

Registered No: SC317760

Clyde Union Limited

Annual Report and Financial Statements

for the year ended 31 December 2022

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COMPANIES HOUSE

Officers and Professional Advisers

Directors

Clare-Frances Bradshaw
Christopher A. McVicker
Timothy M. Old
Ian A. Pearson

Auditor

Deloitte LLP
Statutory Auditor
3rd Floor
9 Haymarket Square
EDINBURGH
EH3 8RY

Bankers

HSBC Bank plc
141 Bothwell Street
Glasgow
G2 7EQ

Registered Office

149 Newlands Road
Cathcart
Glasgow
G44 4EX

Solicitors

Eversheds Sutherland LLP
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

STRATEGIC REPORT

The directors present their Strategic Report for Clyde Union Limited (the "company") for the year ended 31 December 2022, which operates as part of the global Celeros Flow Technology group whose subsidiaries operate in the nuclear, power, industrial and oil & gas sectors.

Executive Summary

Thank you to all our employees and stakeholders for your support and continued effort during 2022. We have dealt with the consequences of the Russian invasion of Ukraine, widespread disruption to global supply chains, inflation at the highest level in a generation and the lingering effects of the Covid-19 pandemic. Our performance in 2022 reflects the impact caused by the Covid-19 pandemic with the original equipment business experiencing a shortfall in orders during 2020/21 due to the reduction in capital investment by our customers, returning lower revenues in 2022. The downturn in the original equipment business has enabled heavier utilisation in our engineering and research functions to develop new products for our Oil & Gas Upstream and Naval markets with future revenue generation expected. It also allowed additional support for aftermarket growth and the development of full-lifecycle partnerships to benefit 2023 and beyond. Due to the macroeconomic and geo-political factors described above, commodity price inflationary pressures have increased during 2022, however, active monitoring, careful management of our cost structure and restricting bid validity to periods within suppliers' quotations has generally mitigated the risk. Our Manufacturing strategy roadmap has made excellent progress in 2022 as we look to future proof the site and upgrade the facility, continue to invest in the apprentice programme, complete the product portfolio transfer and capex upgrades to support energy transition projects and Naval markets opportunities. Safety amongst employees is the company's top priority and we strive to continually reduce our recordable incidents across the facility. In 2022 the company recorded 2 incidents (2021: 3) and the total recordable incident rate (TRIR) was 0.8 (2021: 1.16).

2022 saw the global economy continue to recover supporting strong demand for original equipment pumps and higher levels of Aftermarket with order bookings finishing significantly ahead of full year 2021 by £23.1m. The benefits of this will be realised in future periods.

In 2022 revenue decreased by 18.7% to £39.0m (2021: £47.9m), with a significant decrease in original equipment revenue of £8.5m, and a minor decrease of £0.4m in aftermarket revenue. Aftermarket contributing a higher percentage of revenue at higher margins had a positive impact on gross margin, with an increase of 14.2% to £13.1m (2021: £11.5m). The impact of this was reflected in the gross margin percentage increasing to 30.4% (2021: 23.9%).

Distribution, selling and administrative expenses increased by £1.5m. This was driven mainly by an increase in global intercompany selling cost recharges of £1.0m to £2.2m (2021: £1.2m). Overall, the operating loss before amortisation of intangibles and restructuring costs was £0.2m (2021: profit £0.9m). There were no restructuring costs in 2022 (2021: £0.5m). The company received no dividend income (2021: £nil) and recorded no impairment (2021: £0.2m) in its subsidiaries after an assessment of the carrying value against the recoverable amount.

The loss for the year before tax was £2.0m (2021: loss £0.9m). The loss after tax was £2.7m (2021: loss £0.9m).

Principal Activities and Review of the Business

The company is structured to deliver market-leading pump products and services to meet the technical and commercial challenges of customers operating in the nuclear power, fossil power, oil upstream & downstream, water and industrial sectors throughout the world.

STRATEGIC REPORT

Key Performance Indicators

	2022 £000s	2021 £000s
Order bookings	68,576	45,485
Total order book at end of the year	83,991	54,485
Revenue	38,967	47,940
Operating (loss)/profit before amortisation of intangibles and restructuring costs	(218)	912
Loss before tax	(2,025)	(866)
Net assets	20,269	22,923

Key performance indicators are analysed in detail in the review of the business.

Going Concern

The directors recognise the financial situation of the company evidenced by the loss for the financial year of £2,654,000 (2021 loss: £900,000).

Although management considers the company's ultimate parent undertaking and controlling party to be AP Boardwalk, L.P. (see note 27), Celeros Flow Technology, LLC, (also a subsidiary of AP Boardwalk L.P.), is a parent company of the Celeros Flow Technology group of companies and is the ultimate company within the Group which generates revenue and EBITDA and is most able to provide financial support. Celeros Flow Technology, LLC has indicated that it will provide financial support to the company for at least one year from the date of signing these financial statements. In considering the ability of Celeros Flow Technology, LLC to provide financial support, the directors have reviewed the Q3 2023 operating results and financial performance of Celeros Flow Technology, LLC as well as representations from Celeros Flow Technology, LLC management. The Directors have further relied on forward looking assessments provided by Celeros Flow Technology, LLC under various scenarios and are satisfied that Celeros Flow Technology, LLC is in a position to provide the necessary financial support. As part of their consideration, the directors have acknowledged the group's cash, cash equivalents and short-term investments balance and access to undrawn facilities.

The directors, have a reasonable expectation that the company has adequate resources, including support from Celeros Flow Technology, LLC to continue in operational existence for the foreseeable future being a period of at least 12 months from the date of approval of these financial statements. Therefore, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Future Developments

The company is a key part of Celeros Flow Technology, LLC's business and continues to develop strong relationships with existing and new customers in the nuclear, power, industrial and oil & gas sectors and growing aftermarket spares and service regions. The strong order book will drive improved revenue performance in future periods.

Principal Risks and Uncertainties

The management of the business and execution of the company's strategy is subject to a number of risks. The business risks affecting the company are set out below. Risks are formally reviewed by the board of directors and appropriate processes are put in place to monitor and mitigate them. If more than one adverse event occurs, it is possible that the overall effect of such events would be compounded.

Key Individuals

The company's future performance depends heavily on its ability to retain the services of its key employees and to be able to retain and attract the services of suitable personnel. The loss of the services of any such key employees could have an adverse impact on the business and the prospects of the company.

STRATEGIC REPORT (Continued)

Market and Economic Risks

The company is also exposed to market and economic risks in the normal course of business. These include but are not limited to; the price of oil, competition, and pressures on pricing from suppliers (such as raw materials and energy) and customers in the current inflationary environment. The company manages these risks by maintaining strong relationships with customers, suppliers where possible, and by group senior management conducting business reviews on a regular basis to ensure the risks are appropriately managed.

Russia-Ukraine War

Following the Russian invasion of Ukraine in February 2022, the company has suspended new sales, distribution, and service activities in Russia. Delivery of one completed contract, booked in 2021, with a value of £0.9m is currently on hold (in accordance with relevant export regulations) with no forecasted delivery date known at this time. The company was paid in full for this contract prior to sanctions coming into effect. Other impacts to revenue, net income, net assets or cashflows are not expected to be material.

Operational Risks

The company is exposed to operational risks in the company's ability to develop and market pump products and services, successfully manage contract execution, disruptions to the supply of goods, technology changes, the ability to attract and retain talent, environmental issues and changes to legislation. Senior management regularly conduct business reviews on an ongoing basis to ensure that these risks are appropriately managed.

Financial risk management, objectives and policies

Interest risks

The company is exposed to interest rate risk arising from amounts owed to group undertakings. The exposures to interest rate risks have not been hedged as there is no net interest rate risk at group level on account of intra group loan balances.

Foreign currency risks

There has been increased volatility in foreign exchange rates thus exposing the company to increased foreign currency risks. The company continues to monitor and manage the increased foreign currency risks with the assistance of the treasury department of Celeros Flow Technology LLC.

Liquidity risks

The company ensures availability of funding for its operations through an intercompany loan arrangement with fellow group companies.

Credit risks

Credit risk arises from exposures to customers. The creditworthiness of customers granted credit terms in the normal course of business is monitored continually. The terms and conditions of credit sales are designed to mitigate or eliminate concentrations of credit risk with any single customer. Sales are not materially dependent on a single customer or a small group of customers. Details of credit risk associated with certain customers is included in note 15.

STRATEGIC REPORT (Continued)

Section 172(1) Statement

The following statement describes how the directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172 of the Companies Act 2006.

When making decisions, the directors ensure that they act in a way which they consider, in good faith, would most likely promote the company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

(A) - The likely consequences of any decision in the long term

The directors understand the business and the environment in which it operates, recognising safety and social responsibility as fundamental to our business approach.

(B) - The interests of the company's employees

The directors recognise that our employees are fundamental and core to our business in delivering our strategic ambitions. The success of our business depends upon attracting, retaining, and motivating employees.

(C) - The need to foster the company's business relationships with suppliers, customers, and others

Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers, and joint venture partners. The directors continuously assess the priorities in relation to suppliers, customers, and those with whom we interact and do business.

(D) - The impact of the company's operations on the community and the environment

The directors are committed to acting responsibly and providing objective informed leadership. They respect and value the trust of our community who rely on the safe and effective management of the company in protecting the environment.

(E) - The desirability of the company maintaining a reputation for high standards of business conduct

The directors monitor compliance with the company's corporate governance guidelines, code of conduct and ethics to ensure that decisions are taken that promote high standards of business conduct.

(F) - The need to act fairly, as between members of the company

When considering which course of action will enable delivery of the company's strategy, the directors take into consideration the impact of all factors on stakeholders and in so doing, act fairly, as between members of the company.

STRATEGIC REPORT (Continued)

Principal Decisions

Being a part of a large multinational group of companies, the company adheres to policies and procedures, which are often set by the ultimate parent company. Where such principal decisions are made, they are made within the context of the group strategy.

Post Balance Sheet Events

There are no post balance sheet events to disclose.

Authorised and approved by the Board of Directors and signed on its behalf by



Christopher McVicker
Director

15 December 2023

DIRECTORS' REPORT

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

Results and Dividends

The loss for the year, after taxation, amounted to £2,654,000 (2021: loss £900,000). No dividend was declared in 2022 (2021: £10,424,000).

Directors

The following directors served during the year and to the date of this report:

Clare-Frances Bradshaw
Christopher A. McVicker
Timothy M. Old
Ian A. Pearson

Future Developments and Events after the Balance Sheet Date

Details of future developments can be found in the Strategic Report on pages 1 to 5 and form part of this report by cross-reference. There are no post balance sheet events to report.

Research and Development

The company has ongoing development and engineering programmes covering the improvement of existing products and the development of new innovative solutions for key markets. The directors regard investment in development as a prerequisite for success in the medium to long-term future.

Stakeholder Engagement

Details of engagement with stakeholders undertaken during the year appears as part of our Section 172 statement on page 4.

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, regular newsletters and the intranet.

The company gives full and fair consideration to applications for employment from disabled persons. Company policy supports the further training, career development and promotion of any disabled persons with the company, including those persons who may have become disabled whilst employed with the company.

Clyde Union Limited is committed to implementing and achieving the highest standards of health and safety for our employees.

Our goal is to integrate best practice health and safety into all our operations as we strive to eliminate injury and ill-health and to manage any higher risk activities.

We are equally committed to providing a healthy and safe working environment for all employees, contractors and visitors.

Payment terms vary according to the terms of trade with each supplier. Payment dates are then established according to the date of delivery of goods or provision of services and receipt of the correct invoice. At 31 December 2022, the company had an average of 53 days (2021: 60 days) of purchases outstanding in trade creditors.

DIRECTORS' REPORT (continued)

Environmental Policy

As a responsible manufacturing company, we recognise our operations may have an impact upon the environment. Clyde Union Limited is committed to:

- Managing our processes, materials and workforce in order to achieve continuous improvement in our environmental performance;
- Integrating environmental considerations into the selection of suppliers and subcontractors, manufacturing processes, materials and energy usage;
- Taking proactive steps to minimise or prevent pollution arising as a result of our activities;
- Setting challenging objectives and targets for environmental improvement and periodically reviewing these; and
- Identifying and complying with all relevant statutory obligations and other applicable requirement.

Streamlined Energy and Carbon Reporting

In line with current Streamlined Energy and Carbon Reporting requirements (SECR), the total emissions for the company in the period ended 31 December 2022 were 6,772,264 Kwh based on invoices (2021: 10,960,738 Kwh), and 1,344,646 kgCO₂e based on The Carbon Trust Carbon Footprint Calculator (2021: 2,132,034 kgCO₂e). This is a ratio of 26,249 Kwh (2021: 43,153 Kwh) and 5,212 kgCO₂e (2021: 8,394 kgCO₂e) per head based on a UK headcount of 258 as at the end of 2022 (2021: 254). The reduction in emissions reflects reduced activity levels in 2022, however subsequent periods should see these increase. The directors are committed to reducing the company's environmental footprint by proactively identifying and implementing environmental sustainability initiatives across our operations.

Emissions are as follows:-

	2022	2022	2021	2021
	Kwh	kgCO ₂ e	Kwh	kgCO ₂ e
UK indirect emissions (Scope 2 - UK purchased gas)	3,198,809	585,894	6,693,844	1,226,044
UK indirect emissions (Scope 2 - UK purchased electricity)	3,573,455	758,752	4,266,894	905,990
Total emissions	6,772,264	1,344,646	10,960,738	2,132,034

Charitable Donations

During the year the company made charitable donations totalling £1,245 to Dementia UK, Glasgow Basket Brigade and Weir Cricket Club (Glasgow) (2021: £nil). No political donations have been made.

