

**Registered No: SC317760**

# **Clyde Union Limited**

## **Report and Financial Statements**

31 December 2012

TUESDAY



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02/07/2013

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COMPANIES HOUSE

## **Officers and Professional Advisers**

### **Directors**

Darren Dickson  
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 2012.

### 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 \$5 billion in annual revenue, operations in more than 35 countries and approximately 15,000 employees.

### Results and Dividends

The loss for the year, after taxation, amounted to £7,408,000 (2011: £11,690,000 loss). The directors recommend no dividend for the year (2011: £ 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 2012.

2012 was a year of integration for the ClydeUnion Pumps business under SPX control. The company achieved a 14% increase in turnover however this was combined with a reduction in gross profit margins but reduced selling and distribution and administrative costs over the prior year leading to an operating profit before amortisation of intangibles of £1.4m (2011: £0.8m loss). This result can be largely attributed to poor outcomes from several contracts in new and developing markets which impacted both 2011 and 2012. In response, the directors introduced a new contract approval process and robust contract execution metrics which address all aspects of technical, operational and financial performance. The company undertook a restructuring exercise in the middle of the year to drive operating improvements in the delivery of world-class technology and engineered solutions to its customer base. Finance costs were reduced from £8.5m in 2011 to £4.3m reflecting the loans and borrowings structure put in place following the acquisition by SPX.

### Key Performance Indicators

	2012 £000s	2011 £000s
Order bookings	87,910	109,316
Total order book at end of the year	105,107	147,906
Revenue	126,715	110,891
Operating profit/(loss) before amortisation of intangibles	1,424	(792)
Net (liabilities)/assets	(2,471)	4,937

### 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 22 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 2012 the company had an average of 48 days (2011: 100 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.

#### **Charitable Donations**

During the year, the company made charitable donations totalling £13,987 (2011: £8,150). Our primary focus has been on local support to, for example, Cash for Kids and The Prince & Princess of Wales Hospice.

## **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. Although the company has net current liabilities and net liabilities the directors have obtained a letter from the ultimate parent company undertaking to provide financial support. 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:

Darren Dickson (appointed 25 February 2013)

Kevin Lilly

Mark Shanahan

Jeremy Smeltser (appointed 31 May 2012)

Balkar Sohal

Allan Dowie (resigned 16 November 2012)

Patrick O'Leary (resigned 31 May 2012)

### **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.

## **DIRECTORS' REPORT (continued)**

### **Auditor**

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



**Jeremy Smeltser**  
Director

13 June 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 2012 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 Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 2012 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** CA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Edinburgh  
United Kingdom  
**21 JUNE 2013**

**INCOME STATEMENT**

for the year ended 31 December 2012

		2012 £000s	2011 £000s
<b>Continuing Operations</b>	<i>Notes</i>		
<b>Revenue</b>	2	<b>126,715</b>	<b>110,891</b>
Cost of sales		(110,294)	(91,928)
<b>Gross Profit</b>		<b>16,421</b>	<b>18,963</b>
Other operating income		155	434
Selling and distribution costs		(8,717)	(9,882)
Administrative costs		(7,326)	(9,632)
<b>Operating Profit/(Loss) before Foreign Exchange, Amortisation of Intangible Assets and Restructuring Costs</b>		<b>533</b>	<b>(117)</b>
Foreign exchange gains/(losses)		891	(675)
<b>Operating Profit/(Loss) before Amortisation of Intangible Assets</b>		<b>1,424</b>	<b>(792)</b>
Amortisation of intangible assets		(2,681)	(1,611)
<b>Operating Loss after Amortisation of Intangible Assets before Restructuring Costs</b>	3	<b>(1,257)</b>	<b>(2,403)</b>
Restructuring costs		(1,583)	-
<b>Operating Loss after Restructuring Costs</b>		<b>(2,840)</b>	<b>(2,403)</b>
Finance revenue	7	22	111
Finance costs	8	(4,314)	(8,452)
<b>Loss before Tax</b>		<b>(7,132)</b>	<b>(10,744)</b>
Tax	9	(276)	(946)
<b>Loss for the Year</b>		<b>(7,408)</b>	<b>(11,690)</b>

## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	<i>2012</i> <i>£000s</i>	<i>2011</i> <i>£000s</i>
Gain on cash flow hedges recognised directly in equity	-	1,304
Loss for the Year	(7,408)	(11,690)
<b>Total Comprehensive Expense for the Year</b>	<b>(7,408)</b>	<b>(10,386)</b>

**BALANCE SHEET**

at 31 December 2012

	Notes	2012 £000s	2011 £000s
<b>Assets</b>			
<b>Non-Current Assets</b>			
Intangible assets	11	29,948	31,143
Plant and equipment	10	11,716	13,050
Investments	13	129	129
Deferred tax assets	9	3,553	3,727
		<b>45,346</b>	<b>48,049</b>
<b>Current Assets</b>			
Inventories	15	12,299	7,989
Construction contracts	16	54,864	49,090
Trade and other receivables	14	46,343	34,825
Cash and cash equivalents	17	587	3,827
		<b>114,093</b>	<b>95,731</b>
<b>Total Assets</b>		<b>159,439</b>	<b>143,780</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	18	(36,389)	(68,716)
Construction contracts	16	(6,047)	(13,084)
Interest bearing loans and borrowings	19	(65,556)	(1,319)
Finance leases payable	20	(2,308)	(2,308)
Provisions	21	(5,377)	(1,888)
		<b>(115,677)</b>	<b>(87,315)</b>
<b>Net Current (Liabilities)/Assets</b>		<b>(1,584)</b>	<b>8,416</b>
<b>Non-Current Liabilities</b>			
Interest bearing loans and borrowings	19	(40,147)	(40,580)
Trade and other payables	18	(1,475)	(2,263)
Finance leases payable	20	(2,440)	(4,751)
Provisions	21	(1,471)	(3,308)
Deferred tax liabilities	9	(700)	(626)
		<b>(46,233)</b>	<b>(51,528)</b>
<b>Total Liabilities</b>		<b>(161,910)</b>	<b>(138,843)</b>
<b>Net (Liabilities)/Assets</b>		<b>(2,471)</b>	<b>4,937</b>

## BALANCE SHEET (continued)

at 31 December 2012

	<i>Notes</i>	<i>2012 £000s</i>	<i>2011 £000s</i>
<b>Capital and Reserves</b>			
Share capital	24	18,700	18,700
Retained earnings		(21,171)	(13,763)
<b>Total Equity</b>		<u><b>(2,471)</b></u>	<u><b>4,937</b></u>

The financial statements were approved by the board of directors and authorised for issue on 13 June 2013. They were signed on its behalf by



**Jeremy Smeltser**  
Director

Registered No: SC317760

**STATEMENT OF CASH FLOWS**

for the year ended 31 December 2012

	2012 £000s	2011 £000s
<b>Operating Activities</b>		
Loss for the year	(7,408)	(11,690)
Adjustments to reconcile (loss)/profit for the year to net cash (used in)/from operating activities:		
Net finance costs	4,292	8,341
Tax expense	276	946
Depreciation of plant and equipment	2,240	2,324
Amortisation of intangible assets	2,681	1,788
(Increase)/decrease in inventories	(4,310)	396
Increase in trade and other receivables	(17,292)	(4,079)
(Decrease)/increase in trade and other payables	(46,337)	5,538
Increase/(decrease) in provisions	1,652	(1,192)
<b>Net Cash (used in)/from Operating Activities before Tax</b>	<b>(64,206)</b>	<b>2,372</b>
Income taxes paid	(28)	(78)
<b>Net Cash (used in)/from Operating Activities</b>	<b>(64,234)</b>	<b>2,294</b>
<b>Investing Activities</b>		
Purchases of plant and equipment	(578)	(2,780)
Purchases of intangible assets	(1,396)	(3,678)
Receipts from sales of plant and equipment	-	20
<b>Net Cash used in Investing Activities</b>	<b>(1,974)</b>	<b>(6,438)</b>
<b>Financing Activities</b>		
Interest paid	(532)	(2,421)
Payment of finance lease liabilities	(304)	(280)
Funding from group undertaking	24,246	40,147
Repayment of debt	(565)	(28,623)
Repayment of revolving credit facility	-	(10,800)
Financing fees paid	-	(816)
<b>Net Cash from/(used in) Financing Activities</b>	<b>22,845</b>	<b>(2,793)</b>
<b>Decrease in Cash and Cash Equivalents</b>	<b>(43,363)</b>	<b>(6,937)</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	<b>3,827</b>	<b>10,764</b>
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>(39,536)</b>	<b>3,827</b>

