culture focused on embedding responsible business behaviours. All employees of the Company are expected to act in accordance with the requirements of the Code of Business Conduct and Ethics, at all times.

The need to act fairly between members of the Company

The directors recognise their responsibility in ensuring that all members of the Company are treated fairly regardless of age, gender and orientation. The Company has implemented a number of programmes designed to celebrate the diversity that characterises our organisation.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'). 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 and profit or loss of the company for that period. In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Statement of Corporate Governance Arrangements

Flowserve GB Limited is a subsidiary of the parent group, Flowserve Corporation listed on the New York Stock Exchange (NYSE). As a member of the Flowserve group, the company is required to adhere to its internal governance procedures. This includes, but is not limited to, adopting the groups written code of conduct, core values and ethics which apply to all employees. During 2022 Flowserve GB Limited has not deviated from corporate governance.

FLOWSERVE GB LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Going concern

The company is constantly expecting and driving for growth across all facilities.

Flowserve has a long-standing reputation across its customer base coupled with exceptional levels of expertise, with further targeted initiatives. The business is targeting growth across all of its UK sites.

Global chemical output expected to rise 3% in 2023 driven by Middle East and Asia investments. Energy security and independence driving investment in existing facilities and renewable power investment continues to grow globally. We are investing in energy transition and carbon reduction products. We are committed to enabling our customers in achieving their energy transition goals, including energy efficiency and carbon reduction, through the diversification, decarbonisation and digitisation of both our offerings and operations.

At the time of approval of financial statements, the directors have formed a judgement based on the forecast to 31st December 2024 and the sensitivity analysis performed based on 10% drop in the revenue that the company has adequate resources available, to continue operating and discharge all financial obligations as they fall due for the foreseeable future from the date of financial statements approval. The company continues to adopt the going concern basis in preparing its financial statements.

The company's parent has confirmed it will financially support the entity for a period of at least twelve months following the issuance of these financial statements, confirmed through receipt of a formal letter of support.

On behalf of the board:

Chris Lawrence

C Lawrence
Director
Date: 7/9/2023
Registered number: 02741659

FLOWSERVE GB LIMITED

Independent auditor's report to the members of Flowserve GB Limited

Opinion

We have audited the financial statements of Flowserve GB Limited (the 'company') for the year ended 31 December 2022, which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the 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 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its Profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as the crisis in Ukraine, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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 authorised for issue.

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

Other information

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

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 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

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 or the directors' report.

Matters on which we are required to report by exception

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 directors' responsibilities statement set out on page 12, 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.

FLOWSERVE GB LIMITED

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant which are directly relevant to specific assertions in the financial statements are the financial report framework FRS 101, the Companies Act 2006 and the relevant tax regulations in the UK;
- We understood how the Company is complying with those legal and regulatory frameworks by making inquiries of management, those charged with governance and other personnel within the organisation;
- We did not identify any matters relating to non-compliance with laws or regulations or relating to fraud;
- We assessed the susceptibility to the Company's financial statements to material misstatement, including how fraud might occur by meeting with management from relevant parts of the business to understand areas where management considered there was a susceptibility to fraud;
- Audit procedures performed by the engagement team on the areas where fraud might occur included:
    - evaluation of the design effectiveness of management's controls designed to prevent and detect irregularities;
    - journal entries testing, with a focus on unauthorised user entries and entries determined to be large or relating to unusual transactions;
    - identifying and testing related party transactions
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team including consideration of the engagement team's:
    - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
    - knowledge of the industry in which the company operates;
    - understanding of the legal and regulatory requirements specific to the company

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

FLOWSERVE GB LIMITED

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.

Grant Thornton UK LLP

Adam Terry BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Crawley

Date: 7/9/2023

FLOWSERVE GB LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Turnover	3	**59,249**	61,311
Cost of sales		**(42,671)**	(46,439)
Gross profit		**16,578**	14,872
Selling and distribution costs		**(1,904)**	(2,093)
Administrative expenses		**(12,225)**	(15,044)
Operating profit/(loss)	4	**2,449**	(2,265)
Finance expenses	6	**(1,456)**	(1,162)
Profit/(loss) before taxation		**993**	(3,427)
Taxation (charge)/ credit on profit/(loss)	8	**(459)**	475
Profit/(loss) for the financial year		**534**	(2,952)

The notes on pages 22 to 45 form part of these financial statements.

FLOWSERVE GB LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Profit/ (loss) for the financial year		**534**	(2,952)
Items that will not be reclassified subsequently to income statement:			
Actuarial (losses)/gain on pension scheme		**(5,360)**	1,416
Movement on deferred tax relating to pension asset	17	**1,340**	1,185
Other comprehensive (expense)/income for the year net of tax		**(4,020)**	2,601
Total comprehensive (expense) for the year		**(3,486)**	(351)

Current year movement on deferred tax relating to pension asset includes a charge of £1,340,000 (2021: £1,184,520).

The notes on pages 22 to 45 form part of these financial statements.