Financial Risk Management and Objectives

The details of the financial risk management of the company are included in the strategic report on page 3.

DIRECTORS' REPORT (continued)

Going Concern

Going concern has been discussed in the Strategic Report on page 2 and forms part of this report by cross reference.

Auditor

In the case of each of the persons who is a director at the time this report is approved:

- So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware.
- Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

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

Authorised and approved by the Board of Directors and signed on its behalf by



Christopher McVicker
Director

15 December 2023

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

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

INDEPENDENT AUDITOR'S REPORT

to the members of Clyde Union Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Clyde Union Limited (the 'company'):

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

We have audited the financial statements of the company which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 28.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 (CONTINUED)

to the members of Clyde Union Limited

Other information (continued)

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

to the members of Clyde Union Limited

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

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

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

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

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address them are described below:

- due to the significant judgements in determining the percentage of completion for revenue contracts, there is a risk that revenue could be inaccurately recorded: we have tested a sample by reviewing the contract, agreeing cumulative costs incurred to date to invoice and challenging the estimated cost to complete by comparing it against committed orders, expected cost of labour and assessing any other areas of estimation uncertainty;
- due to the complexity of delivery arrangements there exists a risk that revenue is recognised in the incorrect accounting period. As part of our audit procedures, we selected a sample of invoices from the periods immediately preceding and following the year end date, and agreed to the relevant goods despatch note to verify that revenue had been recognised in the correct accounting period; and
- a significant and material portion of the balance sheet consists of current assets relating to construction contracts. There is an associated risk that these balances will not be recovered from contract customers either due to liquidity issues or due to disputes over contract performance: we have tested a sample by agreeing to post year end cash receipts, and reviewing historical recoverability.

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

to the members of Clyde Union Limited

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Stephen Pratt CA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

Edinburgh

United Kingdom

15 December 2023

INCOME STATEMENT

for the year ended 31 December 2022

	Notes	2022 £000s	2021 £000s
Revenue	3	38,967	47,940
Cost of sales		(27,118)	(36,442)
Gross Profit		11,849	11,498
Distribution and selling costs		(3,696)	(2,263)
Administrative expenses		(8,371)	(8,323)
Operating (Loss)/Profit before Amortisation of Intangible Assets and Restructuring Costs		(218)	912
Amortisation of intangible assets	12	(632)	(638)
Restructuring costs		-	(471)
Operating Loss	4	(850)	(197)
Impairment of investment	14	-	(199)
Finance income	8	1,223	136
Finance expense	9	(2,398)	(606)
Loss before Tax		(2,025)	(866)
Tax	10	(629)	(34)
Loss for the Year		(2,654)	(900)

All activities relate to continuing operations.

No statement of comprehensive income has been prepared as there have been no changes in comprehensive income during the year (2021: nil).

The notes on pages 18 to 47 form part of these financial statements.

BALANCE SHEET

as at 31 December 2022

	Notes	2022 £000s	2021 £000s
Assets			
Non-Current Assets			
Intangible assets	12	17,167	16,918
Property, plant and equipment	11	35,808	8,974
Trade and other receivables	15	37,881	5,208
Investments	14	150	150
Deferred tax assets	10	-	2,601
		91,006	33,851
Current Assets			
Inventories	16	6,924	6,916
Construction contract assets	17	8,114	13,763
Trade and other receivables	15	19,898	14,330
Cash and cash equivalents	18	3,999	3,644
		38,935	38,653
Total Assets		129,941	72,504
Liabilities			
Current Liabilities			
Trade and other payables	19	(41,142)	(33,158)
Construction contract liabilities	17	(3,761)	(4,560)
Lease obligations	20	(1,974)	(1,100)
Provisions	21	(1,584)	(4,649)
		(48,461)	(43,467)
Net Current Liabilities		(9,526)	(4,814)
Non-Current Liabilities			
Trade and other payables	19	(28,554)	(91)
Lease obligations	20	(29,654)	(4,008)
Provisions	21	(3,003)	(44)
Deferred tax liabilities	10	-	(1,971)
		(61,211)	(6,114)
Total Liabilities		(109,672)	(49,581)
Net Assets		20,269	22,923

BALANCE SHEET (continued)

as at 31. December 2022

	Notes	2022 £000s	2021 £000s
Equity			
Called-up share capital	23	3,700	3,700
Retained earnings		16,569	19,223
Total Equity		20,269	22,923

The financial statements of Clyde Union Limited (Registered No: SC317760) on Pages 14 to 47 were approved by the board of directors and authorised for issue on 15 December 2023. They were signed on its behalf by:



Christopher McVicker
Director

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	<i>Note</i>	<i>Called-up Share Capital £000s</i>	<i>Retained Earnings £000s</i>	<i>Total Equity £000s</i>
At 1 January 2022		3,700	19,223	22,923
Loss in year attributable to equity holders and total comprehensive expense		-	(2,654)	(2,654)
At 31 December 2022		3,700	16,569	20,269

	<i>Note</i>	<i>Called-Up Share Capital £000s</i>	<i>Retained Earnings £000s</i>	<i>Total Equity £000s</i>
At 1 January 2021		18,700	15,547	34,247
Reduction of share capital	23	(15,000)	15,000	-
Dividend paid	22	-	(10,424)	(10,424)
Loss in year attributable to equity holders and total comprehensive expense		-	(900)	(900)
At 31 December 2021		3,700	19,223	22,923

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Accounting Policies

Clyde Union Limited (the "company") is a private company limited by shares which is incorporated and registered in Scotland in the United Kingdom under the Companies Act 2006. The address of the company's registered office is 149 Newlands Road, Cathcart, Glasgow, Scotland, United Kingdom, G44 4EX.

Basis of Presentation

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. Accordingly, the financial statements are prepared under FRS 101 'Reduced Disclosure Framework'.

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The functional currency of the company is Great British Pounds (GBP) Sterling as that is the currency of the primary economic environment in which the company operates.

The company has taken advantage of the exemption from preparing group financial statements under Section 401 of the Companies Act 2006. Accordingly, these financial statements present only the financial position of the company. The undertaking in whose consolidated financial statements its results are included is Celeros Flow Technology LLC, which heads up the smallest group to consolidate these financial statements, which can be obtained from the registered office of Celeros Flow Technology LLC at 251 Little Falls Drive, Wilmington, DE 19808, United States of America.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and certain related party transactions.

The principal accounting policies adopted by the company are set out below.

Going Concern

Although management considers the company's ultimate parent undertaking and controlling party to be AP Boardwalk, L.P. (see note 27), Celeros Flow Technology, LLC, (also a subsidiary of AP Boardwalk L.P.), is a parent company of the Celeros Flow Technology group of companies and is the ultimate company within the Group which generates revenue and EBITDA and is most able to provide financial support. Celeros Flow Technology, LLC has indicated that it will provide financial support to the company for at least one year from the date of signing these financial statements. In considering the ability of Celeros Flow Technology, LLC to provide financial support, the directors have reviewed the Q3 2023 operating results and financial performance of Celeros Flow Technology, LLC as well as representations from Celeros Flow Technology, LLC management. The Directors have further relied on forward looking assessments provided by Celeros Flow Technology, LLC under various scenarios and are satisfied that Celeros Flow Technology, LLC is in a position to provide the necessary financial support. As part of their consideration, the directors have acknowledged the group's cash, cash equivalents and short-term investments balance and access to undrawn facilities.

The directors, have a reasonable expectation that the company has adequate resources, including support from Celeros Flow Technology, LLC to continue in operational existence for the foreseeable future being a period of at least 12 months from the date of approval of these financial statements. Therefore, they continue to adopt the going concern basis in preparing the annual report and financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Accounting Policies (continued)

Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes the cost directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment, other than assets under construction, on a straight-line basis over its expected useful life as follows:

Leasehold improvements	- 10 years
Other plant and equipment, including furniture and fixtures	- over 2 to 20 years
Right of use asset	- over the life of the lease

The carrying values of plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of plant or equipment is derecognised upon disposal or where no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Intangible Assets

Intangible assets acquired in a business combination are initially measured at cost being their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised over their finite useful economic life and assessed for impairment whenever there is an indication that the asset may be impaired. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense consistent with the function of the intangible asset.

Intangible assets with a finite life have no residual values and are amortised on a straight line basis as follows:

Purchased software	- over 4 to 8 years
Brand name	- over 20 years
Installed pumps base	- over 20 years

Goodwill is deemed to be the only intangible asset with an indefinite useful life and is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Accounting Policies (continued)

Intangible Assets (continued)

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Internally Generated Intangible Assets – Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the company's development is recognised only if all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives up to a maximum of eight years. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment of Non-Financial Assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement in those expense categories consistent with the function of the impaired asset, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company estimates the asset's or cash generating unit's recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Accounting Policies (continued)

Impairment of Non-Financial Assets (continued)

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition as follows:

Raw materials and consumables	- purchase cost on a first-in, first-out basis
Work in progress and finished goods	- cost of direct materials and direct labour plus attributable overheads based on a normal level of activity, excluding borrowing costs

Net realisable value is based on an estimated selling price less any further costs expected to be incurred to completion and disposal.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash at bank and in hand.

Provisions

A provision is recognised when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the unwinding of the discount is recognised as a finance cost.

When the company expects some or all of a provision to be reimbursed, for example, under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to the provision is presented in the income statement net of any reimbursement.

Leasing

The company assesses whether a contract is or contains a lease, at inception of a contract. The company recognises a right-of-use asset and a corresponding lease liability for all leasing arrangements, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liability – Initial measurement

The lease liability is initially measured at the present value of the lease payments, excluding payments made at or before the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Accounting Policies (continued)

Leasing(continued)

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments); and
 - payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.
- *Lease liability – Subsequent measurement*
 - The lease liability is subsequently measured at amortised cost.
 - The lease liability is remeasured, with a corresponding adjustment to the related right-of-use asset, whenever:
 - the lease term has changed in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
 - a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use asset is initially measured at the initial amount of the lease liability adjusted for:

- lease payments made at or before the commencement day, less any lease incentives received;
- any initial direct costs;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.
- the company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The company also assesses the right-of-use asset for impairment when such indicators exist.

Borrowing Costs

Borrowing costs are recognised as an expense when incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Interest Income

Interest income is recognised as interest accrues (using the effective interest method). Interest income is included in finance income in the income statement.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. Revenue represents the net invoiced value of services provided and for long-term contracts, the sales value of work done but not invoiced. The following specific recognition criteria must also be met before revenue is recognised:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Accounting Policies (continued)

Revenue Recognition (continued)

Recognised Over Time

Revenue on long term contracts is taken over time as the work is carried out if the final outcome can be assessed with reasonable certainty, has no alternative use and has an enforceable right to payment. The revenue is calculated on a basis to reflect the proportion of work done at the year end, by recording revenue and related costs as contract activity progresses. Full provision is made for losses on all contracts in the period in which they are first foreseen. Revenue from the installation or repair of equipment is recognised over time by reference to the stage of completion.

Sale of Goods

Revenue from the sale of goods is recognised at a point in time if the product has an alternative use or no enforceable right to payment. Recognition occurs when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Taxation

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

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in associates and joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Accounting Policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, tax is recognised in the income statement.

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Accounting Policies (continued)

Financial Assets (continued)

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Accounting Policies (continued)

Financial Assets (continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the 'administrative expenses' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'administrative expenses' line item; and
- for financial assets measured at FVTPL, exchange differences are recognised in profit or loss in the 'administrative expenses' line item.

Impairment of financial assets

The company recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The company always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the company's core operations.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Accounting Policies (continued)

Financial Assets (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 360 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default,
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the company considers the changes in the risk that the specified debtor will default on the contract.

The company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Accounting Policies (continued)

Financial Assets (continued)

(ii) Definition of default

The company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the company, in full (without taking into account any collateral held by the company).

Irrespective of the above analysis, the company considers that default has occurred when a financial asset is more than 360 days past due unless the company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event (see (ii) above);
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Accounting Policies (continued)

Financial Assets (continued)

(v) Measurement and recognition of expected credit losses (continued)

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the company expects to receive from the holder, the debtor or any other party.

If the company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the company, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Accounting Policies (continued)

Financial Liabilities (continued)

Financial liabilities at FVTPL (continued)

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss.

