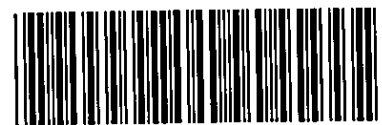


Clyde Union Limited
(formerly Clyde Pumps Limited)

Report and Financial Statements

31 December 2008

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COMPANIES HOUSE

Clyde Union Limited

Registered No: SC317760

Directors

James McColl	
Thomas Burley	
Keith Mitchell	(appointed 15 July 2008)
Francis Barrett	(appointed 11 June 2009)
Allan Dowie	(appointed 15 July 2008)
John Fleming	(appointed 11 June 2009)
Stephen Gilbey	
Crawford Gorrie	
Mark Hannigan	(appointed 11 June 2009)
Brian Scorer	(appointed 11 June 2009)

Secretary

T J Brown

Auditors

Ernst & Young LLP
George House
50 George Square
GLASGOW
G2 1RR

Bankers

Bank of Scotland
167-201 Argyle Street
GLASGOW
G2 8BU

Solicitors

Dundas & Wilson CS LLP
191 West George Street
GLASGOW
G2 2LD

Registered Office

1 Redwood Crescent
Peel Park
East Kilbride
GLASGOW
G74 5PA

CHAIRMAN'S STATEMENT

Introduction

2008 has been an excellent year for the now enlarged CLYDEUNION Pumps business and we are continuing to our planned growth strategy at the time of signing this report. We have now created a group that operates with a global footprint as a result of building on the platform that was created following the formation of Clyde Pumps from the acquisition of Weir Pumps, Glasgow in May 2007.

The first section of this report (Pages 2-5) is a strategic review of the enlarged CLYDEUNION Pumps group of which Clyde Union Limited is one part. A detailed review of the Clyde Union Limited performance is covered on Pages 6-7.

During 2008 we continued to expand as a result of both the excellent progress we made in respect of setting up of our joint ventures (India and China) and on 12 November 2008 the acquisition of the Union Pump business. This acquisition added an additional four manufacturing locations across the globe.

While the global economy has seen the full effect since mid 2008 of the damage caused by the banking crisis we have benefited from our strategic exposure to the emerging markets, in particular China where the response was to stimulate the economy by accelerating investment in key infrastructure projects including the nuclear power station build programme. Between 2007 and 2009 we have taken significant orders in excess of £120m for contracts going out to 2014 with more contracts planned in our sales pipeline.

We have completed and integrated a very successful acquisition that took our manufacturing operations from one location in Glasgow to five and now, with the joint ventures that I will discuss later, this has risen to eight. This capability coupled with our sales offices and service centres means that we now have a presence in over 27 countries globally.

We have seen all elements of order booking, revenue and EBITDA (pre IFRS fair value on acquisition adjustments and foreign exchange adjustments) increase significantly year on year and all forecasts throughout 2009 and beyond are similar.

Key Performance Indicators from a CLYDEUNION Pumps Group perspective

The following tables illustrate the significant growth from the combining of Clyde Pumps with Union Pump to form CLYDEUNION Pumps.

	2008 £m	2007 £m	Increase %
Underlying EBITDA	15.1	4.5	236
Order Input	151.3	55.5	173
Order Book	247.5	98.2	152
Revenue	110.1	44.7	147
Number of Employees	1,484	616	141

2007 : Clyde Pumps 8 months trading

2008 : Clyde Pumps 12 months trading plus Union Pump 6 weeks trading

The proforma result for the twelve months to 31 December 2008 had the CLYDEUNION Pumps group been operating under the same ownership would have resulted in an Underlying EBITDA of £21.3m (2007 £9.6m).

CHAIRMAN'S STATEMENT

Strategy

We believe that in order to maintain our position as a global pump solutions provider we must be market and customer focused. We must also have the ability to listen to and provide solutions that meet the needs of our customers, deliver solutions, services and support rapidly, and have the ability to develop and nurture relationships.

We have a clear vision for the future of CLYDEUNION Pumps and our strategy aims to continue to re-establish the company's prominence as a world class pump manufacturer in terms of product excellence, market presence and profitability based on the brand and the heritage we have acquired.

We have put together a growth strategy that comprises a combination of organic expansion in existing markets, aided by new product development, in addition to a programme of acquisitions and joint ventures that target new industry sectors, new geographies or enhance our product range.