FLOWSERVE GB LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	9	**16,117**	16,117
Tangible assets	10	**7,234**	7,210
Right of-use assets	11	**332**	642
		23,683	23,969
Current assets			
Stocks	12	**21,446**	13,385
Pension asset	13	**10,875**	16,298
Debtors	14		
- amounts falling due within one year		**61,515**	63,404
- amounts falling due after more than one year		**64,062**	63,181
Total assets		**181,581**	180,237
Creditors: Amounts falling due within one year	15	**(78,308)**	(73,414)
Total assets less current liabilities		**103,273**	106,823
Creditors: Amounts falling due more than one year	15	**(116)**	(217)
Provisions for liabilities	16	**(474)**	(437)
Net assets		**102,683**	106,169
Capital and reserves			
Called up share capital	22	**1,000**	1,000
Other reserves		**2,699**	2,895
Retained earnings		**98,984**	102,274
Total shareholders' funds		**102,683**	106,169

The notes on pages 22 to 45 form part of these financial statements. The financial statements on pages 18 to 45 were approved and authorised for issue by the board and signed on its behalf by:

Chris Lawrence

C Lawrence
Director

Date: 7/9/2023

FLOWSERVE GB LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £'000	Other reserves £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance at 1 January 2021	**1,000**	**2,910**	**102,610**	**106,520**
(Loss)/Profit for the financial year	-	-	(2,952)	(2,952)
Other comprehensive income for the year	-	-	2,601	2,601
Total comprehensive (loss)/income for the year	-	-	(351)	(351)
Equity settled share-based payments (note 18)	-	(15)	15	-
Balance at 31 December 2021	**1,000**	**2,895**	**102,274**	**106,169**
Profit/(loss) for the financial year	-	-	534	534
Other comprehensive income for the year	-	-	(4,020)	(4,020)
Total comprehensive (loss)/income for the year	-	-	(3,486)	(3,486)
Equity settled share-based payments (note 18)	-	(196)	196	-
Balance at 31 December 2022	**1,000**	**2,699**	**98,984**	**102,683**

Called up share capital
The balance classified as share capital includes the total net proceeds on issue of the company's equity shares, comprising 1,000,000 £1 ordinary shares.

Other reserves
The balance held in other reserves comprises the fair value of options and performance share rights recognised as an expense.

Retained Earnings
Retained earnings represents accumulated comprehensive income in the current and prior years.

The notes on pages 22 to 45 form part of these financial statements.

FLOWSERVE GB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

1.1 General information

Flowserve GB Limited ("the company") manufactures and sells pumps and pumping equipment, mechanical seals and valves together with related services. The company sells or provides services to customers worldwide.

The company is a limited company incorporated and domiciled in England, registered office One St Peter's Square, Manchester, M2 3DE. The financial statements are prepared in Sterling, rounded to the nearest thousand pounds (£000) except when otherwise indicated.

Statement of compliance

The financial statements are prepared in accordance with the international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable accounting standards in the United Kingdom including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) except for the departure from the Companies Act 2006 in relation to indefinite useful economic life intangible assets as set out below in note 1.6.

The company meets the definition of a qualifying entity under FRS 101.

The preparation of financial statement in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

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 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair valued goods and services received was determined).
- IFRS 7, 'Financial Instruments: Disclosures' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement'
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - i) Paragraph 79(a)(iv) of IAS 1;
  - ii) Paragraph 40 A-D of IAS 1;
  - iii) Paragraph 73(e) of IAS 16, 'Property, plant and equipment';
  - iv) Paragraph 118(e) of IAS 38 'Intangible assets'.
- The following paragraphs of IAS 1, 'Presentation of financial statements':
- 10(d), (Statement of cash flows),
- 16 (Statement of compliance with all IFRS),
- 38A (Required for min of two primary statements, including cash flow statements),
- 38B-D (Additional comparative information),
- 111 (Cash flow statement information), and
- 134-136 (Capital management disclosures).
- IAS 7, 'Statement of cash flows.

1. Accounting policies (continued)

- Paragraphs 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).
- Paragraph 17 of IAS 24, 'Related party disclosures' (Key management compensation).
- The requirement in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets.*

Where required, equivalent disclosures are given in the group financial statements of Flowserve Corporation. The group financial statements of Flowserve Corporation are available to the public and can be obtained as set out in note 25.

1.2 Going concern

The company is constantly expecting and driving for growth across all facilities.

Flowserve has a long-standing reputation across its customer base coupled with exceptional levels of expertise, with further targeted initiatives. The business is targeting growth across all of its UK sites.

Global chemical output expected to rise 3% in 2023 driven by Middle East and Asia investments. Energy security and independence driving investment in existing facilities and renewable power investment continues to grow globally. We are investing in energy transition and carbon reduction products. We are committed to enabling our customers in achieving their energy transition goals, including energy efficiency and carbon reduction, through the diversification, decarbonisation and digitisation of both our offerings and operations.

At the time of approval of financial statements, the directors have formed a judgement based on the forecast to 31st December 2024 and the sensitivity analysis performed based on 10% drop in the revenue that the company has adequate resources available, to continue operating and discharge all financial obligations as they fall due for the foreseeable future from the date of financial statements approval. The company continues to adopt the going concern basis in preparing its financial statements.

The company's parent has confirmed it will financially support the entity for a period of at least twelve months following the issuance of these financial statements, confirmed through receipt of a formal letter of support.

1.3 Turnover

i) Revenue for short term contracts:

Revenues for product sales are recognised when the risks and rewards of ownership are transferred to the customers, which is typically based on the contractual delivery terms agreed to with the customer and fulfilment of all but inconsequential or perfunctory actions. In addition, the revenue recognition policy requires persuasive evidence of an arrangement, a fixed or determinable sales price and reasonable assurance of collectability. The recognition of revenue when advance payments are received from customers before performance obligations is deemed completed and/or services have been performed.

Contracts typically include cancellation provisions that require customers to reimburse the company for costs incurred up to the date of cancellation, as well as any contractual cancellation penalties.