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

	<i>Equity Share Capital £000s</i>	<i>Retained Earnings £000s</i>	<i>Total Equity £000s</i>
<b>At 1 January 2012</b>	<b>18,700</b>	<b>(13,763)</b>	<b>4,937</b>
Loss in year attributable to equity holders	-	(7,408)	(7,408)
<b>At 31 December 2012</b>	<b>18,700</b>	<b>(21,171)</b>	<b>(2,471)</b>

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>
<b>At 1 January 2011</b>	<b>18,700</b>	<b>(1,304)</b>	<b>(2,073)</b>	<b>15,323</b>
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)
<b>At 31 December 2011</b>	<b>18,700</b>	<b>-</b>	<b>(13,763)</b>	<b>4,937</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2012

### 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 2012

### 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 2012

### 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 derecognition of the asset is included in the income statement in the period of derecognition.

##### **Intangible Assets**

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2012

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

#### ***Internally Generated Intangible Assets – Research and Development Expenditure***

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

An internally-generated intangible asset arising from the company's development is recognised only if all of the following conditions 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 2012

### 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 2012

### 1. Accounting Policies (continued)

#### **Derivative Financial Instruments**

Prior to the acquisition by SPX Corporation, the company used derivative financial instruments such as forward currency contracts to hedge its risk associated with foreign currency. Such derivative financial instruments were initially recognised at fair value on the date on which a derivative contract was entered into and were subsequently re-measured at fair value. Derivatives were carried as assets when the fair value was positive and as liabilities when the fair value was negative. All movements in fair value were reflected through the Income Statement.

#### **Hedge Accounting**

The company did 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 interest 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 2012

### 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 2012

### 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 2012, no financial assets have been designated at fair value through profit and loss.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2012

### 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 2012

### 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 2012

### 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 were initially recognised at fair value on the date a derivative contract was entered into and were subsequently re-measured at fair value. Derivatives were carried as financial assets when the fair value was positive and as financial liabilities when the fair value was 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 were 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 2012

### 1. Accounting Policies (continued)

#### **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 1 (amended)	Government Loans
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 1	Presentation of Financial Statements
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.

### 2. Revenue

Revenue recognised in the income statement is analysed as follows:

	2012 £000s	2011 £000s
Revenue from construction contracts	83,778	74,595
Sale of goods	38,245	32,960
Rendering of services	4,692	3,336
	<u>126,715</u>	<u>110,891</u>

### 3. Operating Loss

This is stated after charging/(crediting):

	Notes	2012 £000s	2011 £000s
Depreciation of plant and equipment	10	2,240	2,324
Amortisation of intangible assets	11	2,681	1,611
Operating lease payments: property		1,443	1,914
plant and equipment		19	14
Foreign exchange (gains)/losses		(891)	675
Cost of inventory recognised as an expense		88,242	79,244
Impairment of trade receivables recognised in administrative costs		208	377
Research and development costs		881	1,029
		<u></u>	<u></u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2012

### 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:

	2012 £000s	2011 £000s
Audit of company's financial statements	90	149
Other fees to auditor - audit requirement of group reporting	100	-
	<u>190</u>	<u>149</u>

\$150,000 was paid by the company's ultimate parent for the audit requirement of group reporting in 2011.