The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'administrative expenses' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the company that are designated by the company as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Accounting Policies (continued)

Financial Liabilities (continued)

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'administrative expenses' line item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the company exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

2. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year and the disclosure of contingent liabilities at the reporting date. However, the nature of estimation means that actual outcomes could differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgements in Applying the Company's Accounting Policies

In the process of applying the company's accounting policies, management has had to make the following judgements, apart from those involving estimations, which have the most significant impact on the amounts recognised in the financial statements:

Recoverability of receivables and construction contract assets

The company assesses at each balance sheet date whether a receivable or construction contract asset is impaired. A receivable or construction contract asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Key Sources of Estimation Uncertainty

Recoverability of overdue debtor

The company has a debtor which is now overdue by more than 4 years. The directors are satisfied that the customer has acknowledged that they are not disputing payment of the debtor. However, it is dependent upon close out of contract related documentation and internal approval from the customer's side, prior to payment. The total amount of the debtor is £883,000. No provision has been made for the debtor, although there is a reduced level of risk that an element of the debtor may not be received in the next financial year. At the balance sheet date, the debtor has been classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

3. Revenue

Revenue recognised in the income statement is analysed as follows:

	2022 £000s	2021 £000s
Revenue from over time contracts	14,617	23,153
Sale of goods	22,458	23,933
Rendering of services	1,892	854
	<u>38,967</u>	<u>47,940</u>

4. Operating Loss

This is stated after charging/(crediting):

	Notes	2022 £000s	2021 £000s
Depreciation of property, plant and equipment	11	631	782
Depreciation of right of use asset	11	992	757
Amortisation of intangible assets	12	632	638
Short term operating lease payments		24	39
Foreign exchange (gains)/losses		(1,162)	607
Cost of inventory recognised as an expense		24,318	31,816
Impairment of trade receivables recognised in administrative expenses		190	64
Research and development costs		80	1,400
Restructuring costs – reduction in headcount		-	471
		<u></u>	<u></u>

5. Auditor's Remuneration

The following amounts were payable to the company's auditor in respect of the audit of the financial statements and for other services provided to the company:

	2022 £000s	2021 £000s
Audit of company's financial statements	88	78
Audit requirement of group reporting	73	65
Non audit fees – provision of tax services	39	5
	<u>200</u>	<u>148</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

6. Staff Costs

	2022 £000s	2021 £000s
Wages and salaries	11,194	11,955
Social security costs	1,176	1,151
Pension costs	619	650
	<u>12,989</u>	<u>13,756</u>

The pension costs are in respect of defined contribution schemes.

The average monthly number of employees during the year was made up as follows:

	2022 No.	2021 No.
Operations	172	163
Engineering	32	36
Sales and administration	54	55
	<u>258</u>	<u>254</u>

7. Directors' Remuneration

	2022 £000s	2021 £000s
Aggregate emoluments	110	103
Value of company pension contributions to defined contribution scheme	7	10
	<u>117</u>	<u>113</u>

One director was a member of the defined contribution pension scheme. In 2022, three directors (2021: three directors) were remunerated by other group companies for their services to the group as a whole.

8. Finance Income

	2022 £000s	2021 £000s
Interest receivable – intercompany loans	1,223	136
	<u>1,223</u>	<u>136</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

9. Finance Expense

	2022 £000s	2021 £000s
Interest payable – intercompany loans	1,297	184
Finance lease interest	977	290
Unwinding of discount on warranties and penalties provisions	124	132
	<u>2,398</u>	<u>606</u>

10. Taxation

(a) Tax on loss

	2022 £000s	2021 £000s
Current Taxation:		
United Kingdom corporation tax at 19% (2021: 19%)	-	-
Overseas tax	(1)	34
Current tax charge	<u>(1)</u>	<u>34</u>
Deferred Taxation:		
Origination and reversal of timing differences	1	-
Prior year adjustment	628	-
Effect of changes in tax rates	1	-
Deferred tax charge	<u>630</u>	<u>-</u>
Total tax charge	<u>629</u>	<u>34</u>

(b) Reconciliation of the total tax charge

The tax charge in the income statement for the year is higher than the standard rate of Corporation Tax in the UK of 19% (2021: 19%).

The differences are reconciled below:

	2022 £000s	2021 £000s
Loss from continuing operations before taxation	<u>(2,025)</u>	<u>(866)</u>
Loss multiplied by the standard rate of Corporation Tax in the UK of 19% (2021: 19%)	(385)	(165)
Tax effect of non-deductible or non-taxable items	105	6
Movement in unprovided deferred tax	(1,670)	2,762
Effect of group relief/other reliefs	1,951	135
Prior year adjustment	628	-
Foreign tax recovered	(1)	34
Tax rate changes	1	(2,731)
Adjustment to reflect current year movement at 25% not 19%	-	(7)
Total tax charge reported in the income statement	<u>629</u>	<u>34</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

10. Taxation (continued)

The Finance Act 2021 enacted on 10 June 2021 increased the main rate of UK corporation tax from 19% to 25%, effective from 1 April 2023. The closing deferred tax assets and liabilities have been measured at 25% (2021: 25%) which represents the future corporation tax rate that was enacted at the balance sheet date.

In September 2022 it was announced that the increase in the tax rate from 19% to 25% would be reversed, however a further announcement was made in October 2022 that the increase will in fact go ahead as planned. The applicable deferred tax rate is therefore 25%.

(c) Deferred tax entries are based on a tax rate of 25% (2021: 25%)

	2022 £000s	2021 £000s
Deferred tax liabilities:		
Intangible assets	3,385	1,971
Deferred tax assets:		
<i>Recognised</i>		
Tax losses carried forward	3,385	2,601
Net deferred tax asset	-	630
<i>Not recognised</i>		
Decelerated tax depreciation	-	2,693
Tax losses carried forward	7,442	8,087
	7,442	10,780
Losses on which no deferred tax asset is recognised	29,770	32,350
Movement on net deferred tax balance in the year:		
Opening net deferred tax asset	630	630
Charge to income statement	(630)	-
Closing net deferred tax asset	-	630

At the balance sheet date, the company had unused tax losses of £43,310,000 (2021: £48,961,000) available for offset against future profits. These losses can be carried forward indefinitely. No deferred tax asset has been recognised in respect of £29,770,000 (2021: £32,350,000) of these losses, or on temporary differences relating to decelerated tax depreciation and general provisions, on the basis that their future economic benefit is uncertain. The company has recognised a deferred tax asset in respect of £13,540,000 (2021: £10,403,000) of the losses, on the basis of the future reversal of deferred tax liabilities which the deferred tax asset can be utilised against.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

11. Property, Plant and Equipment

	<i>Leasehold Improvements £000s</i>	<i>Right of Use Asset</i>	<i>Other Plant & Equipment £000s</i>	<i>Assets Under Construction £000s</i>	<i>Total £000s</i>
Cost:					
At 1 January 2022	1,074	6,249	25,557	1,207	34,087
Additions	747	27,618	82	90	28,537
Transfers In/(Out)	-	-	(17)	17	-
Disposals	(108)	-	(12)	-	(120)
At 31 December 2022	<u>1,713</u>	<u>33,867</u>	<u>25,610</u>	<u>1,314</u>	<u>62,504</u>
Depreciation:					
At 1 January 2022	845	2,271	21,997	-	25,113
Provided during the year	96	992	535	-	1,623
Disposals	(30)	-	(10)	-	(40)
At 31 December 2022	<u>911</u>	<u>3,263</u>	<u>22,522</u>	<u>-</u>	<u>26,696</u>
Net Book Value:					
At 31 December 2022	<u>802</u>	<u>30,604</u>	<u>3,088</u>	<u>1,314</u>	<u>35,808</u>
At 31 December 2021	<u>229</u>	<u>3,978</u>	<u>3,560</u>	<u>1,207</u>	<u>8,974</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

12. Intangible Assets

	<i>Product Development £000s</i>	<i>Purchased Software £000s</i>	<i>Business Acquisitions £000s</i>	<i>Goodwill £000s</i>	<i>Total £000s</i>
Cost:					
At 1 January 2022	905	10,954	16,323	13,456	41,638
Additions	881	-	-	-	881
At 31 December 2022	1,786	10,954	16,323	13,456	42,519
Amortisation and impairment:					
At 1 January 2022	905	10,871	12,944	-	24,720
Charge for the year	-	-	632	-	632
At 31 December 2022	905	10,871	13,576	-	25,352
Net book value:					
At 31 December 2022	881	83	2,747	13,456	17,167
At 31 December 2021	-	83	3,379	13,456	16,918

The intangible fixed assets identified as part of business acquisitions were as follows:

	<i>Brand Name £000s</i>	<i>Installed Pumps Base £000s</i>	<i>Total £000s</i>
Cost:			
At 1 January 2022 and 31 December 2022	5,338	10,985	16,323
Amortisation:			
At 1 January 2022	4,887	8,057	12,944
Charge for the year	84	548	632
At 31 December 2022	4,971	8,605	13,576
Net book value:			
At 31 December 2022	367	2,380	2,747
At 31 December 2021	451	2,928	3,379

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

12. Intangible Assets (continued)

Brand Name: The trade name and heritage of Weir Pumps is globally recognised so the acquisition agreement granted Clyde Pumps Limited (now renamed Clyde Union Limited) the right to use the subtext 'incorporating Weir Pumps Glasgow' under the Clyde Union Limited name for a period of four years from the completion date (May 2007) and to use 'incorporating Weir Pumps Glasgow' in the heritage section of the 'about us' page of the Clyde Union Limited website or in printed profiles of the business for a period of twenty years from the completion date. The net book value at 31 December 2022 of £367,000 will be amortised over the remaining useful life of 5 years.

Installed Pumps Base: The Weir Pumps business had been supplying pumps for many years so naturally there are a significant number of pumps still operating at customer locations worldwide yielding future service and spares revenue for Clyde Union Limited. The net book value at 31 December 2022 of £2,380,000 will be amortised over the remaining useful life of 5 years.

Other intangibles (product development and purchased software) are amortised on a straight line basis over their useful economic life of four to eight years. Capitalised product development costs in the year of £881,000 are not amortised as the asset is not yet complete. Goodwill is not amortised but is subject to an annual impairment review (see Note 13). There has been no allocation of goodwill as the business is considered to be one cash generating unit.

13. Impairment Testing of Goodwill and Intangibles with Indefinite Lives

The recoverable amount has been determined based on a five year value in use calculation using cash flow projections based on financial plans approved by the board of directors.

The main assumptions used in the valuation are:

Gross Margins: Gross margins are based on a detailed analysis of projected market and product sales for a forecast period, increased over the period for anticipated efficiency improvements.

Discount Rates: Discount rates are pre-tax rates that reflect management's estimate of risks. This is the benchmark used by management to assess the operating performance and evaluate future investment proposals. The discount rate applied to the cash flow projections is 16.5% (2021: 16.0%).

Market Share Assumptions: These are important because management assesses how the company's position, relative to its competitors, might change over the budget period.

Sensitivity to Changes in Assumptions

With regard to the assessment of value in use management believes that no reasonably possible change in any of the key assumptions would cause the carrying value to materially exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

14. Investments

	2022 £000s	2021 £000s
Cost:		
At 1 January	2,309	2,309
	-	-
At 31 December	<u>2,309</u>	<u>2,309</u>
(Impairment)/Impairment Reversal:		
At 1 January	(2,159)	(1,960)
Clyde Union China Holdings Limited	-	(199)
At 31 December	<u>(2,159)</u>	<u>(2,159)</u>
Net Book Value:	<u>150</u>	<u>150</u>

As of 31 December 2022, the directors assessed the carrying value of the investment in Clyde Union China Holdings Limited against the recoverable amount resulting in no impairment (2021: £199,000).

Details of the investments in which the company holds a nominal share value of any class of share capital is as follows:

<i>Name of Company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>	<i>Registered address</i>
Clyde Union China Holdings Limited	Ordinary shares	100%	Holding company	149 Newlands Road, Cathcart, Glasgow, Lanarkshire, United Kingdom
Clyde Union Technology (Beijing) Co. Limited *	Ordinary shares	100%	Support and service of pumps and associated equipment	8 C1 Tower B Gateway Plaza No 18 Xiaguangli, East 3 rd Rign North Road, Chaoyang Dist. Beijing, China
Clyde Pumps India Pvt. Limited	Ordinary shares	60%	Manufacture and aftermarket support of pumps and associated equipment	No.162, 6 th Floor, Tower-A, The Corenthum, Plot No. A-41, Sector-62, Noida – 201301, Uttar Pradesh, India

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

14. Investments (continued)

<i>Name of Company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>	<i>Registered address</i>
Mather & Platt Machinery Limited	Ordinary shares	100%	Dormant	149 Newlands Road, Cathcart, Glasgow, Lanarkshire, United Kingdom
Girdlestone Pumps Limited	Ordinary shares	100%	Dormant	149 Newlands Road, Cathcart, Glasgow, Lanarkshire, United Kingdom

* held by subsidiary

15. Trade and Other Receivables

	<i>2022 £000s</i>	<i>2021 £000s</i>
Amounts falling due in one year or less are:		
Trade receivables	11,665	10,982
Less: provision for impairment of receivables	(1,325)	(245)
Trade receivables – net	10,340	10,737
Prepayments and other receivables	929	356
VAT receivable	91	156
Amounts due from group undertakings	8,538	3,081
	<u>19,898</u>	<u>14,330</u>

Of the carrying amount of trade receivables of £10.3m, £4.0m relates to six major customers (2021: of the carrying amount of trade receivables of £10.7m, £5.9m relates to nine major customers). Trade receivables are non-interest bearing and are generally on 30-60 days terms.

Analysis of trade receivables:

	<i>2022 £000s</i>	<i>2021 £000s</i>
Neither impaired nor past due	7,343	6,043
Past due but not impaired	2,997	4,694
Impaired	1,325	245
At 31 December	<u>11,665</u>	<u>10,982</u>

Ageing of past due but not impaired trade receivables:

	<i>2022 £000s</i>	<i>2021 £000s</i>
Up to 3 months past due	2,142	2,401
Between 3 and 6 months past due	406	675
More than 6 months past due	449	1,618
At 31 December	<u>2,997</u>	<u>4,694</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

15. Trade and Other Receivables (continued)

Movements in the provision for impairment of receivables were as follows:

	2022 £000s	2021 £000s
At 1 January	245	312
Impairment losses recognised on receivables	1,113	134
Utilised	(33)	(118)
Released Unutilised	-	(85)
FX Revaluation	-	2
At 31 December	<u>1,325</u>	<u>245</u>
Ageing of impaired trade receivables:		
	2022 £000s	2021 £000s
Up to 3 months past due	-	-
Between 3 and 6 months past due	-	-
More than 6 months past due	1,325	245
At 31 December	<u>1,325</u>	<u>245</u>

The non-current receivable of £37,881,000 (2021: £5,208,000) is an intercompany loan of £36,998,000 with interest charged at LIBOR plus 4.5% which is repayable on demand, however has been classified as non-current based on the expected settlement date, and an overdue debtor of £883,000 (see note 2 Recoverability of overdue debtor).

