# FR Flow Control Midco Limited

**Annual Report and Financial Statements**

**Year ended**

**31 December 2022**

**Registered number 11837578**

# Contents

# Company Information

### Directors

Yuri C. Larrabee (appointed 28th April 2022) (USA citizen)
Kerem C. Yilmaz
Michael A. Scardigli (resigned 28th April 2022) (USA citizen)

### Company Secretary

Intertrust (UK) Limited

### Registered office

1 Bartholomew Lane
London
United Kingdom
EC2N 2AX

### Company number

11837578

### Independent auditor

BDO LLP
3 Hardman Street
Manchester
M3 3AT

# Strategic Report

The directors present their Strategic report for FR Flow Control Midco Limited (the "Company" on a standalone basis or the "Group" or "Trillium Flow Technologies" when referring to the Company and its consolidated subsidiaries) for the year ended 31 December 2022.

## Principal activities

The Group engineers and manufactures a full range of pumps, valves, actuators, aftermarket products and services for key markets including nuclear power generation, refining and petrochemical, water and wastewater, general industrial and mining.

## Mission and Vision

The Group's vision is to be the most relied upon flow control solutions provider in the world by sustainably, efficiently, and passionately assisting its customers in providing critical products and services to help them meet the needs of today's ever-changing world.

## Principal strategies

The key pillar of the Group's strategy is to seamlessly align with its customers while continuously improving their engagement and service levels.

The Group aims to attract and develop a diverse, energised, and collaborative team focused on its strategy. The Group seeks to maintain and grow its diversified end market exposure and recurring revenue streams through continuous servicing of its large established installed base.

## Business review for the year ended 31 December 2022

In 2022 the Group grew, with a 7.6% increase in revenues driven by the continued operational development of our existing businesses and the transformational acquisition of Termomeccanica Pompe (TMP). Alongside this growth in revenue, we were able to maintain our EBITDA margin of 11.0% from the previous year. This drove an EBITDA increase of $3.6 million to $52.2 million in 2022, including the positive impact of the TMP acquisition.

This increased performance has been despite a significant foreign exchange headwind during the year. The increased market volatility driven by Russia's invasion of Ukraine early in the year reduced the value of many currencies against the US Dollar during 2022. Most relevant to the Group, were the devaluations of the Euro and British Pound – which are the trading currencies of large parts of our Group – against the US Dollar, the currency we report in. If we recalculate the results for the year ended 2022 at the average rates for the year ended 2021, this shows a foreign exchange impact of $7.6 million on our EBITDA. The impact of our performance can more clearly be seen when adopting this adjustment. On this constant currency basis our EBITDA increases to $59.8 million, an increase of 23.1%, including the impact of the TMP acquisition versus the prior year. More details of these calculations are provided later in this report.

The Trillium Group had a transformational year in 2022 with the acquisition of TMP in April. This acquisition significantly supplements our enterprise transformation, increasing both our scale and relevance to key customers.

# Strategic Report *(continued)*

## Business review for the year ended 31 December 2022 *(continued)*

Significant achievements in 2022 and into the start of 2023 include:

- In April 2022, the Group completed the acquisition of Termomeccanica Pompe Srl incorporated in Italy, a significant acquisition that will complement and transform our Italian Gabbioneta business.
- In April 2022, the Group refinanced its Term Loan C, increasing its facility by $75 million to fund the transformational acquisition of TMP.
- In February 2023, the Group completed the acquisition of Coulter Valve Services, a complementary acquisition that will provide the Group with full operational and strategic control over their US nuclear and commercial field service business.

The Group's key financial and other performance indicators from continuing operations, as reported were as follows:

| | **Year ended 31 December 2022 $'000** | **Year ended 31 December 2021 $'000** |
|---|---|---|
| Revenue | 475,688 | 441,984 |
| Adjusted EBITDA* | 52,213 | 48,588 |
| Adjusted EBITDA* Margin | 11.0% | 11.0% |
| Operating profit (before non-recurring items) | 32,129 | 27,592 |
| Non-recurring items | (14,186) | (17,613) |
| Loss for the year (after tax and non-recurring items) | (14,787) | (2,939) |
| Cash Generated from Operating Activities | 8,000 | 41,932 |
| Net Working Capital | 65,797 | 46,981 |
| Current assets as % of current liabilities | 156% | 153% |
| Net Working Capital Days | 50 days | 39 days |
| Average number of employees | 1,988 | 1,646 |

* EBITDA is calculated by taking operating profit before non-recurring items and adding depreciation, amortization, transactional forex differences and deducting other income.

# Strategic Report *(continued)*

## Impact of foreign exchange in 2022

The impact of the devaluation of the trading currencies of our global entities against the US Dollar reporting currency of Group had a large impact on our reported results.

Although we report in US Dollars, the trading currency of many of the operational subsidiaries in the Group is in line with their global locations across Europe, Asia Pacific and the Middle East.

When we recalculate the results of these non-US Dollar trading currency entities using the average exchange rates that we saw in 2021, it gives us a more reliable measure of our operational performance:

| | **Year ended 31 December 2022 As Reported $'000** | ***Impact of Revaluing To 2021 FX $'000*** | **Year ended 31 December 2022 At 2021 FX $'000** | **Year ended 31 December 2021 As Reported $'000** |
|---|---|---|---|---|
| Revenue | 475,688 | *42,472* | 518,160 | 441,984 |
| Adjusted EBITDA* | 52,213 | *7,609* | 59,822 | 48,588 |
| Adjusted EBITDA* Margin | 11.0% | | 11.5% | 11.0% |
| Operating profit (before non-recurring items) | 32,129 | *4,412* | 36,541 | 27,592 |
| Non-recurring items | (14,186) | *(547)* | (14,733) | (17,613) |
| Loss for the year (after tax and non-recurring items) | (14,787) | *2,991* | (11,796) | (2,939) |

* EBITDA is calculated by taking operating profit before non-recurring items and adding depreciation, amortization, transactional forex differences and deducting other income.

Reporting on a constant currency basis shows more clearly the growth that we have driven in 2022. The Group grew significantly with a 17.2% increase in revenues (versus 7.6% increase as reported). Organically, the existing businesses maintained their performance despite the challenges in the macro-economic environment and the ongoing consolidation of our US Pumps business, with the growth being driven by the transformational acquisition of TMP. This resulted in a 23.1% increase in EBITDA to $59.8 million in 2022 (versus a 7.5% increase as reported) and a 50 basis points increase in our EBITDA margin (versus maintaining at 11.0% as reported).

The Group does not partake in speculative foreign exchange hedges or similar financial instruments, however, we actively monitor and manage our foreign exchange exposure. We ensure that cash balances are centralised and held in the correct currency to meet our liabilities. We ensure customer contract currency and costs are as closely matched as possible, where this is not possible, we consider the use of foreign exchange forward contracts to fix rates, and hence margins.

# Strategic Report *(continued)*

## Significant acquisition driving transformation

In 2022 the Group's transformation was marked by the acquisition of TMP. This, alongside management's commitment to executing other transformational activities, has allowed us to enhance our position in the industry and our relevance to our customers.

The increase in scale allowed by the acquisition of TMP, together with a continued focus on margin expansion through driving aftermarket revenue mix, realising efficiencies from initiatives to reduce manufacturing costs, and continued prudence in SG&A cost management has resulted in a resilient performance in 2022, helping offset market challenges.

Our emphasis on net working capital has remained during 2022. We continue to focus on our relationship with our customers to drive on time collection of cash, negotiation of cash advances on customer contracts whenever possible and proactive inventory management, with disciplined purchasing and initiatives to incentivise the use and sales of written-down inventory. In 2022, the supply chain disruption as a legacy from the pandemic has been exacerbated by the impact of the Russian invasion of Ukraine and the resulting sanctions. Despite these significant headwinds and the addition of TMP to the Group, net working capital has only risen to $65.8 million at the year ended 2022 from $47.0 million at the year ended 2021. Our net working capital cycle of 50 days is consistent with the year ended 2020, although higher than the 39 days at the year ended 2021 due to net working capital increases linked to the ongoing consolidation of the US Pumps business.

In 2022, the Group incurred non-recurring costs of $14.2 million, compared to $17.6 million in 2021. The largest portion of these costs, $7.5 million, related to the transformational activity and consolidation of our US Pumps business after the closure of the Salt Lake City USA plant and transfer to Fresno USA in late 2021. A further $5.9 million related to M&A work that resulted in the acquisition of TMP and Coulter Valve Services (CVS), alongside activity linked to other targets that were either not completed or remain in process.

## Free cash flow impacted by the macro-economic environment

The Group finished 2022 with a cash balance of $49.3 million, down $16.9 million from $66.2 million at the year ended 2021.

Positive cash of $8.0 million was generated from operating activities in 2022. This was significantly impacted by an increase in inventory of $35.7 million, primarily in US Pumps, as we build inventory to deliver our commitments to our customers on time. A portion of the Group's increase is timing related, but also to shield our customers from the supply chain disruption that we continue to experience. We remain focused on optimizing our inventory levels and continuing to improve our supply chains to minimize the impact of these macro-economic factors.

In 2022, we invested $6.9 million in our business through capital expenditures with a focus on developing our footprint to build a foundation for future operating efficiency and organic growth. We have invested in assets that provide a positive return through reducing our environmental impact and increasing our already strong safety record.

## Execution of our M&A strategy

The Group's transformation was driven by M&A in 2022. We have an active M&A program and target acquisition opportunities that increase our relevance to our customers, enhance our product and service offering, our scale and to complement our geographical footprint.

On 12th April 2022, we completed our largest acquisition to date – the acquisition of Termomeccanica Pompe Srl (TMP) incorporated in Italy. This significant acquisition complements and continues to transform our Gabbioneta business, also in Italy. TMP extends both the Group's scale and breadth, further increasing our future growth potential.

# Strategic Report *(continued)*

## Execution of our M&A strategy *(continued)*

This acquisition has its primary base in Italy, with additional sites in Europe and the Middle East. For over 100 years from its manufacturing facility in La Spezia, Italy, TMP has provided innovative engineered pumps and service solutions to the global power generation, desalination, water and wastewater, and refining and petrochemical markets. TMP has robust after-sales and service capabilities that offer all-encompassing post sale support to end-users. Their products and services combined with our current pump offerings uniquely position the Group to provide customers with an extensive range of complementary pump products, related engineering support, and aftermarket services.

On 7th February 2023 the Group completed the acquisition of Coulter Valve Services (CVS). Founded in 1998, CVS has been a long-standing partner to the Group and is a specialty valve field service supplier.

CVS specializes in on-site nuclear and commercial maintenance, repair and modifications for valves, and services major utilities across the USA. CVS is exclusively dedicated to servicing the Group's current install base and products. This acquisition provides the Group with full operational and strategic control over their US nuclear and commercial field service business and solidifies the relationship with our key customers in this region and sector.

## Unprecedented inflation

In 2022 significant cost inflation was experienced by global industry.

Energy prices increased considerably in many locations. These energy price increases had an indirect impact of increasing commodity prices, driving wage inflation and hence driving up the cost of supplies for manufacturing.

The Group monitored the impact of these cost increases throughout the year and continues to monitor these in 2023. We maintained our margins despite cost increases using a range of approaches including limited bid validity periods, supply chain sourcing optimization and discipline on spend.

The Group's primary markets are heavily exposed to, or active participants in the global energy markets, and so are in many cases shielded or have gained from the impact of increased energy pricing. Customers therefore continue to invest.

Although the Group did not see the large impact to the level of new orders from customers that some of its competitors experienced, there remains the risk that we may still see some delayed impact with continued cost inflation and ongoing bookings pressure in 2023. This was considered as part of the 2023 forecasting process, when concluding that the going concern assumption was valid and that goodwill and intangibles were appropriately valued.

## Aftermarket focus

Serving a wide range of products in various end markets with a large installed base, the Group's business with spare parts and services is well-diversified. With 25 operational centres globally, we are close to, and highly responsive to support our customers.

In an adverse market environment with long lead times on sourcing and delivering products internationally, this diversity and customer proximity are seen as key success factors. Our colleagues' dedication to serving customers quickly and pragmatically further strengthens customer relationships during these unprecedented times. The addition of TMP to the Group has further increased our footprint and this proximity.

We continue this momentum into 2023, actively monitoring our installed base and supporting customers with their needs in a pre-emptive manner.

# Strategic Report *(continued)*

## Sustainability

We continue to advance our strategy and dialogue around environmental, social and governance (ESG). We are committed to ensuring our business practices are sustainable and we recognize our integral role in enabling customers to do the same. We are dedicated to leading the industry in more efficient solutions and developing technologies that enable better and cleaner energy manufacturing and wastewater processing. We are focused on helping customers navigate regulatory changes and technical complexity in their work to manage resources more effectively.

We are committed to leading through all market conditions, ensuring business continuity, and driving long-term sustainability for our customers.

In 2020, we established our first sustainability committee, known as The Corporate Green Team. This global, cross-functional team drives activity and our sustainability initiatives with the aim to empower each of the Group's facilities to design and implement a strategy that fits their unique business and culture. We have seen substantial progress with our global volunteerism program and single-use plastics reduction challenge.

In 2022 the team launched two new major initiatives: STEM and 3R.

Science, technology, engineering, and mathematics (STEM) workers play a vital role in the sustained growth and stability of the global economy. STEM education creates critical thinkers, increases science literacy, and enables the next generation of innovators. Following one of the Group's key values, we want to continue our efforts to improve the communities in which we live and operate. This initiative asks each facility to reach out to local primary, secondary, and trade schools in their region and invite students to take a tour of the facility. This will allow students to gain exposure to real working environments, knowledge that augments what they learn in the classroom, and valuable insight into the career they want to pursue. Actions like these allow us to invest in our future success and perhaps discover new talent and future leaders.

The Reduce, Reuse and Recycle (3R) initiative intends to significantly reduce the Group's overall landfill waste and raise employee awareness of our core principles. We challenge each business to reduce their overall landfill waste by using best practices as a guideline. This project will help the Group become more environmentally aware and create a shared sustainability culture throughout the organization. The objectives of this initiative are to provide training that educates our employees on sustainability in general, the creation of a global "Green Day" and for each facility to complete a waste self-assessment.

Many of our plants are driving a reduction of their carbon footprint through the installation of solar panels. In Fresno, California we have a current solar capacity of 25,320 kWh per month, leading to an estimated current CO2 avoidance of 17.9 tonnes per month. When fully integrated, this system will cover approximately 68% of the electricity requirement of the site. In Italy we have a solar capacity of 23,250 kWh per month, leading to an estimated CO2 avoidance of 16.5 tonnes per month.

## Emphasis on diversity, equity, and inclusion

Our people are our most valuable assets and our primary source for sustained success. As a global Group we have first-hand experience of the strength of diverse teams with diverse perspectives and backgrounds. We remain committed to efforts to continuously encourage a culture of diversity and inclusion at every level of the Group to ensure our workforce reflects the industries and communities we serve.

# Strategic Report *(continued)*

## 2023 outlook

The Group started 2023 with a strong backlog of signed customer contracts yet to be completed. Driven by a strong order intake, delays in revenues in our plant in Fresno and the acquisition of TMP, our backlog was 43% higher at the year ended 2022, when compared to the year ended 2021.

