

Registered No: SC317760

Clyde Union Limited

Report and Financial Statements

31 December 2011

THURSDAY



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07/02/2013

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COMPANIES HOUSE

Officers and Professional Advisers

Directors

Kevin Lilly
Mark Shanahan
Jeremy Smeltser
Balkar Sohal

Secretary

T J Brown

Auditor

Deloitte LLP
Saltire Court
20 Castle Terrace
EDINBURGH
EH1 2DB

Bankers

HSBC Bank plc
141 Bothwell Street
GLASGOW
G2 7EQ

Registered Office

149 Newlands Road
Cathcart
GLASGOW
G44 4EX

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2011.

Acquisition by SPX Corporation

The company was, as part of the ClydeUnion Pumps group of companies, acquired by SPX Corporation on 22 December 2011. Based in Charlotte, North Carolina, SPX Corporation (NYSE: SPW) is a global Fortune 500 multi-industry manufacturing leader with \$4.5 billion in annual revenue, operations in more than 35 countries and approximately 16,000 employees.

Results and Dividends

The loss for the year, after taxation, amounted to £11,690,000 (2010: £11,365,000 profit). The directors recommend no dividend for the year (2010: *£nil*).

Principal Activity and Review of the Business

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

Business Review

These financial statements cover the activities of Clyde Union Limited for the year ending 31 December 2011. As noted above, the company was acquired by SPX Corporation with the initial announcement on 24 August 2011 and the final completion on 22 December 2011. The purchase of ClydeUnion Pumps is consistent with SPX's long-term strategy of expanding its Flow Technology capabilities in particular in the power and energy sector.

2011 was a year of transition for the ClydeUnion Pumps business. The company experienced a 10% decrease in turnover combined with a reduction in gross profit margins over the prior year leading to an operating loss before amortisation of intangibles of £0.8 million. This result can be largely attributed to poor outcomes from several contracts in new and developing markets. In response, the directors have introduced a new contract approval process and robust contract execution metrics which address all aspects of technical, operational and financial performance.

Key Performance Indicators

	2011 £000s	2010 £000s
Order bookings	109,316	132,477
Total order book at end of the year	147,906	152,409
Revenue	110,891	123,057
Operating (loss)/profit before amortisation of intangibles	(792)	15,065
Net assets	4,937	15,323

Future Developments

The company is a key part of SPX's Flow Technology segment and management believes it has a positive medium term outlook.

Principal Risks and Uncertainties

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

DIRECTORS' REPORT (continued)

Principal Risks and Uncertainties (continued)

Key Individuals

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

Financial Risk Management

The company's financial risks are discussed in Note 23 to the financial statements.

Market and Economic Risks

The company is also exposed to market and economic risks in the normal course of business. These risks include, but are not limited to the company's ability to develop and market pump products and services successfully, competition, pressures on pricing from suppliers and customers, disruptions to the supply of goods, technology changes, the ability to attract and retain talent, environmental issues and changes to legislation. The company manages these risks by maintaining strong relationships with customers and suppliers and by group senior management conducting business reviews on a regular basis to ensure the risks are appropriately managed.

Supplier Payment Policy

Payment terms vary according to the terms of trade with each supplier. Payment dates are then established according to the date of delivery of goods or provision of services and receipt of the correct invoice. At 31 December 2011 the company had an average of 102 days (2010: 116 days) purchases outstanding in trade creditors.

Research and Development

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

Employees

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

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

We are developing a 'can do' and 'customer focused' culture throughout our organisation. We have a team of engineers who have proven themselves on many occasions as being able to provide solutions that are not only creative but value adding.

DIRECTORS' REPORT (continued)

Environmental Policy

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

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

Health and Safety

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

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

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

Going Concern

The directors acknowledge the latest guidance on going concern. The company is a key part of SPX's Flow Technology segment and has access to considerable financial resources by way of a corporate cash pooling account from which it can draw the necessary cash it requires. The directors have no concerns regarding the ability of the ultimate parent to provide such support. The directors have considered the trading outlook for the company and have taken account of reasonably possible changes in trading performance and determined that the company has adequate resources for the foreseeable future and thus continue to adopt the going concern basis in preparing the financial statements.

Directors

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

Kevin Lilly (appointed 22 December 2011)
Mark Shanahan (appointed 22 December 2011)
Jeremy Smeltser (appointed 31 May 2012)
Balkar Sohal (appointed 22 December 2011)

Frank Barrett (resigned 22 December 2011)
Thomas Burley (resigned 22 December 2011)
Allan Dowie (resigned 16 November 2012)
John Fleming (resigned 22 December 2011)
Stephen Gilbey (resigned 22 December 2011)
Crawford Gorrie (resigned 22 December 2011)
Mark Hannigan (resigned 22 December 2011)
James McColl (resigned 22 December 2011)
Keith Mitchell (resigned 22 December 2011)
Patrick O'Leary (appointed 22 December 2011, resigned 31 May 2012)
Brian Scorer (resigned 22 December 2011)

DIRECTORS' REPORT (continued)

Disclosure of Information to the Auditor

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, each director has taken all the steps that he is obliged to take as a director in order to make himself 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.

Auditor

Ernst & Young LLP resigned as auditor on 4 January 2012. Deloitte LLP was appointed as auditor on 18 January 2012. A resolution to reappoint Deloitte LLP as auditor will be put to the members at the Annual General Meeting.

Signed on behalf of the directors



Kevin L Lilly
Director

4 February 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 the profit or loss of the company for that period.

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

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

INDEPENDENT AUDITOR'S REPORT

to the members of Clyde Union Limited

We have audited the financial statements of Clyde Union Limited for the year ended 31 December 2011 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related Notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective Responsibilities of Directors and Auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

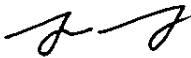
INDEPENDENT AUDITOR'S REPORT (continued)

to the members of Clyde Union Limited

Matters on which we are required to report by exception

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

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



James Boyle (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Edinburgh
United Kingdom