16. Inventories

	2022 £000s	2021 £000s
Raw materials and consumables	763	939
Short term work in progress	<u>6,161</u>	<u>5,977</u>
	<u>6,924</u>	<u>6,916</u>

The replacement cost of inventories at 31 December 2022 and 31 December 2021 was not materially different from the amount at which they are included in the balance sheet.

17. Contract Assets and Liabilities

	2022 £000s	2021 £000s
Amounts due from customers for contract work (included in current assets)	<u>8,114</u>	<u>13,763</u>
Amounts due to customers for contract work (included in current liabilities)	<u>3,761</u>	<u>4,560</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

18. Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following:

	2022 £000s	2021 £000s
Cash at bank and in hand	3,999	3,644
	<u>3,999</u>	<u>3,644</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

19. Trade and Other Payables

	2022 £000s	2021 £000s
Amounts falling due in one year or less are:		
Trade payables	10,332	5,747
Other payables	1,533	3,004
Accrued expenses	249	364
Amounts owed to group undertakings	29,028	24,043
	<u>41,142</u>	<u>33,158</u>
Amounts falling due in more than one year are:		
Accrued expenses	62	91
Amounts owed to group undertakings	28,492	-
	<u>28,554</u>	<u>91</u>

Current amounts owed to group undertakings includes four loans totalling £10,132,000 (2021: £7,417,000) which are repayable on demand with interest charged at LIBOR+4.5% and a £11,992,000 (2021: £10,731,000) non-interest bearing promissory note which is payable on demand. Non-current amounts owed to group undertakings includes a loan of £28,340,000 (2021: £nil) with interest charged at LIBOR+4.5% which is payable on 23 November 2026. All other amounts are non-interest bearing and payable on demand.

20. Lease Liability

	Total £000s
Lease Liability as at 1 January 2022	5,108
Repayments	(509)
Interest	128
Lease modification 16 June 2022	27,037
Repayments	(985)
Interest	849
Lease Liability as at 31 December 2022	31,628
Current	392
Non-current	31,236
Lease Liability as at 31 December 2022	31,628

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

20. Lease Liability (continued)

The company's commercial lease for the premises at 149 Newlands Road, Glasgow, was extended with modified payment terms in June 2022. This lease will run to June 2047. The landlord changed upon completion of the sale of the property to a third party in June 2022.

This modification has required the lease liability and right of use asset to be remeasured using the company's incremental borrowing rate at the effective date of the lease modification.

At 31 December 2022 the company had outstanding commitments for future minimum lease payments under non-cancellable leases which fall due as follows:

		2022 £000s	2021 £000s
Not later than one year	- property	1,974	275
After one year but not later than five years	- property	8,013	-
After five years	- property	49,634	-
		<u>59,621</u>	<u>275</u>

21. Provisions

	Contract Loss Provision £000s	Contract Penalty Claims	Warranty £000s	Environ - mental Remediation £000s	Dilapidation £000s	Total £000s
At 1 January 2021	1,262	2,850	312	400	-	4,824
Arising during the year	216	41	246	-	-	503
Utilised during the year	(68)	(222)	(58)	(277)	-	(625)
Released during the year	(116)	-	(14)	-	-	(130)
Unwinding of discount	-	107	25	-	-	132
FX revaluation	-	(11)	-	-	-	(11)
At 31 December 2021	<u>1,294</u>	<u>2,765</u>	<u>511</u>	<u>123</u>	<u>-</u>	<u>4,693</u>
Arising during the year	185	270	133	-	581	1,169
Utilised during the year	(377)	(643)	(76)	(59)	-	(1,155)
Released during the year	-	(119)	-	-	-	(119)
Unwinding of discount	-	105	19	-	-	124
FX revaluation	-	(125)	-	-	-	(125)
At 31 December 2022	<u>1,102</u>	<u>2,253</u>	<u>587</u>	<u>64</u>	<u>581</u>	<u>4,587</u>

	2022 £000s	2021 £000s
Current	1,584	4,649
Non - Current	3,003	44
	<u>4,587</u>	<u>4,693</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

21. Provisions (continued)

The company has made provision for known contract losses, environmental remediation, warranty, and contract penalty claims on goods sold and an allowance has been made for potential warranty claims based on past experience for goods sold with a warranty guarantee. It is expected that all costs related to such claims will have been incurred within five years of the balance sheet date.

22. Dividends paid

No dividends were declared in 2022 (2021: £10,424,000 equivalent to £0.56 per share).

23. Called-Up Share Capital

	2022		2021	
	No.	£000s	No	£000s
<i>Authorised, issued and fully paid:</i>				
Ordinary Shares of £1 each				
At 1 January	3,700,001	3,700	18,700,001	18,700
Reduction in share capital	-	-	(15,000,000)	(15,000)
At 31 December	<u>3,700,001</u>	<u>3,700</u>	<u>3,700,001</u>	<u>3,700</u>

On 22 December 2021 share capital was reduced by £15,000,000, with the corresponding amount being credited to distributable retained earnings.

24. Capital Commitments

The company had capital commitments for plant and equipment and purchased software totalling £195,000 at 31 December 2022 (2021: £722,000).

25. Contingent Liabilities

Bank guarantees to the value of £9.7m (2021: £7.7m) were outstanding at the year end. These were entered into in the normal course of the company's business. Other contingent liabilities arise in the ordinary course of business in connection with the completion of contracts. In the opinion of the directors no material loss will arise from such contingent liabilities in excess of the amounts provided in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

26. Related Party Transactions

The company has availed itself of a disclosure exemption under FRS 101 where related party transactions between wholly owned subsidiaries are not disclosed. Related party transactions not covered by this exemption have been disclosed below:

	<i>Sales to Related Party £000s</i>	<i>Purchases from Related Party £000s</i>	<i>Amounts owed by Related Party £000s</i>	<i>Amounts owed to Related Party £000s</i>
Subsidiaries:				
Clyde Pumps India Pvt. Ltd	124	-	143	-
	<u>124</u>	<u>-</u>	<u>143</u>	<u>-</u>

The equivalent disclosure for the prior year is as follows:

	<i>Sales to Related Party £000s</i>	<i>Purchases from Related Party £000s</i>	<i>Amounts owed by Related Party £000s</i>	<i>Amounts owed to Related Party £000s</i>
Subsidiaries:				
Clyde Pumps India Pvt. Ltd	150	-	73	-
	<u>150</u>	<u>-</u>	<u>73</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

27. Ultimate Parent Company

Management considers the company's ultimate parent undertaking and controlling party to be AP Boardwalk, L.P., a limited partnership incorporated in the state of Delaware, USA which is owned by funds managed by affiliates of Apollo Global Management, Inc.. The registered office of AP Boardwalk, L.P. is 251 Little Falls Drive, Wilmington, DE 19808, United States of America.

The company's immediate parent undertaking is Clyde Union (Holdings) Limited, a company incorporated in Scotland and registered at 149 Newlands Road, Glasgow, G44 4EX.

28. Events after the Balance Sheet Date

There are no post balance sheet events to disclose.

CELEROS FLOW TECHNOLOGY
Consolidated financial statements as of and for the
year ended December 31, 2022 and 2021

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Deloitte & Touche LLP
650 South Tryon Street
Suite 1800
Charlotte, NC 28202
USA
Tel: +1 704 887 1500
Fax: +1 704 887 1570
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To Management and the Board of Directors of Boardwalk Holdings, LLC

Opinion

We have audited the consolidated financial statements of Boardwalk Holdings, LLC (a/k/a Celeros Flow Technology) and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive loss, equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in

the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

March 30, 2023

Celeros Flow Technology
Consolidated Statements of Operations
(in millions)

	Year ended December 31, 2022	Year ended December 31, 2021
Revenue	\$ 334.0	\$ 355.9
Cost of products sold	242.1	257.8
Gross profit	91.9	98.1
Selling, general and administrative	93.0	91.6
Intangible amortization	10.1	11.3
Impairment of goodwill	57.7	42.4
Restructuring and other related charges	1.0	3.3
Operating (loss)	\$ (69.9)	\$ (50.5)
Other expense, net	(5.4)	\$ (4.2)
Foreign exchange, net	(6.3)	(0.5)
Interest expense, net	(29.9)	(25.4)
Loss before income taxes	(111.5)	(80.6)
Income tax (provision)	(3.1)	(1.8)
Net loss	(114.6)	(82.4)
Less: (Loss) attributable to noncontrolling interests	-	(0.2)
Net loss attributable to the company	\$ (114.6)	\$ (82.2)

The accompanying notes are an integral part of these statements.

Celeros Flow Technology
Consolidated Statements of Comprehensive Loss
(in millions)

	Year ended December 31, 2022	Year ended December 31, 2021
Net loss	\$ (114.6)	\$ (82.4)
Other comprehensive income (loss), net:		
Foreign currency translation adjustments	(16.1)	(9.2)
Other comprehensive income (loss), net	(16.1)	(9.2)
Total comprehensive loss	(130.7)	(91.6)
Less: Total comprehensive (loss) attributable to noncontrolling interests	-	(0.2)
Total comprehensive loss attributable to the company	\$ (130.7)	\$ (91.4)

The accompanying notes are an integral part of these statements.

Celeros Flow Technology
Consolidated Balance Sheets
(in millions)

December 31, 2022 December 31, 2021

ASSETS			
Current assets:			
Cash and equivalents	\$	28.0	\$ 31.4
Accounts receivable, net		68.4	63.1
Contract assets		31.5	33.0
Inventories, net		68.8	64.7
Other current assets		11.8	11.0
Total current assets		208.5	203.2
Property, plant, and equipment:			
Land		14.4	15.1
Buildings and leasehold improvements		25.9	27.0
Machinery and equipment		56.7	58.5
Gross property, plant, and equipment		97.0	100.6
Accumulated depreciation		(30.1)	(22.5)
Property, plant, and equipment, net		66.9	78.1
Goodwill		11.5	80.0
Intangibles, net		92.5	107.0
Other assets		59.7	49.9
TOTAL ASSETS	\$	439.1	\$ 518.2
LIABILITIES AND EQUITY (DEFICIT)			
Current liabilities:			
Accounts payable	\$	40.6	\$ 36.9
Contract liabilities		37.7	29.7
Accrued expenses		46.5	49.8
Income taxes payable		2.0	0.4
Short-term debt		9.2	0.3
Current portion of finance lease liabilities		0.5	0.5
Total current liabilities		136.5	117.6
Long-term debt		310.3	286.5
Deferred and other income taxes		6.6	7.9
Other long-term liabilities		59.4	49.8
Total long-term liabilities		376.3	344.2
Equity (deficit):			
Common stock, no par value, 17.5 and 17.5 shares outstanding at December 31, 2022 and 2021, respectively		-	-
Paid-in capital		176.6	176.0
Retained earnings		(266.7)	(152.1)
Accumulated other comprehensive income		13.6	29.7
Total Celeros Flow Technology stockholders' equity (deficit)		(76.5)	53.6
Noncontrolling interests		2.8	2.8
Total equity (deficit)		(73.7)	56.4
TOTAL LIABILITIES AND EQUITY (DEFICIT)	\$	439.1	\$ 518.2

The accompanying notes are an integral part of these statements.

Celeros Flow Technology
Consolidated Statements of Equity (Deficit)
(in millions)

	Common Stock Shares Outstanding	Common Stock Par Value	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interests	Total Equity (Deficit)
Balance at December 31, 2020	17.5	-	175.4	(64.9)	38.9	3.0	152.4
Net loss	-	-	-	(82.2)	-	(0.2)	(82.4)
Other comprehensive loss, net	-	-	-	-	(9.2)	-	(9.2)
Stock compensation	-	-	0.6	-	-	-	0.6
Dividend	-	-	-	(5.0)	-	-	(5.0)
Balance at December 31, 2021	17.5	\$ -	\$ 176.0	\$ (152.1)	\$ 29.7	\$ 2.8	\$ 56.4
Net loss	-	-	-	(114.6)	-	-	(114.6)
Other comprehensive loss, net	-	-	-	-	(16.1)	-	(16.1)
Stock compensation	-	-	0.4	-	-	-	0.4
Equity contribution	-	-	0.2	-	-	-	0.2
Balance at December 31, 2022	17.5	\$ -	\$ 176.6	\$ (266.7)	\$ 13.6	\$ 2.8	\$ (73.7)

The accompanying notes are an integral part of these statements.