The Group stands to continue to benefit from strong secular tailwinds including the energy transition. Rising energy consumption and population growth mean our diverse global markets remain strong. Our key markets of nuclear power generation, refining and petrochemical, water and wastewater, general industrial and mining have in many cases gained from the increased energy prices that resulted from the Russian invasion of Ukraine.

We have a longstanding presence in the global nuclear market and continue to benefit from a significant install base. Energy security and global focus on reducing carbon emissions are driving increased nuclear sentiment and as a key supplier into this market with a high barrier to entry, the Group stands to gain from this positive momentum. We are well positioned to benefit from transitioning away from coal-fired power into Combined Cycle Gas Turbine (CCGT) and renewable applications. We are working with our customers to be part of the next generation of safe and cost-effective nuclear power generation. Our acquisition of Coulter Valve Services will continue to leverage this relationship. As commodity prices continue to fluctuate, we stand to benefit from increasing prices and any resulting increased investment by the industry.

Increased urbanisation and the importance of water availability and security is being impacted by changes in our climate. This is driving investment in one of our key markets where we are regarded as a trusted and longstanding supplier.

The Group continues to focus on expanding our higher margin aftermarket parts and service portfolio, to supplement our already strong original equipment offerings.

In 2022 significant cost inflation was experienced by global industry. Energy prices increased significantly in many locations. This impacted the cost of supplies and drove higher than normal wage increases for workers. Cost saving initiatives completed and announced in 2022, the continued integration of TMP into the Group, and other operational improvements will result in significant full year savings in 2023, aiding market expansion.

The Group monitored the impact of the inflationary cost increases through the year and continues to monitor this in 2023. We maintained our margins despite cost increases using a range of approaches including limited bid validity periods and supply chain sourcing optimisation. The markets that the Group works in means that customers continue to invest despite increased prices. Although the Group did not see the large impact in the level of new orders from customers that some of our competitors experienced, there remains the risk that we may still see some delayed impact with continued cost inflation and ongoing bookings pressure in 2023.

The direct impact of our trade with Russia is limited and we ceased any trading due to the invasion and froze any activity on quotes or contracts. There was a limited net working capital impact acquired with TMP, which we will continue to manage in 2023.

Looking forward to 2023, opportunities exist to expand through organic growth and acquisition with current service offerings such as valves, pumps, engineered parts and services being expanded across territories and sectors. The expansion of TMP into the lucrative US market is a key focus, leveraging their longstanding reputation in other global locations. We will continue to focus on the ongoing consolidation of our US Pumps business to realise the significant potential of this valuable asset.

There are no significant plans to alter the business of the Group in the future.

# Strategic Report *(continued)*

## Principal risks

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

## General risks

*Macro-economic and geopolitical risks*

In 2022 the global economy entered a period of heightened macro-economic, and geopolitical risk and uncertainty driven by the Russia-Ukraine conflict (and related sanctions), the economic downturn caused by the global pandemic, the United Kingdom's withdrawal from the European Union and ongoing trade tensions between the United States and China.

These economic and geopolitical risk factors have contributed to rising inflation and interest rates, disruption to global supply chains, volatility in foreign exchange rates and caused instability in global financial markets.

The principal risks associated with the Russia-Ukraine conflict and the pandemic have been assessed independently below, however each of the matters mentioned above have exacerbated many of the normal risk factors faced by the Group. These matters and associated consequences are therefore recurring themes in our wider assessment of the principal risks and uncertainties set forth below.

*Russia*

On February 16, 2022, Russia invaded Ukraine. This resulted in a number of economic sanctions being imposed on Russia. The Group prohibits trade with all sanctioned counterparties and as such exited all Russian business immediately following the introduction of new sanctions. A system of internal process and controls has been set up, designed to prevent the Group entering any new contracts with sanctioned Russian counterparties.

The direct financial impact of exiting Russian business has been limited, as although the Group operates in the power and energy, and downstream process industries, it has limited exposure in Russia. In the year ending 31 December 2021 the group generated 0.7% ($ 3.1 million) of its revenue from Russia, Belarus and Ukraine, and only $ 0.1 million of purchases were made from the aforementioned area during the same period. In 2022 trading was limited to $3.3 million on contracts acquired with TMP, with the activity related to items contributing to the Artic LNG project already in the process of delivery at the acquisition date. There was no further activity in other parts of the Group, as any activity with Russia or connected countries was ceased as a decision by the management after the breakout of the war.

The Group has been impacted by the broader consequences of the Russian's invasion of Ukraine, including supply chain disruptions, increased energy costs and general inflation.

Due to the ongoing nature of the conflict, there remains a risk of new sanctions being introduced prohibiting our ability to do business in specific countries, further disruption to supply chains and worsening regional and geopolitical instability. The extent to which any of these threats effect the results of the Group and the performance of the global economy cannot be predicted.

The Group continues to follow the changing situation closely and shares the world's concern with the events and humanitarian crisis unfolding in Ukraine and the surrounding area.

# Strategic Report *(continued)*

## General risks *(continued)*

*Covid-19*

In March 2020, the World Health Organization characterized the outbreak of COVID-19 as a pandemic, resulting in extensive government-imposed restrictions which disrupted the global supply chains impacting the availability and price of raw materials, increased freight costs and created challenging conditions in the labour markets.

As of December 31, 2022, all of our manufacturing facilities are operating normally. However, due to the numerous uncertainties that have arisen from the pandemic, including the likelihood of resurgences and the emergence and spread of variants, we are unable to predict if there will be additional government-imposed restrictions on our ability to operate in future periods. The directors have considered these risks, but they do not anticipate that they will have a significant impact on the business as, the Group's products and services were generally deemed to be "essential". Our production facilities continued to operate, and the Group was able to deliver products to its customers. Demand for our products has remained.

## Specific risks

*Supply chain risk: Resource availability*

The Group's manufacturing operations are dependent on having access to sufficiently available raw materials, component parts and labour on a timely basis and at a reasonable cost. Due to a variety of global factors (including those described above) the Group has been experiencing supply chain disruptions driven by shortages of goods and delayed shipments. This has adversely affected the Group's ability to meet manufacturing plans on time, control costs and manage inventory levels.

The Group's strategy is to simplify the external supply chain and forge deeper strategic relationships with fewer but stronger suppliers while maintaining supply chain flexibility.

*Supply chain risk: Inflation*

The shortages in raw materials and labour described above have led to a period of sustained price increases. This, along with rising energy costs, led to an increase in costs faced by the Group. We expect inflationary pressures to persist into 2023. The impact of this headwind is being actively monitored and managed by the Group by carefully controlling our cost structure, exposure to raw material price changes and freight, especially on previously priced customer orders.

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

*Supply chain risk: Subcontractors*

The Group subcontracts certain elements of the manufacturing process through supply chains external to the Group. Any failure of the supply chain or movement of goods would represent a risk to the Group's ability to meet customer requirements and achieve its financial goals. The Group manages subcontractor risk through established supplier quality management and compliance programs within its operations that include regular feedback, audits, and visits.

# Strategic Report *(continued)*

## Specific risks *(continued)*

### *Environmental*

The Group's operations are subject to extensive environmental laws and regulations in the jurisdictions in which it operates, imposing limitations on the discharge of pollutants into the ground, air and water and establishing standards for the treatment, use, storage and disposal of hazardous waste. We may be subject to increasingly stringent environmental standards in the future, particularly as greenhouse gas emissions and climate change regulations and initiatives increase.

### *Cyber security*

The Group is dependent on information technology networks and systems, to process, transmit and store electronic information. In the ordinary course of business, we collect and retain certain types of personally identifiable and other information relating to our customers and employees. Various privacy and cybersecurity laws and regulations require us to manage and protect sensitive and confidential information from disclosure. Despite our implementation of firewalls and other network security measures, our servers, databases, and other systems may be vulnerable to computer hackers, physical or electronic break-ins, sabotage, computer viruses, worms, and similar disruptions from unauthorized tampering with our computer systems. Such intrusions could result in our network security or computer systems being compromised and possibly result in the misappropriation or corruption of sensitive information. Such attacks may result in disruption to our operations and expose the Group to costs, fines, litigation, or regulatory action. We may be required to expend significant capital and resources to protect against, remediate, or alleviate problems caused by such intrusions.

### *Business continuity and disaster recovery*

The Group has a Business Continuity and Disaster Recovery Plan which is reviewed annually. Risk of disablement of the Group's business critical systems at a key location is mitigated by data back-up designed to ensure that information can be recovered rapidly and independently of any disabled location. In addition, information technology disaster recovery plans are in place for each location in the event of disruption.

### *Certification*

The Group holds a number of approvals, certifications and quality assurances which are of fundamental importance to the Group's ability to operate in many of its end markets. Holding these approvals provides a key barrier to entry from new competition and protects the Group's market position.

The loss of any approval or certification, through negligence or regulatory breach, is likely to have an adverse impact on the Group's performance. The Group works hard to ensure all of the Group's facilities are in full compliance with applicable regulatory requirements.

### *Competitor risk*

Competitive pressure is a continuing risk. Competitors can be expected to improve technology, reduce costs and introduce new products which may erode the Group's competitive position and result in a loss in market share. The Group manages this risk through maintaining commercially sound pricing of its services, whilst providing added value services to customers, and developing innovative solutions to customers' requirements.

### *Customer relationships*

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

# Strategic Report *(continued)*

## Specific risks *(continued)*

*Political risks*

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

*Product liability claims*

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

*Employee issues*

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

*Health & safety*

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

*Financial risk management objectives & policies*

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

*Foreign exchange risk*

As a result of the Group's business activities around the world, it is exposed to transactional and translational currency risk.

Transactional currency exposure arises when a Group subsidiary generates revenue or incurs costs denominated in a currency other than its functional currency. Foreign currency exposures are identified and managed directly by the Group within the policies and guidelines established by the Group. Transaction exposures may be hedged with the use of forward exchange rate contracts where deemed appropriate and where they can be reliably forecasted. It is Group policy not to engage in any speculative transaction of any kind.

Translational currency risk occurs when the results of a Group subsidiary which reports in a currency other than US Dollars, are translated into US Dollars for Group reporting purposes. During 2022 the Group's reported results were adversely affected by the strengthening of the US Dollar against a number of foreign currencies in which the Group does business, including the Euro and British Pound.

# Strategic Report *(continued)*

## Specific risks *(continued)*

*Credit risk*

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

*Liquidity risk*

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and inter-company trading accounts. Liquidity was strong throughout 2022, with liquidity of $87.7 million as at December 2022, compared to $106.8 million at December 2021. Liquidity has remained strong at the start of 2023 and is expected to remain strong for the coming year.

Whilst the macroeconomic environment deteriorated in 2022, leading to strains in financial markets and heightened global financial stability risk, the Group's primary debt facilities are secured until June 2026.

*Interest rate risk*

The Group's borrowings consist of third-party loans. Interest costs include a fixed element and a variable element linked to market rates. Based on current levels of net debt, interest rate risk is not considered to be material.

# Strategic Report *(continued)*

## Section 172 Statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Group's employees, customers and suppliers and other stakeholders, the impact of its activities on the community, the environment and the Group's reputation for good business conduct, when making decisions.

In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Group for its members in the long term. We explain in this annual report, and below, how the Board engages with stakeholders.

- Relations with key stakeholders such as employees (and wider workforce e.g. contractors), shareholders, regulators, customers, local communities and suppliers are considered in more detail in the details in how we engage in the table starting on page 15.
- The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006. To ensure the Group is operating in line with good corporate practice, all Directors review all of the reports in the Annual Report as well as the scope and application of section 172. The Board is encouraged to reflect on how the Group engages with its stakeholders and consider opportunities for enhancement in the future. As required, the Senior Legal Counsel and Company Secretary will provide support to the Board to help ensure that sufficient consideration is given to issues, factors and stakeholders the Directors consider relevant in complying with s172(1)(a)-(f) and how they have formed that opinion.
- The Board regularly reviews the Group's principal stakeholders and how it engages with them. This is achieved through information provided by management and also by direct engagement by all of the Group's Directors with stakeholders themselves.
- The Board continuously enhances its methods of engagement with the workforce, please see details of this engagement in the table starting on page 15.
- We aim to work responsibly with our stakeholders, including suppliers and the Group's anti-corruption and anti-bribery, equal opportunities and whistleblowing policies are reviewed annually and updated where required.

# Strategic Report *(continued)*

The key Board decisions made in the year are set out below:

| Significant events / decisions | Key S172 matter(s) affected | Actions and impact |
|---|---|---|
| Acquisition of Termomeccanica Pompe Srl incorporated in Italy | Employees, Customers, Shareholders | • In April 2022, the Group completed the acquisition of Termomeccanica Pompe Srl, a significant acquisition that complements and transforms our Gabbioneta business in Italy.<br>• For over 100 years, TMP, from its manufacturing facility in La Spezia, Italy, has provided innovative engineered pumps and service solutions to the Global Power, Desalination, Water Transmission, and Downstream Process Industries.<br>• The acquisition will supplement the Group's portfolio and growth potential in future periods. |
| Financing | Employees, Customers, Shareholders | • In April 2022, the Group extended its primary debt facility by $75 million in order to finance the acquisition of TMP and also create additional capacity to finance further M&A.<br>• In February 2023 the Group completed the acquisition of Coulter Valve Services (CVS).<br>• M&A represents a key part of the Group strategy on its journey to becoming the worlds most relied upon flow control solutions provider.<br>• The acquisition of TMP and CVS adds talent, technical knowledge and products to the Group's portfolio, enabling the Group to provide customers with a greater level and range of products and services.<br>• All investments are subject to evaluation against the Group's M&A criteria, which includes consideration of strategic fit, return on investment and payback period. |

# Strategic Report *(continued)*

| Significant events / decisions | Key S172 matter(s) affected | Actions and impact |
|---|---|---|
| Russia | Employees, Customers, Shareholders | • The Group has implemented additional controls that prohibits trade with any sanctioned entities. Any other trade contracts linked to Russia require approval by the Trade Compliance team.<br>• Although the Group operates in the power and energy, and downstream process industries, exposure to Russian business has historically been small, with less than 1% of its revenue from Russia, Belarus and Ukraine in 2021 and 2022. As a result the direct impact of exiting Russian contracts was limited.<br>• Travel by company employees to the affected areas is prohibited. |
| Foreign exchange | Employees, Customers, Shareholders | • The Group closely monitors its exposure to foreign exchange risk.<br>• Whilst no hedging contracts were entered into in 2022, the Group has implemented systems designed to identify material foreign exchange exposures and has established the relationships required to execute a mitigating hedging strategy in a timely manner.<br>• The Group's treasury function activity manages cash jurisdiction, with a view to balancing the foreign exchange risk associated with holding cash deposits in overseas bank accounts with local liquidity requirements. |