6 February 2013

INCOME STATEMENT

for the year ended 31 December 2011

		2011 £000s	2010 £000s
Continuing Operations	<i>Notes</i>		
Revenue	2	110,891	123,057
Cost of sales		(91,928)	(91,339)
Gross Profit		18,963	31,718
Other operating income		434	437
Selling and distribution costs		(9,882)	(6,483)
Administrative costs		(9,632)	(10,828)
Operating (Loss)/Profit before Foreign Exchange and Amortisation of Intangible Assets		(117)	14,844
Foreign exchanges (losses)/gains		(675)	221
Operating (Loss)/Profit before Amortisation of Intangible Assets		(792)	15,065
Amortisation of intangible assets		(1,611)	(2,171)
Operating (Loss)/Profit after Amortisation of Intangible Assets	3	(2,403)	12,894
Finance revenue	7	111	-
Finance costs	8	(8,452)	(5,097)
(Loss)/Profit before Tax		(10,744)	7,797
Tax	9	(946)	3,568
(Loss)/Profit for the Year		(11,690)	11,365

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	<i>2011</i> <i>£000s</i>	<i>2010</i> <i>£000s</i>
Gain on cash flow hedges recognised directly in equity	1,304	331
(Loss)/Profit for the Year	<u>(11,690)</u>	<u>11,365</u>
Total Comprehensive (Expense)/Income for the Year	<u>(10,386)</u>	<u>11,696</u>

BALANCE SHEET

at 31 December 2011

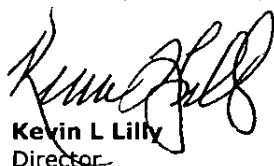
	Notes	2011 £000s	2010 £000s
Assets			
Non-Current Assets			
Intangible assets	11	31,143	29,076
Plant and equipment	10	13,050	12,612
Investments	13	129	306
Trade and other receivables	14	-	1,878
Deferred tax assets	9	3,727	4,500
Derivative financial instruments	15	-	313
		48,049	48,685
Current Assets			
Inventories	16	7,989	8,385
Construction contracts	17	49,090	40,098
Trade and other receivables	14	34,825	36,557
Derivative financial instruments	15	-	843
Cash and cash equivalents	18	3,827	10,764
		95,731	96,647
Total Assets		143,780	145,332
Liabilities			
Current Liabilities			
Trade and other payables	19	(68,716)	(42,102)
Construction contracts	17	(13,084)	(14,659)
Interest bearing loans and borrowings	20	(1,319)	(14,274)
Finance leases payable		(2,308)	(1,976)
Derivative financial instruments	15	-	(1,056)
Provisions	22	(1,888)	(4,571)
		(87,315)	(78,638)
Net Current Assets		8,416	18,009
Non-Current Liabilities			
Interest bearing loans and borrowings	20	(40,580)	(23,661)
Other long term liabilities	19	(2,263)	(19,943)
Finance leases payable		(4,751)	(3,895)
Derivative financial instruments	15	-	(1,524)
Provisions	22	(3,308)	(1,817)
Deferred tax liabilities	9	(626)	(531)
		(51,528)	(51,371)
Total Liabilities		(138,843)	(130,009)
Net Assets		4,937	15,323

BALANCE SHEET (continued)

at 31 December 2011

	Notes	2011 £000s	2010 £000s
Capital and Reserves			
Share capital	25	18,700	18,700
Retained earnings		(13,763)	(2,073)
Hedge reserve		-	(1,304)
Total Equity		4,937	15,323

The financial statements were approved by the board of directors and authorised for issue on 4 February 2013. They were signed on its behalf by



Kevin L Lilly
Director

Registered No: SC317760

STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

	2011 £000s	2010 £000s
Operating Activities		
(Loss)/Profit for the year before tax	(10,744)	7,797
Adjustments to reconcile (loss)/profit for the year to net cash from operating activities:		
Net finance costs	8,341	5,097
Depreciation of property, plant and equipment	2,324	1,575
Amortisation of intangible assets	1,788	2,171
Decrease/(increase) in inventories	396	(2,854)
Increase in trade and other receivables	(4,079)	(29,620)
Increase in trade and other payables	5,538	28,734
Decrease in provisions	(1,192)	(2,226)
Net Cash from Operating Activities before tax	2,372	10,674
Income taxes paid	(78)	(401)
Net Cash from Operating Activities	2,294	10,273
Investing Activities		
Purchases of plant and equipment	(2,780)	(2,460)
Purchases of intangible assets	(3,678)	(1,755)
Investment in subsidiaries	-	(120)
Receipts from sales of plant and equipment	20	-
Net Cash used in Investing Activities	(6,438)	(4,335)
Financing Activities		
Interest paid	(2,421)	(3,649)
(Repayments of)/proceeds from revolving credit facility	(10,800)	9,082
Repayments of debt	(28,623)	(2,309)
Payment of finance lease liabilities	(280)	(290)
Financing fees paid	(816)	(684)
Funding from group undertaking	40,147	-
Net Cash (used in)/from Financing Activities	(2,793)	2,150
(Decrease)/Increase in Cash and Cash Equivalents	(6,937)	8,088
Cash and Cash Equivalents at the Beginning of the Year	10,764	2,676
Cash and Cash Equivalents at the End of the Year	3,827	10,764

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	<i>Equity Share Capital £000s</i>	<i>Hedge Reserve £000s</i>	<i>Retained Earnings £000s</i>	<i>Total Equity £000s</i>
At 1 January 2011	18,700	(1,304)	(2,073)	15,323
Gain on effective cash flow hedges	-	447	-	447
Gain on interest rate hedge closure	-	857	-	857
Loss in year attributable to equity holders	-	-	(11,690)	(11,690)
At 31 December 2011	18,700	-	(13,763)	4,937

The equivalent disclosure for the prior year is as follows:

	<i>Equity Share Capital £000s</i>	<i>Hedge Reserve £000s</i>	<i>Retained Earnings £000s</i>	<i>Total Equity £000s</i>
At 1 January 2010	18,700	(1,635)	(13,438)	3,627
Gain on effective cash flow hedges	-	331	-	331
Profit in year attributable to equity holders	-	-	11,365	11,365
At 31 December 2010	18,700	(1,304)	(2,073)	15,323

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

1. Accounting Policies

Clyde Union Limited is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006.

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

Basis of Presentation

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the Companies Act 2006.

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

The company has taken advantage of the exemption from preparing group accounts under Section 401 of the Companies Act 2006. Information is therefore presented for the individual company not its group.