### 5. Staff Costs

	2012 £000s	2011 £000s
Wages and salaries	35,088	34,117
Social security costs	3,462	3,330
Pension costs	1,176	1,203
	<u>39,726</u>	<u>38,650</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:

	2012 No.	2011 No.
Operations	547	568
Engineering	108	115
Sales and administration	215	218
	<u>870</u>	<u>901</u>

### 6. Directors' Remuneration

	2012 £000s	2011 £000s
Directors' emoluments (excluding company pension contributions)	<u>248</u>	<u>1,063</u>
Payments to a defined contribution pension scheme	<u>8</u>	<u>59</u>
	2012 No.	2011 No.
Directors accruing benefits under a defined contribution scheme	<u>1</u>	<u>8</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

at 31 December 2012

**6. Directors' Remuneration (continued)**

For the highest paid director:

	2012 £000s	2011 £000s
Emoluments (excluding company pension contributions)	248	238
Payments to a defined contribution pension scheme	8	10

Only one director received, or was due to receive, any remuneration in connection with their services to the company in the current year. The emoluments of £248,000 include £68,000 in respect of pay in lieu of notice.

**7. Finance Revenue**

	2012 £000s	2011 £000s
Interest receivable from group companies	16	111
Interest receivable on bank deposits	6	-
	22	111

**8. Finance Costs**

	2012 £000s	2011 £000s
Interest payable on bank loans and overdrafts	400	2,803
Amortisation of bank arrangement fee	-	2,533
Interest payable to group companies	3,395	903
Finance charges under finance leases	304	280
Fair value adjustments to financial derivatives	-	857
Movement in discounting of warranties and penalties provision	202	260
Other finance charges	13	816
	4,314	8,452

**9. Taxation**

(a) Tax on loss on ordinary activities

	2012 £000s	2011 £000s
Current Taxation:		
Overseas tax	28	78
Current tax charge on ordinary activities	28	78
Deferred Taxation:		
Origination and reversal of timing differences	393	2,316
Prior year adjustment	(145)	(1,448)
Deferred tax charge on ordinary activities	248	868
Total tax charge	276	946

# NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2012

## 9. Taxation (continued)

### (b) Reconciliation of the total tax charge

The tax charge in the income statement for the year is higher than the standard rate of Corporation Tax in the UK of 24.5% (2011: 26.5%).

The differences are reconciled below:

	2012 £000s	2011 £000s
Loss from continuing operations before taxation	(7,132)	(10,744)
Loss multiplied by the standard rate of Corporation Tax in the UK of 24.5% (2011: 26.5%)	(1,747)	(2,847)
Tax effect of non-deductible or non-taxable items	113	436
Group relief surrendered for no payment	1,418	-
Deferred tax rate changes	576	551
Movement in unprovided deferred tax	40	4,196
Foreign tax paid	28	78
Foreign tax recovery	(7)	(20)
Prior year adjustments	(145)	(1,448)
Total tax charge reported in the income statement	276	946

### (c) Deferred tax

	2012 £000s	2011 £000s
Deferred tax liabilities:		
Intangible assets	700	626
Deferred tax assets:		
<i>Recognised</i>		
Tax losses carried forward	3,553	3,727
<i>Not recognised</i>		
Decelerated tax depreciation	1,353	1,315
General provisions	28	334
Tax losses carried forward	2,445	2,548
	3,826	4,197
Losses on which no deferred tax asset is recognised	10,630	10,190
Movement on deferred tax balance in the year:		
Opening deferred tax asset	3,101	3,969
Charge to income statement	(393)	(2,316)
Adjustment in respect of prior years	145	1,448
Closing deferred tax asset	2,853	3,101

## NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2012

### 9. Taxation (continued)

#### (c) Deferred tax (continued)

At the balance sheet date, the company had unused tax losses of £26,076,000 (2011: £25,099,000) available for offset against future profits. These losses can be carried forward indefinitely. No deferred tax asset has been recognised in respect of £10,629,000 (2011: £10,190,000) of these losses, or on temporary differences relating to decelerated tax depreciation and general provisions, on the basis that their future economic benefit is uncertain. The company has recognised a deferred tax asset in respect of £15,447,000 (2011: £14,909,000) of the losses, on the basis that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised.