The company enters into certain agreements with multiple deliverables that may include any combination of designing, developing, manufacturing, modifying, installing and commissioning of flow management equipment and providing services related to the performance of such products. Delivery of these products and services typically occurs within a one to two-year period, although many arrangements, such as "short-cycle" type orders, have a shorter timeframe for delivery.

ii) Revenues for long-term contracts

Revenues for long-term contracts that exceed certain internal thresholds regarding the size and duration of the project and provide for the receipt of progress billings from the customer are recorded on the percentage of completion method with progress measured on a cost-to-cost basis.

iii) Revenue on service and repair contracts

Revenue on service and repair contracts is recognised after services have been agreed to by the customer and rendered. Revenues generated under fixed fee service and repair contracts are recognised on a rateable basis over the term of the contract. These contracts can range in duration, but generally extend for up to five years.

1.4 Foreign currency

Monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the year end, foreign currency transactions are translated into sterling at the rates ruling at the transaction date. All exchange gains and losses are taken to the income statement in the period to which they relate.

1.5 Tangible assets

Tangible fixed assets are stated at historic cost less accumulated depreciation. Costs include the original purchase price of the asset and the costs attributable to bringing the asset into its working condition for its intended use. Depreciation has been provided so as to write off the cost of tangible fixed assets less any residual value by equal annual instalments over their estimated useful economic lives as follows:

Buildings	- 10-40 years
Plant and machinery	- 3-10 years

Freehold land and construction in progress are not depreciated. Finance costs are not capitalised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1.6 Intangible assets

Trademarks are assigned an indefinite life and are not subject to amortisation but tested annually for impairment. The directors consider trademarks to have an indefinite life due to there being no foreseeable limit to the period over which the asset is expected to generate net cash flows for the entity. Flowserve GB Limited trademarks arose as a result of the acquisition of the Invensys Flow Control ("IFC") by our Flow Control Division in 2002. The main reason for non-amortisation is long-life of our products for example our main product line "Worcester" have an expected life of over 55 years. The non-amortisation of these assets, whilst compliant with IAS 38 "Intangible Assets", is a departure from the Companies Act 2006 which requires an intangible asset to be amortised over its useful economic life. This departure is considered by the directors to be necessary to give a true and fair view. The impact is the absence of amortisation charges which would otherwise have been required by the Companies Act 2006.

The company does not amortise goodwill in accordance with the requirements of IFRS as applied under FRS 101. Instead, an annual impairment test is performed and any impairment that is identified is recognised in the income statement. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), which requires acquired goodwill to be written off over its useful economic life. As such the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations.

1.7 Impairment of non-financial assets

Intangible assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGUs). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

1.8 Stocks and long-term contracts

Stocks are stated at the lower of cost and net realisable value. Cost includes the direct materials, together with labour and proportions of overheads attributable to the item. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provisions are made for obsolete and slow-moving stock based upon a review of quantities carried compared to annual usage, and stock ageing. Consumable tools are expensed at purchase.

Turnover and a prudent estimate of the profit attributable to work completed on long-term contracts is recognised once the outcome of the contract can be recognised with reasonable certainty. The amount by which turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs on long-term contracts not yet taken to the income statement less related foreseeable losses and payments on account are shown in stocks as long-term contract balances.

1.9 Deferred taxation

Deferred tax is recognised in respect of all temporary timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carries forward tax losses and from which the future reversal of underlying timing differences can be deducted.

1.10 Warranty liability

Provision is made for the estimated liability for all products under warranty. The provision has been estimated based on past experience of the actual level of warranty claims received. Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

1.11 Share based payment

The fair value of the employee services received in exchange for the grant of the options by Flowserve Corporation is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises

its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity, on the basis that the amount is payable to the parent company and offsets the capital contribution arising from the share-based payment.

1.12 Leases

The company leases various offices, warehouses and equipment. Rental contracts are typically made for fixed periods of 1 year to 15 years but may have extension options as well as break clause which enables either the lessor or the lessee (or both) to end the lease early.
Contracts may contain both lease and non-lease components. The company allocates the consideration in the contracts to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.
Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreement does not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.
Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts are expected to be payable by the company under residual value guarantees; and
- Payments of penalties for terminating the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options (if any) are also included in the measurement of the liability.
The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is

reassessed and adjusted against the right-of-use asset.
Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability.
- any lease payments made at or before the commencement date less any lease incentives received.
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the company.

1.13 Pension costs

The company participates in two defined benefit pension schemes, the Flowserve defined benefit pension scheme and the BWIP defined benefit pension scheme. The company also operates a defined contribution pension scheme.

The asset recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets less present value of the defined benefit obligation at the end of the reporting period. Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit method by independent actuaries. The defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximately to the terms of the related pension obligation. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised within the statement of comprehensive income in the period in which they arise. Pension scheme surpluses, to the extent they are considered recognisable, or deficits are recognised in full and presented on the face of the balance sheet.

The amount charged to finance expense is a net interest amount calculated by applying the liability discount rate to the net defined liability or asset. Past service costs are recognised.

The assets of the defined contribution scheme are held separately from those of the company in an independently administered fund. The pension cost charge disclosed in note 5 represents the contributions payable by the company to the fund.

1.14 Reporting by class of business

The company's activities consist of 2 classes of business: Flow Solutions division and Flow Controls division. Unallocated items classified as central include tax and pension balances.

1.15 Deferred income

Where turnover is invoiced in advance of the point it would be recognised it is held as deferred income and released as the turnover is recognised.

Deferred income is initially measured by identifying the performance obligation in the contract and then allocating the transaction price to the performance obligation.