Acquisition of Union Pump

On 11 September 2008 Clyde Blowers, the majority shareholder of Clyde Pumps, announced that it had reached a definitive agreement to acquire the Fluid and Power Division of Textron Inc in a deal with a total value of \$1 billion. The transaction, completed on 12 November 2008, covered four businesses: Maag Pumps Systems (Switzerland), David Brown Gear Systems (England), David Brown Hydraulics (England), and Union Pump (USA).

As a result of the transaction, Union Pump has been integrated with the former Clyde Pumps business during the first half of 2009 to form the global organisation CLYDEUNION Pumps. Clyde Pumps Limited was renamed Clyde Union Limited on 13 November 2008.

Integration of Union Pump

The acquisition of Union Pump business has been a transformational fit to the business and this will allow CLYDEUNION Pumps to achieve the targets set out in its 5 year plan which was completed in 2008.

The integration of the Union business has gone 100% to plan. We have embedded new members into the management team to help support the rollout of the industry focused business model and structure that replaced the previous functional site based operating model which did not align with our chosen markets.

The implementation of this industry focused strategy is supported through –

- Six market focused business units (Upstream Oil, Downstream Oil, Nuclear Power, Conventional Power, Water & Industrial, Global Aftermarket)
- Nine global sales regions
- Eight manufacturing facilities

The combined power of the CLYDEUNION Pumps Global Sales Regions, Business Units and Facilities delivers a truly global model with the following capabilities:

- Scale to compete globally
- Ability to enter new and further develop current markets
- Expanded product range
- Aid co-operative partnerships

This model in conjunction with market focus and product alignment will help support our continued growth into 2010 and beyond.

CHAIRMAN'S STATEMENT

Establishment of a Joint Venture in India

We concluded a joint venture agreement in India on 25 July 2008. Clyde Pumps India Pte Limited brings together the heritage, product portfolio and manufacturing expertise of CLYDEUNION Pumps and WPIL, one of India's top producers of engineered and standard pumps and an ideal partner to enable the venture to successfully grow our sales in the booming Indian pump market. The focus for the new company will be to supply pumps for the Indian power market, where Clyde Union has to date had limited access, as well as supplying vertical turbine pumps into the Indian and international markets.

In addition the new company will be able to utilise foundries and key sub-contractors currently used by WPIL to provide a route into markets we cannot currently access due to their highly competitive nature.

The joint venture operates from a purpose built facility in Ghaziabad a short distance from Delhi.

Clyde Pumps India has performed well to date, with one highlight being the receipt of a Main Boiler Feed Pump contract for Larsen and Toubro's first 4 x 660MW Supercritical Coal Fired Power Plant at Krishnapatnam. This establishes CLYDEUNION Pumps as a key player in India and also the Supercritical Power market globally.

The team in India has grown to more than 50 staff, many of whom are based in the CLYDEUNION Pumps Engineering Centre in Bangalore providing a highly qualified, flexible, engineering resource for our Global Engineering teams.

India is an increasingly important market for CLYDEUNION Pumps with excellent opportunities in upstream and downstream oil and gas, conventional power and, in the future, nuclear power and we continue to build our relationships with the key players in these markets.

Establishment of a Joint Venture in China

For our ongoing success in the Chinese nuclear market and to meet the Chinese nuclear authorities' localisation requirements, CLYDEUNION Pumps is pleased to announce that we entered into a joint venture agreement with the Shenyang Blowers Works Group on 8 October 2008 to form Shenyang Shengu Clyde Pumps Co Ltd. These requirements dictate that companies can only qualify for inclusion in nuclear power contracts if they can demonstrate that a specified percentage of the manufacturing activities required to perform the contracts takes place in China.

The vision of the joint venture is to establish an internationally competitive engineered pump business to satisfy both the domestic and overseas markets. This will be executed by using the key capabilities of both parties including marketing, technology, assets and management.

The joint venture will focus on increasing its market share in China and developing the international market, generating a steady increase in revenues, profits and cash flow that will in turn result in a first class return on investment for both parties. It will provide a full service business for design, procurement, manufacturing, testing, installation, commissioning and after sales service for engineered pumping solutions. The range of products will include the full range of Clyde Pumps products for the nuclear power, oil and gas industries as well as that of our joint venture partner.

CHAIRMAN'S STATEMENT

Establishment of a Joint Venture in Brazil

This joint venture is called CLYDEUNION IMBIL and brings together the heritage, product portfolio and manufacturing expertise of CLYDEUNION Pumps and IMBIL Pumping Solutions. IMBIL is one of the top suppliers of pumping solutions for the Brazilian market with a particularly strong presence in industrial sectors such as paper and ethanol. It is a 100% Brazilian, private company specialising in single and multi-stage pumps for the industrial market. Based in the city of Itapira near São Paulo, it is one of Brazil's top manufacturers of engineered and standard pumps.