#### (d) Change in UK Corporation Tax rate

The Finance Act 2012 was enacted in July 2012 and reduced the main rate of corporation tax from 24% to 23% from 1 April 2013. A further reduction to 20% from 1 April 2015 was announced by the Chancellor in the March 2013 Budget. As the reduction to 20% had not been substantively enacted at the balance sheet date it has not been recognised in these financial statements.

It is estimated that the reduction in the proposed rate of Corporation Tax from 23% to 20% will result in a reduction in the net deferred tax asset recognised as at 31 December 2012 of approximately £372,000 and in the deferred tax asset unrecognised of approximately £499,000.

### 10. Plant and Equipment

	<i>Leasehold Improvements</i>	<i>Other Plant &amp; Equipment</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Cost:			
At 1 January 2012	440	21,426	21,866
Additions	-	906	906
At 31 December 2012	440	22,332	22,772
Depreciation and impairment:			
At 1 January 2012	61	8,755	8,816
Provided during the year	44	2,196	2,240
At 31 December 2012	105	10,951	11,056
Net book value:			
At 31 December 2012	335	11,381	11,716
At 31 December 2011	379	12,671	13,050

## NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2012

### 10. Plant and Equipment (continued)

The equivalent disclosure for the prior year is as follows:

	<i>Leasehold Improvements</i>	<i>Other Plant &amp; 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

The carrying value of plant and equipment held under finance leases or hire purchase contracts at 31 December 2012 was £5,452,000 (2011: £6,133,000). There were no additions during the year of plant and equipment held under finance leases or hire purchase contracts (2011: £847,000). 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</i>	<i>Purchased Software</i>	<i>Business Acquisitions</i>	<i>Goodwill</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Cost:					
At 1 January 2012	905	9,216	16,323	13,456	39,900
Additions	-	1,486	-	-	1,486
At 31 December 2012	905	10,702	16,323	13,456	41,386
Amortisation:					
At 1 January 2012	39	2,105	6,613	-	8,757
Charge for the year	866	1,181	634	-	2,681
At 31 December 2012	905	3,286	7,247	-	11,438
Net book value:					
At 31 December 2012	-	7,416	9,076	13,456	29,948
At 31 December 2011	866	7,111	9,710	13,456	31,143



## NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2012

### 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 2012 and 31 December 2012	5,338	10,985	16,323
Amortisation:			
At 1 January 2012	4,044	2,569	6,613
Charge for the year	85	549	634
At 31 December 2012	4,129	3,118	7,247
Net book value:			
At 31 December 2012	1,209	7,867	9,076
At 31 December 2011	1,294	8,416	9,710

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 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	13,546	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 2012

### 11. Intangible Fixed Assets (continued)

	<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
Change for the year	388	551	939
At 31 December 2011	4,044	2,569	6,613
Net book value:			
At 31 December 2011	1,294	8,416	9,710
At 31 December 2010	1,682	8,967	10,649

**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 2012 of £1,209,000 will be amortised over the remaining useful life of 14 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 2012 of £7,867,000 will be amortised over the remaining useful life of 14 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 2012 was £1,924,000 (2011: £2,199,000). There were no additions during the year to software held under finance leases or hire purchase contracts (2011: £1,250,000).