Going Concern

The directors acknowledge the latest guidance on going concern. The company is a key part of SPX's Flow Technology segment and has access to considerable financial resources by way of a corporate cash pooling account from which it can draw the necessary cash it requires. The directors have no concerns regarding the ability of the ultimate parent to provide such support. The directors have considered the trading outlook for the company and have taken account of reasonably possible changes in trading performance and determined that the company has adequate resources for the foreseeable future and thus continue to adopt the going concern basis in preparing the financial statements.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

Critical Judgements in Applying the Company's Accounting Policies

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

Intangible Assets and Fair Values

On the acquisition of a business it is necessary to attribute fair values to any intangible assets acquired (provided they meet the criteria to be recognised). The fair values of these intangible assets are dependent on estimates of attributable future revenues, margins and cash flows.

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

1. Accounting Policies (continued)

Key Sources of Estimation Uncertainty

Impairment of Non-Financial Assets

The company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when indicators of impairment may exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details, including an analysis of key assumptions, are given in Note 12.

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses. When the company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets, meeting either the contractual, legal or separability criterion are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition date fair value can be measured reliably.

If the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in profit and loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the company's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The directors consider there to be only one cash generating unit.

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

1. Accounting Policies (continued)

Key Sources of Estimation Uncertainty (continued)

Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Deferred Tax Assets

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are provided in Note 9.

Plant and Equipment

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

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

- | | |
|---|----------------------|
| Leasehold improvements | - 10 years |
| Other plant and equipment, including furniture and fixtures | - over 2 to 20 years |

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

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

Intangible Assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

1. Accounting Policies (continued)

Intangible Assets (continued)

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

Purchased software	- over 4 to 8 years
Brand name	- over 5 to 20 years
Installed pumps base	- over 20 years

Goodwill is deemed to be the only intangible asset with an indefinite useful life and is tested for impairment annually (not amortised).

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

Internally Generated Intangible Assets – Research and Development Expenditure

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

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

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

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

Impairment of Non-Financial Assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

1. Accounting Policies (continued)

Impairment of Non-Financial Assets (continued)

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

Inventories

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

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

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

Construction Contracts

Construction contract assets and liabilities represent the net amount of costs incurred, revenue recognised and customer billings. Revenue on construction contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. Full provision is made for losses on all contracts in the period in which they are first foreseen.

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. For the purpose of the cash flow statement, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest-Bearing Loans and Borrowings

All interest-bearing loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any premium on settlement that will probably be incurred.

Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

1. Accounting Policies (continued)

Derivative Financial Instruments

The company uses derivative financial instruments such as forward currency contracts to hedge its risk associated with foreign currency. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. All movements in fair value are reflected through the Income Statement.

Hedge Accounting

The company does not apply hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies. The company applied hedge accounting in respect of interest rate swaps held to manage movements in exchange rates.

Leasing

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in the contractual terms, other than a renewal or extension of the arrangement.
- (b) A renewal option is exercised or extension granted, unless the terms of the renewal or extension was initially included in the lease term.
- (c) There is a change in the determination of whether the fulfilment is dependent on a specific asset.
- (d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of the renewal or extension in scenario (b).

Finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the company will obtain ownership by the end of the term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Borrowing Costs

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

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

Interest Income

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

1. Accounting Policies (continued)

Revenue Recognition

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

Construction Contracts

Revenue on construction contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The revenue is calculated on a basis to reflect the proportion of work done at the year end, by recording revenue and related costs as contract activity progresses. Full provision is made for losses on all contracts in the period in which they are first foreseen.

Sale of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rendering of Services

Revenue from the installation or repair of equipment is recognised by reference to the stage of completion.

Taxation

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

1. Accounting Policies (continued)

Taxation (continued)

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

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

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

Financial 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:

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 2011, no financial assets have been designated at fair value through profit and loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

1. Accounting Policies (continued)

Financial Assets (continued)

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. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset and includes transaction costs and fees that are an integral part of the effective interest rate. 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.

Trade receivables, which generally have 30 to 60 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

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.

Impairment of Financial Assets

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

Assets Carried at Amortised Cost

For amounts due from loans and advances to customers carried at amortised cost, the company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

1. Accounting Policies (continued)

Impairment of Financial Assets (continued)

The carrying amount of the asset is reduced, through the use of an allowance account. The amount of the loss shall be recognised in administration costs. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the company. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

Available-for-Sale Financial Assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its fair value, less any impairment loss on that investment previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'interest and similar income'. Reversals of impairment losses on debt instruments classified as available for sale are reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial Liabilities

Initial Recognition

Financial liabilities within the scope of IAS39 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

1. Accounting Policies (continued)

Financial Liabilities (continued)

Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of Financial Assets and Financial Liabilities

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

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

Offsetting of Financial Instruments

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

Derivative Financial Instruments and Hedging

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting and the ineffective portion of an effective hedge are taken to the income statement. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as either:

- fair value hedge – hedging the exposure to changes in the fair value of a recognised asset, liability, or unrecognised firm commitment (except for foreign currency risk);
- cash flow hedge – hedging the exposure to variability in cash flows attributable to a particular risk associated with a recognised asset, liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- net investment hedge – hedging a net investment in a foreign operation

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

1. Accounting Policies (continued)

Derivative Financial Instruments and Hedging (continued)

At the inception of a transaction to be designated as a hedge the company formally designates and documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The company also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. There were no designated hedging transactions in place in the company at 31 December 2011.

Cash Flow Hedges

The effective portion of the gain or loss on the hedging instrument (swap) is recognised directly in equity while the ineffective portion is recognised in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss (when the interest is charged).

Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability. If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement.

If the hedging instrument expires or is sold, or if the hedge no longer meets the criteria for hedge accounting, amounts previously recognised in equity remain in equity until the forecast transactions (interest charges) occur and are transferred to the income statement as above. If the related transaction is not expected to occur, the amount is immediately taken to the income statement.

The forward currency contracts are not treated as designated hedging instruments and as such are classified as held-for-trading under IAS39. Held-for-trading financial derivatives are accounted for at fair value through the income statement.

There were no foreign currency contracts in place in the company at 31 December 2011.

Adoption of New and Revised Standards

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases have not been adopted by the EU).