# Strategic Report *(continued)*

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

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

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

# Strategic Report *(continued)*

| Stakeholder | Why we engage | How we engage | What's important to the stakeholder and how we respond |
|---|---|---|---|
| Shareholders (First Reserve private equity funds) and Lenders | Shareholders invest in, as well as own, the business. They aim to get a fair return on their investment and due to this, have a keen interest in the business strategy and on-going performance. The lender group has provided and continues to provide on-going capital in the form of loans to support operations and incremental investments. | Representatives of the shareholder sit on the Board of Directors ("BOD") and attend regularly scheduled monthly calls and quarterly meetings. Further, there is an established Delegation of Authority that involves the BOD in critical decision making. There are active committees and working groups involving board members and management team members.<br><br>Through quarterly meetings, the Group provides the lender group regular performance updates and engages through regular reporting as required by the lender agreements. | **Clear Strategy & Good Execution –** The business works to a defined strategy that is approved by the Board of Directors which then reviews strategic initiative metrics and performance. Broadly, the Group lender group is aware of the Group's strategy and management provides them regular strategic updates.<br><br>**Financial Discipline –** Throughout the business, we have implemented financial controls and reporting.<br><br>**Fair & Timely Returns on Investment –** Management is committed to sustainable and profitable market share growth and has a supporting business plan.<br><br>**Protecting the Business' Reputation –** In 2019, we launched our Group's values and soon after we drafted and implemented a Code of Conduct which the Group strictly enforces. We have compliance manager charged with continuously improving our processes, systems, and oversight such that we protect the business. We lead in a manner that is consistent with our values, one of which is "Integrity". |

# Strategic Report *(continued)*

| Stakeholder | Why we engage | How we engage | What's important to the stakeholder and how we respond |
|---|---|---|---|
| Workforce | The Group's business is based on manufacturing goods and delivering services through its diverse group of employees. To successfully maintain and grow the business, the Group must work to recruit, retain and develop employees. | Regular communications through newsletters, CEO led town hall events.<br><br>We foster an open culture of sharing and engagement by annually conducting an employee engagement survey and employing a performance management process for employees.<br><br>Additionally, we engage with specific local workforce unions. | **Safety, Wellness, Environmental Protection and Community Engagement –** One of our core values is to "Protect People & the Environment" We operate using an established safety program and put safety above all else in our business. In 2020 we launched Trillium Flow Technologies' sustainability charter, where the committee leads the improvement of our environmental impact and further engages in our local communities.<br><br>**Fair treatment –** Another of our core values is "Integrity" and we believe that we will only succeed if we work as a "Team." As such, we act with fairness and are embedding fairness in our hiring, rewards, promotion and management processes. We maintain our diversity and inclusion charter and policy, which we will use to build on the foundation to continue to improve diversity and inclusion throughout the organization further.<br><br>**Alignment of personal & company values –** Our employees are engaged in the development of and know our strategic framework and supporting values. We train, recruit and retain a workforce aligned to our values and remain consistent in that practice.<br><br>**Being heard and making a difference in the business –** We have established an inclusive culture and are working to make it even better. Further, we ensure all employees know the importance of their role in the business and the impact they have on the business and its other stakeholders. |

# Strategic Report *(continued)*

| Stakeholder | Why we engage | How we engage | What's important to the stakeholder and how we respond |
|---|---|---|---|
| Suppliers | The business, by its nature, requires a broad and diverse set of suppliers for its manufacturing inputs and services. Additionally, the Group relies on a broad group of professional service companies to support its needs. | The Group selects suppliers through formal processes based on the Group's commercial, compliance, and technical needs and transacts through formal contracts.<br><br>The Group has established supplier quality management and compliance programs within its operations that include regular feedback, audits, and visits. | **Collaborative Relationships to improve mutual benefits** – The Group has established supplier management professionals and programs aimed to align supplier and Group needs and priorities such that both parties' benefit. The Group's supplier management program focuses on total value, timeliness, quality, and technology development.<br><br>**Trusted Partnership** – The Group has equal opportunity policies for suppliers and works within agreed-upon terms and conditions with its suppliers. |
| Community & Environment | The business forms part of the wider community and, as such, has a responsibility to use its resources in such a way to support communities and protect the environment. | The Group provides support to local charities.<br><br>Collaborations with local schools and universities.<br><br>We promote and support Science, Technology, Engineering and Mathematics programs within our schools and communities.<br><br>The Group also supports internship and apprenticeship programs. | **Jobs** – We directly provide 1,988 jobs worldwide<br><br>**Local Investment** – We prudently invest in our facilities to improve our operations and drive growth in our business.<br><br>**Operate safely and ethically** – We live our values, protect our people, and work ethically.<br><br>**Positive impact on our communities** – We actively support our communities by donating time and resources.<br><br>**Responsible stewards of the environment** – We recently launched our sustainability program, which includes developing initiatives to reduce our carbon footprint while working towards a circular economy. |

# Strategic Report *(continued)*

## Future outlook

Whilst there is currently an increased level of systemic geopolitical and financial risk present in the global economy, the Group's end markets are expected to remain robust in 2023. The directors believe that the Group is well positioned to benefit from strong secular tailwinds including the energy transition, rising energy consumption and population growth.

The directors consider the measures taken to mitigate risks specific to the Group, as described earlier in the Strategic report, position the Group for stable and sustainable growth.

Kerem Yilmaz

**Kerem C. Yilmaz**
Director

26th April 2023

# Directors' Report

The directors present their Annual report and the audited financial statements of FR Flow Control Midco Limited (Registered Number 11837578) ('the Company') for the year ended 31 December 2022.

## Directors

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

Yuri C. Larrabee (appointed 28th April 2022) (USA citizen)
Kerem C. Yilmaz
Michael A. Scardigli (resigned 28th April 2022) (USA citizen)

## Result and dividend

The loss for the financial year from continuing operations was $14,787k (2021 - $2,939k), primarily due to $14,186k (2021 - $17,613k) of non-recurring costs including the costs related to the acquisition and integration of TMP and costs related to the transformational activity of streamlining of the Group's footprint through ongoing transformation of US Pumps driven by the closure of the Salt Lake City USA operation and transfer to Fresno USA in late 2021.

No dividends were paid to the parent undertaking during the year (2021 – nil).

## Principal activities and review of the business

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

## Research and development

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

## Employee involvement

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

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

## Financial instruments

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

## Going concern

The directors have adopted the going concern assumption and the accompanying financial statements have been prepared in accordance with that assumption. Refer to Note 2, *Accounting Policies, Going Concern* for a discussion of the process the directors used to assess and conclude that the Group and Company is a going concern.

# Directors' Report *(continued)*

## Events after the reporting date

On 7th February 2023 the Group completed the acquisition of Coulter Valve Services (CVS). Founded in 1998, CVS has been a long-standing partner to the Group and is a specialty valve field service supplier.

CVS specializes in on-site nuclear and commercial maintenance, repair and modifications for valves, and services major utilities across the USA. CVS is exclusively dedicated to servicing the Group's current install base and products. This acquisition provides the Group with full operational and strategic control over their US nuclear and commercial field service business and solidifies the relationship with our key customers in this region and sector.

The final consideration to be paid for this acquisition remains under evaluation.

## Future developments

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

## Directors' liabilities

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

## Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

## Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues, and that appropriate training is arranged. It is the policy of the Group and Company that the training, career development and promotion of disabled persons, would, as far as possible, be identical to that of other members of the Group.

## Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

# Directors' Report *(continued)*

## Independent auditor

Pursuant to Section 487 of the Companies Act 2006, upon the recommendation of the Audit Committee, the Board anticipates to re-appoint BDO LLP as external auditors of the Group's 2023 financial statements.

## Greenhouse Gas Emissions

Trillium Flow Technologies has estimated Scope 1, Scope 2, and supplemental Scope 3 GHG emissions for the year ended 31 December 2022. The underlining data used to calculate Scope 1 and Scope 2 carbon emissions includes electricity, natural gas and other fuels purchased by the company. The Scope 3 calculation includes water supply and treatment, and transmission and distributions losses for electricity and heat.

| | Unit of measure | 2022 | 2021 |
|---|---|---|---|
| Direct (Scope 1) CO2 emissions | kg CO2e | 1,002,563.21 | 1,159,368.30 |
| Indirect (Scope 2) CO2 emissions | kg CO2e | 476,356.96 | 549,304.30 |
| **Total Scope 1 and 2** | | **1,478,920.17** | **1,708,672.60** |
| Other (Scope 3) CO2 emissions | | 40,032.54 | 44,566.75 |

| DIRECT | Unit of measure | 2022 | 2021 |
|---|---|---|---|
| Diesel for mobile vehicles | kg CO2e | 286,193.17 | 284,261.03 |
| Propane | kg CO2e | 975.70 | 1,640.12 |
| Natural gas | kg CO2e | 715,394.34 | 873,467.15 |
| **Total Direct** | | **1,002,563.21** | **1,159,368.30** |

| INDIRECT | Unit of measure | 2022 | 2021 |
|---|---|---|---|
| Electricity | kg CO2e | 362,645.32 | 413,942.21 |
| Heat | kg CO2e | 113,711.64 | 135,362.09 |
| **Total Indirect** | | **476,356.96** | **549,304.30** |

# Directors' Report *(continued)*

## Greenhouse Gas Emissions *(continued)*

For the Group's intensity ratio, we have chosen 'Tonnes of CO2e per total sales revenue' as this is a common business metric for our industry sector. Annual quantity of emissions in Tonnes of CO2e is 1,478 for Scope 1 & Scope 2 (2021 – 1,709) and the ratio of emissions to UK revenue for 2021 is 18.4 (2021 – 16.5).

The Company continues to show excellent progress on the level of energy consumed in the UK over the last twelve months. The Company has a target to continually reduce CO2 emissions and achieve a significant reduction in its carbon footprint by 2035.

The underlying energy data used to calculate carbon emissions includes electricity, gas and other fuels purchased for use on-site and for transport. The calculation did not cover the verification of the company's GHG emission sources data and as such this report cannot be construed as a third-party verification certificate that provides "Reasonable Assurance" for the company's GHG emissions data.

## Audit exemptions applied

The following subsidiaries, all of which are registered in England and Wales, are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Act:

- Trillium Flow Technologies Holdco Limited, company number 11837831.
- FR Flow Control Valves Bidco Limited, company number 11838101.
- FR Flow Control Pumps Bidco Limited, company number 11838034.

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

Kerem Yilmaz

**Kerem C. Yilmaz**
Director

26th April 2023

# Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with UK adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group 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 they have been prepared in accordance with UK adopted international accounting standards subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

# Independent Auditor's Report to the members of FR Flow Control Midco Limited

**Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of FR Flow Control Midco Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2022 which comprise the Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Statement of financial position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and Consolidated Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We are independent of the Group and the Parent 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.

**Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are 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 directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

# Independent Auditor's Report to the members of FR Flow Control Midco Limited *(continued)*

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

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

In the light of the knowledge and understanding of the Group and the Parent 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.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

**Responsibilities of Directors**

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

# Independent Auditor's Report to the members of FR Flow Control Midco Limited *(continued)*

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

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

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

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

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

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

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

**Use of our report**

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Stuart Wood
D8CD362D513C4D9...

Stuart Wood (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK
26th April 2023

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

# FR Flow Control Midco Limited

## Consolidated Statement of Income
## For the year ended 31 December 2022

| | Note | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| Revenue | 4 | 475,688 | 441,984 |
| Cost of sales | | (342,428) | (307,338) |
| Distribution expenses | | (48,170) | (47,328) |
| Administrative expenses | | (71,402) | (79,850) |
| **Operating profit before non-recurring items and amortization** | | 32,129 | 27,592 |
| Non-recurring items | 6 | (14,186) | (17,613) |
| Amortization of other intangible assets | 12 | (4,255) | (2,511) |
| **Operating profit** | 5 | 13,688 | 7,468 |
| Finance costs | 7 | (24,990) | (21,700) |
| Finance income | 7 | 31 | 57 |
| Loss before income taxes | | (11,271) | (14,175) |
| Income tax (charge)/benefit | 10 | (3,516) | 11,236 |
| **Net loss from continuing operations** | | (14,787) | (2,939) |
| Loss from discontinued operation, net of tax | | - | (13,191) |
| **Loss** | | (14,787) | (16,130) |

The notes on pages 37 to 90 form part of these financial statements.

# FR Flow Control Midco Limited

## Consolidated Statement of Comprehensive Income
## For the year ended 31 December 2022

| | Note | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Loss for the year** | | (14,787) | (16,130) |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Currency translation differences of foreign operations | | (15,569) | (6,721) |
| Pension actuarial gains and losses | 28 | 712 | 1,739 |
| **Total comprehensive loss for the year** | | (29,644) | (21,112) |
| **Total comprehensive loss for the year attributable to:** | | | |
| Equity shareholders of the company | | (29,644) | (21,112) |
| | | (29,644) | (21,112) |

The notes on pages 37 to 90 form part of these financial statements.

# FR Flow Control Midco Limited

## Consolidated Statement of Financial Position
## As at 31 December 2022

| | Note | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | 137,264 | 114,797 |
| Right of use assets | 15 | 19,888 | 22,550 |
| Intangible assets | 12 | 44,419 | 24,275 |
| Goodwill | 13 | 63,192 | 51,862 |
| Investments | 16 | 76 | - |
| Deferred tax assets | 10 | 11,188 | 15,704 |
| Other non-current assets | | 819 | 778 |
| **Current assets** | | | |
| Inventories | 17 | 110,225 | 73,409 |
| Trade and other receivables | 18 | 195,868 | 147,379 |
| Cash and cash equivalents | 22 | 49,301 | 66,168 |
| **Total assets** | | 632,240 | 516,922 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 20 | (199,809) | (141,852) |
| Provisions | 19 | (9,977) | (13,243) |
| Lease liabilities | 15 | (4,307) | (4,509) |
| Loans and borrowings | 21 | (14,156) | (8,511) |
| **Total current liabilities** | | (228,249) | (168,115) |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 10 | (368) | (425) |
| Provisions | 19 | (29,466) | (19,827) |
| Lease liabilities | 15 | (14,862) | (16,968) |
| Employee benefit liabilities | 28 | (5,322) | (5,767) |
| Loans and borrowings | 21 | (233,525) | (156,490) |
| **Net assets** | | 120,448 | 149,330 |
| **Capital and reserves** | | | |
| Share capital | 25 | (29) | (29) |
| Share premium | | (192,759) | (192,759) |
| Other reserves | 26 | 11,512 | (3,345) |
| Retained earnings | | 61,590 | 46,803 |
| Non-Controlling Interest | | (762) | - |
| **Equity attributable to owners of the parent company** | | (120,448) | (149,330) |
| **Total equity** | | (120,448) | (149,330) |

The financial statements of FR Flow Control Midco Limited (Registered Number 11837578) were approved and authorized for issue by the Board of Directors on 26th April 2023 and were signed on its behalf by:

Kerem Yilmaz

**Kerem C. Yilmaz**
Director

The notes on pages 37 to 90 form part of these financial statements.

# FR Flow Control Midco Limited

## Company Statement of Financial Position
## As at 31 December 2022

| | Note | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | 16 | 2,789 | 2,789 |
| Deferred tax assets | | - | 16 |
| **Current assets** | | | |
| Loan to subsidiary | 18 | 189,999 | 189,999 |
| **Total assets** | | 192,788 | 192,804 |
| **Current liabilities** | | | |
| Other payables | 20 | (65) | (79) |
| **Net assets** | | 192,723 | 192,725 |
| **Capital and reserves** | | | |
| *Share capital* | 25 | (29) | (29) |
| Share premium | | (192,759) | (192,759) |
| Retained earnings | | 65 | 63 |
| **Equity attributable to shareholders** | | (192,723) | (192,725) |
| **Total equity** | | (192,723) | (192,725) |

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of income in these financial statements. The loss after tax of the Company for the year was $2k (2021 – $48k).