IMBIL specialise in the low pressure segment and will make an ideal partner enabling the venture to successfully develop sales in the booming Brazilian pump market. Long experience in pattern and casting production for standard and exotic materials, as well as an established supply chain and sales force, will allow this new venture to rapidly develop into a major manufacturer.

Brazil is a key strategic territory and an important market for the rapid growth plans of the ClydeUnion organisation and we see our partnership with IMBIL as a very positive step towards strengthening our position in Brazil and expanding our product portfolio worldwide.

The focus of CLYDEUNION IMBIL will be to supply pumps for the fast growing Brazilian oil and gas market which is now entering a major development phase. In addition the JV will supply pumps both domestically and to the international Industrial and Power markets. This venture will allow CLYDEUNION Pumps to offer a full portfolio of aftermarket services for the large installed base of Weir Pumps and Union Pump equipment installed in Brazil.

Product Development

In order to maintain and improve our competitive position in our chosen markets, we require to evaluate product performance and where considered necessary develop new products. We continually strive to stay ahead of our competitors by further developing and enhancing our existing products for the power, oil, gas and water sectors in order to maintain our best in class position.

CLYDEUNION Pumps have reviewed the need for improvement through specific assessments and from market intelligence via assessment of our position relative to our competitors but most importantly we listen to the voice of our customers. We are therefore following key development proposals in 2010 and beyond.

We have focused on products for the AP1000 Third Generation Reactor Design & Turbine Island such as Main Feed Water Pumps, Residual Heat Removal (RHR) Pumps, and Charging Pumps. We continued to improve and develop our Main Feed Water Pumps for supercritical power stations as well as sub-critical power stations. Investment in new multiphase pump technology for the future, highly challenging, sub sea environment is key to our current and longer term goals. As well as new development we are also focused on significant improvements to existing well proven pump ranges using the latest technologies available.

Clyde Union Academy

We have now formally launched the CLYDEUNION Academy, an educational, learning and training centre that will support our extensive growth plans and offers our employees fully accredited qualifications via the partnerships we have formed with a number of Universities.

The Academy provides a key foundation as part of the ongoing training support we give our employees at the same time giving them the opportunity for personal development. The Academy not only helps us to retain our high calibre workforce but will also ensure we continue to attract talent into our global engineering environment. We are currently rolling out the Academy across all our manufacturing locations around the globe and ensuring local links to universities and schools.

CHAIRMAN'S STATEMENT

I am pleased to present our financial results for the year ended 31 December 2008 for Clyde Union Limited (formerly Clyde Pumps Limited), our first full trading year since the acquisition of the trade and assets of the pump manufacturing operations of Weir Pumps Limited on 8 May 2007.

Financial Performance and Effect of Fair Value Adjustments

For the year under review we have, in accordance with International Financial Reporting Standards (IFRS), made fair value adjustments to the net assets acquired from Weir Pumps Limited. As a consequence of the amortisation and write-off of these adjustments, there has been a direct charge to the Company's income statement of £2,562,000 (2007 £8,725,000).

The following analyses the impact on the income statement of the fair values on acquisition:

		2008 £000s (12 months)	2007 £000s (8 months)
1	Cost of Sales (impact of order book complete at acquisition)	(1,470)	2,324
2	Cost of Sales (uplift in premises rent - Alloa)	74	51
3	Cost of Sales (depreciation of tangible fixed assets)	-	280
4	Administrative Costs (uplift in premises rent - Cathcart)	534	368
5	Administrative Costs (depreciation of tangible fixed assets)	-	(25)
6	Amortisation of Intangibles (brand name, installed pump base & order book)	3,424	5,727
		Without Fair Value Adjustments 2008 £000s (12 months)	Without Fair Value Adjustments 2007 £000s (8 months)
Revenue		84,445	44,664
Cost of sales	(1,2,3)	(67,499)	(31,609)
Gross Profit		16,946	13,055
Other income		1,110	728
Distribution costs		(8,158)	(6,811)
Administrative costs	(4,5)	(6,860)	(3,649)
		3,038	3,323
Add back Tangible fixed asset depreciation		2,035	1,191
EBITDA		5,073	4,514

The Company's income statement would have shown a significantly more positive position if it were not for the £7,227,000 negative impact of foreign exchange movements during 2008, mainly at the end of the year between Sterling and the US Dollar. The Company's policy is to cover all significant foreign currency cash flows by forward currency contracts. As the Company does not apply hedge accounting the movements in the fair value of these contracts, £4,966,000 of the total foreign exchange loss will with certainty reverse thus improving future years' income statements. A large proportion of the remaining £2,261,000 will also reverse and positively impact future years' income statements based on the timing of project cash flows.