### 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 2012

### 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

	2012 £000s	2011 £000s
Investments in subsidiary and associates:		
At 1 January	129	306
Write down of investments	-	(177)
At 31 December	129	129

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 2012

### 14. Trade and Other Receivables

	2012 £000s	2011 £000s
Amounts falling due in one year or less are:		
Trade receivables	40,514	22,056
Less: provision for impairment of receivables	(658)	(609)
Trade receivables – net	39,856	21,447
Prepayments and other accrued income	2,231	2,082
Amounts due from group undertakings	4,256	11,296
	<u>46,343</u>	<u>34,825</u>

Of the carrying amount of trade receivables of £40m, £23m relates to ten major customers (2011: trade receivables of £22m, £11m relates to five major customers). Trade receivables are non-interest bearing and are generally on 30-60 days terms.

Analysis of trade receivables:

	2012 £000s	2011 £000s
Neither impaired nor past due	20,548	11,091
Past due but not impaired	19,308	10,356
Impaired	658	609
At 31 December	<u>40,514</u>	<u>22,056</u>

Ageing of past due but not impaired trade receivables:

	2012 £000s	2011 £000s
Up to 3 months past due	11,153	4,802
Between 3 and 6 months past due	3,341	2,428
More than 6 months past due	4,814	3,126
At 31 December	<u>19,308</u>	<u>10,356</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

at 31 December 2012

**14. Trade and Other Receivables (continued)**

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

	2012 £000s	2011 £000s
At 1 January	609	718
Impairment losses recognised on receivables	208	377
Utilised	(1)	(430)
Unused amounts reversed	(158)	(56)
At 31 December	<u>658</u>	<u>609</u>

Ageing of impaired trade receivables:

	2012 £000s	2011 £000s
Up to 3 months past due	88	-
Between 3 and 6 months past due	-	-
More than 6 months past due	570	609
At 31 December	<u>658</u>	<u>609</u>

**15. Inventories**

	2012 £000s	2011 £000s
Raw materials and consumables	1,508	1,763
Short term work in progress	10,762	6,171
Finished goods	29	55
	<u>12,299</u>	<u>7,989</u>

**16. Construction Contracts**

	2012 £000s	2011 £000s
Amounts due from customers for contract work (included in current assets)	<u>54,864</u>	<u>49,090</u>
Amounts due to customers for contract work (included in current liabilities)	<u>6,047</u>	<u>13,084</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 £103,587,000 (2011: £98,804,000). There were no retentions held by customers for contract work (2011: £ nil). The amount of advances received from customers for contract work amounted to £5,800,000 (2011: £7,400,000).

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

at 31 December 2012

**17. Cash and Cash Equivalents**

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

	2012 £000s	2011 £000s
Cash at bank and in hand	587	3,827
Bank overdraft	(40,123)	-
	<u>(39,536)</u>	<u>3,827</u>

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

**18. Trade and Other Payables**

	2012 £000s	2011 £000s
Amounts falling due in one year or less are:		
Trade payables	19,833	27,146
Other payables	11,123	12,303
Amounts owed to group undertakings	5,433	29,267
	<u>36,389</u>	<u>68,716</u>

Amounts falling due in more than one year are:

Trade payables	316	483
Other payables	1,159	1,780
	<u>1,475</u>	<u>2,263</u>

**19. Interest Bearing Loans and Borrowings**

	2012 £000s	2011 £000s
Current:		
Bank Overdraft	40,123	-
Short term loan from SPX Clyde UK Limited	25,000	754
Other Loans	433	565
	<u>65,556</u>	<u>1,319</u>
Non-current:		
Promissory note due to SPX Clyde UK Limited	40,147	40,147
Other Loans	-	433
	<u>40,147</u>	<u>40,580</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2012

### 19. Interest Bearing Loans and Borrowings (continued)

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 however the interest accrued to 31 December 2012 (£2,887,000) had still to be paid with the agreement of SPX Clyde UK Limited and is included in amounts owed to group undertakings within Trade and Other Payables (Note 18).