The financial statements of FR Flow Control Midco Limited (Registered Number 11837578) were approved and authorized for issue by the Board of Directors on 26th April 2023 and were signed on its behalf by:

Kerem Yilmaz

**Kerem C. Yilmaz**
Director

The notes on pages 37 to 90 form part of these financial statements.

# FR Flow Control Midco Limited

## Consolidated Statement of Changes in Equity
For the year ended 31 December 2022

| | Share Capital $'000 | Share Premium $'000 | Foreign Currency Translation Reserve $'000 | Other Reserves $'000 | Retained Earnings $'000 | Minority Interest $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|---|
| **At 1 January 2021** | 29 | 192,759 | 8,049 | 278 | (30,673) | - | 170,442 |
| Loss for the year | - | - | - | - | (16,130) | - | (16,130) |
| Exchange losses on translation of foreign operations | - | - | (6,721) | - | - | - | (6,721) |
| Remeasurements on defined benefit plans | - | - | - | 1,739 | - | - | 1,739 |
| **At 31 December 2021** | 29 | 192,759 | 1,328 | 2,017 | (46,803) | - | 149,330 |
| Loss for the year | - | - | - | - | (14,787) | - | (14,787) |
| Exchange losses on translation of foreign operations | - | - | (15,569) | - | - | - | (15,569) |
| Remeasurements on defined benefit plans | - | - | - | 712 | - | - | 712 |
| Change in proportion of NCI | - | - | - | - | - | 762 | 762 |
| **At 31 December 2022** | 29 | 192,759 | (14,241) | 2,729 | (61,590) | 762 | 120,448 |

The notes on pages 37 to 90 form part of these financial statements.

# FR Flow Control Midco Limited

## Company Statement of Changes in Equity
## For the year ended 31 December 2022

| | Share Capital $'000 | Share Premium $'000 | Retained Earnings $'000 | Total Equity $'000 |
|---|---|---|---|---|
| **At 1 January 2021** | 29 | 192,759 | (15) | 192,773 |
| Loss for the year | - | - | (48) | (48) |
| **At 31 December 2021** | 29 | 192,759 | (63) | 192,725 |
| Loss for the year | | - | (2) | (2) |
| **At 31 December 2022** | 29 | 192,759 | (65) | 192,723 |

The notes on pages 37 to 90 form part of these financial statements.

# FR Flow Control Midco Limited

## Consolidated Statement of Cash Flows
## For the year ended 31 December 2022

| | Note | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Cash generated from operations | 23 | 8,000 | 41,932 |
| Income taxes paid | | (4,312) | (1,039) |
| **Net cash generated from operating activities** | | 3,688 | 40,893 |
| **Investing activities** | | | |
| Acquisition of business, net of cash | 27 | (53,219) | (10,988) |
| Disposal of subsidiary, net of cash | | - | 8,243 |
| Purchases of property, plant and equipment | 14 | (6,869) | (16,200) |
| Net proceeds from sale of Salt Lake City, USA property | | - | 21,340 |
| Cash from sale of fixed assets and inventory | | - | 447 |
| Interest received | 7 | 31 | 57 |
| Repurchase of shares into trust | | - | (159) |
| **Net cash (used in) / generated by investing activities** | | (60,057) | 2,740 |
| **Financing activities** | | | |
| Employee loan repayment | | - | 100 |
| Proceeds from borrowings | 24 | 83,062 | 6,082 |
| Loan refinancing fees | 24 | (2,778) | (3,161) |
| Interest paid on borrowings | 24 | (22,124) | (15,614) |
| Repayments of borrowings | 24 | (4,616) | (11,071) |
| Interest paid on lease liabilities | 15 | (1,448) | (1,705) |
| Principal paid on lease liabilities | 15 | (4,614) | (4,571) |
| **Net cash generated from/ (used in) financing activities** | | 47,482 | (29,940) |
| Net (decrease) / increase in cash and cash equivalents | | (8,887) | 13,693 |
| Cash and cash equivalents at the beginning of the year | | 66,168 | 59,619 |
| Foreign currency translation differences | | (7,980) | (7,144) |
| Cash and cash equivalents at the end of the year | | 49,301 | 66,168 |

The notes on pages 37 to 90 form part of these financial statements.

# FR Flow Control Midco Limited

## Notes Forming Part of the Financial Statements
## For the year ended 31 December 2022

### 1 General information

FR Flow Control Midco Limited (the "Company" on a standalone basis or the "Group" when referring to the Company and its consolidated subsidiaries) is a private Company, limited by shares, incorporated and domiciled in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page of these financial statements. The principal activities of the Company and the nature of its operations are set out in the Strategic Report.

The Group's and Company's financial statements are presented in US Dollars ("USD") which is the Group and Company's functional currency and have been presented in thousands ($'000) except where otherwise indicated.

### 2 Accounting policies

**Basis of preparation**

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below.

The consolidated financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"). The consolidated financial statements are prepared on the historical cost basis except for items that are required by IFRSs to be measured at fair value.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3.

*The Company has adopted FRS 101 and taken advantage of the following disclosure exemptions:*

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

## 2 Accounting policies *(continued)*

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of FR Flow Control Midco Limited ("the Company") and enterprises controlled by the Company (its "subsidiaries"). Goodwill is recognized as the excess of cost of acquisition over the fair values of the Group's share of identifiable net assets acquired.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange.

Cost directly attributable to the acquisition are recorded in the income statement. Identifiable assets acquisition, liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date irrespective of the extent of the non-controlling interest.

The results of subsidiaries acquired or disposed in the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Subsidiaries are entities over which the Group has power to govern the financial and operating policies of the subsidiary, has exposure to variable returns from the subsidiary and has the ability to use its power to affect those variable returns.

All intra-group transactions, balances and unrealized gains on transactions between Group companies are eliminated when consolidated.

### Going concern

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

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

The Group ended the period to December 2022 in a strong liquidity position with $49 million of cash and cash equivalents and $36 million undrawn within the revolving credit facility.

The Board has considered and debated a range of substantial possible scenarios on the Group's operations, financial position and forecasts covering a period of at least the next 12 months to June 2024. These take into account sensitivity analysis and stress testing performed on the forecasts to assess the impact of continued inflation and any reduction in activity on the business and the resulting impact on revenue and cash flows together with mitigating actions taken including cost reductions; and the break-even point at which the debt compliance covenants are breached resulting in the bank loans being repayable on demand and the potential resulting need to obtain additional funding.

### 2 Accounting policies *(continued)*

**Going concern** *(continued)*

The primary purpose of these scenarios was to demonstrate mitigating cost reduction actions could be enacted to offset the loss of gross margins if adverse scenarios mentioned above materialized. The Directors highlight, as at the date of approval of these financial statements, there has been no loss of revenue nor decrease in customer quoting activity and the Group's ability to accurately forecast revenue reflects that a high proportion of future sales within the sales pipeline are placed on order. The Group continually monitors its financial results and utilizes financial models, which have indicated there is no significant doubt about the Group's ability to meet its debt coverage ratios over the ensuing twelve-month period.

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

**Revenue recognition**

Revenue is the consideration the Group expects to receive from customers in exchange for goods and services. In accordance with IFRS 15, *Revenue from Contracts with Customers,* revenue is recognized in the consolidated statement of income when control of goods and services is transferred to the customer. Transfer of control is deemed to be over time where the following criteria are met:

- the customer concurrently receives and consumes the benefits from the Group's performance;
- the Group's performance creates or enhances a customer-controlled asset; and
- the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. That payment provision must cover cost plus a reasonable margin.

Where the above criteria are not met, then revenue is recognized at a point in time when control is transferred to the customer.

The Group reviews its contracts at inception to determine whether the nature of the product or service and the terms of the contract are such that it qualifies for revenue recognition over time.

However, due to the nature of the Group's manufacturing processes and products, the customer will typically not obtain control of the product until it is completed and received. As a result, the Group recognizes revenue on the majority of its customer contracts at a point in time – either when the product is shipped or received, based on the individual contract terms.

Revenue is shown net of sales taxes, discounts and after eliminating sales within the Group.

**Inventories**

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

## 2 Accounting policies *(continued)*

### Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The loss is recognized in the income statement within 'operating costs'.

### Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank deposits repayable on demand.

### Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as currently liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value, which is usually the original invoices amount, and subsequently carried at amortized cost using the effective interest method.

### Borrowings

Interest-bearing bank loans and overdrafts are initially recorded at the value of the amount received, net of attributable transactions costs. Subsequently, the borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the year of the borrowing using the effective interest method.

### Warranties provision

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

### Liquidated damages provision

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

### Loss contract provision

A loss sales contract provision is made in respect of sales contracts entered into for the sale of goods or services in the normal course of business where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received from the contracts. Provision is made immediately when it becomes apparent that expected costs will exceed the expected benefits of the contract.

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

**Government grants**

No further government loans were received during the year ended 31st December 2022.

In May 2020, Trillium Flow Technologies France obtained an unsecured loan from BNP Paribas in France of EUR 2,500k ($2,751k), as part of a Government Covid Aid package available to all Corporates. As at 31st December 2022 this balance is fully repaid.

In February 2021, Trillium Flow Technologies Italy obtained an unsecured loan from Intesa of EUR 5,000k ($6,082k), as part of a Government Covid Aid package available to all Corporates. The outstanding balance on this facility as at 31st December 2022 is EUR 3,462k ($3,690k).

Prior to acquisition, in July 2020 Termomeccanica Pompe obtained unsecured loans from Unicredit and BPM totalling EUR 2,950k ($3,301k), as part of a Government Covid Aid package available to all Corporates. The outstanding balance on this facility as at 31st December 2022 is EUR 1,817k ($1,937k).

During the year of 2022 the UK members of the Group did not receive any further payments under the UK Government furlough scheme (2021 - $61k). The Group has not been in receipt of any UK Government loans.

Since the acquisition in 2022, Termomeccanica Pompe received government grants of $227k. The grants were primarily as a contribution to offset energy costs, invest in energy saving technology and purchase new assets. These grants are deferred to the Balance Sheet and offset against the applicable spend as it is incurred. The outstanding balance of these grants as at 31st December 2022 is $109k.

**Finance income**

Finance income is recognized in the consolidated statement of income using the effective interest method.

**Foreign currency transactions and translation**

Foreign currency transactions are translated at the rates ruling when they occurred. Subsequently, gains or losses resulting from movements in the exchange rates are recorded in the statement of income until the ultimate settlement of the monetary asset or liability.

The Group's reporting currency is USD. As a result, the financial results for any subsidiary whose functional currency is not USD are translated into USD at each month-end. The monthly statement of income results are translated at that month's average exchange rate, while the assets and liabilities are translated at the month-end exchange rate. The resulting difference from utilizing different exchange rates for different financial statement components is the cumulative translation adjustment and is included in equity as other comprehensive income.

**Non-recurring items**

Non-recurring items are those that, in management's judgement, should be disclosed separately in order to determine the underlying profitability of the business, in the absence of acquisition activity, integration activity and one-off items. Items that are material, either individually or in aggregate and non-operating or non-recurring in nature are presented as non-recurring items in the income statement. Items that may give rise to classification as non-recurring items include, but are not limited to, significant Group restructuring and rationalization programs, merger and acquisition costs, asset impairments, negative goodwill, acquisition-related costs and re-measurement of contingent consideration.

## 2 Accounting policies *(continued)*

### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### Property, plant and equipment

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of the day-to-day servicing of property, plant and equipment are recognized in the consolidated statement of income as incurred.

The carrying amounts of the Group's assets are reviewed at the date of each consolidated statement of financial position to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

# FR Flow Control Midco Limited



## 2 Accounting policies *(continued)*

### Development Expenditure

Development expenditure incurred on an individual project is capitalized in intangible assets when the cost can be measured reliably and when its future recoverability can reasonably be regarded as assured. All expenditure on internally generated intangible assets must be approved in accordance with the capital expenditure procedures.

Other development expenditures are recognized as an expense as incurred.

Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the period of the expected benefit, not exceeding 8 years.

Costs associated with developing software programs (e.g. ERP systems) are recognized in accordance with this policy.

Research costs are expensed as incurred. If it is not possible to distinguish the research phase from the development phase, then all expenditure is be written off in the year in which it is incurred.

Internally generated intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against profit in the year in which it is incurred.

### Depreciation

Depreciation is charged to expense on a straight-line basis over the estimated useful life of the asset. The estimated useful lives for the various asset classes are as follows:

| Asset class | Estimated Useful Life |
|---|---|
| Leased assets | Duration of lease |
| Land | Not depreciated |
| Buildings and improvements | 40 years |
| Plant and machinery | 3 – 20 years |
| Computer equipment | 3 – 5 years |
| Other office equipment | 5 years |
| Fixtures and fittings | 13 years |
| Motor vehicles | 4 – 7 years |
| Patterns and moulds | 7 – 10 years |

### Patents

Patents are measured initially at purchase cost and are tested annually for impairment.

## 2 Accounting policies *(continued)*

### Amortization

The charge to the consolidated statement of income in respect of periodic amortization is derived by estimating the expected useful life of each asset and the expected residual value at the end of its life.

The useful life is determined by management at the time of acquisition. The estimate of useful life is based on historical experience with similar products as well as anticipation of future events which may impact their useful life, such as changes in technology.

Amortization is charged to administrative expenses.

| **Asset class** | **Amortization method and life** |
|---|---|
| Tradenames | Indefinite life – not amortized |
| Technology | Straight-line – 10 – 15 years |
| Customer relationships | Straight-line – 1 – 15 years |
| Development costs | Straight-line – 1 – 8 years |

### Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

### Financial instruments

The Group recognizes financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognized when they are discharged or when the contractual terms expire. The Group's accounting policies in respect of financial instruments transactions are explained below:

### Financial assets

The Group classifies its financial assets at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

## 2 Accounting policies *(continued)*

**Financial assets at amortized cost**

The Group classifies its financial assets as at amortized cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

The financial assets measured at amortized cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes - cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

**Held for sale assets**

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be principally recovered through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost of sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

**Financial liabilities**

The Group classifies all of its financial liabilities, including trade and other payables, at amortized cost.

These liabilities are carried at amortized cost, recognized initially at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the consolidated statement of financial position.

**Leases**

*Identifying Leases*

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:
(a) there is an identified asset;
(b) the Group obtains substantially all the economic benefits from use of the asset; and
(c) the Group has the right to direct use of the asset.

## 2 Accounting policies *(continued)*

**Leases** *(continued)*

*Identifying Leases (continued)*

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

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

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

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:
- leases of low value assets; and
- leases with a term of 12 months or less.

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

On initial recognition, the carrying value of the lease liability also includes:
- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favor of the Group if it is reasonably certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:
- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognized where the group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

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

## 2 Accounting policies *(continued)*

**Leases** *(continued)*

*Identifying Leases (continued)*

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

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

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

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

*In the capacity of a lessee*

The group leases a number of properties in the jurisdictions from which it operates. In these jurisdictions, the periodic rent is fixed over the lease term, with inflationary increases incorporated into the fixed payments stipulated in the lease agreements.

Where rental agreements include market rate escalations, the lease liability is re-measured when the change in cash payments takes effect.

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

At 31 December 2022 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because it was considered reasonably certain that the Group would not exercise its right to exercise any right to break the lease.