Celeros Flow Technology
Consolidated Statements of Cash Flows
(in millions)

	Year ended December 31, 2022	Year ended December 31, 2021
Cash flows used in operating activities:		
Net loss	\$ (114.6)	\$ (82.4)
Adjustments to reconcile loss to net cash (used in) provided by operating activities:		
Stock compensation	0.4	0.6
Impairment of goodwill	57.7	42.4
Deferred income taxes, net	0.9	0.6
Depreciation and amortization	21.6	24.8
Foreign exchange	6.3	0.5
Other	1.4	0.4
Changes in operating assets and liabilities:		
Accounts receivable and other assets	(16.0)	25.4
Contract assets and liabilities, net	9.5	(0.2)
Inventories	(7.3)	3.8
Accounts payable, accrued expenses, and other	11.3	(24.0)
Net cash used in operating activities	(28.8)	(8.1)
Cash flows used in investing activities:		
Proceeds from asset sales	-	2.2
Capital expenditures	(5.4)	(6.6)
Net cash used in investing activities	(5.4)	(4.4)
Cash flows provided by financing activities:		
Financing arrangement for Houston facility/land	(0.1)	36.5
Financing arrangement for Glasgow facility/land	34.5	-
Repayment of term loan	(10.0)	(25.0)
Dividends paid	-	(5.0)
Proceeds from short term loan and other	23.2	3.1
Payments of short term loan and other	(15.0)	(3.7)
Net cash provided by financing activities	32.6	5.9
Change in cash, cash equivalents, and restricted cash due to changes in foreign currency exchange rates	(1.9)	(0.8)
Net change in cash, cash equivalents, and restricted cash	(3.5)	(7.4)
Cash, cash equivalents, and restricted cash, beginning of period	32.2	39.6
Cash, cash equivalents, and restricted cash, end of period	\$ 28.7	\$ 32.2

The accompanying notes are an integral part of these statements.

Celeros Flow Technology
Consolidated Statements of Cash Flows
(in millions)

	Year ended December 31, 2022	Year ended December 31, 2021
Supplemental disclosures of cash flow information:		
Interest paid	\$ 24.6	\$ 21.1
Income taxes paid, net of refunds of \$1.1 and \$0.3 in 2022 and 2021, respectively	0.2	2.2

	December 31, 2022	December 31, 2021
Reconciliation of cash, cash equivalents, and restricted cash to consolidated balance sheets:		
Cash and cash equivalents	\$ 28.0	\$ 31.4
Restricted cash included in other current assets	0.7	0.8
Cash, cash equivalents, and restricted cash	\$ 28.7	\$ 32.2

Celeros Flow Technology
Notes to Consolidated Financial Statements
(in millions)

(1) BASIS OF PRESENTATION

Background

Boardwalk Holdings, LLC is a Delaware limited liability company, owning 100% of Celeros Flow Technology, LLC (f/k/a Boardwalk Parent, LLC) (collectively “Celeros FT,” the “Company,” “we,” “us,” or “our”). The entities were formed on November 21, 2019 to allow certain funds affiliated with or advised, managed or controlled by Apollo Global Management, Inc. (“Apollo” or the “Buyer”) including 0.5% of certain members of management of the Company, to indirectly acquire a substantial portion of the Power and Energy segment (the “Power and Energy Business” or “P&E”) of SPX Flow, Inc. (“SPX Flow” or the “Former Parent”). On November 24, 2019, Celeros FT entered into a Purchase and Sale Agreement (the “Agreement” or the “Sale Agreement” or “Transaction”) to purchase certain subsidiaries, assets and liabilities associated with the Power and Energy Business (the “Acquired Business”) from SPX Flow (such transaction, the “Acquisition”). Pursuant to the Agreement, Celeros purchased the Acquired Business from SPX Flow for a final purchase price of \$409.0. To finance the Acquisition, Celeros FT used proceeds from the issuance of its equity interests valued at approximately \$174.5 and a term loan from affiliates of the Apollo funds in an amount of \$275.0. The Acquisition was consummated on March 30, 2020 (the “Closing Date”). The entities were dormant and did not have any transactions until the Closing date.

Description of Business

Headquartered at Charlotte, North Carolina, Celeros FT delivers flow control products and services to oil and gas, power, chemical processing, water, and marine/defense industries worldwide. The Company has a global footprint, composed of manufacturing and sales operations spanning 16 countries.

The Company’s product portfolio consists of pumps, valves, filters, and closures, along with the related on-site and aftermarket parts and services. On-site services include installation, inspection, commissioning, removal, scheduled maintenance, and emergency breakdown service. Aftermarket services include strip-down and rebuilds, mechanical upgrades and rerates, in addition to vibration, temperature, and leakage tests.

A large portion of the Company’s revenues are concentrated in oil extraction, production and transportation at existing wells, and in pipeline applications. Key brands include Clyde Union Pumps, M&J Valve, GD Engineering, Plenty, Copes Vulcan, Dollinger, OFM Services, Airpel, and Vokes.

Basis of Presentation

These Financial Statements were prepared by Celeros FT management in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”).

For the year-ended December 31, 2021, within the accompanying Statement of Other Comprehensive Loss, we corrected Other Comprehensive Income (Loss) to reflect a loss of \$9.2 of foreign currency translation adjustments erroneously included as other comprehensive income included within the prior year.

We experienced the adverse impacts of the novel coronavirus pandemic (“COVID-19” or the “COVID-19 pandemic”) beginning in the first quarter of 2020 and these adverse impacts continued during the second half of 2020 and during 2021 and 2022. Because the adverse impacts and continued decline in oil and gas markets, a resulting material decline in the carrying value of goodwill has been recorded in the consolidated balance sheet for the periods stated. Further description of the decline are found in Note 9.

The Russia/Ukraine conflict, and governmental actions implemented in response to the conflict, have not had a significant adverse impact on our operating results during 2022. We are monitoring the availability of certain raw materials that are supplied by businesses in these countries. However, at this time, we do not expect the

Celeros Flow Technology
Notes to Consolidated Financial Statements
(in millions)

conflict to have a significant adverse impact to our operating results.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our significant accounting policies are described below, as well as in other notes that follow.

Foreign Currency Translation and Transactions

The financial statements of our foreign subsidiaries are translated into U.S. dollars in accordance with the Foreign Currency Matters Topic of ASC 830. Balance sheet accounts are translated at the current rate at the end of each period and income statement accounts are translated at the average rate for each period. Gains and losses on foreign currency translations are reflected as a separate component of equity and other comprehensive loss. Foreign currency transaction gains and losses, as well as gains and losses related to foreign currency forward contracts and currency forward embedded derivatives, are included in "Foreign exchange."

Cash Equivalents

We consider highly liquid money market investments with original maturities of three months or less at the date of purchase to be cash equivalents. We include restricted cash within other current assets.

Revenue Recognition

We utilize a policy for revenue recognition which depicts the transfer of promised goods or services to customers in accordance with the transfer of control over those goods and services. See Note 5 for additional details regarding revenue from contracts with customers.

Application of Our Revenue Recognition Policy

Performance Obligations

Under ASC 606 revenue recognition standard, a contract with a customer is an agreement approved by both parties that creates enforceable rights and obligations, has commercial substance and includes identified payment terms under which collectability is probable. Once the Company has entered a contract with a customer, the contract is evaluated to identify performance obligations. Original equipment ("OE") contracts recognized over time are typically accounted for as a single performance obligation due to the integration of equipment and components, including installation and commissioning of those products that will together produce a combined output. For OE or aftermarket ("AM") contracts recognized at a point in time, we evaluate whether we have promised to provide multiple distinct goods or services in the contract, which can include equipment, installation, commissioning, and service. Goods and services that are determined to be distinct are accounted for as separate performance obligations. If determined to be significant to the contract, installation and commissioning may be accounted for as a separate performance obligation. Performance obligations to provide service typically relate to maintenance, repair, or upgrade activities to be performed on equipment we provide to customers. Service is typically determined to be a separate performance obligation satisfied as the service is completed.

Shipping and handling are generally determined to be fulfillment activities and typically occur prior to when control of the underlying goods in a contract transfers to a customer. In the event we are required to perform shipping and handling activities after control of the goods transfers to a customer, we treat those obligations as fulfillment activities and accrue for the costs of performing the obligation when revenue on the related goods is recognized.

Determination and Allocation of Transaction Price

We determine the transaction price for each contract based on the consideration we expect to receive for the products or services being provided under the contract. Certain OE contracts may vary in price due to variable

Celeros Flow Technology
Notes to Consolidated Financial Statements
(in millions)

consideration, primarily pertaining to late delivery penalties on OE contracts recognized over time and, to a lesser extent, OE contracts recognized at a point in time. We estimate variable consideration at the amount to which we expect to be entitled, which is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur. Due to the customer- and contract-specific nature of late delivery penalties, we use the most likely amount method to measure variable consideration based on an assessment of key factors related to a contract program schedule and, for certain contracts, specific historical experience with customers. Actual amounts of consideration ultimately received may differ from our estimates. If actual results vary from our estimates, we will adjust these estimates, which would affect revenue and earnings in the period such variances become known.

The total transaction price is allocated to each performance obligation in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each distinct performance obligation. In cases where we sell products with observable stand-alone selling prices, these selling prices are used to determine the stand-alone selling price. In cases where we sell an engineered customer-specific solution, we typically use the expected cost-plus margin approach to estimate the stand-alone selling price of each distinct performance obligation.

Payment Terms

Customer prepayments and progress billings are customary for certain OE contracts within most of our product lines, including generally those in which revenue is recognized over time and, to a lesser extent, OE contracts in which revenue is recognized at a point in time, but for which products are manufactured and/or engineered over a period greater than six months. Customer prepayments and progress billings are not considered a significant financing component because they are intended to protect either our customers or us in the event that some or all of the obligations under the contract are not completed.

Our customers are invoiced for products and services upon delivery or when contractual milestones are met, resulting in outstanding receivables with contractual payment terms from these customers. Payments on contracts with customer prepayments or progress billings are generally aligned with the milestones defined in the related contract, while payments for all other products and services typically occur 30 to 60 days after delivery occurs or services are completed.

Returns and Customer Sales Incentives

We have certain arrangements that require us to estimate, at the time of sale, the amounts of variable consideration that should be excluded from revenue as (i) certain amounts are not expected to be collected from customers and/or (ii) the product may be returned. We rely primarily on historical experience and/or specific customer agreements to estimate these amounts at the time of shipment and to reduce the transaction price. Arrangements that may impact the consideration to be collected from customers primarily include volume rebates and early payment discounts. We establish provisions for estimated returns primarily based on contract terms and historical experience.

Contract Costs

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if the Company expects the benefit of those costs to be longer than one year. The Company applies a practical expedient to expense costs as incurred for costs to obtain a contract when the amortization period is expected to be less than one year. These costs primarily include the Company's internal sales force compensation program; under the terms of this program, these costs are generally earned and recognized at the time the revenue is recognized.

Revenues Recognized Over Time

Our business recognizes revenues and profits from long-term construction/installation contracts over time. Such method requires estimates of future revenues and costs over the full term of product delivery. We measure our performance principally by the contract costs incurred to date as a percentage of the estimated total costs for that contract at completion. For OE contracts that are recognized over time, our customers generally contract with us to provide a service of integrating a complex set of tasks and components into a single project of a

Celeros Flow Technology
Notes to Consolidated Financial Statements
(in millions)

highly engineered and tailored capability that generally cannot be re-sold to another customer without significant re-engineering and/or re-work cost. Such contracts are accounted for as a single performance obligation. For aftermarket service contracts, our customers generally receive and consume the benefits of the service as we perform, or our performance enhances a customer-controlled asset. As noted above, we generally recognize revenue over time using costs incurred to date relative to total estimated costs at completion ("EAC's") for these OE and service contracts. This measure best depicts the transfer of control to customers continuously over time, which occurs as we incur costs related to satisfaction of performance obligation(s) under our contracts. This transfer of control over time is also supported by the work being either customer-owned throughout the life of the project or by termination clauses which allow us to recover costs incurred plus a reasonable profit. Revenues, including estimated profits, are recorded proportionally as costs are incurred. For certain long-term aftermarket maintenance contracts where we stand ready to perform at any time, we recognize revenue ratably over the life of the related contract.

We have established controls and procedures to update project EAC's for contracts recognized over time on a regular basis. Costs to fulfill include primarily labor, materials and subcontractors' costs, as well as other direct costs. Our cost estimation process is based upon (i) historical experience; (ii) the professional judgment and knowledge of our engineers, project managers, and operations and financial professionals; and (iii) an assessment of key factors such as progress toward completion and the related program schedule, identified opportunities and risks, and the related changes in estimates of revenues and costs.

EAC adjustments are recognized in the period in which they become known, including the resulting impact on revenues and operating income. These adjustments may result from positive (or negative) project performance and may result in an increase (or decrease) in operating income during performance, depending on whether or not we are successful in mitigating risks surrounding the technical, schedule, and cost aspects of those performance obligations or realizing related opportunities. If and when EAC costs exceed revenue to be earned on a project, a provision for the entire expected loss on the performance obligation is recognized in the period the loss is determined. The impact of EAC and loss provision adjustments on our revenues and operating income was insignificant during 2021 and 2022.

Revenues Recognized at a Point in Time

For OE and AM contracts recognized at a point in time, we generally determine that control transfers when the customer has obtained legal title and the risks and rewards of ownership, which is usually upon delivery based on FOB shipping terms. Although these types of contracts may contain multiple performance obligations, they are often satisfied at or near the same time, which can have the same effect as though the performance obligations were combined into a single performance obligation and allocated the total amount of the transaction price. For certain of our OE contracts recognized at a point in time, customer acceptance may be required before control transfers to the customer. Although products that require customer acceptance are often recognized over time, these products may also be recognized at a point in time when the contract does not provide us with an enforceable right to recover costs, plus a reasonable profit margin in the event of contract termination. Customer acceptance provisions in our contracts with customers generally relate to promises to provide highly engineered products that require precise outputs or customer-defined performance capabilities.