1. Accounting policies (continued)

1.16 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, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of 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 in the liability.

1.17 Financial assets

Cash at bank and in hand

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Trade receivables/payables and other payables

Trade receivables/payables and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method. For these financial instruments, the carrying amounts approximate fair value, due to the short-term maturity of these instruments.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. 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. The company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

1.18 Financial liabilities

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Creditors are presented as amounts falling due within one year unless payment is not due within 12 months after the reporting period.

2. Judgements and key sources of estimation uncertainty

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

Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) Leases

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of offices, warehouses and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).
- Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and equipment have not been included in the lease liability because the company could replace the assets without significant cost or business disruption.

ii) Pension costs

The company provides pension and post-retirement benefits to certain employees, including former employees and their beneficiaries. The assets, liabilities and expenses recognised and the disclosures made are based on actuarial valuations and assumptions regarding factors such as discount rates, health care cost trend rates, inflation, expected rates of return on plan assets, retirement rates, mortality rates, turnover, rates of compensation increases and other factors. (See note 13 for additional information on Pension costs).

3. Turnover

The whole of the turnover is attributable to the principal activities of the company.

	2022	2021
	£'000	£'000
Sale of Goods	**56,512**	58,731
Sale of Services	**2,737**	2,580
	59,249	61,311

An analysis of the company's turnover by geographical market is set out below:

	2022	2021
	£'000	£'000
United Kingdom	**33,106**	37,840
Rest of Europe	**11,459**	10,925
Rest of World	**14,684**	12,546
	59,249	61,311

An analysis of the company's turnover by class of business is set out below:

	2022 £'000	2021 £'000
Flow Control	**30,918**	31,978
Flow Solution	**29,699**	30,452
Central	**(1,368)**	(1,119)
	59,249	61,311

The sales between Flow Control division and Flow Solution division of the Flowserve GB Limited is reported under central.

4. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	Note	2022 £'000	2021 £'000
Profit/(loss) on sale of fixed assets		**2**	(2)
Depreciation	10	**720**	827
Operating lease rentals - other		**891**	322
Inventory recognised as expense		**28,541**	31,206
Foreign exchange (gains)/losses (included within administrative expenses)		**603**	591
Services provided by the Company's auditors			
Fees payable for the audit		**154**	125

5. Staff costs

Staff costs comprise:

	Note	2022 £'000	2021 £'000
Wages and salaries		**13,009**	11,890
Social security costs		**1,401**	558
Other pension costs		**744**	525
Equity settled share-based payments	18	**196**	15
		15,350	12,988

Included in other pension costs are £529,085 (2021: £524,840) in respect of defined benefit schemes and £215,260 (2021: £Nil) in respect of the defined contribution scheme.

The average monthly number of employees (including directors) during the financial year was as follows:

	2022 Number	Restated 2021 Number
Office and management	**35**	44
Manufacturing	**171**	166
	206	210

During the year, the directors have reviewed the allocation of employees within the company specifically where those employees work across a number of Flowserve entities and are recharged via Flowserve GB. As a result of this review, the directors have amended the average employee numbers for the year ended 31 December 2021 as restated above as this is a better representation of the average employees during that year. The average employees as at 31 December 2022 are presented on a consistent basis as disclosed above.

6. Finance expenses

	2022 £'000	2021 £'000
Interest payable on bank loans and overdraft	**181**	245
Interest payable to group undertakings	**1,275**	856
Other finance cost	**-**	61
	1,456	1,162

7. Directors' emoluments

	2022 £'000	2021 £'000
Aggregate emoluments	**216**	209
Contributions to defined contribution pension scheme	**18**	17
	234	226

	2022 £'000	2021 £'000
Highest paid director		
Aggregate emoluments	**125**	119
Contributions to defined contribution pension scheme	**14**	14
	139	133

During the financial year no director (2021: none) was accruing benefits under a defined benefit pension scheme and two directors (2021: two) were entitled to receive benefits under a defined contribution pension scheme. The directors received remuneration for their services to Flowserve Corporation as a whole. The emoluments disclosed above relate to amounts paid by the company to the UK directors during the financial year. No apportionment of amounts paid by other group companies is included above.

During the financial year no directors (2021: none) exercised share options and no directors (2021: none) received shares under the Flowserve Corporation long-term incentive schemes.

FLOWSERVE GB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

8. Tax on profit/(loss)

	2022	2021
	£'000	£'000
Current tax:		
UK corporation tax on the profit for the financial year	**-**	-
Total current tax charge	**-**	-
Deferred tax:		
Origination and reversal of temporary differences	**(449)**	596
Adjustments in respect of prior years	**132**	362
Effects of changes in tax rates	**(142)**	(483)
Total deferred tax credit/(charge)	**(459)**	475
Taxation credit/(charge) on profit/(loss)	**(459)**	475

The tax assessed for the financial year is at the standard rate of corporation tax in the UK of 19% (2021: 19%).
The differences are explained below:

	2022	2021
	£'000	£'000
Profit/(loss) before taxation	**993**	(3,427)
Profit/(loss) before taxation multiplied by the UK standard rate of Corporation tax in the UK of 19% (2021: 19%)	**189**	(651)
Effects of:		
Expenses not deductible	**48**	238
Tax rate changes	**142**	483
Other adjustments/reliefs	**-**	(44)
Income not taxable	**(22)**	(10)
Amounts not recognised	**-**	(131)
Share options	**-**	2
Adjustments in respect of prior years	**(132)**	(362)
Group relief/other reliefs	**234**	-
Tax (credit)/expense for the year	**459**	(475)

Factors that may affect future tax charges
The standard rate of corporation tax applied to reported profit/(loss) is 19.0% (2021: 19.0%). The rate of UK corporation tax has remained at 19%. However, in the March 2022 Budget, the UK Government announced that legislation to be introduced in Finance Bill 2022 to increase the main rate of UK corporate tax from 19% to 25% effective 1 April 2023.