IFRS 7 (amended)	Offsetting Financial Assets and Financial Liabilities
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (revised)	Employee Benefits
IAS 27 (revised)	Separate Financial Statements
IAS 28 (revised)	Investments in Associates and Joint Ventures
IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities

The directors are still assessing the potential impact of new and revised standards but do not anticipate that adoption of these Standards and Interpretations in future periods will have a material impact on the company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

2. Revenue

Revenue recognised in the income statement is analysed as follows:

	2011 £000s	2010 £000s
Revenue from construction contracts	74,595	81,330
Sale of goods	32,960	40,225
Rendering of services	3,336	1,502
	<u>110,891</u>	<u>123,057</u>

3. Operating (Loss)/Profit

This is stated after charging/crediting:

	Notes	2011 £000s	2010 £000s
Depreciation of property, plant and equipment	10	2,324	1,575
Amortisation of intangible assets	11	1,611	2,171
Operating lease payments: property		1,914	1,584
plant and equipment		14	-
Exchange loss/(gain)		675	(221)
Cost of inventory recognised as an expense		91,928	91,339
Impairment of trade receivables recognised in administrative costs		377	209
Research and development costs		<u>207</u>	<u>527</u>

4. Auditor's Remuneration

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

	2011 £000s	2010 £000s
Audit of company's financial statements	<u>149</u>	<u>90</u>
Other fees to auditors - taxation compliance services	<u>-</u>	<u>20</u>

In addition to the above, a further \$150,000 (£95,000) was paid by the company's ultimate parent for the audit requirement of group reporting for 2011.

Auditor remuneration in 2010 relates entirely to Ernst & Young LLP.

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

5. Staff Costs

	2011 £000s	2010 £000s
Wages and salaries	34,117	26,241
Social security costs	3,330	2,611
Pension costs	1,203	991
	<u>38,650</u>	<u>29,843</u>

The pension costs are in respect of defined contribution schemes.

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

	2011 No.	2010 No.
Operations	568	479
Engineering	115	117
Sales and administration	218	198
	<u>901</u>	<u>794</u>

6. Directors' Remuneration

	2011 £000s	2010 £000s
Directors' emoluments (excluding company pension contributions)	<u>1,063</u>	<u>1,311</u>
Contributions to a defined contribution scheme	<u>59</u>	<u>54</u>

	2011 No.	2010 No.
Directors accruing benefits under a defined contribution scheme	<u>8</u>	<u>8</u>

For the highest paid director:

	2011 £000s	2010 £000s
Emoluments (excluding company pension contributions)	<u>175</u>	<u>238</u>
Contributions to a defined contribution scheme	<u>10</u>	<u>10</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

7. Finance Revenue

	2011 £000s	2010 £000s
Interest receivable from group companies	111	-

8. Finance Costs

	2011 £000s	2010 £000s
Interest payable on bank loans and overdrafts	2,803	3,312
Amortisation of bank arrangement fee	2,533	296
Interest payable to group companies	903	734
Finance charges under finance leases	280	-
Fair value adjustments to financial derivatives	857	345
Movement in discounting of warranties and penalties provision	260	108
Other finance charges	816	302
	<u>8,452</u>	<u>5,097</u>

9. Taxation

(a) Tax on loss on ordinary activities

	2011 £000s	2010 £000s
<i>Current Taxation:</i>		
Overseas tax	78	401
Current tax charge/(credit) on ordinary activities	<u>78</u>	<u>401</u>
<i>Deferred Taxation:</i>		
Origination and reversal of timing differences	2,316	(3,969)
Prior year adjustment	(1,448)	-
Deferred Tax charge/(credit) on ordinary activities	<u>868</u>	<u>(3,969)</u>
Total Tax charge/(credit)	<u>946</u>	<u>(3,568)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

9. Taxation (continued)

(b) Reconciliation of the total tax charge

The tax charge/(credit) in the income statement for the year is less than the standard rate of Corporation Tax in the UK of 26.5% (2010: 28%).

The differences are reconciled below:

	2011 £000s	2010 £000s
(Loss)/Profit from continuing operations before taxation	(10,744)	7,797
(Loss)/Profit multiplied by the standard rate of Corporation Tax in the UK of 26.5% (2010: 28%)	(2,847)	2,183
Tax effect of non-deductible or non-taxable items	436	32
Deferred tax rate changes	551	147
Deferred tax on forward currency contracts	-	(34)
Deferred tax on foreign currency contracts not recognised	-	365
Movement in unprovided deferred tax	4,196	(6,551)
Foreign tax paid	78	401
Foreign tax recovery	(20)	(111)
Prior year adjustments	(1,448)	-
Total tax charge/(credit) reported in the income statement	946	(3,568)

(c) Deferred tax

	2011 £000s	2010 £000s
Deferred tax liabilities:		
Intangible assets	626	531
Deferred tax assets:		
Depreciation in excess of capital allowances	-	773
Short-term timing differences	-	346
Other financial assets	-	33
Tax losses carried forward	6,275	3,348
Less: not recognised	(2,548)	-
	3,727	4,500

Losses on which no deferred tax asset is recognised

10,190	-
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Movement on deferred tax balance in the year:

Opening deferred tax asset	3,969	-
(Charge)/credit to income statement	(2,316)	3,969
Adjustment in respect of prior years	1,448	-
Closing deferred tax asset	3,101	3,969

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

9. Taxation (continued)

(d) Change in UK Corporation Tax rate

A number of changes to the UK Corporation Tax system were announced in the March 2011 Budget. The Finance Act 2011 was enacted in July 2011 and reduced the main rate of Corporation Tax from 26% to 25% from 1 April 2012. This rate reduction was subsequently amended to 24% in the March 2012 Budget with effect from 1 April 2012. As the reduction to 24% had not been substantively enacted at the balance sheet date it has not been recognised in these financial statements.

Further changes to the UK Corporation Tax rate are a 1% reduction to 23% from 1 April 2013 that has already been enacted and a further 2% reduction to 21% from 1 April 2014 announced by the Chancellor in the December 2012 Autumn Statement. These changes had not been substantively enacted at the balance sheet date and therefore have not been recognised in these financial statements.

At the balance sheet date, the company had unused tax losses of £10,190,076 (2010: £nil) available for offset against future profits on which no deferred tax asset has been recognised on the basis that future economic benefit is uncertain. These losses can be carried forward indefinitely.

It is estimated that the reduction in the proposed rate of Corporation Tax from 25% to 21% will result in a reduction in the deferred tax asset recognised as at 31 December 2011 of approximately £496,000 and in the deferred tax asset unrecognised of approximately £671,000.