A short term loan to the value of £25,000,000 was executed between SPX Clyde UK Limited and Clyde Union Limited on 22 December 2011 with no repayment date defined. Interest accrues at 2% per annum payable quarterly in arrears however the interest accrued to 31 December 2012 (£514,000) had still to be paid with the agreement of SPX Clyde UK Limited and is included in amounts owed to group undertakings within Trade and Other Payables (Note 18).

The bank overdraft is made available through the group's centralised treasury facility.

### 20. 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:

		2012 £000s	2011 £000s
Not later than one year	- property	23	603
	- plant and equipment	4	-
After one year but not more than five years	- plant and equipment	-	8
		<u>27</u>	<u>611</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:

	2012		2011	
	Minimum Payments	Present Value of Minimum Payments	Minimum Payments	Present Value of Minimum Payments
	£000s	£000s	£000s	£000s
Within one year	2,542	2,308	2,551	2,308
After one year but not more than five years	2,754	2,440	5,299	4,751
Total minimum lease payments	<u>5,296</u>	<u>4,748</u>	<u>7,850</u>	<u>7,059</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2012

### 21. Provisions

	<i>Warranties/ Penalties £000s</i>
At 1 January 2012	5,196
Arising during the year	2,617
Utilised during the year	(674)
Released during the year	(493)
Movement in discounting	202
At 31 December 2012	<u>6,848</u>
Current	5,377
Non-current	1,471
At 31 December 2012	<u>6,848</u>

The equivalent disclosure for the prior year is as follows:

	<i>Warranties/ Penalties £000s</i>	<i>Other £000s</i>	<i>Total £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 discounting	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>

*Warranties/Penalties:* 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.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2012

### 22. 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 prior to the acquisition by SPX. 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 2012 £000s</i>	<i>Effect on loss before tax 2011 £000s</i>
US dollar	+5%	1,070	108
US dollar	-5%	(968)	(98)
Euro	+5%	614	(252)
Euro	-5%	(556)	228

#### *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 2012

### 22. Financial Instruments (continued)

#### Liquidity Risk

The table below summarises the maturity profile of the company's financial liabilities at 31 December 2012 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 2012	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	65,123	811	2,433	48,499	-	116,866
Trade and other payables	15,043	16,376	4,970	1,475	-	37,864
	<u>80,166</u>	<u>17,187</u>	<u>7,403</u>	<u>49,974</u>	<u>-</u>	<u>154,730</u>

The equivalent disclosure for the prior year is as follows:

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>

#### 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 2012 £000s	Fair Value 2012 £000s	Book Value 2011 £000s	Fair Value 2011 £000s
Financial assets:				
Cash	<u>587</u>	<u>587</u>	<u>3,827</u>	<u>3,827</u>
Financial liabilities:				
Fixed rate borrowings	65,580	62,656	41,899	38,403
Variable rate borrowings	<u>40,123</u>	<u>40,123</u>	<u>-</u>	<u>-</u>

#### 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 fixed rates of interest with £40m maturing in December 2016 and £25m with no repayment date.

#### Interest Rate Risk

The company has cash at bank and a bank overdraft which are 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 2012

### 23. 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 2012, there is £433,000 (2011: £998,000) of external net debt and the company is not subject to any externally imposed capital requirements.

### 24. Share Capital

	2012		2011	
	No.	£000s	No	£000s
<i>Authorised, issued and fully paid:</i>				
Ordinary Shares of £1 each				
At 1 January and 31 December	18,700,000	18,700	18,700,000	18,700