Contract Balances

Contract assets include unbilled amounts typically resulting from sales under contracts recognized over time when the cost-to-cost method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer and right to payment is not just subject to the passage of time. Contract assets are generally classified as current, as we expect to bill the amounts within the next 12 months. Contract liabilities include billings in excess of revenue under contracts recognized over time and advance payments received from customers related to product sales (unearned revenue). We classify contract liabilities generally as a current liability, as we expect to recognize the related revenue within the next 12 months. Our contract assets and liabilities are reported on a net contract-by-contract basis at the end of each reporting period.

Remaining Performance Obligations

Remaining performance obligations represent the transaction price of orders for which (i) control of goods or

Celeros Flow Technology
Notes to Consolidated Financial Statements
(in millions)

services has not been transferred to the customer or we have not otherwise met our performance obligations or (ii) where revenue is accounted for over time, proportional costs have not yet been incurred. Such remaining performance obligations exclude unexercised contract options and potential orders under “blanket order” contracts (e.g., with indefinite delivery dates or quantities).

Research and Development Costs

The Company conducts research and development activities for the purpose of developing and improving new products. The related expenditures are expensed as incurred and totaled \$1.4 in 2021 and \$2.9 in 2022, and are classified within selling, general and administrative expense within the statement of operations.

PP&E

Property, plant and equipment (“PP&E”) is stated at cost, less accumulated depreciation. We use the straight-line method for computing depreciation expense over the useful lives of PP&E, which do not exceed 40 years for buildings and range from three to 15 years for machinery and equipment. Depreciation expense, including amortization of finance leases was \$13.5 in 2021 and \$11.5 in 2022. Leasehold improvements are amortized over the life of the related asset or the life of the lease, whichever is shorter.

Impairments of PP&E, which represent non-cash asset write-downs, typically arise from business restructuring decisions that lead to the disposition of assets no longer required in the restructured business. For these situations, we recognize a loss when the carrying amount of an asset exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Fair values for assets subject to impairment testing are determined primarily by management, taking into consideration various factors, including third-party appraisals, quoted market prices and previous experience. If an asset remains in service at the decision date, the asset is written down to its fair value, if impaired, and the net book value is depreciated over its remaining economic useful life. When we commit to a plan to sell an asset, including the initiation of a plan to locate a buyer, and it is probable that the asset will be sold within one year based on its current condition and sales price, depreciation of the asset is discontinued and the asset is classified as an asset held for sale. In addition, the asset is written down to its fair value, less any selling costs, if impaired. For the periods presented, no such impairment of PP&E was noted.

Income Taxes

Deferred income tax assets and liabilities, as presented in the consolidated balance sheets, reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We periodically assess whether deferred tax assets will be realized and the adequacy of deferred tax liabilities, including the results of local, state, federal, or foreign statutory tax audits or estimates and judgments used.

Derivative Financial Instruments

We use foreign currency forward contracts to manage our exposures to fluctuating currency exchange rates. Derivatives are recorded on the consolidated balance sheets and measured at fair value. For derivatives designated as hedges of the fair value of assets or liabilities, the changes in fair values of both the derivatives and the hedged items are recorded in current earnings. For derivatives designated as cash flow hedges, the changes in fair value of the derivatives are recorded in “Accumulated Other Comprehensive Loss” (“AOCL”) if the hedges are deemed effective and subsequently recognized in earnings when the hedged items impact earnings. Changes in the fair value of derivatives not designated as hedges, and of ineffective cash flow hedges, are recorded in current earnings. We do not enter into financial instruments for speculative or trading purposes. For those transactions that are designated as cash flow hedges, on the date the derivative contract is entered into, we document our hedge relationship, including identification of the hedging instruments and the hedged items, as well as our risk management objectives and strategies for undertaking the hedge transaction. We also assess, both at inception and

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regularly thereafter, whether such derivatives are highly effective in offsetting changes in the fair value of the hedged item. See Notes 13 and 17 for further information.

Goodwill and Other Intangible Assets

Consistent with the requirements of the Intangible—Goodwill and Other Topic of the Codification, the fair value of our reporting unit generally is estimated using discounted cash flow projections that we believe to be reasonable under current and forecasted circumstances, the results of which form the basis for making judgments about the recoverability of carrying values of the net assets of our reporting unit. Other considerations are also incorporated, including comparable industry price multiples. The financial results of our businesses closely follows changes in the industries and end markets that it serves. Accordingly, we consider estimates and judgments that affect the future cash flow projections, including principal methods of competition, such as volume, price, service, product performance, and technical innovations, and estimates associated with cost improvement initiatives, capacity utilization and assumptions for inflation and blended effective tax rates. Any significant change in market conditions and estimates or judgments used to determine expected future cash flows that indicate a reduction in carrying value may give rise to impairment in the period that the change becomes known.

We perform our annual goodwill impairment testing in conjunction with our annual financial planning process during the fourth quarter, with such testing based primarily on events and circumstances existing as of the date of such testing. In addition, we test goodwill for impairment on a more frequent basis if there are indications of potential impairment.

We own the intellectual property rights to various tradenames including ClydeUnion Pumps, M&J Valve, Copes-Vulcan, Dollinger, GD Engineering, Plenty, Airpel, and Vokes (collectively “trademarks”). We perform our annual trademarks impairment testing in conjunction with our annual financial planning process or on a more frequent basis if there are indications of potential impairment. The fair values of our trademarks are determined by applying estimated royalty rates to projected revenues, with the resulting cash flows discounted at a rate of return that reflects current market conditions. The basis for these projected revenues is the annual operating plan for each of the related businesses.

(3) USE OF ESTIMATES

The preparation of our Financial Statements in conformity with GAAP requires us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of revenues (e.g., our estimates related to contract revenues recognized over time described above) and expenses during the reporting period. We evaluate these estimates and judgments on an ongoing basis and base our estimates on experience, current and expected future conditions, third-party evaluations, and various other assumptions that we believe are reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Actual results may differ from the estimates and assumptions used in the Financial Statements and related notes.

Listed below are certain significant estimates and assumptions used in the preparation of our Financial Statements. Certain other estimates and assumptions are further explained in the related notes.

Accounts Receivable Allowances—We provide allowances for estimated losses on uncollectible accounts based on our historical experience, current and future economic and market conditions, and the evaluation of the likelihood of success in collecting specific customer receivables. In addition, we maintain allowances for customer returns, discounts and invoice pricing discrepancies, with such allowances primarily based on historical experience.

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Summarized below is the activity for the allowance for uncollectible accounts.

	Year ended December 31, 2022	Year ended December 31, 2021
Balance at beginning of year	\$ (4.5)	\$ (6.8)
Allowances provided	(0.2)	(0.4)
Write-offs, net of recoveries, credits issued and other	0.1	2.7
Balance at end of year	\$ (4.6)	\$ (4.5)

Inventory—We estimate losses for excess and/or obsolete inventory and the net realizable value of inventory based on the aging and historical utilization of the inventory and the evaluation of the likelihood of recovering the inventory costs based on anticipated demand and selling price.

Long-Lived Assets and Intangible Assets Subject to Amortization—We continually review whether events and circumstances subsequent to the acquisition of any long-lived assets, or intangible assets subject to amortization, have occurred that indicate the remaining estimated useful lives of those assets may warrant revision or that the remaining balance of those assets may not be fully recoverable. If events and circumstances indicate that the long-lived assets should be reviewed for possible impairment, we use projections to assess whether future cash flows on an undiscounted basis related to the assets are likely to exceed the related carrying amount. We will record an impairment charge to the extent that the carrying value of the assets exceed their fair values as determined by valuation techniques appropriate in the circumstances, which could include the use of similar projections on a discounted basis.

In determining the estimated useful lives of definite-lived intangibles, we consider the nature, competitive position, life cycle position, and historical and expected future operating cash flows of each acquired asset, as well as our commitment to support these assets through continued investment and legal infringement protection.

Goodwill and Indefinite-Lived Intangible Assets—We test goodwill and indefinite-lived intangible assets for impairment annually and continually assess whether a triggering event has occurred to determine whether the carrying value exceeds the implied fair value. The fair value of our reporting unit is based generally on discounted projected cash flows, but we also consider factors such as comparable industry price multiples. We employ cash flow projections that we believe to be reasonable under current and forecasted circumstances, the results of which form the basis for making judgments about the carrying values of the reported net assets of our reporting unit. The financial results of many of our businesses closely follow changes in the industries and end markets that they serve. Accordingly, we consider estimates and judgments that affect the future cash flow projections, including principal methods of competition, such as volume, price, service, product performance, and technical innovations, as well as estimates associated with cost reduction initiatives, capacity utilization, and assumptions for inflation and blended effective tax rates. Actual results may differ from these estimates under different assumptions or conditions.

See Note 10 – Goodwill and Other Intangible Assets for further information, including discussion of impairment.

Accrued Expenses—We make estimates and judgments in establishing accruals as required under GAAP.

Legal—It is our policy to accrue for estimated losses from legal actions or claims when events exist that make the realization of the losses probable and they can be reasonably estimated. We do not discount legal obligations or reduce them by anticipated insurance recoveries.

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Warranty—In the normal course of business, we issue product warranties for specific products and provide for the estimated future warranty cost in the period in which the sale is recorded. We provide for the estimate of warranty cost based on contract terms and historical warranty loss experience that is periodically adjusted for recent actual experience. Because warranty estimates are forecasts that are based on the best available information, actual claims costs may differ from amounts provided. In addition, due to the seasonal fluctuations at certain of our businesses, the timing of warranty provisions and the usage of warranty accruals can vary period to period. We make adjustments to initial obligations for warranties as changes in the obligations become reasonably estimable. The following is an analysis of our product warranty accrual for the period presented:

	Year ended December 31, 2022	Year ended December 31, 2021
Balance at beginning of year	\$ (5.0)	\$ (6.9)
Provisions	(2.6)	(1.4)
Usage	2.1	3.3
Balance at end of year	(5.5)	(5.0)
Less: current portion of warranty	(5.5)	(5.0)
Non-current portion of warranty	\$ -	\$ -

Income Taxes—We review our income tax positions on a continuous basis and accrue for potential uncertain tax positions in accordance with the Income Taxes Topic of the Codification. Accruals for these uncertain tax positions are classified as “Deferred and other income taxes” in the accompanying consolidated balance sheets based on an expectation as to the timing of when the matter will be resolved. As events change or resolutions occur, these accruals are adjusted, such as in the case of audit settlements with taxing authorities. For tax positions where it is more likely than not that a tax benefit will be sustained, we record the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority, assuming such authority has full knowledge of all relevant information. These reviews also entail analyzing the realization of deferred tax assets. We establish a valuation allowance against deferred tax assets when, based on all available evidence, we believe that it is more likely than not that we will not realize a benefit associated with such assets. See Note 11 – Income Taxes for further discussion of our accounting for income taxes and potential uncertain tax positions.

(4) NEW ACCOUNTING PRONOUNCEMENTS

The following is a summary of new accounting pronouncements that apply or may apply to our business.

In December 2019, the FASB issued an amendment to simplify the accounting for income taxes by, among other matters, eliminating certain existing exceptions related to the general approach in ASC 740 relating to franchise taxes, reducing complexity in the interim-period accounting for year-to-date loss limitations and changes in tax laws, and clarifying the accounting for the step-up in the tax basis of goodwill. The transition requirements are primarily prospective and the effective date is for interim and annual reporting periods beginning after December 15, 2020. The adoption of this amendment by the Company on January 1, 2021 did not have a significant impact on our consolidated financial statements.

The London Interbank Offered Rate (“LIBOR”) is scheduled to be discontinued on June 30, 2023. In an effort to address the various challenges created by such discontinuance, the FASB issued three amendments to existing guidance, ASU No. 2020-04, No. 2021-01 and No. 2022-06, Reference Rate Reform. The amended guidance is designed to provide relief from the accounting analysis and impacts that may otherwise be required for modifications to agreements (e.g., loans, debt securities, derivatives, etc.) necessitated by the reference rate

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reform. It also provides optional expedients to enable companies to continue to apply hedge accounting to certain hedging relationships impacted by the reference rate reform. Application of the guidance in the amendments is optional, is only available in certain situations, and is only available for companies to apply until December 31, 2024. We are currently assessing the impacts of the practical expedients provided in this guidance, and which, if any, we will adopt.

(5) REVENUE FROM CONTRACTS WITH CUSTOMERS

Information regarding the nature, amount, timing and uncertainty of revenue, and the related cash flows, is noted in further detail below.

Revenues Recognized Over Time

The following table provides revenues recognized over time for the reporting periods presented:

	Year ended December 31, 2022	Year ended December 31, 2021
Revenues recognized over time:	\$ 65.2	\$ 89.9

Disaggregated Information about Revenues

Our aftermarket revenues generally include sales of parts and service/maintenance support, and OE revenues generally include all other revenue streams. The following tables provide disaggregated information about our OE and aftermarket revenues for the periods presented:

Year ended December 31, 2021			
	Original Equipment	Aftermarket	Total Revenues
Revenues	130.5	225.4	355.9
Year ended December 31, 2022			
	Original Equipment	Aftermarket	Total Revenues
Revenues	102.0	232.0	334.0

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Contract Balances

Our contract accounts receivable, assets and liabilities as of December 31, 2021 and December 31, 2022, and changes in such balances, were as follows:

	December 31, 2022	December 31, 2021	Change
Contract accounts receivable ⁽¹⁾	\$ 71.2	\$ 66.1	\$ 5.1
Contract assets	31.5	33.0	(1.5)
Contract liabilities	(37.7)	(29.7)	(8.0)
Net contract balance	\$ 65.0	\$ 69.4	\$ (4.4)

(1) Included in "Accounts receivable, net" in our consolidated balance sheet. Amounts are presented before consideration of the allowance for uncollectible accounts.