10. Plant and Equipment

	<i>Leasehold Improvements</i>	<i>Other Plant & Equipment</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Cost:			
At 1 January 2011	233	19,058	19,291
Additions	207	2,573	2,780
Disposals	-	(205)	(205)
At 31 December 2011	440	21,426	21,866
Depreciation and impairment:			
At 1 January 2011	34	6,645	6,679
Provided during the year	27	2,297	2,324
Disposals	-	(187)	(187)
At 31 December 2011	61	8,755	8,816
Net book value:			
At 31 December 2011	379	12,671	13,050
At 31 December 2010	199	12,413	12,612

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

10. Plant and Equipment (continued)

The equivalent disclosure for the prior year is as follows:

	<i>Leasehold Improvements £000s</i>	<i>Other Plant & Equipment £000s</i>	<i>Total £000s</i>
Cost:			
At 1 January 2010	169	10,976	11,145
Additions	64	8,082	8,146
At 31 December 2010	233	19,058	19,291
Depreciation and impairment:			
At 1 January 2010	11	5,093	5,104
Provided during the year	23	1,552	1,575
At 31 December 2010	34	6,645	6,679
Net book value:			
At 31 December 2010	199	12,413	12,612
At 31 December 2009	158	5,883	6,041

The carrying value of plant and equipment held under finance leases or hire purchase contracts at 31 December 2011 was £6,133,000 (2010: £5,910,000). There were additions during the year of plant and equipment held under finance leases or hire purchase contracts to the value of £847,000 (2010: £4,808,000). Leased assets and assets held under hire purchase contracts are pledged as security for the related lease and hire purchase liabilities.

11. Intangible Fixed Assets

	<i>Product Development £000s</i>	<i>Purchased Software £000s</i>	<i>Business Acquisitions £000s</i>	<i>Goodwill £000s</i>	<i>Total £000s</i>
Cost:					
At 1 January 2011	311	6,132	16,323	13,456	36,222
Additions	-	3,084	-	-	3,084
Internally generated assets	594	-	-	-	594
At 31 December 2011	905	9,216	16,323	13,456	39,900
Amortisation:					
At 1 January 2011	-	1,472	5,674	-	7,146
Charge for the year	39	633	939	-	1,611
At 31 December 2011	39	2,105	6,613	-	8,757
Net book value:					
At 31 December 2011	866	7,111	9,710	13,456	31,143
At 31 December 2010	311	4,660	10,649	13,456	29,076

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

11. Intangible Fixed Assets (continued)

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

	<i>Brand Name £000s</i>	<i>Installed Pumps Base £000s</i>	<i>Total £000s</i>
Cost:			
At 1 January 2011 and 31 December 2011	5,338	10,985	16,323
Amortisation:			
At 1 January 2011	3,656	2,018	5,674
Charge for the year	388	551	939
At 31 December 2011	<u>4,044</u>	<u>2,569</u>	<u>6,613</u>
Net book value:			
At 31 December 2011	<u>1,294</u>	<u>8,416</u>	<u>9,710</u>
At 31 December 2010	<u>1,682</u>	<u>8,967</u>	<u>10,649</u>

The equivalent disclosures for the prior year are as follows:

	<i>Product Development £000s</i>	<i>Purchased Software £000s</i>	<i>Business Acquisitions £000s</i>	<i>Goodwill £000s</i>	<i>Total £000s</i>
Cost:					
At 1 January 2010	-	4,688	16,323	13,456	34,467
Additions	-	1,444	-	-	1,444
Internally generated Assets	311	-	-	-	311
At 31 December 2010	<u>311</u>	<u>6,132</u>	<u>16,323</u>	<u>13,456</u>	<u>36,222</u>
Amortisation:					
At 1 January 2010	-	853	4,122	-	4,975
Charge for the year	-	619	1,552	-	2,171
At 31 December 2010	<u>-</u>	<u>1,472</u>	<u>5,674</u>	<u>-</u>	<u>7,146</u>
Net book value:					
At 31 December 2010	<u>311</u>	<u>4,660</u>	<u>10,649</u>	<u>13,456</u>	<u>29,076</u>
At 31 December 2009	<u>-</u>	<u>3,835</u>	<u>12,201</u>	<u>13,456</u>	<u>29,492</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

11. Intangible Fixed Assets (continued)

	<i>Brand Name £000s</i>	<i>Installed Pumps Base £000s</i>	<i>Total £000s</i>
Cost:			
At 1 January 2010 and 31 December 2010	5,338	10,985	16,323
Amortisation:			
At 1 January 2010	2,659	1,463	4,122
Charge for the year	997	555	1,552
At 31 December 2010	<u>3,656</u>	<u>2,018</u>	<u>5,674</u>
Net book value:			
At 31 December 2010	<u>1,682</u>	<u>8,967</u>	<u>10,649</u>
At 31 December 2009	<u>2,679</u>	<u>9,522</u>	<u>12,201</u>

Brand Name: The trade name and heritage of Weir Pumps is globally recognised so the acquisition agreement granted Clyde Pumps (now renamed Clyde Union) the right to use the subtext 'incorporating Weir Pumps Glasgow' under the Clyde Union name for a period of four years from the completion date (May 2007) and to use 'incorporating Weir Pumps Glasgow' in the heritage section of the 'about us' page of the Clyde Union website or in printed profiles of the business for a period of twenty years from the completion date. The net book value at 31 December 2011 of £1,294,000 will be amortised over the remaining useful life of 15 years.

Installed Pumps Base: The Weir Pumps business had been supplying pumps for many years so naturally there are a significant number still operating at customer locations worldwide which will give rise to future service and spares revenue for Clyde Union. The net book value at 31 December 2011 of £8,416,000 will be amortised over the remaining useful life of 15 years.

Other intangibles (product development and purchased software) are amortised on a straight line basis over their useful economic life of four to eight years. Goodwill is not amortised but is subject to an annual impairment review (see Note 12). There has been no allocation of goodwill as the business is considered to be one cash generating unit.

The carrying value of purchased software held under a finance lease at 31 December 2011 was £2,199,000 (2010: £1,579,000). There were additions during the year of software held under finance leases or hire purchase contracts to the value of £1,250,000 (2010: £945,000).

12. Impairment Testing of Goodwill and Intangibles with Indefinite Lives

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

The main assumptions used in the valuation are:

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

Discount Rates: Discount rates are pre-tax rates that reflect management's estimate of risks. This is the benchmark used by management to assess the operating performance and evaluate future investment proposals. In determining appropriate discount rates regard has been given to the yield on a ten-year government bond at the beginning of the budgeted year. The discount rate applied to the cash flow projections is 10.0%.

