Registered No: SC325345

Clyde Union China Holdings Limited

Annual Report and Financial Statements

for the year ended 31 December 2022

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

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 December 2022. The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption and as such there is no requirement to prepare a strategic report.

Results and Dividends

The loss for the year, after taxation, amounted to £4,000 *(2021: loss of £224,000)*. The directors recommend no dividend for the year *(2021: £nil)*. The loss was driven mainly by local Chinese tax filing charges of £3,000. The loss in 2021 was driven by an impairment charge of £224,000 on the company's investment in Clyde Union Pumps Technology (Beijing) Co. Limited (see note 7), resulting from a decline in the forecast outlook of the company's subsidiary.

Principal Activity and Review of the Business

Clyde Union China Holdings Limited ("the company") principally acts as the holding company for Clyde Union Pumps Technology (Beijing) Co. Limited whose activities comprise the support and service of pumps and associated equipment in the power, oil & gas, water and industrial sectors and to invest in joint ventures in China to develop the market for our products and services. Clyde Union Pumps Technology (Beijing) Co. Limited continues to operate providing in territory sales support to other group companies.

Financial Risks

As a holding company, the company is exposed to the risk that the value of its investments will decrease based on the underlying performance of its subsidiary. However, given the investment in its subsidiary undertaking is fully impaired, this risk is mitigated.

Going Concern

The directors recognise the financial situation of the company evidenced by net liabilities of $8,000 (2021: $4,000), which consist solely of liabilities to other group companies which are owned 100% by Celeros Flow Technology, LLC. The company has no external creditors, nor incurs any significant levels of external expense. The administrative expenses incurred in the year were a recharge of expenses from another Celeros group company.

Although management considers the company's ultimate parent undertaking and controlling party to be AP Boardwalk, L.P. (see note 9), Celeros Flow Technology, LLC, (the company's intermediate parent and a fellow subsidiary of AP Boardwalk, L.P) is the ultimate company within the Group which generates revenue and EBITDA and controls the intercompany positions for all group entities under common management. Celeros Flow Technology, LLC has confirmed that it will provide financial support to the company for at least one year from the date of signing these financial statements, including not requiring repayment of intercompany payables unless the company has sufficient resources to do this. The directors are satisfied that the company will continue to act as an intermediate holding company and perform this role in the wider group structure.

The directors have a reasonable expectation that the company has adequate resources, including support from Celeros Flow Technology LLC in managing the company's liability position, 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.

DIRECTORS' REPORT (continued)

Future developments
The company is expected to continue to act as the holding company for Clyde Union Pumps Technology (Beijing) Co. Limited.

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

Disclosure of Information to the 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.

Post Balance Sheet Events

There are no post balance sheet events to disclose.

Auditor

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.

Signed on behalf of the directors

6 November 2023

Christopher McVicker
Director
6 November 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITORS' REPORT

to the members of Clyde Union China Holdings Limited

Opinion

In our opinion the financial statements of Clyde Union China Holdings 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 which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 14.

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

INDEPENDENT AUDITORS' REPORT (continued)

to the members of Clyde Union China Holdings Limited

Other information (continued)

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

We have nothing to report in this regard.

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 FRC'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 AUDITORS' REPORT (continued)

to the members of Clyde Union China Holdings 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 the Companies Act 2006 and relevant 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.

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.

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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;
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report; 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.

INDEPENDENT AUDITORS' REPORT (continued)

to the members of Clyde Union China Holdings Limited

Use of our report

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

Stephen Pratt CA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Edinburgh, United Kingdom

6 November 2023

INCOME STATEMENT

for the year ended 31 December 2022

	Notes	2022 £000s	2021 (Restated*) £000s
Revenue	3	-	1
Administrative costs		(4)	(1)
Impairment of investment	7	-	(224)
Operating Loss and Loss before Tax		**(4)**	**(224)**
Tax	6	-	-
Loss for the Year		**(4)**	**(224)**

All activities relate to continuing operations.

No statement of comprehensive income has been prepared as there have been no changes in comprehensive income.

*The prior year administrative costs balance has been restated as outlined in note 14.

BALANCE SHEET

as at 31 December 2022

	Notes	2022 £000s	2021 (Restated*) £000s
Assets			
Non-Current Assets			
Investments	7	-	-
		-	**-**
Current Assets			
Amounts receivable from group undertakings	8	19	19
Cash and cash equivalents		1	2
		20	**21**
Total Assets		**20**	**21**
Liabilities			
Current Liabilities			
Trade and other payables	9	(28)	(25)
		(28)	**(25)**
Net Current Liabilities		**(8)**	**(4)**
Net Liabilities		**(8)**	**(4)**
Capital and Reserves			
Called-up share capital	10	-	-
Capital contribution	11	2,180	2,180
Retained earnings		(2,188)	(2,184)
Total Equity		**(8)**	**(4)**

*The prior year trade and other payables balance has been restated as outlined in note 14.