## 2 Accounting policies *(continued)*

**Defined contribution pension schemes**

The Group operates defined contribution pension schemes for employees in various countries in which it operates. Contributions payable to the Group's defined contribution pension schemes are charged to the consolidated statement of income in the year to which they relate. Amounts not paid are shown in accruals as a liability in the consolidated statement of financial position. The assets of the schemes are held separately from the Group in independently administered funds.

**Defined benefit pension schemes**

The Group assumed defined benefit retirement schemes for all qualifying employees in the USA and France as part of the acquisition from The Weir Group plc. The assets of the USA scheme are held separately from those of the Group in an independently administered fund under the control of the trustees. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions. The France scheme is an unfunded plan, and therefore there are no separately identifiable assets associated with the scheme.

Charges are made to the Group's consolidated statement of income for service cost and net interest. Gains and losses arising from differences between estimated and actual performance of plan assets, etc. are charged to consolidated other comprehensive income.

**New standards, interpretations and amendments not yet effective**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The following amendments are effective for the period beginning 1 January 2024:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback).
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current).
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants).

The Group is currently assessing the impact of these new accounting standards and amendments.

The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, but the amendment will increase the level of disclosure required around the covenants linked to its debt.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

## 3 Critical accounting estimates and judgements

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

In the course of preparing the financial statements, no significant judgements other than those related to the below estimates have been made in the application of the Group's accounting policies, or in the determination of the amounts recognized in the financial statements.

### Taxation

The level of current and deferred tax recognized in the financial statements is dependent on subjective judgements as to the interpretation of complex international tax regulations and, in some cases, the outcome of decisions by tax authorities in various jurisdictions around the world, together with the ability of the Group to utilize tax attributes within the limits imposed by the relevant tax legislation.

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

There is a judgement around the evaluation of the recoverability of deferred tax assets (see Note 10, *Taxation*), which depends on the assessment of the probability that there will be sufficient appropriate taxable profits available in future against which to realize them. This assessment is done using financial forecasting.

### Valuation of intangibles at year end

Intangible assets acquired in business combinations are required to be recognized and amortized over their useful life if they are subject to contractual or legal rights, or are separately identifiable and their fair value can be reliably estimated. The Group has separately recognized intangibles in respect of contractual relationships and non-contractual client relationships. The fair value calculation of these assets uses valuation techniques requiring assumptions about future revenue and profits and the Group's cost of capital. Management exercises judgement and uses its knowledge of the business to estimate the fair value of acquired intangible assets as at the acquisition date and the useful life of the asset. The value of intangible assets is tested for impairment upon the potential indication of such.

### Percentage of completion revenue recognition

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

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

**3 Critical accounting estimates and judgements** *(continued)*

**Liquidated damages**

Where a possibility of liquidated damages (LDs) is identified on a customer contract, this is provided with a valuation and set up as a provision. This is accrued at a percentage of the contract price, up to a maximum percentage on the undelivered portion of a purchase order.

Once the final invoice has been settled and we have confirmation from the customer that they will not bring any claims against the Company, it is at this point that the LD provision is released.

**Discount rate used to determine the carrying amount of the Group's defined benefit obligation (Pension Assumptions)**

The determination of the Group's defined benefit obligation depends on certain assumptions, which include selection of discount and mortality rates. The discount rate is set externally by reference to market yields at the end of the reporting period. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Group's financial statements within the next year. The level of estimation uncertainty is mitigated through the involvement of external actuaries to determine applicable period end rates using recent market data. Further information on the assumptions made and the carrying amounts of the Group's defined benefit obligation is provided in Note 28, *Pension commitments*.

## 4 Revenue

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

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

No individual customer contributed more than 10% of the Group's revenue in the year ended 31 December 2022.

| | 2022 | 2021 |
|---|---|---|
| | $'000 | $'000 |
| Revenue from contracts with customers is analyzed as follows: | | |
| Revenue recognized at a point in time | 346,965 | 338,618 |
| Revenue recognized over time | 128,723 | 103,366 |
| Total revenue | 475,688 | 441,984 |

The amount of revenue that will be recognised in future periods on these contracts when those remaining performance obligations will be satisfied is analysed as follows:

| | 2022 |
|---|---|
| | $'000 |
| Revenue to be recognized in the next 12 months | 393,910 |
| Revenue to be recognized in more than 12 months | 98,370 |
| Total revenue to be recognized in future periods | 492,280 |

| | 2022 | 2021 |
|---|---|---|
| | $'000 | $'000 |
| *Divisional revenue* | | |
| Pumps division | 221,552 | 160,076 |
| Valves division | 254,136 | 281,908 |
| Total revenue | 475,688 | 441,984 |

### 4 Revenue *(continued)*

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Revenue by geographical area: | | |
| Italy | 147,530 | 98,830 |
| US | 105,513 | 106,313 |
| UK | 96,299 | 103,432 |
| France | 62,612 | 75,597 |
| China | 19,316 | 19,642 |
| South Korea | 10,995 | 14,062 |
| Canada | 14,762 | 10,373 |
| Other | 18,661 | 13,735 |
| Total revenue | 475,688 | 441,984 |

### 5 Operating profit

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| The operating profit is stated after charging/(crediting): | | |
| Inventories recognized as an expense | 214,688 | 206,042 |
| Amortization of intangible assets | 4,255 | 2,511 |
| Depreciation of property, plant and equipment | 15,663 | 12,762 |
| Depreciation of right of use assets | 4,974 | 5,428 |
| Short-term lease expense | 1,228 | 1,513 |
| Transactional foreign exchange (gains) / losses | (545) | 3,209 |
| Research and development expenditures | 4,309 | 3,751 |

## 6 Non-recurring expenses

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Recognized in arriving at operating profit:** | | |
| (i) Acquisition related expenses | (5,872) | (1,219) |
| (ii) Reorganization costs | (7,454) | (12,468) |
| (iii) Loss on sale of subsidiaries | - | (1,869) |
| (iv) Loss on disposal of assets | - | (662) |
| (v) Other | (860) | (1,395) |
| | (14,186) | (17,613) |

During the year, (i) the Group incurred professional service fees related to the acquisition of Termomeccanica Pompe in April 2022 (see note 27) and on acquisition targets where the transaction was not consummated or remains in process (ii). The Group also incurred costs through reorganization activities, including the continued activity as a result of the closure of its Salt Lake City site and transfer to its Fresno site in 2021, and the reorganization of the management team as a result of the transition to a functional organization (iii). In August 2021 the Group disposed of its Indian operation and in January 2021 its South Africa operation and incurred non-recurring costs related to these actions (iv). In 2021, the Group made a loss on the sale of assets related to the closure of its Salt Lake City site (iv). Other expenses include non-recurring consultancy fees and monitoring fees (v).

## 7 Finance income and costs

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Finance income** | | |
| Interest income on bank deposits | 31 | 57 |
| **Finance costs** | | |
| Interest on bank overdrafts and borrowings | (17,924) | (12,481) |
| Amortization of debt issuance costs | (2,634) | (2,102) |
| Accelerated Amortization | - | (2,629) |
| Commitment fees | (2,960) | (2,804) |
| Interest on lease liabilities | (1,472) | (1,684) |
| Total finance costs | (24,990) | (21,700) |
| Net finance income and costs | (24,959) | (21,643) |

### 8 Employee costs

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| The aggregate payroll costs (including directors' remuneration) were as follows: | | |
| Wages and salaries | 134,742 | 122,073 |
| Social security costs | 25,315 | 26,256 |
| Pension costs | 5,089 | 4,719 |
| | 165,146 | 153,048 |

The average monthly number of employees from continuing operations during the year was 1,988 (2021 – 1,646) employees comprised of 1,443 (2021 – 1,155) direct labor staff and 544 (2021 – 491) administrative and indirect staff.

### 9 Directors' remuneration

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Aggregate emoluments | 787 | 719 |
| Aggregate remuneration of highest paid Director | 787 | 719 |

Included in the emoluments above are pension contributions made by the company to a defined benefit contribution scheme of $34k (2021 - $37k) on behalf of the director.

### 10 Taxation

The tax charge / (benefit) is made up of the following.

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| *Current income tax* | | |
| UK corporation tax | 50 | - |
| Foreign income tax | 3,567 | 2,938 |
| **Total current income tax** | 3,617 | 2,938 |
| *Deferred income tax* | | |
| Origination & reversal of temporary differences | (101) | (14,174) |
| **Total deferred tax** | (101) | (14,174) |
| Income tax charge/(benefit) | 3,516 | (11,236) |

The tax charge for the year is higher than (2021 – high than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are reconciled below.

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Loss before tax | (11,271) | (14,175) |
| Income tax provision at UK statutory corporate income tax rate Of 19% (2021 - 19%) | (2,141) | (2,693) |
| Effects of: | | |
| Differing tax rates in foreign jurisdictions | 205 | 460 |
| Expenses not deductible | 55 | (58) |
| Deferred tax not recognized | 6,120 | (6,954) |
| UK deferred tax rate change | - | (1,569) |
| Other adjustments | (723) | (422) |
| **Total tax charge / (benefit) for year** | 3,516 | (11,236) |

### 10 Taxation *(continued)*

For the year ended 31 December 2022, the effective tax rate was impacted by differing tax rates in jurisdictions outside the UK, non-deductible expenses and deferred tax assets not recognized for tax purposes.

Significant components of the Company's deferred tax assets and liabilities were as follows:

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| *Deferred tax assets* | | |
| Tax Losses | 14,090 | 14,321 |
| Other temporary differences | 3,968 | 8,698 |
| **Total deferred tax assets** | 18,058 | 23,019 |
| *Deferred tax liabilities* | | |
| Tangible assets | (6,517) | (7,536) |
| Intangible assets | (721) | (204) |
| **Total deferred tax liabilities** | (7,238) | (7,740) |
| Net deferred tax assets | 10,820 | 15,279 |

Movement in deferred tax during the year is as follows:

| | Intangible Assets<br>$'000 | Tangible Assets<br>$'000 | Tax Losses<br>$'000 | Other Timing Differences<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|
| *Balance as at 1 January 2022* | (204) | (7,536) | 14,321 | 8,698 | 15,279 |
| Prior Year Adjustment | 69 | (42) | (7) | 518 | 538 |
| Arising on business combination | - | - | - | (3,623) | (3,623) |
| Recognized in income statement | (596) | 1,043 | 1,228 | (2,113) | (438) |
| Foreign exchange difference | 10 | 18 | (560) | (404) | (936) |
| *Balance as at 31 December 2022* | (721) | (6,517) | 14,982 | 3,076 | 10,820 |

# FR Flow Control Midco Limited



## 10 Taxation *(continued)*

*Unrecognized Deferred Tax Assets*

Recognition of the deferred tax assets depends on the ability to generate sufficient taxable income of the appropriate character in the future and in the appropriate taxing jurisdictions. Management believes that it is not more-likely-than-not that the Company would be able to realize the benefits of its deferred tax assets mainly in the United Kingdom, United States & Luxembourg and has accordingly not recognized deferred tax assets relating to tax losses and other timing differences amounting to $17,300k (2021 - $11,000k) in these countries for the year ended 31 December 2022.

In general, it is the practice and intention of the Company to reinvest the earnings of its non-UK subsidiaries in those operations. The Company has not, nor does it anticipate the need to, repatriate funds to the United Kingdom to satisfy domestic liquidity needs arising in the ordinary course of business, including liquidity needs associated with domestic debt service requirements. These earnings are considered to be permanently reinvested and no provision for deferred taxes has been made. Distribution of these earnings in the form of dividends or otherwise could result in withholding taxes payable in various foreign countries.

## 11 Auditors' remuneration

During the year, the Group obtained the following services from the Company's auditors:

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Fees payable to the Company's auditor and its associates for: | | |
| Audit of the Parent Company and consolidated Financial Statements | 179 | 144 |
| Other services to the Group – audit of subsidiary companies | 514 | 397 |
| **Total audit fees** | 693 | 541 |
| Other non-audit services | - | - |
| **Total auditors' remuneration** | 693 | 541 |

# FR Flow Control Midco Limited

## Notes Forming Part of the Financial Statements
## For the year ended 31 December 2022 *(continued)*

### 12 Intangibles

| | Tradenames $'000 | Technology $'000 | Customer relationships $'000 | Development costs $'000 | Total $'000 |
|---|---|---|---|---|---|
| *Cost* | | | | | |
| At 1 January 2021 | 3,623 | 6,852 | 12,900 | - | 23,375 |
| Acquired in business combination | 797 | 1,476 | 2,331 | 68 | 4,672 |
| Additions | - | - | - | 2,713 | 2,713 |
| Impact of foreign exchange | (41) | (70) | (210) | (2) | (323) |
| **At 31 December 2021** | 4,379 | 8,258 | 15,021 | 2,779 | 30,437 |
| Acquired in business combination | 8,391 | 2,988 | 9,055 | 4,539 | 24,973 |
| Additions | - | - | - | 318 | 318 |
| Impact of foreign exchange | (290) | (385) | (479) | 45 | (1,109) |
| **At 31 December 2022** | 12,480 | 10,861 | 23,597 | 7,681 | 54,619 |
| *Accumulated Amortization* | | | | | |
| At January 2021 | - | (886) | (2,821) | - | (3,707) |
| Expensed in income statement | - | (716) | (1,288) | (507) | (2,511) |
| Impact of foreign exchange | - | 9 | 47 | - | 56 |
| **At 31 December 2021** | - | (1,593) | (4,062) | (507) | (6,162) |
| Expensed in income statement | - | (871) | (1,812) | (1,572) | (4,255) |
| Impact of foreign exchange | - | 48 | 187 | (18) | 217 |
| **At 31 December 2022** | - | (2,416) | (5,687) | (2,097) | (10,200) |
| *Net book value* | | | | | |
| **At 31 December 2022** | 12,480 | 8,445 | 17,910 | 5,584 | 44,419 |
| **At 31 December 2021** | 4,379 | 6,665 | 10,959 | 2,272 | 24,275 |
| Estimated useful life (in years) | N/A | 10 - 15 | 1 - 15 | 1 - 8 | |

Tradenames are not amortized but rather are reviewed on an annual basis for impairment. The Directors' review at 31 December 2022 did not identify any factors which would indicate the tradenames had been impaired.

### 13 Goodwill

| | $'000 |
|---|---|
| At 1 January 2022 | 51,862 |
| Acquisition of business | 11,920 |
| Impact of FX | (590) |
| **At 31 December 2022** | 63,192 |
| | |
| At 1 January 2021 | 45,516 |
| Acquisition of business | 7,099 |
| Disposal of business | (560) |
| Impact of FX | (193) |
| **At 31 December 2021** | 51,862 |

The carrying value of the Group's goodwill is not subject to annual amortization and was tested for impairment at 31 December 2022. The recoverable amount has been determined on a value-in-use basis for each cash-generating unit using the 5-year plan for each cash-generating unit. The growth rate into perpetuity is 3.0%. These cash flows are then adjusted to reflect a market participant's view using a pre-tax discount rate of between 12.1% and 19.3%, which is derived from the Company's weighted average cost of capital ("WACC"), with an individual WACC being used for each CGU.

Based on the results of the current year impairment review, there is adequate headroom in each cash-generating unit and so no impairment charges have been recognized by the Group in the year ended 31 December 2022. The board has considered various sensitivity analyses in order to appropriately evaluate the carrying value of goodwill including changes in the growth rate and changes in the WACC. Based on these analyses the growth rate of 3.0% would have to reduce to an annual decline or the WACC rate would have to increase by over 3.0% for an impairment to be recognized. Having assessed the anticipated future cash flows, the directors do not consider there to be any reasonably possible changes in assumptions that would lead to such an impairment charge in the year ended 31 December 2022.