### 25. Analysis and Reconciliation of Net Debt

Reconciliation of decrease in cash and cash equivalents to movement in net debt

	Notes	2012 £000s	2011 £000s
Net decrease in cash and cash equivalents		(43,363)	(6,937)
Net increase in debt		(23,681)	(1,431)
Change in net debt during the year		(67,044)	(8,368)
Changes in net debt resulting from cash flows		(67,044)	(8,298)
Non cash movements in net debt		-	(70)
Change in net debt during the year		(67,044)	(8,368)
Change in net debt during the year		(67,044)	(8,368)
Net debt at beginning of the year		(38,072)	(29,704)
Net debt at end of the year		(105,116)	(38,072)
Net debt comprises the following:			
Cash at bank and in hand	17	587	3,827
Current interest bearing loans and borrowings	19	(65,556)	(1,319)
Non-current interest bearing loans and borrowings	19	(40,147)	(40,580)
Net debt at end of the year		(105,116)	(38,072)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2012

### 26. Capital Commitments

The company had capital commitments for plant and equipment, and purchased software totalling £55,000 at 31 December 2012 (2011: £690,000).

### 27. Contingent Liabilities

Bank guarantees to the value of £89.8m (2011: £81.6m) 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 working capital facility provided by HBOS, which may be drawn as guarantees or bonds up to a total value of £10.0m, is 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.

### 28. 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 2012 and the trading balances outstanding at 31 December 2012 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 S.à r.l.	-	-	-	188
Clyde Union DB Ltd	795	2,721	657	487
S&N Pump & Rewind Ltd	-	-	8	-
Clyde Union China Holdings Ltd	150	1,761	657	-
Clyde Union Technology (Beijing) Co. Ltd	107	161	7	1
Clyde Union Middle East LLC	-	337	43	66
Clyde Union Pumps Middle East FZE	562	76	33	52
Clyde Union S.A.S.	7	1,924	7	27
Clyde Union Inc	2,479	707	1,755	396
Clyde Union Canada Ltd	770	656	15	23
S&N Pump Company Inc	-	-	401	43
Clyde Union South East Asia Pte. Ltd	208	930	96	255
Clyde Pumps India Pvt. Ltd	413	2,060	377	437
Clyde Union IMBIL LTDA	13	15	-	-
S&N Pump Africa Ltda	-	-	164	-
SPX Clyde UK Limited	-	1,320	36	68,605
SPX Corporation	-	1,196	-	-
SPX Flow Technology London Ltd	-	1,116	-	-
SPX Flow Technology Assen BV	-	32	-	-
SPX Process Equipment Ltd	-	1	-	-
	<u>5,504</u>	<u>15,013</u>	<u>4,256</u>	<u>70,580</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

at 31 December 2012

### 28. 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.	-	-	44	3,931
Clyde Union S.à r.l.	-	-	957	-
Clyde Union (Holdings) Ltd	-	-	3,967	-
Clyde Union DB Ltd	1,137	628	1,330	8,296
S&N Pump & Rewind Ltd	11	-	-	173
Clyde Union China Holdings Ltd	-	1,772	2,181	-
Clyde Union Technology (Beijing) Co. Ltd	52	-	17	101
Clyde Union Middle East LLC	56	-	56	-
Clyde Union Pumps Middle East FZE	-	-	-	179
Clyde Union (US) Inc.	-	-	49	-
Clyde Union (France) S.A.S.	-	-	118	-
Clyde Union S.A.S.	61	653	1,082	602
Clyde Union Inc	1,546	809	371	212
Clyde Union Canada Ltd	540	297	641	1,533
S&N Pump Company Inc	-	-	306	643
Clyde Union South East Asia Pte. Ltd	52	-	33	2,104
Clyde Pumps India Pvt. Ltd	25	1,442	62	318
Clyde Union IMBIL LTDA	48	69	82	175
SPX Clyde UK Limited	-	-	-	51,901
	<u>3,528</u>	<u>5,670</u>	<u>11,296</u>	<u>70,168</u>

### 29. 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 2012 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.

### 30. Events after the Balance Sheet

On 13 June 2013 the company announced a number of actions to the ClydeUnion Pumps business to enable a stable and successful brand poised to better service our customers and create continual, profitable growth. A number of jobs are at risk and the total cost of restructuring the company is expected to be £2m, the majority of which will be incurred during the remaining half of 2013.