The financial statements of Clyde Union China Holdings Limited (Registered No: SC325345) on Pages 9 to 20 were approved by the board of directors and authorised for issue on 6 November 2023. They were signed on its behalf by:

Ch Mc   6 November 2023

Christopher McVicker
Director

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Note	*Called-up Share Capital £000s*	*Capital Contribution £000s*	*Retained Earnings £000s*	*Total Equity £000s*
At 1 January 2022		**-**	**2,180**	**(2,184)**	**(4)**
Loss in year attributable to equity holders and total comprehensive loss		-	-	(4)	(4)
At 31 December 2022		**-**	**2,180**	**(2,188)**	**(8)**

The equivalent disclosure for the prior year is as follows:

	Note	*Called-up Share Capital £000s*	*Capital Contribution £000s*	*Retained Earnings £000s*	*Total Equity £000s*
At 1 January 2021 (as previously stated)		**-**	**2,180**	**(1,960)**	**220**
Loss in year attributable to equity holders and total comprehensive loss (as previously stated)		-	-	(199)	(199)
At 31 December 2021 (as previously stated)		**-**	**2,180**	**(2,159)**	**21**
Impact of prior year restatement		-	-	(25)	(25)
At 31 December 2021 (restated)			**2,180**	**(2,184)**	**(4)**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Accounting Policies

Clyde Union China Holdings Limited (the "company") is a private company limited by shares which is registered in Scotland in the United Kingdom under the Companies Act 2006.

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 financial statements of the company are presented in GBP because that is the currency of the primary economic environment which the company operates. The assets and liabilities of foreign operations are translated to GBP at the reporting date. The income and expenses of foreign transactions are translated to GBP at exchange rates at the date of transaction.

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 accounts its results are included is Celeros Flow Technology, LLC, whose registered office is c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, USA.

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

The directors recognise the financial situation of the company evidenced by net liabilities of \$8,000 (2021: \$4,000), which consist solely of liabilities to other group companies which are owned 100% by Celeros Flow Technology, LLC. The company has no external creditors, nor incurs any significant levels of external expense. The administrative expenses incurred in the year were a recharge of expenses from another Celeros group company.

Although management considers the company's ultimate parent undertaking and controlling party to be AP Boardwalk, L.P. (see note 9), Celeros Flow Technology, LLC, (the company's intermediate parent and a fellow subsidiary of AP Boardwalk, L.P) is the ultimate company within the Group which generates revenue and EBITDA and controls the intercompany positions for all group entities under common management. Celeros Flow Technology, LLC has confirmed that it will provide financial support to the company for at least one year from the date of signing these financial statements, including not requiring repayment of intercompany payables unless the company has sufficient resources to do this. The directors are satisfied that the company will continue to act as an intermediate holding company and perform this role in the wider group structure.

The directors have a reasonable expectation that the company has adequate resources, including support from Celeros Flow Technology LLC in managing the company's liability position, 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Accounting Policies (continued)

Investments

Investments in subsidiaries are held at historical cost less any provision for impairment. The company assesses whether there are any indicators of impairment at each reporting date. Determining whether the company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. Since then, there has been nothing to indicate that this impairment should be reversed. The carrying amount of investments in subsidiaries at the balance sheet date was £nil *(2021: £nil)*.

Revenue

Revenue is recognised as costs are incurred, and fully recharged to our parent company.

Financial Assets

Financial assets are recognised when the company becomes party to the contracts that give rise to them and are classified as financial assets at fair value through profit or loss or loans and receivables, as appropriate. The company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, evaluates this designation at each financial year-end. When financial assets are recognised initially they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if it is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. All regular way purchases and sales of financial assets are recognised on the trade date, being the date that the company commits to purchase or sell the asset. Regular way transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place.

The subsequent measurement of financial assets depends on their classification, as follows:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Accounting Policies (continued)

Financial Assets at Fair Value through Profit or Loss

Financial assets classified as held for trading and other assets designated as such on inception are included in this category. Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or as financial guarantee contracts. Financial assets at fair value are carried in the balance sheet at fair value with gains or losses recognised in the income statement.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded. As at 31 December 2022, no financial assets have been designated at fair value through profit and loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Fair Values

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis and pricing models. Otherwise assets will be carried at cost.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Accounting Policies (continued)

Financial Liabilities

Initial Recognition

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs. The company's financial liabilities include trade and other payables, bank overdraft, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

At the year end, the company had no financial liabilities designated as at fair value through profit or loss.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash at bank and in hand and short-term deposits with an original maturity of three months or less.

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2022

1. Accounting Policies (continued)

Taxation

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.