During the year ended December 31, 2022 and 2021, we recognized revenues of \$27.1 and \$26.4, respectively related to contract liabilities outstanding as of December 31, 2021 and 2020, respectively.

Remaining Performance Obligations

As of December 31, 2022 and 2021, the aggregate amount of our remaining performance obligations was \$325.2 and \$294.9, respectively. The Company expects to recognize revenue on approximately 80% and 95% of our remaining performance obligations outstanding as of December 31, 2022 within the next 12 and 24 months, respectively.

(6) LEASES

Celeros FT entered into sale-leaseback arrangements in June 2022 and June 2021 of its Glasgow and Houston facilities, respectively, including land and buildings. The lease agreements were evaluated as sale-leasebacks of property, plant, and equipment and it was determined that these transactions did not qualify for sale-leaseback accounting, as the leasing arrangement met the criteria to be classified as a finance lease. As a result, the transactions are being accounted for as financing arrangements. For these transactions, Celeros FT will continue to record the leased assets (buildings and land) on the consolidated balance sheet within property, plant and equipment as if it were the legal owner and will continue to recognize depreciation expense related to the building over its estimated useful life. In addition, the financing obligations are reported within long-term debt and short-term debt on the consolidated balance sheet, with the monthly lease payments being split between interest expense and principal pay down of the debt.

Information regarding our operating and finance lease right-of-use ("ROU") assets and liabilities, expense, cash flows and non-cash activities, future lease payments, and key assumptions used in accounting for such leases is noted in further detail below.

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The components of operating and finance lease ROU assets and liabilities for the periods presented were as follows:

	December 31, 2022	December 31, 2021
Finance lease ROU assets	\$ 1.0	\$ 1.2
Operating lease ROU assets	10.7	9.2
Current portion of operating lease liabilities	3.4	3.5
Current portion of finance lease liabilities	0.5	0.5
Long-term finance lease liabilities	1.4	2.1
Long-term operating lease liabilities	7.7	6.1

Assets held through finance lease agreements for the periods presented were as follows:

	December 31, 2022	December 31, 2021
Buildings	\$ 1.8	\$ 1.8
Less: accumulated depreciation	(0.8)	(0.6)
Net book value	\$ 1.0	\$ 1.2

The components of lease expense for the periods presented were as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Operating lease costs ⁽¹⁾	\$ 4.5	\$ 5.1
Short-Term lease costs ⁽¹⁾	2.2	1.3
Variable lease costs ⁽¹⁾	0.2	0.9
Total lease costs	\$ 6.9	\$ 7.3

- (1) Included in "Cost of products sold" and "Selling, general and administrative" in our Consolidated Statements of Operations.

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The future lease payments under operating and finance leases with initial remaining terms in excess of one year as of December 31, 2022, were as follows:

Year ending December 31,	Operating Leases	Finance Leases	Total
2023	\$ 3.9	\$ 0.7	\$ 4.6
2024	3.4	0.7	4.1
2025	2.4	0.7	3.1
2026	0.8	0.3	1.1
2027	0.4	-	0.4
Thereafter	0.6	-	0.6
Total lease payments	11.5	2.4	13.9
Less: interest	(0.4)	(0.5)	(0.9)
Present value of lease liabilities	\$ 11.1	1.9	\$ 13.0

Key assumptions used in accounting for our operating and finance leases as of December 31, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Weighted-average remaining lease term (years):		
Operating leases	3.7	3.9
Finance leases	3.5	4.5
Weighted-average discount rate:		
Operating leases	5.05%	4.98%
Finance leases	5.95%	5.95%

Cash flows and non-cash activities related to our operating and finance leases for the years ended December 31, 2022, and 2021 were as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows paid for operating leases	4.3	4.8
Operating cash flows paid for finance leases	0.4	0.5
Financing cash flows paid for finance leases	0.1	0.2
Non-Cash activities:		
Operating lease ROU assets obtained in exchange for new operating lease liabilities	3.3	1.9
Finance lease ROU assets obtained in exchange for new finance lease liabilities	-	-

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(7) RESTRUCTURING CHARGES

As part of our business strategy, we periodically right-size and consolidate operations to improve long-term results. Additionally, from time to time, we alter our business model to better serve customer demand, discontinue lower-margin product lines, and rationalize and consolidate manufacturing capacity. Our restructuring and integration decisions are based, in part, on discounted cash flows and are designed to achieve our goals of reducing structural footprint and maximizing profitability. As a result of our strategic review process, we recorded restructuring charges of \$1.0 in 2022 and \$3.2 in 2021. These restructuring charges were primarily related to restructuring initiatives to consolidate manufacturing facilities and reduce workforce.

The components of the charges have been computed based on expected cash payouts, including severance and other employee benefits based on existing severance policies, local laws, and other estimated exit costs. Liabilities for exit costs, including, among other things, severance and other employee benefit costs, are measured initially at their fair value and recorded when incurred. With the exception of certain employee termination obligations, which are not material to our consolidated financial statements, we anticipate that liabilities related to restructuring actions as of December 31, 2022 will be paid within one year from the period in which the action was initiated.

Restructuring charges for the years ended December 31, 2022 and 2021 are shown below:

	Year ended December 31, 2022	Year ended December 31, 2021
Employee termination costs	\$ 0.8	\$ 1.9
Facility consolidation costs	0.2	1.3
Total	\$ 1.0	\$ 3.2

The following is an analysis of our restructuring liabilities (included in "Accrued expenses" in our consolidated balance sheets) for the years ended December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
Balance at beginning of year	\$ 0.3	\$ 3.5
Utilization – cash	(0.9)	(6.4)
Restructuring expense	1.0	3.2
Foreign currency	0.0	0.0
Balance at end of year	\$ 0.4	\$ 0.3

(8) INVENTORIES, NET

	December 31, 2022	December 31, 2021
Finished goods	\$ 15.1	\$ 14.8
Work in process	27.0	28.1
Raw materials and purchased parts	26.7	21.8
Total inventories	\$ 68.8	\$ 64.7

Inventories include material, labor, and factory overhead costs and are reduced, when necessary, to estimated net realizable values. Inventories are valued using the first-in, first-out ("FIFO") method.

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(9) GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

	December 31, 2022	December 31, 2021
Carrying value beginning of period	\$ 80.0	\$ 127.8
Impairments (1)	(57.7)	(42.4)
Foreign currency translation and other	(10.8)	(5.4)
Carrying value	\$ 11.5	\$ 80.0

(1) The accumulated goodwill impairment is \$100.1 as of December 31, 2022.

Goodwill Impairment Tests

During the year ended December 31, 2022, consistent with our accounting policy in Note 2, we performed our annual goodwill impairment testing as of December 31, 2022. As a result of reduction in sales forecasts of which were impacted by the COVID-19 pandemic and other economic factors impacting sale of large capital equipment, the estimated carrying value of our reporting unit exceeded its respective recorded fair value. An adjustment of \$57.7 was recorded to impair goodwill for the year ended December 31, 2022. An adjustment of \$42.4 was recorded to impair goodwill for the year ended December 31, 2021.

Other Intangibles, Net

Identifiable intangible assets were as follows:

	December 31, 2022		
	Gross carrying value	Accumulated amortization	Net carrying value
Intangible assets with determinable lives:			
Customer relationships	\$ 64.0	(17.5)	46.5
Technology	33.9	(9.6)	24.3
Backlog	3.7	(3.7)	-
	101.6	(30.8)	70.8
Trademarks and indefinite lives (1)	21.7	-	21.7
Total	\$ 123.3	\$ (30.8)	\$ 92.5

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December 31, 2021

	Gross carrying value	Accumulated amortization	Net carrying value
Intangible assets with determinable lives:			
Customer relationships	\$ 65.9	(11.3)	54.6
Technology	36.0	(6.5)	29.5
Backlog	3.7	(3.7)	-
Definite life intangibles	105.6	(21.5)	84.1
Trademarks with indefinite lives (1)	22.9	-	22.9
Total	\$ 128.5	\$ (21.5)	\$ 107.0

(1) The carrying value as of December 31, 2022 and December 31, 2021 included accumulated impairments of \$6.5.

Amortization expense for the year ended December 31, 2022 and December 31, 2021 was \$10.1 and \$11.1, respectively. Estimated amortization expense related to these intangible assets is \$10.1 in 2023, \$10.1 in 2024, \$10.1 in 2025, \$10.1 in 2026, and 10.1 in 2027.

Intangible Impairment Tests and Charges

Management performed its annual indefinite-lived intangible asset impairment test, performed in conjunction with its annual reporting process for 2022 and 2021, which indicated no further impairment of the trademarks intangible assets.

(10) EMPLOYEE BENEFIT PLANS

Defined Contribution Retirement Plan

We sponsor a defined contribution retirement plan (the “401(k) Plan”) pursuant to Section 401(k) of the U.S. Internal Revenue Code to which eligible U.S. employees of the Company may voluntarily contribute. Under the 401(k) Plan, such employees may contribute up to 50% of their compensation into the 401(k) Plan and the Company matches a portion of participating employees’ contributions.

(11) INCOME TAXES

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. Valuation allowances are established when management determines that it is more likely than not that some portion, or all of the deferred tax asset will not be realized. The current payable and receivable reflects the liabilities for which Celeros is the primary obligor. The financial effect of changes in tax laws or rates is accounted for in the period of enactment.

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The provision for income taxes related to Celeros FT consisted of the following:

	Year Ended December 31, 2022	Year Ended December 31, 2021
(Loss) before income taxes:		
United States	\$ (76.1)	\$ (60.1)
Foreign	(35.4)	(20.5)
	(111.5)	(80.6)
Benefit from (provision) for income taxes:		
Current:		
United States	0.1	(0.4)
Foreign	(3.0)	(1.9)
Total current	(2.9)	(2.3)
Deferred and other:		
United States	-	0.0
Foreign	(0.2)	0.5
Total deferred and other	(0.2)	0.5
Total (provision)	\$ (3.1)	\$ (1.8)

For the year ended December 31, 2022, the Company's effective tax rate differs from the statutory U.S. federal income tax rate primarily due to adjustments related to valuation allowances, goodwill impairment, Subpart F Income inclusions, accrued withholding taxes, tax rate differential on foreign earnings, state tax, and tax rate changes. For the year ended December 31, 2021, the Company's effective tax rate differs from the statutory U.S. federal income tax rate primarily due to adjustments related to valuation allowances, goodwill impairment, state tax, and tax rate differential on foreign earnings.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. As of December 31, 2022, the gross deferred tax asset is \$72.2, the gross deferred tax liability is \$20.6, and the valuation allowance is \$57.8. As of December 31, 2021, the gross deferred tax asset is \$60.4, the gross deferred tax liability is \$25.6, and the valuation allowance is \$41.0.

As of December 31, 2022, the Company had gross net operating losses of \$101.4 in various jurisdictions of which \$19.1 expires between 2025 and 2042. The remaining carryforwards have no expiration date. As of December 31, 2021, the Company had gross net operating losses of \$127.9 in various jurisdictions of which \$39.9 expires between 2026 and 2041. The remaining carryforwards have no expiration date. As of December 31, 2022, the Company had valuation allowances on certain deferred tax assets of \$57.8. As of December 31, 2021, the Company had valuation allowances on certain deferred tax assets of \$41.0. The increase of \$16.8 has been recorded to recognize the portion of the deferred tax asset that is more likely than not to not be realized.

The amount of income tax that we pay annually is dependent on various factors, including the timing of certain deductions. These deductions can vary from year to year and, consequently, the amount of income taxes paid in future years will vary from the amounts paid in prior years.

We are subject to taxation in the United States and various states and foreign jurisdictions. As of December 31, 2022, for the United States, tax years between 2020 and 2021 are subject to examination by the tax authorities and for the foreign jurisdictions various tax years between 2013 and 2022 are subject to examination by the tax authorities.

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Undistributed Foreign Earnings

For the years ended December 31, 2022, and December 31, 2021, the Company's practice and intention is not to reinvest the future earnings of most non-U.S. subsidiaries and the Company has accrued applicable taxes. As of December 31, 2022, the Company has recorded a provision of \$0.2 related to these undistributed earnings for non-US subsidiaries. As of December 31, 2021, the Company has recorded a provision of \$0.1 related to these undistributed earnings for non-US subsidiaries. As of April 1, 2020, the Company's practice and intention was to indefinitely reinvest accumulated earnings to that date of non-US subsidiaries.

Unrecognized Tax Benefits

The Company follows the provisions of ASC 740 related to unrecognized tax benefits and for the period ended December 31, 2022, maintains an accrual for unrecognized tax benefits of \$0.3 based on the Celeros FT tax positions. Management expects that uncertainty associated with this amount will not be resolved within the next 12 months. There are nominal interest and penalties accrued as interest and penalties, as of December 31, 2022. Upon audit, taxing authorities may challenge all or part of an uncertain income tax position.

In connection with the spin-off by SPX Corporation of SPX Flow, the Company and the Former Parent entered into a Tax Matters Agreement which, among other matters, addresses the allocation of certain tax adjustments that might arise upon examination of the 2013, 2014 and the pre-spin-off portion of the 2015 federal income tax returns of the Former Parent. The previously open audits of the 2014 and pre-Spin-Off portion of the 2015 federal income tax returns were closed during the year ended December 31, 2021. SPX Flow and the Company have a tax indemnification agreement and the Company is not aware of any additional unrecognized tax benefit required to be recorded.