## 13 Goodwill *(continued)*

Goodwill has been allocated to cash-generating units ("CGU") as follows.

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Valves division | 39,240 | 39,533 |
| Pumps division | 23,952 | 12,329 |
| **Total Goodwill** | 63,192 | 51,862 |

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| UK Valves | 15,937 | 17,833 |
| TMP | 11,688 | - |
| US Pumps | 11,271 | 11,271 |
| US Valves | 9,614 | 9,614 |
| Red Point | 6,662 | 7,093 |
| France | 4,254 | 4,529 |
| China | 1,003 | 1,094 |
| Others | 2,763 | 428 |
| **Total Goodwill** | 63,192 | 51,862 |

## 14 Property, plant and equipment

| Group | Land and buildings $'000 | Plant and equipment $'000 | Total $'000 |
|---|---|---|---|
| *Cost* | | | |
| At 1 January 2021 | 60,775 | 81,892 | 142,667 |
| Additions | 11,122 | 5,078 | 16,200 |
| Acquisition of business | - | 522 | 522 |
| Disposals | - | (3,621) | (3,621) |
| Disposal of business | (3,863) | (4,276) | (8,139) |
| Reclassification | 8,442 | (8,442) | - |
| Impact of foreign exchange | (2,776) | (2,223) | (4,999) |
| **At 31 December 2021** | 73,700 | 68,930 | 142,630 |
| Additions | 1,430 | 5,439 | 6,869 |
| Acquisition of business | 27,668 | 9,287 | 36,955 |
| Disposals | (653) | (324) | (977) |
| Reclassification | (226) | 226 | - |
| Impact of foreign exchange | (2,879) | (3,376) | (6,255) |
| **At 31 December 2022** | 99,040 | 80,182 | 179,222 |
| *Accumulated Depreciation* | | | |
| At 1 January 2021 | (3,476) | (13,707) | (17,183) |
| Charge for the year | (2,860) | (10,450) | (13,310) |
| Eliminated on disposals | - | 1,029 | 1,029 |
| Eliminated on disposal of business | 230 | 538 | 768 |
| Reclassification | (1,299) | 1,299 | - |
| Impact of foreign exchange | 159 | 704 | 863 |
| **At 31 December 2021** | (7,246) | (20,587) | (27,833) |
| Charge for the year | (3,962) | (11,701) | (15,663) |
| Eliminated on disposals | 653 | 208 | 861 |
| Impairment | - | (219) | (219) |
| Reclassification | (84) | 84 | - |
| Impact of foreign exchange | 173 | 723 | 896 |
| **At 31 December 2022** | (10,466) | (31,492) | (41,958) |
| *Net book value* | | | |
| **At 31 December 2022** | 88,574 | 48,690 | 137,264 |
| **At 31 December 2021** | 66,454 | 48,343 | 114,797 |

# FR Flow Control Midco Limited

## Notes Forming Part of the Financial Statements
## For the year ended 31 December 2022 *(continued)*

### 15 Leases

The Group accounts for leases in accordance with IFRS 16, *Leases*. The lease liability is calculated by determining the net present value of the remaining lease payments utilizing the Group's incremental borrowing rate of 9.5% (2021: 8.37%). Lease payments are allocated between interest expense and principal reduction using the effective interest method. Interest expense on lease liabilities for the year ended 31 December 2022 was $1,448k (2021 - $1,684k). Additionally, the Group recognized expenses from continuing operations of $1,228k (2021 - $1,513k) for short-term leases.

| Group | Land and buildings $'000 | Plant and equipment $'000 | Total $'000 |
|---|---|---|---|
| ***Right of use assets:*** | | | |
| *Cost* | | | |
| At 1 January 2021 | 26,479 | 3,811 | 30,290 |
| Acquisition of business | 491 | 181 | 672 |
| Additions | 3,198 | 1,083 | 4,281 |
| Terminations | (2,640) | (666) | (3,306) |
| Disposal of business | (623) | - | (623) |
| Impact of foreign exchange | (345) | (162) | (507) |
| **At 31 December 2021** | 26,560 | 4,247 | 30,807 |
| Acquisition of business | 699 | 512 | 1,211 |
| Additions | 1,403 | 486 | 1,889 |
| Terminations | (549) | (1,176) | (1,725) |
| Impact of foreign exchange | (866) | (329) | (1,195) |
| **At 31 December 2022** | 27,247 | 3,740 | 30,987 |
| *Accumulated Depreciation* | | | |
| At 1 January 2021 | (4,331) | (1,508) | (5,839) |
| Charge for the year | (4,214) | (1,291) | (5,505) |
| Eliminated on termination | 1,926 | 448 | 2,374 |
| Disposal of business | 292 | - | 292 |
| Impact of foreign exchange | 276 | 145 | 421 |
| **At 31 December 2021** | (6,051) | (2,206) | (8,257) |
| Charge for the year | (3,914) | (1,060) | (4,974) |
| Eliminated on termination | 515 | 1,119 | 1,634 |
| Impact of foreign exchange | 373 | 125 | 498 |
| **At 31 December 2022** | (9,077) | (2,022) | (11,099) |
| *Net book value* | | | |
| **At 31 December 2022** | 18,170 | 1,718 | 19,888 |
| **At 31 December 2021** | 20,509 | 2,041 | 22,550 |

### 15 Leases *(continued)*

Included within the $4,974k depreciation charged within the year ended 31 December 2022 is nil (2021- $77k) related to discontinued operations.

| | |
|---|---|
| ***Lease liabilities:*** | |
| At 1 January 2021 | (22,282) |
| Additions | (4,058) |
| Acquisition of business | (896) |
| Eliminated on termination | 352 |
| Disposal of business | 376 |
| Principal payments | 4,571 |
| Impact of foreign exchange | 460 |
| **At 31 December 2021** | (21,477) |
| Additions | (1,617) |
| Acquisition of business | (1,093) |
| Re-measurement of lease liability | (139) |
| Principal payments | 4,614 |
| Impact of foreign exchange | 543 |
| **At 31 December 2022** | (19,169) |

The maturity of the lease liabilities is as follows:

| **2022** | **Within 12 months $'000** | **2 – 5 years $'000** | **After 5 years $'000** | **Total $'000** |
|---|---|---|---|---|
| Lease liability | (4,307) | (6,406) | (8,456) | (19,169) |

| **2021** | **Within 12 months $'000** | **2 – 5 years $'000** | **After 5 years $'000** | **Total $'000** |
|---|---|---|---|---|
| Lease liability | (4,509) | (8,515) | (8,453) | (21,477) |

## 16 Investments

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Group** | | |
| Investment in joint venture | 76 | - |
| **Company** | | |
| Investment in shares of subsidiaries | 2,789 | 2,789 |

Details of the Company's joint ventures and subsidiaries are located in the Appendix.

The following subsidiaries, all of which are registered in England and Wales, are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Act as a guarantee has been issued over all the subsidiary liabilities by FR Flow Control Midco Limited:

- Trillium Flow Technologies Holdco Limited, company number 11837831;
- FR Flow Control Valves Bidco Limited, company number 11838101; and
- FR Flow Control Pumps Bidco Limited, company number 11838034.

## 17 Inventories

| | Group 2022 $'000 | Group 2021 $'000 | Company 2022 $'000 | Company 2021 $'000 |
|---|---|---|---|---|
| Raw materials | 42,006 | 25,456 | - | - |
| Work in progress | 48,006 | 32,228 | - | - |
| Finished goods | 20,213 | 15,725 | - | - |
| Total inventory | 110,225 | 73,409 | - | - |

Inventory is held at the lower of cost or net realizable value at 31 December 2022 and is net of reserves of $14,896k (2021 - $17,721k). No inventory was written off during the year (2021 – nil).

# FR Flow Control Midco Limited



## 18 Trade and other receivables

| | Group 2022 $'000 | Group 2021 $'000 | Company 2022 $'000 | Company 2021 $'000 |
|---|---|---|---|---|
| Trade receivables | 123,950 | 96,149 | - | - |
| Less: provision for expected credit loss on trade receivables | (13,604) | (11,727) | - | - |
| Net trade receivables | 110,346 | 84,422 | - | - |
| Uninvoiced trade receivables | 17,640 | 11,251 | - | - |
| Construction contract assets | 38,797 | 31,134 | - | - |
| Prepayments | 3,872 | 8,107 | - | - |
| Tax receivable | 3,037 | 2,836 | - | - |
| Other receivables | 22,176 | 9,629 | - | - |
| Loan to Trillium Flow Technologies Holdco Limited | - | - | 189,999 | 189,999 |
| **Total current trade and other receivables** | 195,868 | 147,379 | 189,999 | 189,999 |

The Group does not have any significant credit risk exposure to any counterparty or group of counterparties having similar characteristics.

## 18 Trade and other receivables *(continued)*

At 31 December 2022, the aging of the trade receivables was as follows:

| | Group 2022 $'000 | Group 2021 $'000 | Company 2022 $'000 | Company 2021 $'000 |
|---|---|---|---|---|
| Current | 88,858 | 74,208 | - | - |
| Past due < 30 days | 7,756 | 8,124 | - | - |
| Past due < 60 days | 4,213 | 3,895 | - | - |
| Past due < 90 days | 1,769 | 2,167 | - | - |
| Past due > 90 days | 21,354 | 7,755 | - | - |
| Total trade receivables | 123,950 | 96,149 | - | - |

As at 31 December 2022, the provision for expected credit loss for trade and other receivables was $13,604k (2021- $11,727k).

Movement in the provision for expected credit loss on trade receivables was as follows:

| | Group 2022 $'000 | Group 2021 $'000 | Company 2022 $'000 | Company 2021 $'000 |
|---|---|---|---|---|
| Opening balance | (11,727) | (10,150) | - | - |
| Decrease/(Increase) in loss provision | 622 | (3,079) | - | - |
| Acquired as part of business combination | (3,010) | | | |
| Disposal of business | - | 993 | - | - |
| Impact of foreign currency translation | 511 | 509 | - | - |
| **Total** | (13,604) | (11,727) | - | - |

All trade and other receivables are due within 12 months.

## 19 Provisions

| | Warranties $'000 | Liquidated damages $'000 | Onerous sales contracts $'000 | Environmental $'000 | All others $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| At 1 January 2022 | (6,377) | (15,555) | (7,936) | (480) | (2,722) | (33,070) |
| Provisions created | (2,933) | (179) | (7,368) | - | (599) | (11,079) |
| Acquired as part of business combination | (2,838) | (2,883) | (380) | - | (4,166) | (10,267) |
| Utilization in the year | 2,982 | 1,880 | 4,026 | 83 | 957 | 9,928 |
| Released in the year | 345 | 1,353 | 1,129 | - | 310 | 3,137 |
| Impact of FX | 707 | 946 | 340 | - | (85) | 1,908 |
| At 31 December 2022 | (8,114) | (14,438) | (10,189) | (397) | (6,305) | (39,443) |
| Current | (4,384) | (3,358) | - | (40) | (2,195) | (9,977) |
| Non-current | (3,730) | (11,080) | (10,189) | (357) | (4,110) | (29,466) |
| Total Provisions | (8,114) | (14,438) | (10,189) | (397) | (6,305) | (39,443) |

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

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

An onerous sales contract provision has been made in respect of sales contracts entered into for the sale of goods or services in the normal course of business where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received from the contracts. Provision is made immediately when it becomes apparent that expected costs will exceed the expected benefits of the contract.

An environmental provision exists in relation to future environmental cleanup costs, including cleanup activities, consultancy costs and environmental agency costs for Trillium Pumps US, Inc.

All others include a further provision created in respect of the High-Speed Rail construction project in the City of Fresno, impacting Trillium Pumps US, Inc., provisions for costs to complete on closed contracts for TMP and provisions for restructuring announced before year end but not yet complete.

## 20 Trade and other payables

| | Group 2022 $'000 | Group 2021 $'000 | Company 2022 $'000 | Company 2021 $'000 |
|---|---|---|---|---|
| Trade payables | (109,793) | (60,848) | - | - |
| Customer advance payments | (45,942) | (39,076) | - | - |
| Other payables and accruals | (41,124) | (37,600) | (65) | (79) |
| Income tax payable | (2,950) | (4,328) | - | - |
| **Total trade and other payables** | (199,809) | (141,852) | (65) | (79) |

The Group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the Strategic Report.

## 21 Loans and borrowings

| | Group 2022 $'000 | Group 2021 $'000 | Company 2022 $'000 | Company 2021 $'000 |
|---|---|---|---|---|
| BNP Paribas revolving credit facility | | | | |
| Cash drawn amount | - | - | - | - |
| BNP Paribas term loans B & C | | | | |
| Within one year | - | - | - | - |
| Between one and two years | - | - | - | - |
| Between two and five years | (240,854) | (166,229) | - | - |
| After five years | - | - | - | - |
| Less arrangement fees allocated to future periods | 10,357 | 9,739 | - | - |
| Total loans | (230,497) | (156,490) | - | - |
| Italy loan | (3,689) | (5,674) | - | - |
| France loan | - | (2,837) | - | - |
| Termomeccanica loan | (13,495) | - | - | - |
| Total loans and borrowings | (247,681) | (165,001) | - | - |
| Current portion of loans and borrowings | (14,156) | (8,511) | - | - |
| Non-current portion of loans and borrowings | (233,525) | (156,490) | - | - |
| Total loans and borrowings | (247,681) | (165,001) | - | - |

The Company entered into a US Dollar denominated Credit Agreement with BNP Paribas in New York on 28 June 2019 and the principal terms and the debt repayment schedule are as follows:

- $40.0 million Revolving Credit Facility, expiring 28 December 2025. As at 31 December 2022, $6.0 million of letters of credit were issued and outstanding against the revolving credit facility.
- $180.0 million Term Loan B, expiring 28 June 2026. As at 31 December 2022, the drawn balance has reduced to $166.2 million.
- $75.0 million incremental borrowing was granted to Term Loan B to support the acquisition of Termomeccanica Pompe Srl under the same terms and expiration date as the original Term Loan B. As at 31 December 2022, the drawn balance has reduced to $74.6 million.

The Credit Agreement is secured by substantially all of the assets and shareholdings of the Group, with exception of the Asia Entities.

# FR Flow Control Midco Limited



## 21 Loans and borrowings *(continued)*

In February 2021, Trillium Flow Technologies Italy obtained an unsecured EUR 5,000k ($6,082k) loan from Intesa, as part of a Government Covid Aid package available to all Corporates. Interest is charged at 1.119% and is repaid in 13 quarterly instalments ending in February 2025. The outstanding balance on this facility as at 31st December 2022 is EUR 3,462k ($3,690k).

In May 2020, Trillium Flow Technologies France obtained an unsecured EUR 2,500k ($2,751k) loan from BNP Paribas in France, as part of a Government Covid Aid package available to all Corporates. Interest was charged at 0.25% and was repaid on maturity in June 2022. The loan was fully repaid in June 2022.