This was substantively enacted on May 2022 and as this took place before the balance sheet date, please note that the deferred tax balances as at 31 December 2022 have been calculated at 25% instead of 19%. This is based upon an assumption that deferred tax balances will materially reverse at the higher rate of 25% and no significant temporary differences will reverse prior to 1 April 2023.
Current tax deductions allocated to a credit on the movement of deferred tax in relation to the pension scheme of £1,340,000 (2021: £1,184,520) have been recognised in the statement of comprehensive income on page 19.

FLOWSERVE GB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

9. Intangible assets

	Goodwill £'000	Trademarks £'000	Software £'000	Total £'000
Cost				
At 1 January 2022	32,311	2,705	2,619	37,635
Write offs	-	-	-	-
At 31 December 2022	**32,311**	**2,705**	**2,619**	**37,635**
Impairment				
At 1 January 2022	18,957	-	2,561	21,518
Write offs	-	-	-	-
At 31 December 2022	**18,957**	**-**	**2,561**	**21,518**
Net Book Value				
At 31 December 2022	**13,354**	**2,705**	**58**	**16,117**
At 31 December 2021	13,354	2,705	58	16,117

The goodwill arose on the acquisition of the Durco business from Flowserve RED S.A in 2001 and on the acquisition of the Flow Control business from Flowserve Flow Control (UK) Limited in 2007.

10. Tangible assets

	Land and buildings £'000	Plant and machinery £'000	Construction -in-process £'000	Total £'000
Cost				
At 1 January 2022	7,145	10,068	707	17,920
Additions	589	682	376	1,648
Disposals	(2)	(287)	(728)	(1,018)
Transfer	1,125	(1,125)	-	-
At 31 December 2022	8,857	9,338	355	18,550
Accumulated depreciation and impairment				
At 1 January 2022	2,949	7,761	-	10,710
Charge for the year	212	662	-	874
Disposals	-	(268)	-	(268)
Transfer	793	(793)	-	-
At 31 December 2022	3,954	7,362	-	11,316
Net book amount				
At 31 December 2022	**4,903**	**1,976**	**355**	**7,234**
At 31 December 2021	4,196	2,307	707	7,210

Depreciation has not been provided on land with a book value of £1,765,574 (2021: £1,765,574).

Directors have reviewed the asset at the year end and believe that for the purpose of correct classification of assets, a transfer was required from plant and machinery to building improvements.

FLOWSERVE GB LIMITED

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11. Right of-use assets

	Total **£000**
Cost	
At 1 January 2022	1,151
Additions	189
Disposals	-
Revaluation	-
At 31 December 2022	1,340
Accumulated depreciation and impairment	
At 1 January 2022	509
Charge for the year	499
Disposals	-
At 31 December 2022	1,008
Net book amount	
At 31 December 2022	**332**
At 31 December 2021	642

12. Stocks

	2022 **£'000**	2021 £'000
Raw materials	**11,084**	6,393
Work in progress	**4,751**	2,780
Finished goods and goods for resale	**5,611**	4,212
	21,446	13,385

There is no significant difference between the replacement cost of work in progress and finished goods and the goods for resale and their carrying amount. Inventories are stated after provisions of impairment of £913,252.26 (2021: £1,090,622)

13. Pension assets

a) Details of pension scheme

The company participates in two defined benefit pension schemes, the Flowserve defined benefit pension scheme and the BWIP defined benefit pension scheme.

The funds are valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the appropriateness of the rates. The latest actuarial assessment of the schemes was completed on 6 April 2020 for the Flowserve defined benefit pension scheme and 6 April 2020 for the BWIP defined benefit pension scheme.

Plan assets held in the fund are governed by local regulations and practice in the United Kingdom. Responsibility for the governance for the plan – including investment decisions and contribution schedules – lies jointly with the company and the board of directors of the fund.

The scheme pensions are updated in line with the retail price index.

On the closure of the defined benefit schemes to new members, the United Kingdom Flowserve group introduced a defined contribution scheme, the assets of which are held separately from those of the group in independently administered funds.

FLOWSERVE GB LIMITED

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13. Pension assets (continued)

a) Details of pension scheme (continued)

Pension commitments for the year included an amount of £Nil from the defined benefit plan (2021: £Nil).

In respect of the Flowserve defined benefit pension scheme the company expects to pay contributions of £240,000 in 2023. No contributions are expected for the BWIP defined benefit pension scheme

The risks of the schemes are as follows:

a) Asset volatility

The plans' liabilities are calculated using a discount rate set with reference to corporate bond yields: if plan assets underperform this yield, this will create a deficit. The Flowserve defined benefit pension scheme holds a significant proportion of return seeking assets, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. The BWIP defined benefit pension scheme's benefits are fully insured with a buy-in policy, so the value of the liabilities and assets will move together in response to changes in market conditions.

b) Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities. In the case of the Flowserve defined benefit pension scheme, this will be partially offset by an increase in the value of the plans' bond holdings. In the case of the BWIP defined benefit pension scheme, the value of the assets will move in line with any changes to the liabilities.

c) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

d) Inflation risk

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. However, both plans hold liability matching investments so any increases in inflation will tend not to have a significant impact on the surplus.