(12) INDEBTEDNESS

	December 31, 2022	December 31, 2021
Finance lease obligations	\$ 1.9	\$ 2.6
Other	1.3	0.8
Houston financing arrangement	36.4	35.9
Glasgow financing arrangement	34.2	-
Revolver	8.0	-
Term loan, due in March 2026	238.4	248.0
Total debt	320.2	287.3
Less: business/risk insurance payable	(1.0)	(0.3)
Less: Houston financing arrangement	(0.1)	-
Less: Glasgow financing arrangement	(0.3)	-
Less: Revolver	(8.0)	-
Less: current portion of finance lease liabilities	(0.5)	(0.5)
Total long-term debt	\$ 310.3	\$ 286.5

Debt payable during each of the five years subsequent to December 31, 2022, is \$9.9, \$1.1, \$1.2, \$240.9, and \$0.6, respectively.

The Term loan was entered into as of the acquisition date of March 30, 2020, and does not include any required principal payments until the maturity date of March 30, 2026. A principal payment was made in July 2022 in the amount of \$10.0 and November 2021 in the amount of \$25.0, reducing the outstanding loan and forward-

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looking interest. The lender is Apollo Finance and BNP as the administrative agent of the facility, the loan included lender fees of \$2.9 of which \$1.6 remained unamortized as of December 31, 2022, and is included as a reduction to the total debt balance. See Note 18.

Celeros FT entered into sale-leaseback arrangements in June 2022 and June 2021 of its Glasgow and Houston facilities, including land and buildings. The lease agreements were evaluated as sale-leasebacks of property, plant, and equipment and it was determined that the transactions did not qualify for sale-leaseback accounting, as the leasing arrangements met the criteria to be classified as a finance lease. As a result, the transactions are being accounted for as financing arrangements. For these transactions, Celeros FT will continue to record the leased assets (buildings and land) on the consolidated balance sheet within property, plant, and equipment as if it were the legal owner and will continue to recognize depreciation expense related to the buildings over its estimated useful life. In addition, the financing obligations are reported within long-term debt and short-term debt on the consolidated balance sheet, with the monthly lease payments being split between interest expense and principal pay down of the debt.

Other Indebtedness Matters

At December 31, 2022, we had \$41.2 of borrowing capacity under our revolving credit facility and \$26.6 of borrowing capacity under our performance letters of credit after giving effect to \$23.4 reserved for outstanding letters of credit. At December 31, 2021, we had \$48.9 of borrowing capacity under our revolving credit facility and \$20.7 of borrowing capacity under our performance letters of credit after giving effect to \$29.3 reserved for outstanding letters of credit. At December 31, 2022, we were in compliance with all covenants under our revolving credit facility.

(13) DERIVATIVE FINANCIAL INSTRUMENTS

We manufacture and sell our products in a number of countries and, as a result, are exposed to movements in foreign currency ("FX") exchange rates. Our objective is to preserve the economic value of non-functional currency-denominated cash flows and to minimize the impact of changes as a result of currency fluctuations. Our principal currency exposures relate to the British Pound and Euro.

From time to time, we enter into forward contracts to manage the exposure on contracts with forecasted transactions denominated in non-functional currencies and to manage the risk of transaction gains and losses associated with assets/liabilities denominated in currencies other than the functional currency of certain subsidiaries ("FX forward contracts"). In addition, some of our contracts contain currency forward embedded derivatives ("FX embedded derivatives"), because the currency of exchange is not "clearly and closely" related to the functional currency of either party to the transaction. Certain of our FX forward contracts are designated as cash flow hedges. To the extent these derivatives are effective in offsetting the variability of the hedged cash flows, changes in the derivatives' fair value are not included in current earnings but are included in AOCL. These changes in fair value are reclassified into earnings as a component of revenues or cost of products sold, as applicable, when the forecasted transaction impacts earnings. In addition, if the forecasted transaction is no longer probable, the cumulative change in the derivatives' fair value is recorded as a component of "Other expense, net" in the period in which the transaction is no longer considered probable of occurring. To the extent a previously designated hedging transaction is no longer an effective hedge, any change in fair value of the derivative instrument is measured in the hedging relationship is recorded in earnings in the period in which it occurs.

During the years ended December 31, 2022 and 2021 we had FX embedded derivatives with an aggregate notional amount of \$3.3 and \$9.9 as of December 31, 2022 and 2021, respectively. The net gains and losses associated with FX embedded derivatives recorded in "Other expense, net" related to FX gains of \$0.4 and \$0.8 for the years ended December 31, 2022 and 2021, respectively.

We enter into arrangements designed to provide the right of setoff in the event of counterparty default or insolvency, and have elected to offset the fair values of our FX forward contracts in our consolidated balance

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sheets. As of December 31, 2022, the gross fair values of our FX embedded derivatives, in aggregate, were \$0.6 (gross assets). As of December 31, 2021, the gross fair values of our FX embedded derivatives, in aggregate, were \$0.7 (gross assets) and \$0.5 (gross liabilities).

Concentrations of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist of cash and equivalents, trade accounts receivable, contract assets, and FX forward contracts. These financial instruments, other than trade accounts receivable and contract assets, are placed with high-quality financial institutions throughout the world. We periodically evaluate the credit standing of these financial institutions.

We maintain cash levels in bank accounts that, at times, may exceed federally-insured limits. We have not experienced and believe we are not exposed to significant risk of loss in these accounts.

We have credit loss exposure in the event of nonperformance by counterparties to the above financial instruments but have no other off-balance-sheet credit risk of accounting loss. Except as is provided for in our accompanying consolidated balance sheets through an allowance for uncollectible accounts for certain accounts receivable, we anticipate that counterparties will be able to fully satisfy their obligations under the contracts. We do not obtain collateral or other security to support financial instruments subject to credit risk, but we do monitor the credit standing of counterparties. Concentrations of credit risk arising from trade accounts receivable and contract assets are due to selling to customers in a particular industry. Credit risks are mitigated by performing ongoing credit evaluations of our customers' financial conditions and obtaining collateral, advance payments, or other security when appropriate. No one customer, or group of customers that, to our knowledge, are under common control, accounted for more than 10% of our revenues for any period presented.

(14) EQUITY

Celeros FT was formed in Delaware and has issued 100% of its Limited Liability Corporation membership interests to its investors.

Accumulated Other Comprehensive Loss

Substantially all of AOCL as of December 31, 2022 and 2021 was foreign currency translation adjustment ("CTA"). See the consolidated statements of comprehensive loss for changes in AOCL for the years ended December 31, 2022 and 2021.

(15) STOCK-BASED COMPENSATION

The Company offers a share-based compensation plan to attract, retain and motivate its executive management team, certain key employees and non-employee directors to contribute to the long-term success of the Company. On May 20, 2020, Celeros FT adopted the 2020 Equity Incentive Plan (the "Equity Plan"). The Equity Plan is administered by the board of directors of Celeros FT, who determines the terms and conditions of each grant. Under the provisions of the Equity Plan, as of December 31, 2022 there are 539,339 shares of Options Tranche A units, 539,339 and 539,339 shares of Options Tranche B-1 and Options Tranche B-2, respectively units (together, the "Share-Based Awards") issued and outstanding. These option awards vest as described below and have 10-year contractual terms and an exercise price of \$10 per unit. The grant date fair value of \$5.0 for the Share-Based Awards granted was estimated using a Black-Scholes model incorporating breakpoints upon which each tranche of options participates in distributions. A discount for lack of marketability was applied to the options awards, as the grant agreement features transfer restrictions. At the grant date, Options Tranche A had a fair value of \$1.9 and Options Tranche B1 and Options Tranche B-2 had a fair value of \$1.7 and \$1.4, respectively. All awards are outstanding at December 31, 2022.

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The Options Tranche A Units are subject to time vesting conditions and vest in five equal annual installments on each anniversary of the vesting commencement date. The estimated grant-date fair value of Options Tranche A Units is recognized as share-based compensation expense on a straight-line basis over the vesting period. In the year ended December 31, 2022, the business recorded expense on the straight-line basis totaling \$0.4 to other expense, net and an increase to additional paid in capital. In the year ended December 31, 2021, the business recorded expense associated with 2020 and 2021 on the straight-line basis totaling \$0.6 to other expense, net and an increase to additional paid in capital. The maximum unrecognized compensation cost related to granted, unvested Options Tranche A units as of December 31, 2022 is approximately \$1.0.

The Options Tranche B-1 and B-2 Units are subject both to performance and market vesting conditions and will vest upon achievement of certain multiples of invested capital upon Celeros FT's sale of its majority ownership in the Company. Since the achievement of the required multiple of invested capital requires a liquidity event, no compensation cost is recorded for the Options Tranche B-1 and B-2 units until such a liquidity event is considered to be probable to occur. The maximum unrecognized compensation cost related to granted, unvested Options Tranche B-1 and B-2 units, respectively, is approximately \$1.7 and \$1.4.

(16) LITIGATION AND CONTINGENT LIABILITIES

Litigation and Contingent Liabilities

Various claims, complaints, and proceedings arising in the ordinary course of business, including those relating to litigation matters (e.g., intellectual property and competitive claims), have been filed or are pending against us and certain of our subsidiaries. We believe these matters are either without merit or of a kind that should not have a material effect, individually or in the aggregate, on our financial position, results of operations, or cash flows.

We are subject to domestic and international environmental protection laws and regulations with respect to our business operations and are operating in compliance with, or taking action aimed at ensuring compliance with, these laws and regulations. We believe our compliance obligations with environmental protection laws and regulations should not have a material effect, individually or in the aggregate, on our financial position, results of operations, or cash flows.

(17) FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1 — Quoted prices for identical instruments in active markets.

Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 — Significant inputs to the valuation model are unobservable.

There were no changes during the periods presented to the valuation techniques we use to measure asset and liability fair values on a recurring basis.

There were no transfers between the three levels of the fair value hierarchy during the periods presented.

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The following section describes the valuation methodologies we use to measure different financial instruments at fair value on a recurring basis.

Derivative Financial Instruments

Our derivative financial assets and liabilities include FX forward contracts and FX embedded derivatives, valued using valuation models based on observable market inputs, such as forward rates, interest rates, our own credit risk and the credit risk of our counterparties, which comprise investment-grade financial institutions. Based on these inputs, the derivative assets and liabilities are classified within Level 2 of the valuation hierarchy. We have not made any adjustments to the inputs obtained from the independent sources. Based on our continued ability to enter into forward contracts, we consider the markets for our fair value instruments active. We primarily use the income approach, which uses valuation techniques to convert future amounts to a single present amount.

For the year ended December 31, 2022, the gross fair values of our derivative financial assets and liabilities, in aggregate, were \$0.6 (gross assets). As of December 31, 2022, there had been no significant impact to the fair value of our derivative liabilities due to our own credit risk as the related instruments are collateralized under our senior credit facilities. Similarly, there had been no significant impact to the fair value of our derivative assets based on our evaluation of our counterparties' credit risks.

For the year ended December 31, 2021, the gross fair values of our derivative financial assets and liabilities, in aggregate, were \$0.7 (gross assets) and \$0.5 (gross liabilities). As of December 31, 2021, there had been no significant impact to the fair value of our derivative liabilities due to our own credit risk as the related instruments are collateralized under our senior credit facilities. Similarly, there had been no significant impact to the fair value of our derivative assets based on our evaluation of our counterparties' credit risks.

Goodwill, Indefinite-Lived Intangible, and Other Long-Lived Assets

Certain of our non-financial assets are subject to impairment analysis, including long-lived assets, indefinite-lived intangible assets, and goodwill. We review the carrying amounts of such assets whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable or at least annually for indefinite-lived intangible assets and goodwill. Any resulting impairment would require that the asset be recorded at its fair value.

During the year ended December 31, 2022, the Company performed fair value assessments for goodwill and the resulting analysis identified that the carrying value of the company's net assets exceeded the fair value and as such impaired goodwill in the amount of \$57.7 in the period. Indefinite life assets for trademarks were also reviewed in the period, and the analysis suggested that no further adjustment to the asset value was needed from what was impacted in the December 31, 2022, financial statements.

During the year ended December 31, 2021, the Company performed fair value assessments for goodwill and the resulting analysis identified that the carrying value of the company's net assets exceeded the fair value and as such impaired goodwill in the amount of \$42.4 in the period. Indefinite life assets for trademarks were also reviewed in the period, and the analysis suggested that no further adjustment to the asset value was needed from what was impacted in the December 31, 2021, financial statements.

At December 31, 2022 and 2021, no other significant non-financial assets or liabilities of the Company were required to be measured at fair value on a recurring or non-recurring basis.

Refer to Note 9 for further discussion pertaining to our annual evaluation of goodwill and other intangible assets for impairment.

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(18) RELATED PARTIES

In connection with the acquisition, as described in Note 1, the Company incurred debt issuance costs of \$2.9 with a related party which were capitalized and are being amortized over the life of the related long-term debt. For the year ended December 31, 2022 the Company has \$1.6 of these capitalized costs on the balance sheet.

Effective March 30, 2020, the Company entered into a management consulting agreement with affiliates of its private equity sponsors, the Company pays annual management fees of 1.5% adjusted earnings before interest, tax, depreciation, and amortization. For the year ended December 31, 2022, these fees amounted to \$0.5 consisting of management fees paid of \$0.4 and expenses for activities associated with helping run the business of \$0.1. For the year ended December 31, 2021, these fees amounted to \$0.6 consisting of management fees paid of \$0.3 and expenses for activities associated with helping run the business of \$0.3. These expenses were reported as Other expenses, net.

(19) SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 30, 2023, the date the financial statements were available to be issued. No subsequent events were noted.