Prior to acquisition, in July 2020 Termomeccanica Pompe obtained unsecured loans from Unicredit and BPM totaling EUR 2,950k ($3,301k), as part of a Government Covid Aid package available to all Corporates. Interest on the Unicredit loan is charged at 1.0% and is repaid in 20 quarterly instalments ending in March 2026. Interest on the BPM loan is charged at 1.3% and is repaid in 16 quarterly instalments ending in July 2024. The outstanding balance on these facilities as at 31st December 2022 is EUR 1,817k ($1,937k).

## 22 Cash and cash equivalents

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Cash and cash equivalents | 49,301 | 66,168 |

## 23 Cash generated from operations

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Loss for the year | (14,787) | (16,130) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 15,663 | 13,310 |
| Depreciation of right of use assets | 4,974 | 5,505 |
| Amortization of intangible assets | 4,255 | 2,511 |
| Impairment of goodwill | - | - |
| Loss on disposal of property, plant and equipment | 191 | 135 |
| (Profit) / Loss on disposal of business | (28) | 14,354 |
| Transactional foreign exchange (gains) / losses | (545) | 3,209 |
| Finance costs | 24,990 | 21,700 |
| Finance income | (31) | (57) |
| Income tax | 3,516 | (11,236) |
| Decrease in other leaving/retirement provisions | (445) | (2,710) |
| (Increase) / Decrease in inventories | (35,681) | 6,978 |
| Decrease in other assets | - | 100 |
| Decrease in provisions | (374) | (332) |
| Decrease in trade and other receivables | 5,244 | 22,994 |
| Increase / (Decrease) in trade and other payables | 1,058 | (18,399) |
| **Cash generated from operations** | 8,000 | 41,932 |

## 24 Cash generated from financing activities

| | Non Current Loans Borrowings $'000 | Current Loans Borrowings $'000 | Total $'000 |
|---|---|---|---|
| At 1 January 2022 | (156,490) | (8,511) | (165,001) |
| Cash flows | (74,625) | (3,821) | (78,446) |
| Non-cash flows | | | |
| Acquired as part of business combination | - | (5,433) | (5,433) |
| Foreign Exchange | 619 | 580 | 1,199 |
| Reclassification | (3,029) | 3,029 | - |
| **At 31 December 2022** | (233,525) | (14,156) | (247,681) |

## 25 Share capital

| | 2022 Number | 2022 $ (whole number) | 2021 Number | 2021 $ (whole number) |
|---|---|---|---|---|
| *Authorized, called up and fully paid* | | | | |
| Ordinary shares of each at $.01 par value | 2,919,004 | 29,190 | 2,919,004 | 29,190 |

The shares have attached to them full voting, dividend and capital distribution (on winding up) rights. They do not confer any rights of redemption.

## 26 Reserves

The Group's capital and reserves are as follows:

**Share premium**

The share premium account includes the premium in issue of equity shares, net of any issue cost.

**Profit and loss account**

The profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.

**Exchange (gains)/losses on translation of foreign operations (cumulative translation adjustment)**

This account represents the cumulative difference arising from translating different components of the financial statements of non-USD functional currency subsidiaries to USD using different exchange rates (typically assets and liabilities at period-end rates while equity is translated at historical rates). The balance as at 31 December 2022 is a cumulative loss of $14,241k (2021 – gain of $1,328k).

**26 Reserves** *(continued)*

**Remeasurements on defined benefit plans (other reserves)**

This account represents the difference in periodic projected and actual performance, particularly in plan asset performance, in determining the period-end net pension liability. The balance as at 31 December 2022 is a cumulative gain of $2,729k (2021 - $2,017k).

**Change in holding of non-controlling interest (other reserves)**

This account represents the share of non-controlling interests held in companies listed in the Appendix where we hold a shareholding that does not allow control over that entity. The balance as at 31 December 2022 is $762k (2021 – nil)

## 27 Business combinations

**Termomeccanica Pompe Srl – 12th April 2022**

*On 12th April 2022, the Group acquired 100% of the share capital and voting rights of Termomeccanica Pompe* Srl. The acquisition was an all-cash transaction with no contingent consideration provisions, and the purchase price was stipulated in Euros.

The transaction price was based on a locked-box purchase price as at 30th June 2021. Trillium Flow Technologies took control and acquired the financial risk and rewards of ownership of Termomeccanica Pompe from 01 March 2022, the date that the trade and assets within the perimeter of the acquisition were transferred from the Termomeccanica Group. The results of Termomeccanica Pompe were consolidated into the Group from that date. The consolidated result for Termomeccanica Pompe and its subsidiaries for the 10-month period ended 31 December 2022 was revenue of $65,162k and a profit after tax of $1,972k.

The final consideration of €53,441k which translated to $57,950k was utilized in the Group's accounting for the acquisition.

Details of the fair value of identifiable assets and liabilities acquired are as follows:

| | **2022** |
|---|---|
| | **$'000** |
| Property, plant and equipment | 36,955 |
| Right of use assets | 1,210 |
| Intangible assets – acquired | 24,973 |
| Non-Controlling Interests in Joint Ventures | 78 |
| Inventories | 6,242 |
| Trade and other receivables | 65,200 |
| Cash and cash equivalents | 4,731 |
| Trade and other payables | (79,694) |
| Provisions | (10,267) |
| Net deferred tax liability | (3,404) |
| Net identifiable assets | 46,024 |
| Goodwill on acquisition | 11,926 |
| Final consideration - cash | 57,950 |

Acquisition costs relating to professional fees totalling $2,926k were expensed in 2022 as incurred and recognized in the consolidated statement of income as non-recurring administrative expenses.

**27 Business combinations** *(continued)*

**Red Point Ventures B.V. – 5th March 2021**

On 5th March 2021, the Group acquired 100% of the share capital and voting rights of Red Point Ventures B.V. The acquisition was an all-cash transaction with no contingent consideration provisions, and the purchase price was stipulated in Euros.

The transaction was based on a locked-box purchase price mechanism as at the effective date 01 January 2021. As a result, Trillium Flow Technologies took control and acquired the financial risk and rewards of ownership of Red Point Ventures from 01 January 2021 and consolidated the results of Red Point Ventures in the Group from that date. The result for the year ended 31 December 2021 was revenue of $10,006k and a net loss of $1,067k.

The final consideration of €9,888k which translated to $11,784k was utilized in the Group's accounting for the *acquisition.*

Details of the fair value of identifiable assets and liabilities acquired are as follows:

| | **2021 $'000** |
|---|---|
| Property, plant and equipment | 317 |
| Right of use assets | 672 |
| Intangible assets – acquired | 4,672 |
| Inventories | 1,458 |
| Trade and other receivables | 866 |
| Cash and cash equivalents | 797 |
| Trade and other payables | (3,058) |
| Provisions | (619) |
| Net identifiable assets | 5,105 |
| Goodwill on acquisition | 6,679 |
| Final consideration - cash | 11,784 |

*Acquisition costs relating to professional fees totalling $474k were expensed in 2021 as incurred and recognized* in the consolidated statement of income as non-recurring administrative expenses.

## 28 Pension commitments

The Group assumed defined benefit retirement schemes for all qualifying employees in the USA and France as part of the acquisition from The Weir Group plc. The assets of the USA schemes are held separately from those of the Group in an independently administered fund under the control of the trustees. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. The France scheme is an unfunded plan, therefore there are no separately identifiable assets associated with the scheme.

For the USA (Fresno) scheme, the Group recorded expense of \$477k (2021 - \$477k) in the consolidated income statement for the year. That expense represents contributions payable to the trust fund for this scheme by the Group at rates specified in the rules of the scheme. The unfunded benefit obligation for this reflected on the consolidated balance sheet as at 31 December 2022 is \$3,210k (2021 - \$2,747k). For the USA (Salt Lake City) scheme, the Group recorded expense of \$15k (2021 - \$15k) in the consolidated income statement for the year. That expense represents contributions payable to the trust fund for this scheme by the Group at rates specified in the rules of the scheme. The unfunded benefit obligation for this reflected on the consolidated balance sheet as at 31 December 2022 is \$301k (2021 - \$392k).

For the France scheme, the Group recorded expense of \$133k (2021 - \$155k) in the consolidated income statement for the year. That expense represents contributions payable to the trust fund for this scheme by the Group at rates specified in the rules of the scheme. The unfunded benefit obligation for this scheme reflected on the consolidated balance sheet as at 31 December 2022 is \$1,811k (2021 - \$2,628k).

The total employee benefits liabilities as per IAS19 are as follows:

| | Group 2022 \$'000 | Group 2021 \$'000 | Company 2022 \$'000 | Company 2021 \$'000 |
|---|---|---|---|---|
| USA (Fresno) | 3,210 | 2,747 | - | - |
| USA (Salt Lake City) | 301 | 392 | - | - |
| France | 1,811 | 2,628 | - | - |
| Total employee benefit liabilities | 5,322 | 5,767 | - | - |

# FR Flow Control Midco Limited

## Notes Forming Part of the Financial Statements
## For the year ended 31 December 2022 *(continued)*

**28 Pension commitments** *(continued)*

***USA (Fresno) Defined benefit pension plan:***

| **IAS 19 Defined benefit cost, USA (Fresno)** | **2022 $'000** | **2021 $'000** |
|---|---|---|
| Current service cost | - | - |
| Administrative expenses | 400 | 375 |
| Past service cost | - | - |
| Settlement loss | - | - |
| Total service cost | 400 | 375 |
| Interest expense on DBO | 542 | 508 |
| Interest income on plan assets | (465) | (406) |
| Net interest cost | 77 | 102 |
| Subtotal expense recognized in consolidated statement of income | 477 | 477 |
| Special termination benefits | - | - |
| Expense recognized in consolidated statement of income | 477 | 477 |

| **Key assumptions** | | |
|---|---|---|
| Discount rate | 4.88% | 2.23% |
| Mortality table | | |
| Measurement date | Pri2012 MP2021 | Pri2012 MP2021 |

## 28 Pension commitments *(continued)*

**IAS 19 Disclosure, USA (Fresno)**

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Movement in defined benefit obligation** | | |
| Defined benefit obligation at start of the year | 21,372 | 23,489 |
| Current service cost (excluding administrative expenses) | - | - |
| Interest expense on DBO | 542 | 508 |
| Past service costs | - | - |
| Actuarial gain – Financial assumption changes | (3,597) | (863) |
| Actuarial loss – Demographic changes | - | 73 |
| Actuarial gain – Unexpected experience | - | (269) |
| Plan participant contributions | - | - |
| Actual benefits paid | (1,726) | (1,566) |
| Effect of curtailment | - | - |
| Effect of settlement | - | - |
| Special termination benefits | - | - |
| Defined benefit obligation at end of the year | 16,591 | 21,372 |
| **Movement in plan assets** | | |
| Fair value of plan assets at start of year / period | 18,625 | 18,766 |
| Interest income on plan assets | 465 | 406 |
| Unexpected (loss) / return on plan assets | (3,584) | 994 |
| *Employer contributions* | - | 422 |
| Plan participant contributions | - | - |
| Administrative expenses – Expected | (400) | (375) |
| Administrative expenses – Actual under / (over) expected | - | (22) |
| Effect of settlement | - | - |
| Actual benefits paid | (1,725) | (1,566) |
| Fair value of plan assets at end of the year | 13,381 | 18,625 |
| Unfunded liability | 3,210 | 2,747 |
| Effect of asset ceiling | - | - |
| Net pension liability at end of the year | 3,210 | 2,747 |

# FR Flow Control Midco Limited

## *Notes Forming Part of the Financial Statements*
## For the year ended 31 December 2022 *(continued)*

**28 Pension commitments** *(continued)*

**IAS 19 Disclosure, USA (Fresno)** *(continued)*

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Components of amounts recognized in the consolidated statement *of income*** | | |
| Current service cost | - | - |
| Administrative expenses | 400 | 375 |
| Past service costs | - | - |
| Effect of settlement | - | - |
| Total service cost | 400 | 375 |
| Interest expense on DBO | 542 | 508 |
| Interest income on plan assets | (465) | (406) |
| Total net interest cost | 77 | 102 |
| Total expense recognized in the consolidated statement of income | 477 | 477 |
| **Remeasurements recognized in other comprehensive income (OCI)** | | |
| Liability gain – from change in financial assumptions | (3,597) | (863) |
| Liability loss – from change in demographic assumptions | - | 73 |
| Other liability experience loss / (gain) | - | (269) |
| Asset loss / (gain) arising during the year | 3,582 | (971) |
| *Change in asset ceiling* | - | - |
| Total remeasurement recognized in OCI | (15) | (2,030) |
| **Balance sheet reconciliation** | | |
| Net defined liability, at start of the year | 2,747 | 4,722 |
| Expense recognized in consolidated statement of income | 478 | 477 |
| Remeasurement amounts recognized in OCI | (15) | (2,030) |
| Employer contributions during the year | - | (422) |
| Curtailment charge during the year | - | - |
| Settlement charge during the year | - | - |
| Net defined liability at end of the year | 3,210 | 2,747 |

## 28 Pension commitments *(continued)*

**IAS 19 Disclosure, USA (Fresno)** *(continued)*

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| **Weighted average assumptions for balance sheet liability at the end of the year** | | |
| Discount rate | 4.88% | 2.62% |
| Measure date | 31-Dec-22 | 31-Dec-21 |
| **Weighted average assumptions for benefit cost at the beginning of the year** | | |
| Discount rate | 2.62% | 2.23% |
| **Estimated future benefit payments** | | |
| 2023 (2022) payouts | $ 1,367 | $ 1,361 |
| 2024 (2023) payouts | $ 1,361 | $ 1,394 |
| 2025 (2024) payouts | $ 1,391 | $ 1,393 |
| 2026 (2025) payouts | $ 1,440 | $ 1,534 |
| 2027 (2026) payouts | $ 1,412 | $ 1,427 |
| 2028 (2027) payouts to 2032 (2031) | $ 6,605 | $ 6,747 |
| Duration of liability | 9.50 years | 9.50 years |
| **Expected contributions for the year / period** | $ 0 | $ 0 |

## 28 Pension commitments *(continued)*

***USA (Salt Lake City) Defined benefit pension plan:***

| **IAS 19 Defined benefit cost, USA (Salt Lake City)** | **2022 $'000** | **2021 $'000** |
|---|---|---|
| Current service cost | 3 | 3 |
| Administrative expenses | - | - |
| Past service cost | - | - |
| Settlement loss | - | - |
| Total service cost | 3 | 3 |
| Interest expense on DBO | 12 | 12 |
| Interest income on plan assets | - | - |
| Net interest cost | 12 | 12 |
| Subtotal expense recognized in consolidated statement of income | 15 | 15 |
| Special termination benefits | - | - |
| Expense recognized in consolidated statement of income | 15 | 15 |
| **Key assumptions** | | |
| Discount rate | 4.94% | 2.72% |
| Mortality table | Pri-2012 mortality table projected generationally from 2012 with Scale MP-2021 | Pri-2021 mortality table projected generationally from 2012 with Scale MP-2020 |
| Measurement date | 31-Dec-22 | 31-Dec-21 |