Defined benefit pension scheme	**Flowserve £'000**	**BWIP £'000**	**Total £'000**
1 January 2022	**16,255**	**43**	**16,298**
Actuarial gain/(loss)	40,111	5,061	45,172
Return on plan assets greater than discount rate	(45,471)	(5,061)	(50,532)
Net interest on net pension scheme asset	294	1	295
Past service cost		(190)	(190)
Current service cost	(218)	-	(218)
Contributions paid by employer	232	-	232
Administration Fees	(182)	-	(182)
Net pension asset in the scheme at 31 December 2022	**11,021**	**(146)**	**10,875**

13. Pension asset (continued)

b) Flowserve defined benefit pension scheme

A full actuarial valuation was carried out on 6 April 2020 and updated to 31 December 2022 by a qualified independent actuary. The major assumptions used by the actuary were as follows:

	2022 %	**2021 %**
Rate of increase in salaries	**3.40**	3.20
Rate of increase in pensions in payment	**3.20**	3.25
Discount rate	**4.80**	1.80
Inflation assumption	**2.80**	3.45

The mortality assumptions used were as follows:

	2022 Years	2021 Years
Longevity at age 65 for current pensioners:		
- Men	**21.8**	21.9
- Women	**24.3**	24.3
Longevity at age 65 for future pensioners:		
- Men	**22.7**	22.8
- Women	**25.4**	25.4

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below. Approximate adjustments were made to the defined benefit obligations, reflecting the mean term of the liability. A Black-Scholes model was used to determine the impact of caps and floors in setting pension increases.

The sensitivity analyses are based on a change in an assumption, while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (that is, present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position

The methods and types of assumption used in preparing the sensitivity analysis did not change compared to the previous period.

Assumption	***Change in assumption***	**Impact on scheme liabilities**
Discount rate	0.5% increase	6.30% decrease
Discount rate	0.5% decrease	5.77% increase
Inflation assumption	0.5% increase	4.31% increase
Inflation assumption	0.5% decrease	3.09% decrease
Mortality	Increase of 1 year in expected lifetime of plan participant	3.48% increase

FLOWSERVE GB LIMITED

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13. Pension asset (continued)

b) Flowserve defined benefit pension scheme (continued)

The amounts recognised in the statement of comprehensive income for the financial year were as follows:

	2022 **£'000**	2021 £'000
Actuarial loss/(gain)	**5,360**	(1,595)
Cumulative actuarial loss recognised via statement of comprehensive income	**24,432**	19,072

	Value at 31 December 2022 **£'000**	Value at 31 December 2021 £'000
Multi-Asset	**63,059**	60,650
Gilts	**28,107**	77,742
Cash	**785**	1,187
Total market value of assets	**91,951**	139,579
Present value of scheme liabilities	**(80,930)**	(123,324)
Net asset in the scheme	**11,021**	16,255
Related deferred tax (liability)/ asset at 25% (2021: 25%) (note 17).	**(2,755)**	(4,064)
Net pension asset	**8,266**	12,191

Reconciliation of present value of scheme liabilities

	2022 **£'000**	2021 £'000
1 January	**123,324**	129,597
Current service cost	**218**	208
Administration costs	**182**	11
Interest cost	**2,186**	1,659
Benefits paid	**(4,869)**	(5,092)
Actuarial loss/(gain)	**(40,111)**	(3,059)
31 December	**80,930**	123,324

Reconciliation of fair value of scheme assets

The equity investments and bonds which are held in plan assets are quoted and are valued at the current bid price. The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

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Reconciliation of fair value of scheme assets *(continued)*

	2022	2021
	£'000	£'000
1 January	**139,579**	144,054
Interest income on scheme assets	**2,480**	1,848
Actuarial gain /(loss)	**(45,471)**	(1,464)
Benefits paid	**(4,869)**	(5,092)
Contributions paid by employer	**232**	233
31 December	**91,951**	139,579

The actual return on scheme assets in the financial year was a loss of £42,991,000 (2021 Gain: £384,000).

Analysis of the amount charged to profit and loss is as follows:

	2022	2021
	£'000	£'000
Current service cost	**218**	208
Administration costs	**182**	11
Net interest on net defined benefit liabilities	**(294)**	(189)
Total	**106**	30

Actuarial gains and losses

				Restated	Restated
	2022	2021	2020	2019	2018
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	**80,930**	123,324	129,597	121,026	111,436
Plan assets	**91,951**	139,579	144,054	134,376	120,760
Surplus	**11,021**	16,255	14,457	13,350	9,324
Experience adjustments on plan assets	**45,471**	1,464	(11;745)	(9,134)	4,659
Actuarial gains/(losses) during the period	**40,111**	3,059	(10,656)	(7,280)	2,838
Total amount recognised in the statement of comprehensive income	**5,360**	(1,595)	(1,089)	(1,854)	1,821

c) BWIP defined benefit pension scheme

A full actuarial valuation was carried out on 6 April 2020 and updated to 31 December 2022 by a qualified independent actuary. Amounts recognised have been included in the financial statements of the company. The major assumptions used by the actuary were as follows:

	2022	2021
	%	%
Rate of increase in salaries	**n/a**	n/a
Rate of increase in pensions in payment	**2.80**	2.90
Discount rate	**4.80**	1.80
Inflation assumption	**2.80**	3.45

c) BWIP defined benefit pension scheme (continued)

The mortality assumptions used were as follows:

	2022 Years	2021 Years
Longevity at age 65 for current pensioners:		
- Men	**21.9**	21.9
- Women	**24.3**	24.3
Longevity at age 65 for future pensioners:		
- Men	**22.8**	22.8
- Women	**25.4**	25.4

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below. Approximate adjustments were made to the defined benefit obligations, reflecting the mean term of the liability. A Black-Scholes model was used to determine the impact of caps and floors in setting pension increases.