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

12. Impairment Testing of Goodwill and Intangibles with Indefinite Lives

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

Growth Rate Estimates: In preparing the five year projection, the anticipated impact of growth in output through increased market share in significant markets was taken into account. A growth rate of 2.0% was used in the years beyond the projection period which was in line with the long-term growth rates for the regions in which the company operates.

Sensitivity to Changes in Assumptions

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

13. Investments

	2011 £000s	2010 £000s
Investments in subsidiary and associates		
At 1 January	306	186
Additions in the year	-	120
Write down of investments	(177)	-
At 31 December	129	306

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

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Clyde Union China Holdings Limited	Ordinary shares	100%	Holding company
Clyde Union Technology (Beijing) Co. Limited *	Ordinary shares	100%	Support and service of pumps and associated equipment
Shandong Shuanglun Clyde Union Pumps Co Ltd *	Ordinary shares	50%	Manufacture of pumps and Spares
Clyde Union IMBIL LTDA	Ordinary shares	60%	Manufacture, support and service of pumps
Clyde Pumps India Pvt Limited	Ordinary shares	60%	Manufacture, support and service of pumps
Clyde Union Middle East LLC	Ordinary shares	49%	Packaging of pumps and associated equipment

* held by subsidiary

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

14. Trade and Other Receivables

	2011 £000s	2010 £000s
Amounts falling due in one year or less are:		
Trade receivables	22,056	24,111
Less: provision for impairment of receivables	(609)	(718)
Trade receivables – net	21,447	23,393
Prepayments and other accrued income	2,082	1,763
Amounts due from group undertakings	11,296	11,401
	<u>34,825</u>	<u>36,557</u>
Amounts falling due in more than one year are:		
Amounts due from group undertakings	-	1,878
	<u>-</u>	<u>1,878</u>

Out of the carrying amount of trade receivables of £22m, £11.0m relates to ten major customers. Trade receivables are non-interest bearing and are generally on 30-60 days terms (2010: out of the carrying amount of trade receivables of £24m, £11m relates to five major customers).

Analysis of trade receivables:

	2011 £000s	2010 £000s
Neither impaired nor past due	11,091	18,217
Past due but not impaired	10,356	5,176
Impaired	609	718
At 31 December	<u>22,056</u>	<u>24,111</u>

Ageing of past due but not impaired trade receivables:

	2011 £000s	2010 £000s
Up to 3 months	4,802	4,932
Between 3 and 6 months	2,428	179
More than 6 months	3,126	65
At 31 December	<u>10,356</u>	<u>5,176</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

14. Trade and Other Receivables (continued)

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

	2011 £000s	2010 £000s
At 1 January	718	712
Impairment losses recognised on receivables	377	209
Utilised	(430)	(29)
Unused amounts reversed	(56)	(174)
At 31 December	609	718

Ageing of impaired trade receivables:

	2011 £000s	2010 £000s
Up to 3 months	-	-
Between 3 and 6 months	-	4
More than 6 months	609	714
At 31 December	609	718

15. Derivative Financial Instruments

	2011 £000s	2010 £000s
Forward currency hedging contracts - non-current assets	-	313
- current assets	-	843
Total assets	-	1,156

	2011 £000s	2010 £000s
Interest rate swap contracts - non-current liabilities	-	1,304
Forward currency hedging contracts - non-current liabilities	-	220
- current liabilities	-	1,056
Total liabilities	-	2,580

Net gain or loss on financial assets and liabilities at fair value through profit or loss:

	2011 £000s	2010 £000s
Financial asset at fair value through profit or loss	120	(439)
Net gain/(loss)	120	(439)

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

16. Inventories

	2011 £000s	2010 £000s
Raw materials and consumables	1,763	1,074
Short term work in progress	6,171	7,295
Finished goods	55	16
	<u>7,989</u>	<u>8,385</u>

17. Construction Contracts

	2011 £000s	2010 £000s
Gross amount due from customers for contract work (included in current assets)	<u>49,090</u>	<u>40,098</u>
Gross amount due to customers for contract work (included in current liabilities)	<u>13,084</u>	<u>14,659</u>

For contracts in progress at the balance sheet date, the amount of contract costs incurred plus recognised profits less recognised losses to date was £98,804,000 (2010: £88,725,000). There were no retentions held by customers for contract work (2010: £nil). The amount of advances received from customers for contract work amounted to £7,400,000 (2010: £5,800,000).

18. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises the following:

	2011 £000s	2010 £000s
Cash at bank and in hand	<u>3,827</u>	<u>10,764</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

19. Trade and Other Payables

	2011 £000s	2010 £000s
Amounts falling due in one year or less are:		
Trade payables	27,146	31,959
Other payables	12,303	9,248
Amounts owed to group undertakings	29,267	895
	<u>68,716</u>	<u>42,102</u>

Amounts falling due in more than one year are:

Trade payables	483	-
Other payables	1,780	-
Amounts owed to group undertakings	-	19,943
	<u>2,263</u>	<u>19,943</u>

20. Interest Bearing Loans and Borrowings

	2011 £000s	2010 £000s
Current:		
Current instalments due on bank loans (net of unamortised arrangement fees)	-	13,229
Short term loan from SPX Clyde UK Limited	754	-
Other Loans	565	1,045
	<u>1,319</u>	<u>14,274</u>
Non-current:		
Non-current instalments due on bank loans (net of unamortised arrangement fees)	-	23,661
Promissory note due to SPX Clyde UK Limited	40,147	-
Other Loans	433	-
	<u>40,580</u>	<u>23,661</u>

Bank loans comprise the following:

	2011 £000s	2010 £000s
Revolving credit variable rate loan	-	10,800
£9,041,000 variable rate loan 2013	-	9,041
£9,791,000 variable rate loan 2014	-	9,791
£9,791,000 variable rate loan 2015	-	9,791
Less Unamortised arrangement fees	-	(2,533)
	<u>-</u>	<u>36,890</u>
Less Current instalments due on bank loans (net of unamortised arrangement fees)	-	(13,229)
	<u>-</u>	<u>23,661</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

20. Interest Bearing Loans and Borrowings (continued)

Each bank loan was repaid on 22 December 2011 following the acquisition by SPX Corporation.

A promissory note to the value of £40,147,000 was executed between SPX Clyde UK Limited and Clyde Union Limited on 22 December 2011 with a maturity date of 22 December 2016. Interest accrues at 7% per annum payable quarterly in arrears.