## 28 Pension commitments *(continued)*

**IAS 19 Disclosure, USA (Salt Lake City)**

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Movement in defined benefit obligation** | | |
| Defined benefit obligation at start of the year / period | 392 | 537 |
| Current service cost (excluding administrative expenses) | 3 | 3 |
| Interest expense on DBO | 10 | 12 |
| Past service costs | - | - |
| Actuarial gain – Financial assumption changes | (105) | (18) |
| Actuarial loss – Demographic changes | - | 7 |
| Actuarial gain – Unexpected experience | - | (152) |
| Plan participant contributions | 2 | 4 |
| Actual benefits paid | (1) | (1) |
| Effect of curtailment | - | - |
| Effect of settlement | - | - |
| Special termination benefits | - | - |
| Defined benefit obligation at end of the year / period | 301 | 392 |
| **Movement in plan assets** | | |
| Fair value of plan assets at start of the year / period | - | - |
| Interest income on plan assets | - | - |
| Unexpected return on plan assets | - | - |
| Employer contributions | (1) | (2) |
| Plan participant contributions | 2 | 4 |
| Administrative expenses – Expected | - | - |
| Administrative expenses – Actual under expected | - | - |
| Effect of settlement | - | - |
| Actual benefits paid | (1) | (2) |
| Fair value of plan assets at end of the year | - | - |
| Unfunded liability | 301 | 392 |
| Effect of asset ceiling | - | - |
| Net pension liability at end of the year / period | 301 | 392 |

# FR Flow Control Midco Limited

## Notes Forming Part of the Financial Statements
## For the year ended 31 December 2022 *(continued)*

**28 Pension commitments** *(continued)*

**IAS 19 Disclosure, USA (Salt Lake City)** *(continued)*

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Components of amounts recognized in the consolidated statement of income** | | |
| Current service cost | 3 | 3 |
| Administrative expenses | - | - |
| Past service costs | - | - |
| Effect of settlement | - | - |
| Total service cost | 3 | 3 |
| Interest expense on DBO | 10 | 12 |
| Interest income on plan assets | - | - |
| Total net interest cost | 10 | 12 |
| Total expense recognized in the consolidated statement of income | 13 | 15 |
| **Remeasurements recognized in other comprehensive income (OCI)** | | |
| Liability gain – from change in financial assumptions | (105) | (18) |
| Liability loss – from change in demographic assumptions | - | 7 |
| Other liability experience gain | - | (151) |
| Asset loss / (gain) arising during the year | - | - |
| Change in asset ceiling | - | - |
| Total remeasurement recognized in OCI | (105) | (162) |
| **Balance sheet reconciliation** | | |
| Net defined liability, at start of the year | 392 | 537 |
| Expense recognized in consolidated statement of income | 13 | 15 |
| Remeasurement amounts recognized in OCI | (105) | (162) |
| Employer contributions during year | 1 | 2 |
| Curtailment charge during year | - | - |
| Settlement charge during year | - | - |
| Net defined liability at end of the year | 301 | 392 |

**28 Pension commitments** *(continued)*

**IAS 19 Disclosure, USA (Salt Lake City)** *(continued)*

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| **Weighted average assumptions for balance sheet liability at end of the year** | | |
| Discount rate | 4.94% | 2.72% |
| Measure date | 31-Dec-22 | 31-Dec-21 |
| **Weighted average assumptions for benefit cost at beginning of the year** | | |
| Discount rate | 2.72% | 2.32% |
| **Estimated future benefit payments** | | |
| 2023 (2022) payouts | $ 9 | $ 16 |
| 2024 (2023) payouts | $ 17 | $ 11 |
| 2025 (2024) payouts | $ 28 | $ 21 |
| 2026 (2025) payouts | $ 24 | $ 36 |
| 2027 (2026) payouts | $ 42 | $ 27 |
| 2028 (2027) payouts to 2032 (2031) | $ 101 | $ 137 |
| Duration of liability | 11.21 years | 11.21 years |
| **Expected contributions for the year** | $9 | $ 16 |

# FR Flow Control Midco Limited

## Notes Forming Part of the Financial Statements
## For the year ended 31 December 2022 *(continued)*

**28 Pension commitments** *(continued)*

***France defined benefit pension plan:***

**IAS 19 Disclosure, France**

| | |
|---|---|
| **Country** | France |
| **Valuation date** | 31 December 2022 |
| **Fiscal Year** | 31 December 2022 |
| **Currency** | Euro (€) |
| **Plan** | Pension |
| **Actuarial methodology** | OCI |

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Movement in defined benefit obligation** | | |
| Defined benefit obligation at start of the year | 2,628 | 3,218 |
| Current service cost (excluding administrative expenses) | 204 | 221 |
| Interest expense on DBO | 27 | 16 |
| Past service costs | - | - |
| Actuarial gain – Financial assumption changes | (592) | (487) |
| Actuarial loss – Demographic changes | - | - |
| Actuarial loss – Unexpected experience | - | - |
| Plan participant contributions | - | - |
| Actual benefits paid | (297) | (113) |
| Effect of curtailment | - | - |
| Effect of settlement | - | - |
| CTA | (159) | (227) |
| Defined benefit obligation at end of the year | 1,811 | 2,628 |

# FR Flow Control Midco Limited

## Notes Forming Part of the Financial Statements
## For the year ended 31 December 2022 *(continued)*

### 28 Pension commitments *(continued)*

**IAS 19 Disclosure, France** *(continued)*

**Funded status**

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Defined benefit obligation at end of the year | (1,811) | (2,628) |
| Funded status liability | 1,811 | 2,628 |
| Net pension liability | (1,811) | (2,628) |

**Net liability reconciliation**

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| **Balance sheet reconciliation** | | |
| Net defined liability, at start of the year | 2,628 | 3,218 |
| Expense recognized in consolidated statement of income | 133 | 155 |
| Remeasurement amounts recognized in OCI | (592) | (487) |
| Employer contributions during year | - | - |
| Actual benefits paid during the year | (199) | (31) |
| *Curtailment charge during year* | - | - |
| CTA | (159) | (227) |
| Net defined liability at end of the year | 1,811 | 2,628 |

**Expense**

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Current service costs | 204 | 221 |
| Interest costs | 27 | 16 |
| Total expenses recognized | 231 | 237 |

**Key assumptions**

| | |
|---|---|
| Discount rate | 3.8% |
| Measurement date | 31 December 2022 |
| Salary increase rate | 2.40% |
| Mortality table | TG H/F 2005 |

## 29 Financial instruments and risk management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Foreign exchange risk
- Liquidity risk
- Interest rate risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Investment
- Trade and other payables
- Loans and borrowings

**Financial instruments by category**

| **Financial Assets – Group** | **Financial assets at amortized cost** | |
|---|---|---|
| | **2022** | **2021** |
| | **$('000)** | **$('000)** |
| Cash and cash equivalents | 49,301 | 66,168 |
| Trade and other receivables | 195,868 | 147,379 |
| ***Total Financial Assets*** | 245,169 | 213,547 |

| **Financial Liabilities – Group** | **Financial liabilities at amortized cost** | |
|---|---|---|
| | ***2022*** | ***2021*** |
| | **$('000)** | **$('000)** |
| Trade and other payables | (199,809) | (141,852) |
| Loans and borrowings | (247,681) | (165,001) |
| **Total Financial Liabilities** | (447,490) | (306,853) |

# FR Flow Control Midco Limited



## 29 Financial instruments and risk management *(continued)*

### Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates their fair value.

### Financial risk management

The general objectives and approach to managing risk are discussed in the accompanying Strategic Report.

In addition to that discussion:

- See Note 18, *Trade and other receivables* for further analysis of trade receivable aging and impairment.
- The Group's trade and other payables are due within one year. See Note 21, *Loans and borrowings* for the maturity schedule of those financial liabilities.

## 30 Related party transactions

During the year, the Group made the following related party transactions:

- Fees to First Reserve under a monitoring fee agreement of $1,302k (2021 - $1,350k).
- Remuneration to Klaus Stahlmann in capacity as Non-Executive Director of Trillium Flow Technologies Holdco Ltd. of $135k (2021 – $103k).
- On 28 October 2022 Kerem C. Yilmaz, one of the directors of FR Flow Control Midco Limited, was issued 70,000 C shares in the parent entity FR Flow Control Topco Limited, under the management scheme which was made available to several other senior management employees during the year. The shares were issued at the nominal value of $0.01 per share.

The directors are considered to be the key management of the group and their remuneration is set out in Note 9, *Directors' remuneration*.

## 31 Events after the reporting date

Details of all subsequent events are noted in the Directors report on page 23.

## 32 Controlling party

The Company is wholly owned by FR Flow Control Topco Limited ("Topco"), a company incorporated and registered in Jersey. Topco is owned by funds managed by First Reserve, a private equity firm. Certain members of Group management also hold a beneficial interest in a small percentage of the shares of Topco.

FR Flow Control Topco Limited
Company Number: 128352
22 Greenville Street, St. Helier, Jersey JE4 8PX

## Appendix

### Subsidiary undertakings

The subsidiary undertakings of the Company as at 31 December 2022 are noted below.

| Legal name | Country of incorporation | Registered address | Class of shares | Percentage of shares held | Ownership |
|---|---|---|---|---|---|
| FR Flow Control Canada Bidco Limited (dba Trillium Flow Technologies) | Canada | Suite 2600 Bentall Centre, 595 Burrad Street, P.O. Box 49314, Vancouver BC V7X ILS | Ordinary | 100% | Indirect |
| FR Flow Control CB LLC | United States | 200 Bellevue Parkway Suite 210, Wilmington DE 19809 | Ordinary | 100% | Indirect |
| FR Flow Control France Bidco SAS | France | 106 Boulevard Paul Raphel, 13730 Saint Victoret | Ordinary | 100% | Indirect |
| FR Flow Control Hong Kong Bidco Limited | Hong Kong | 3806 Central plaza, 18 Harbour Road, Wanchai | Ordinary | 100% | Indirect |
| FR Flow Control Korea Bidco Limited | South Korea | Suite 410, 4th Floor, Building B, 7 Pungjeon-ro, Danwon-gu, Ansan-si, Gyeonggi-do | Ordinary | 100% | Indirect |
| FR Flow Control Luxco 1 S.a.r.l. | Luxembourg | 6 rue Eugene Ruppert, Luxembourg L-2453 | Ordinary | 100% | Direct |
| FR Flow Control Luxco 2 S.a.r.l. | Luxembourg | 6 rue Eugene Ruppert, Luxembourg L-2453 | Ordinary | 100% | Indirect |
| FR Flow Control Pumps Bidco Limited | United Kingdom | 1 Bartholomew Lane, London EC2N 2AX | Ordinary | 100% | Indirect |
| FR Flow Control Pumps US Bidco, Inc. | United States | 200 Bellevue Parkway, Suite 210, Wilmington DE 19809 | Ordinary | 100% | Indirect |
| FR Flow Control South Africa Bidco (Pty) Limited | South Africa | Highway Gardens Office Park Unit 3D, 71 Minuach Road, Highway Gardens, Edenvale 1609 | Ordinary | 100% | Indirect |
| FR Flow Control Valves Bidco Limited | United Kingdom | 1 Bartholomew Lane, London EC2N 2AX | Ordinary | 100% | Indirect |
| FR Flow Control Valves US Bidco, Inc. (dba Trillium Valves USA) | United States | 120 Orange Street, Wilmington DE 19801 | Ordinary | 100% | Indirect |
| Ralph A. Hiller Company | United States | 241 Center Street, McKeesport PA 15132 | Ordinary | 100% | Indirect |

**Subsidiary undertakings** *(continued)*

| Legal name | Country of incorporation | Registered address | Class of shares | Percentage of shares held | Ownership |
|---|---|---|---|---|---|
| Red Point Alloys B.V. | Netherlands | Radonstraat 2, 2718TA Zoetermeer | Ordinary | 100% | Indirect |
| Red Point Ventures B.V. | Netherlands | Radonstraat 2, 2718TA Zoetermeer | Ordinary | 100% | Indirect |
| Trillium Control Valves (Suzhou) Co. Limited | China | 22 Chunwang Road, Huangdai Town, Xiangcheng District, Suzhou, Jiangsu Province | Ordinary | 75% | Indirect |
| Trillium Flow Control (Hong Kong) Limited | Hong Kong | Level 54, Hopewell Center 183, 183 Queen's Road East | Ordinary | 75% | Indirect |
| Trillium Flow Services UK Limited | United Kingdom | Britannia House, Huddersfield Road, Elland HX5 9JR | Ordinary | 100% | Indirect |
| Trillium Flow Technologies France SAS | France | 106 Boulevard Paul Raphel, 13730 Saint Victoret | Ordinary | 100% | Indirect |
| Trillium Flow Technologies Holdco Limited | United Kingdom | 1 Bartholomew Lane, London EC2N 2AX | Ordinary | 100% | Direct |
| Trillium Flow Technologies Holdings Limited | United Kingdom | Westpoint House, 5 Redwood Place, East Kilbride G74 5PB | Ordinary | 100% | Indirect |
| Trillium Flow Technologies Hong Kong Limited | Hong Kong | Level 54, Hopewell Center 183, 183 Queen's Road East | Ordinary | 100% | Indirect |
| Trillium Flow Technologies Korea, Inc. | South Korea | 151, Beomjigi-ro, Danwon-gu, Ansan-si, Gyeonggi-do, 15434 | Ordinary | 100% | Indirect |
| Trillium Flow Technologies Malaysia Sdn. Bhd | Malaysia | 2nd Floor, No. 2-4 Jalan Manau, Kuala Lumpur 50460 | Ordinary | 100% | Indirect |
| Trillium Flow Technologies Netherlands Valves Bidco B.V. | Netherlands | Radonstraat 2, 2718TA Zoetermeer | Ordinary | 100% | Indirect |
| Trillium Flow Technologies Suzhou Limited | China | No. 1 Yangyuan Changxi Road, Xinzhuang, Changshu, Suzhou 215562, Jiangsu Province | Ordinary | 100% | Indirect |
| Trillium Flow Technologies UK Limited | United Kingdom | Britannia House, Huddersfield Road, Elland HX5 9JR | Ordinary | 100% | Indirect |

**Subsidiary undertakings** *(continued)*

| Legal name | Country of incorporation | Registered address | Class of shares | Percentage of shares held | Ownership |
|---|---|---|---|---|---|
| Trilliumflow Services India Private Limited | India | B-302, Wing-B, 3rd Floor, Bridage Magnum, Intern. Airport Rd., Kodigehali Gatem Hebbal, Bangalore, Karnataka 560092 | Ordinary | 100% | Indirect |
| Trillium Pumps Italy S.p.a. | Italy | Via Gaetana Agensi 1, Nova Milanese 20834 | Ordinary | 100% | Indirect |
| Trillium Pumps USA, Inc. | United States | 120 Orange Street, Wilmington DE 19801 | Ordinary | 100% | Indirect |
| Termomeccanica Pompe S.p.a | Italy | Via Del Molo 3, La Spezia 19126 | Ordinary | 100% | Indirect |
| Termomeccanica Pumps Services LLC | UAE | Property no PRP 96612, Plot No 2, Sector M15, Office No 9, Musaffa, Abu Dhabi | Ordinary | 49% | Indirect |
| Termomeccanica Saudi Co. Ltd | Saudi | P.O. Box 4430 Riyadh | Ordinary | 100% | Indirect |
| TM.P. Termomeccanica pompe Middle East FZE | UAE | Office n. LB15246, Jebel Ali Free Zone, UAE | Ordinary | 100% | Indirect |
| TM.P. Termomeccanica Romania S.r.l | Romania | Strada Traian 103, Bucharest 024041 | Ordinary | 100% | Indirect |