The sensitivity analyses are based on a change in an assumption, while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (that is, present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the *statement of financial position*.

The methods and types of assumption used in preparing the sensitivity analysis did not change compared to the previous period.

Assumption	**Change in assumption**	**Impact on scheme liabilities**
Discount rate	0.5% increase	5.56% decrease
Discount rate	0.5% decrease	6.02% increase
Inflation assumption	0.5% increase	2.87% increase
Inflation assumption	0.5% decrease	3.34% decrease
Mortality	Increase of 1 year in expected lifetime of plan participant	3.71% increase

The amounts recognised in the statement of comprehensive income for the financial year were as follows:

	2022 £'000	2021 £'000
Actuarial (gain)/loss	**-**	(179)
Cumulative actuarial gain recognised via statement of comprehensive income	**(8,854)**	(9,212)

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FOR THE YEAR ENDED 31 DECEMBER 2022

c) *BWIP defined benefit pension scheme (continued)*

	Value at 31 December 2022 £'000	Value at 31 December 2021 £'000
Cash	**280**	655
Other assets	**10,364**	15,711
Total market value of assets	**10,644**	16,366
Present value of scheme liabilities	**(10,790)**	(16,323)
Net (deficit)/surplus in the scheme	**(146)**	43
Related deferred tax liability at 25% (note 17)	**-**	(11)
Net pension asset	**(146)**	32

The equity investments and bonds which are held in plan assets are quoted and are valued at the current bid price.

Reconciliation of present value of scheme liabilities

	2022 £'000	2021 £'000
1 January	**16,323**	16,689
Interest cost	**289**	212
Past service cost	**190**	-
Benefits paid	**(951)**	(688)
Actuarial loss/(gain)	**(5061)**	110
31 December	**10,790**	16,323

Reconciliation of fair value of scheme assets

	2022 £'000	2021 £'000
1 January	**16,366**	16,909
Interest income on scheme assets	**290**	214
Actuarial gain/(loss)	**(5,061)**	(69)
Benefits paid	**(951)**	(688)
31 December	**10,644**	16,366

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.
The actual return on scheme assets in the financial year was a loss of £4,771,000 (2021: Gain £145,000).

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FOR THE YEAR ENDED 31 DECEMBER 2022

c) BWIP defined benefit pension scheme (continued)

Analysis of the amount charged to profit and loss is as follows:

	2022	2021
	£'000	£'000
Past service cost	**190**	-
Net interest on net defined benefit liabilities	**(1)**	(2)
Total	**189**	(2)

Actuarial gains and losses

	2022	2021	2019	2018	2017
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	**(10,790)**	(16,323)	(16,689)	(15,723)	(15,101)
Plan assets	**10,644**	16,366	16,909	16,106	20,805
Surplus/ (deficit)	**(146)**	43	220	383	5,704
Experience adjustments on plan assets	**5,061**	69	(1,461)	3,978	(452)
Actuarial gains/(losses) *during the period*	**5,061**	(110)	(1,419)	(1,468)	(362)
Total amount recognised in the SOCI	**-**	(179)	42	(5,446)	90

14. Debtors

	2022	2021
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	**15,551**	12,053
Other debtors	**319**	446
Taxes receivable	**31**	-
Prepayments and accrued income	**575**	382
Amounts owed by group undertaking	**45,039**	50,523
	61,515	63,404

Trade debtors above include a provision for £1,169,488 (2021: £966,409)

Trade debtors include the following assets related to the contracts with customers:

Trade Debtor Contract assets	**2022**	2021
	£'000	£'000
Opening balance	**1,476**	4,522
Additional work done during the period (revenue recognised)	**(5,543)**	(10,360)
Amount invoiced (amount transferred to debtors)	**4,270**	7,314
Contract asset closing balance	**203**	1,476

Amounts falling due after more than one year:

	£'000	£'000
Amounts owed by group undertakings	**59,137**	59,137
Deferred tax asset (note 17)	**4,925**	4,044
	64,062	63,181

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

15. Creditors:

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade creditors	**3,543**	4,305
Amounts owed to group undertakings	**69,473**	66,599
Social security and other taxes	**565**	35
Accruals and deferred income	**4,513**	2,241
Leasing Liabilities	**214**	234
	78,308	73,414

The accruals and deferred income include the following liabilities related to the contracts with the customers:

Contract liabilities	2022 £'000	2021 £000
Opening balance	**1,267**	1,476
Additional payments received during the period	**5,223**	4,191
Amount of revenue recognised during the period	**(4,610)**	(4,400)
Contract liability closing balance	**1,880**	1,267

Amounts falling due after more than one year:	£'000	£'000
Leasing Liabilities (note 19)	**116**	217
	116	217

Amounts owed to other group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Expense relating to leases of low-value assets that are not shown above as short-term leases and included in administrative expenses are £324,553 (2021: £120,537).