21. Obligations under Leases and Hire Purchase Contracts

Operating Lease Agreements where the Company is the Lessee

The company has entered into commercial leases on property and motor vehicles. Future minimum rentals payable under these non-cancellable operating leases are as follows:

		2011 £000s	2010 £000s
Not later than one year	- property	603	2,372
	- plant and equipment	8	-
After one year but not more than five years	- property	-	584
		<u>611</u>	<u>2,956</u>

The existing manufacturing premises of the business were acquired by SPX Clyde UK Limited on 23 December 2011 who assumed the role of landlord under the lease from Weir Engineering Services Limited which expired on 31 March 2012. A new lease will be established directly with SPX Clyde UK Limited.

Finance Lease and Hire Purchase Commitments

The Group has finance leases and hire purchase contracts for various items of plant and equipment and computer software. These leases have terms of renewal but no purchase options and escalation clauses. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	2011		2010	
	Minimum Payments	Present Value of Minimum Payments	Minimum Payments	Present Value of Minimum Payments
	£000s	£000s	£000s	£000s
Within one year	2,551	2,308	2,169	1,976
After one year but not more than five years	5,299	4,751	4,384	3,895
Total minimum lease payments	<u>7,850</u>	<u>7,059</u>	<u>6,553</u>	<u>5,871</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

22. Provisions

	<i>Warranties/ Penalties</i>	<i>Other</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
At 1 January 2011	5,469	919	6,388
Arising during the year	3,116	-	3,116
Utilised during the year	(1,067)	(919)	(1,986)
Released during the year	(2,582)	-	(2,582)
Movement in discount rate	260	-	260
At 31 December 2011	<u>5,196</u>	<u>-</u>	<u>5,196</u>
Current	1,888	-	1,888
Non-current	3,308	-	3,308
At 31 December 2011	<u>5,196</u>	<u>-</u>	<u>5,196</u>

The equivalent disclosure for the prior year is as follows:

	<i>Warranties/ Penalties</i>	<i>Other</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
At 1 January 2010	6,765	1,849	8,614
Arising during the year	586	-	586
Utilised during the year	(515)	(928)	(1,443)
Released during the year	(1,368)	-	(1,368)
Movement in discount rate	1	(2)	(1)
At 31 December 2010	<u>5,469</u>	<u>919</u>	<u>6,388</u>
Current	3,652	919	4,571
Non-current	1,817	-	1,817
At 31 December 2010	<u>5,469</u>	<u>919</u>	<u>6,388</u>

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

Other: The company entered into an agreement with Weir Engineering Services Limited for the lease for the main Glasgow site for a period of three years until 31 March 2012, and for the company to be granted an option to purchase the site at the end of the lease period. The lease covered the whole of the site and included both manufacturing and office areas not occupied or utilised. An onerous lease provision was set up for the proportion of the lease applicable to the unoccupied areas. The premises and landlord's interest were acquired by SPX Clyde UK Limited and will be subject to a lease from this related party at a rent which is discounted for the area not occupied by Clyde Union Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

23. Financial Instruments

Financial Risk Management Objectives and Policies

The company's financial instruments comprise group loans, bank overdrafts, cash, and short term deposits, as well as financial derivatives. The main purpose of these instruments is to manage the company's funding and liquidity requirements. The company has other financial instruments such as trade receivables and trade payables which arise directly from its operations. The principal risks to which the company is exposed are those relating to foreign currency, commodity price, credit, liquidity, and interest rate. These risks are managed in accordance with group approved policies.

Foreign Currency Risk

The company buys and sells goods and services in currencies other than the functional currency. As a result, the company's non-Sterling revenues, assets, liabilities, profits, and cash flows can be affected by movements in exchange rates.

Foreign currency risks may exist in respect of financial instruments which are denominated in a currency that is not the functional currency of the company and which are of a monetary nature. The company seeks to minimise these risks by ensuring that major non-derivative monetary financial instruments (receivables, payables, cash and short-term deposits and interest-bearing loans and borrowings) are either directly denominated in functional currency or are transferred to the functional currency through the use of derivatives.

The company considers the most significant foreign currency risk relates to the US Dollar and the Euro. The following table, calculated on a symmetric basis, demonstrates the sensitivity to a reasonably possible change in the US Dollar and Euro exchange rates with all other variables held constant, of the company's loss before tax (due to changes in the fair value of the monetary assets, liabilities and forward currency contracts).

	<i>Increase in US Dollar/ Euro rate</i>	<i>Effect on loss before tax 2011 £000s</i>	<i>Effect on profit before tax 2010 £000s</i>
US dollar	+5%	108	836
US dollar	-5%	(98)	(975)
Euro	+5%	(252)	882
Euro	-5%	228	(1,134)

Commodity Price Risk

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

Credit Risk

There are no significant concentrations of credit risk within the company except as disclosed in Note 14. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date.

The company endeavours to minimise credit risk by the use of trade finance instruments such as letters of credit and insurance. The company also performs detailed credit checks before a customer is accepted. Historically, these procedures have proved effective in minimising the level of impaired and past due debtors.

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

23. Financial Instruments (continued)**Liquidity Risk**

The table below summarises the maturity profile of the company's financial liabilities at 31 December 2011 based on contractual cash flows. In the tables below interest rates on variable rate loans have been based on a forward curve:

At 31 December 2011	On demand £000s	Less than 3 months £000s	3 to 12 months £000s	1 to 5 years £000s	>5 years £000s	Total £000s
Interest bearing loans and borrowings	-	1,540	2,108	51,319	-	54,967
Trade and other payables	11,475	38,039	19,202	2,263	-	70,979
	<u>11,475</u>	<u>39,579</u>	<u>21,310</u>	<u>53,582</u>	<u>-</u>	<u>125,946</u>

The equivalent disclosure for the prior year is as follows:

At 31 December 2010	On demand £000s	Less than 3 months £000s	3 to 12 months £000s	1 to 5 years £000s	>5 years £000s	Total £000s
Interest bearing loans and borrowings	-	10,931	6,303	30,232	-	47,466
Trade and other payables	14,179	18,469	9,454	19,943	-	62,045
	<u>14,179</u>	<u>29,400</u>	<u>15,757</u>	<u>50,175</u>	<u>-</u>	<u>109,511</u>

Fair Values

Set out below is a comparison by category of carrying amounts and fair values of all of the company's financial instruments that are carried in the financial statements:

	Book Value 2011 £000s	Fair Value 2011 £000s	Book Value 2010 £000s	Fair Value 2010 £000s
Financial assets:				
Cash	3,827	3,827	10,764	10,764
Derivative financial instruments	-	-	1,156	1,156
Financial liabilities:				
Interest bearing loans and borrowings:				
Fixed rate borrowings	41,899	41,899	-	-
Floating rate borrowings	-	-	40,468	40,468
Derivative financial instruments	-	-	2,579	2,579

Interest Rate Maturity Profile of Financial Assets and Liabilities

Interest rate exposure is managed within the group's centralised treasury arrangements. The majority of the company's borrowings are from SPX Clyde UK Limited at a fixed rate of interest.