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

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. However, the nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the company's accounting policies, management believe there are no significant judgements or key sources of estimation uncertainty which have impacted the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2022

3. Revenue

Revenue recognised in the income statement is analysed as follows:

	2022 *£000s*	*2021* *£000s*
Rendering of services	-	1

Revenue represents the recharging of costs incurred in the Shanghai Representative Office of the company to our parent company, Clyde Union Limited.

4. Auditor's Remuneration

The auditor's remuneration is billed on a group basis and is not recharged to the company. Of the total group audit fee, £4,000 *(2021: £5,000)* is related to the audit of the company's accounts.

Tax compliance services are provided by our auditor; fees for these services are billed on a group basis and are not recharged to the company. Of the total group tax compliance fees, £1,900 *(2021: £1,900)* is related to tax compliance in the preparation of the company's accounts.

5. Staff Costs

The company has no employees. Four directors (2021: four) received remuneration from other group companies during the period, but it is not considered practicable to allocate this between services provided to those companies and services provided in their capacity as directors of Clyde Union China Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2022

6. Tax

(a) Tax on loss

	2022 £000s	2021 £000s
Current Taxation:		
Overseas tax	-	-
Total tax charge	-	-

(b) Reconciliation of the total tax charge

The tax charge in the income statement for the year differs from the standard rate of corporation tax in the UK of 19% *(2021: 19%)*.

The differences are reconciled below:

	2022 £000s	2021 (Restated) £000s
Loss before taxation	(4)	(224)
Loss multiplied by the standard rate of Corporation Tax in the UK of 19% *(2021: 19%)*	(1)	(43)
Tax effect of non-deductible or non-taxable items	1	43
Total tax charge	-	-

(c) Change in Corporation Tax rate

In the Finance Bill 2021, which received Royal Assent on the 10 June 2021, an increase in corporation tax was announced from 19% to 25% with effect from 1 April 2023. Management do not expect the increase in the corporation tax rate to have a material impact on the company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2022

7. Investments

Investments in subsidiary

	2022 £000s	2021 £000s
At 1 January	-	224
Impairment of investment in Clyde Union Pumps Technology (Beijing) Co. Limited	-	(224)
At 31 December	-	-

As of 31 December 2021, the directors assessed the carrying value of the investment in Clyde Union Pumps Technology (Beijing) Co. Limited against the recoverable amount. This resulted in an impairment of £224,000 to reflect the expected recoverable amount. Since then, there has been nothing to indicate that this impairment should be reversed.

Details of the investments in which the company holds 20% or more of the nominal share value of any class of share capital are as follows:

Name of Company	*Holding*	*Proportion of Voting Rights & Shares Held*	*Nature of Business*	*Registered Address*
Clyde Union Pumps Technology (Beijing) Co. Limited	Ordinary Shares	100%	Support and service of pumps and associated equipment	No.08b, 5/F, Huamao Centre, Jianguo Road, Beijing, China

8. Amounts Due from Group Undertakings

	2022 £000s	2021 £000s
Amounts due from other group companies	19	19
	19	19

Amounts due from group undertakings are repayable on demand and have no other repayment terms attached.

9. Trade and Other Payables

	2022 £000s	2021 (Restated) £000s
Amounts due within one year:		
Amounts due to other group companies	(28)	(25)
	(28)	(25)

Amounts due to group undertakings are repayable on demand and have no other repayment terms attached.

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2022

10. Called-Up Share Capital

	2022		2021	
	No.	*£*	*No.*	*£*
Authorised, issued and fully paid:				
Ordinary shares of £1 each				
At 1 January and 31 December	100	100	100	100

11. Capital Contribution

On the 6 February 2020 the company received a capital contribution of £2,180,000 from its immediate parent Clyde Union Limited. No further capital contributions have been received.

12. Ultimate Parent Undertaking and Controlling Party

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 Limited, a company incorporated in Scotland.

13. Post Balance Sheet Events

There are no post balance sheet events to disclose.

14. Prior year restatement

In the current year, management identified an error in relation to the write off of an intercompany payable balance of £25,000 in 2021. This write-off was recorded as a credit to administrative expenses, however during the current year management concluded that the balance should not have been written off.

This has resulted in a prior year restatement to increase administrative costs in the income statement by £25,000, leading to an overall debit position of £1,000 in administrative costs and an increase in trade and other payables in the balance sheet of £25,000.

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 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

<u>Performance Obligations</u>
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.

<u>Determination and Allocation of Transaction Price</u>
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

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 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 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 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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(in millions)

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.

(in millions)

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 consolidate 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 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.

(in millions)

(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

(in millions)

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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(in millions)

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.

(in millions)

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.

(in millions)

(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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(in millions)

	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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(in millions)

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.

(in millions)

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 forwardlooking 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 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.

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.

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.

(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.