16. Provisions for liabilities

	Restructuring Provision £'000	Warranty Provision £'000	Total £'000
At 1 January 2022	63	374	437
Additions to the income statement	-	444	444
Amount Utilized	(63)	(344)	(407)
At 31 December 2022	**-**	**474**	**474**

Restructuring
In 2021 Flowserve initiated three (3) rooftop reduction programs. This includes Closure of Newcastle facility, merger of Haywards Heath and Burgess Hill at one location and merger of Seals Manchester and SIHI business at one site. This project intends to grow our Pumps, valves, and seals business in the UK by improving end users experience breaking through to operational excellence, reducing our operating costs and maximizing the financial return. The directors believe that during the year restructuring has significant impact on the reduction of operating costs.

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16. Provisions for liabilities (continued)

Warranty

Provisions were made for expected warranty costs on products sold in the last two years both for known cases at the balance sheet date and also future claims to the extent of the likelihood of claims crystallizing in the future based on past experience of the level of repairs and returns. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the two-year warranty period for all goods sold. The warranty provision was expected to be utilised within two years.

17. Deferred taxation

	Accelerated Capital Allowances £'000	Tax Losses £'000	Pension £'000	Other £'000	Total £'000
At 1 January 2021	2,569	2,034	(2,789)	570	2,384
Credited/(charged) to the income statement	320	2,394	(2470)	(131)	113
Charged directly to other comprehensive income	-	-	1,185	-	1,185
Credited/(charged) to Equity	-	-	-	-	-
Prior year charge/(credit)	(18)	370	-	10	362
At 31 December 2021	**2,871**	**4,798**	**(4,074)**	**449**	**4,044**
Credited/(charged) to the income statement	(610)	(69)	16	72	(591)
Charged directly to other comprehensive income	-	-	1,340	-	1,340
Credited/(charged) to Equity	-	-	-	-	-
Prior year charge/(credit)	(12)	144	-	-	132
At 31 December 2022	**2,249**	**4,873**	**(2,718)**	**521**	**4,925**

The Company currently has an unrecognised deferred tax asset of £1,231,001 (2021: £1,231,002) in respect of brought forward losses and accelerated capital allowances in the Fluid Solutions division given uncertainty over whether the Company will make sufficient future taxable profits on which the asset will unwind.

18. Share based payment

Summary of arrangements and information relating to option valuation techniques

Restricted shares of Flowserve Corporation have been granted to the employees of the company by Flowserve Corporation under the terms of the Flowserve Corporation Equity and Incentive Compensation Plan (the "2010 Plan"), which is a shareholder approved plan authorizing the issuance of shares of our common stock in the form of restricted shares, restricted share units and performance-based units (collectively referred to as "Restricted Shares"), incentive stock options, non-statutory stock options, stock appreciation rights and bonus stock. In 2016 the long-term incentive program was amended to allow Restricted Shares granted after January 1, 2016 to employees who retire and have achieved at least 55 years of age and 10 years of service to continue to vest over the original vesting period ("55/10 Provision").

Restricted Shares – Awards of Restricted Shares are valued at the closing market price of our common stock on the date of grant. The unearned compensation is amortized to compensation expense over the vesting period of the restricted shares, which is expected to be recognised over a weighted-average period of approximately two years, except for awards related to the 55/10 Provision which are expensed in the period granted. These amounts will be recognised into net earnings in prospective periods as the awards vest.

The Company recorded share-based compensation expense in the year of £196,163 (2021: £15,427)

19. Leases

The company has contracts for various UK buildings. The amounts recognised in the Balance Sheet in relation to the leases are as follows:

	2022 £'000	2021 £'000
Right-of-use-assets		
Buildings	**1,340**	1,151
	1,340	1,151
Lease Liability		
Current	**214**	234
Non-Current	**116**	217
	330	451
Depreciation charge of right – of – use assets		
Building	**499**	742
Equipment	**-**	20
	498	762
Expense relating to short – term leases	**324**	191
Expense relating to leases of low – value assets that are not shown above as short – term leases	**27**	120
Interest expense	**-**	1

20. Derivative financial instruments

The company sells certain goods in US dollars and Euros and typically manage the exchange rate risk of future purchases through the use of forward contracts and currency options.

At 31 December 2022, the company had contracts with a notional commitment of £9,533,779 (2021: £4,845,066). The options and contract agreements had a maturity spread of between 1 and 6 months (2021: 1 and 6 months), with average contracted rates of £1: $1.341 (2021: £1: $1.341).

21. Related party transactions

The company has taken advantage of exemption in FRS 101 from the requirement to disclose transactions within the wholly owned group companies.

22. Called up share capital

	2022 Number '000	2021 Number '000	2022 £'000	2021 £'000
Allotted and fully paid				
A ordinary shares of £1 each	**1,000**	1,000	**1,000**	1,000

The shares have full voting, dividend and distribution rights attached to them.

23. *Contingent liabilities*

The company has given guarantees to certain customers in respect of the performance of specific sales orders, which amounted to £5,096,750 at 31 December 2022 (2021: £8,792,870).

The company has given a guarantee to HMRC as part of the Duty Deferment Scheme, which amounted to £4,040,000 at 31 December 2022 (2021: £3,970,000)

24. Capital commitments

As at 31 December 2022 the company had no capital commitments or contracts for capital expenditure in place in the period (2021: Nil)

25. Ultimate parent undertaking and controlling party

The company's immediate parent company at 31 December 2022 was Flowserve International Limited, a company incorporated in the UK.

The company's ultimate parent undertaking and controlling party, for which group financial statements are prepared including the results of the company, at 31 December 2022 was Flowserve Corporation, a company incorporated in the United States of America. The ultimate parent is both the largest and smallest company to consolidate the results.

Copies of the group financial statements may be obtained from Companies House.