Interest Rate Risk

The company has cash at bank which is subject to variable rates of interest. Interest rate risk is regularly monitored and is not considered to be material at present.

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

24. Capital Risk Management

Capital risk management is now governed by SPX Corporation following its acquisition of the company on 22 December 2011. As at 31 December 2011, there is £998,000 of external net debt and the company is not subject to any externally imposed capital requirements.

25. Share Capital

	2011 £000s	2010 £000s
<i>Authorised:</i>		
18,700,000 Ordinary shares of £1 each	18,700	18,700
<i>Allotted, called up and fully paid:</i>	No.	No.
At 31 December	18,700,000	18,700,000

26. Analysis and Reconciliation of Net Debt

Reconciliation of (decrease)/increase in cash and cash equivalents to movement in net debt

	Notes	2011 £000s	2010 £000s
Net (decrease)/increase in cash and cash equivalents		(6,937)	8,088
Net (increase)/decrease in debt		(1,431)	(7,707)
Change in net debt during the period		(8,368)	381
Changes in net debt resulting from cash flows		(8,298)	880
Non cash movements in net debt		(70)	(499)
Change in net debt during the period		(8,368)	381
Change in net debt during the period		(8,368)	381
Net debt at beginning of the period		(29,704)	(30,085)
Net debt at end of the period		(38,072)	(29,704)
Net debt comprises the following:			
Cash and cash equivalents	18	3,827	10,764
Current interest bearing loans and borrowings	20	(1,319)	(14,274)
Non-current interest bearing loans and borrowings	20	(40,580)	(26,194)
Net debt at end of the period		(38,072)	(29,704)

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

27. Capital Commitments

The company had capital commitments for plant and equipment, and purchased software totalling £690,000 at 31 December 2011 (2010: £2,050,000).

28. Contingent Liabilities

Bank guarantees to the value of £81.6m (2010: £61.7m) were outstanding at the year end. These were entered into in the normal course of the company's business. Other contingent liabilities arise in the ordinary course of business in connection with the completion of contracts. In the opinion of the directors no material loss will arise from such contingent liabilities in excess of the amounts provided in the financial statements.

The guarantee and overdraft facilities provided by HBOS (£29.0m and £1.4m respectively) are obtained after the granting of a floating charge over the assets of the company. None of the credit facilities provided by other banks are subject to a charge over the assets of the company.

29. Related Party Transactions

The company entered into transactions, in the ordinary course of business, with related parties during the year. The total of these transactions during 2011 and the trading balances outstanding at 31 December 2011 are as follows:

	<i>Sales to Related Party £000s</i>	<i>Purchases from Related Party £000s</i>	<i>Amounts owed by Related Party £000s</i>	<i>Amounts owed to Related Party £000s</i>
Clyde Union (Holdings) S.à r.l.	-	-	44	3,931
Clyde Union S.à r.l.	-	-	957	-
Clyde Union (US) Inc.	-	-	49	-
Clyde Union Inc	1,546	809	371	212
Clyde Union Canada Limited	540	297	641	1,533
S&N Pump Company Inc	-	-	306	643
S&N Pump Singapore	52	-	33	2,104
S&N Pump & Rewind	11	-	-	173
S&N Pump FZE	-	-	-	179
Clyde Union (Holdings) S.A.S.	-	-	118	-
Clyde Union S.A.S.	61	653	1,082	602
Clyde Union (Holdings) Ltd	-	-	3,967	-
Clyde Union DB Ltd	1,137	628	1,330	8,296
Clyde Union China Holdings Ltd	-	1,772	2,181	-
Clyde Union Technology (Beijing) Co. Ltd	52	-	17	101
Clyde Union IMBIL LTDA	48	69	82	175
Clyde Pumps India (Private) Ltd	25	1,442	62	318
Clyde Union Middle East LLC	56	-	56	-
SPX Clyde UK Limited	-	-	-	51,901
	<u>3,528</u>	<u>5,670</u>	<u>11,296</u>	<u>70,168</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2011

29. Related Party Transactions (continued)

The equivalent disclosure for the prior year is as follows:

	<i>Sales to Related Party £000s</i>	<i>Purchases from Related Party £000s</i>	<i>Amounts owed by Related Party £000s</i>	<i>Amounts owed to Related Party £000s</i>
Clyde Union (Holdings) S.à r.l.	-	-	1,688	240
Clyde Union S.à r.l.	-	-	885	-
Clyde Union (US) Inc.	-	526	1,777	-
Clyde Union Inc	446	-	1,708	1,806
Clyde Union Canada Limited	211	1,543	693	2,794
Clyde Union (Holdings) S.A.S.	-	-	118	-
Clyde Union S.A.S.	2	-	1,805	6,373
Clyde Union (Holdings) Ltd	-	-	2,963	-
Clyde Union DB Ltd	77	64	1,266	8,940
Clyde Union China Holdings Ltd	-	1,644	376	-
Clyde Union Technology (Beijing) Co. Ltd	-	868	-	483
Clyde Union IMBIL LTDA	11	-	-	144
Clyde Pumps India (Private) Ltd	58	109	-	58
	<u>805</u>	<u>4,754</u>	<u>13,279</u>	<u>20,838</u>

30. Ultimate Parent Company

The company's immediate parent undertaking is Clyde Union (Holdings) Limited, a company incorporated in Scotland.

Management considers the company's ultimate parent undertaking and controlling party to be SPX Corporation, a company incorporated in the USA. The largest and smallest group in which the results of the company were consolidated as at 31 December 2011 was that headed by SPX Corporation. Copies of the group financial statements of SPX Corporation are available from 13320 Ballantyne Corporate Place, Charlotte, NC 28277.