CHAIRMAN'S STATEMENT

Financial Performance and Effect of Fair Value Adjustments (continued)

The underlying financial performance for the twelve months trading was in line with expectations. After the above fair value on acquisition and foreign exchange adjustments, required in accordance with IFRS, are written off through the income statement, the result is a loss of £8.7m.

Board of Directors

I would like to thank all members of the Board for their continued support and commitment during this first full period of trading.

During 2009 we have added four new Directors -

- F G Barrett - Plant Director Glasgow
- J M Fleming - Managing Director, Water & Industrial
- M Hannigan - Managing Director, Conventional Power
- B F Scorer - Managing Director, Aftermarket

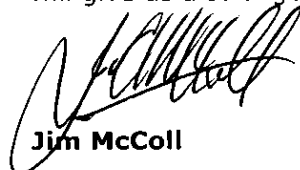
These appointments were made following the integration and will allow us to continue development of our future growth plans.

I would also like to offer my sincere thanks to the entire global workforce, staff and shopfloor, for their outstanding support through the acquisition and integration; also the many, many former employees who called, sent letters or e-mails, to show their support. The wave of positive energy which this created played a significant part in our continuing success revitalising this special business.

Outlook

With the tremendous growth platform we have now put in place we have the scale to compete globally in all our chosen markets. With the acquisition and joint ventures we now have the global access and reach to continue to meet our strategy. Transactional activity will also accelerate our development in new and emerging markets and at the time of writing we are looking at a number of opportunities.

During 2009 we have continued to open up access routes into markets exited under previous ownership and through our organic and acquisition growth, even in such tough economic conditions, we will present a growing and more profitable business at the end of 2009, which will give us a stronger global platform on which to continue to grow the business.



Jim McColl

9 February 2010

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2008.

Results and Dividends

The loss for the year, after taxation, amounted to £8,724,000 (2007 £7,525,000 for a period of 8 months). The directors recommend no dividend for the year.

Principal Activity and Review of the Business

Clyde Pumps Limited changed its name to Clyde Union Limited on 13 November 2008, reflecting the previously announced strategy of integrating the Clyde Pumps and Union Pump businesses and running them as a single entity.

The Company is structured to deliver market leading 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 2008. This was clearly a time of development and expansion for the business, its employees, customers and suppliers but through detailed planning and control all the objectives for this year have been achieved. The directors consider the results for the year and the 31 December 2008 financial position to be satisfactory.

Key Performance Indicators

	2008 (12 months) £000s	2007 (* 8 months) £000s
Order Input *	139,743	55,468
Order Book	147,412	98,166
Revenue *	84,445	44,664
Operating Profit before Amortisation of Intangibles *	1,639	971
Cash (Outflow) / Inflow *	(3,975)	8,478
Net Assets	367	10,430
Number of Employees at Balance Sheet Date	650	616

Future Developments

The Company continues to grow strongly with a positive outlook going forward as outlined in the Chairman's Statement.

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

Principal Risks and Uncertainties (continued)

Manufacturing Facility

The existing manufacturing premises of the business were subject to a lease arrangement which terminated on 31 March 2009. In August 2008, the company reached agreement, formally concluded by exchange of missives in January 2009, on a new lease of these premises to run for a period of three years from 1 April 2009. As part of that process, an associate company acquired an irrevocable option, exercisable before the end of the second year of the new lease, to purchase the premises.

Key Individuals

The Company's future performance depends heavily on its ability to retain the services of its directors and managers and to be able to retain and attract the services of suitable personnel and motivate them. The loss of the services of any such directors or managers could have a material adverse impact on the business and the prospects of the Company.

Financial Risk Management

The Company's financial risks are discussed in Note 25 to the financial statements.

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 2008 the Company had an average 72 days (2007 65 days) purchases outstanding in trade creditors.

Research and Development

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

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.

With over 650 employees around the world we are developing a 'can do' and 'customer focused' culture throughout our organisation. We have a team of engineers who have proven themselves on many occasions as being able to provide solutions that are not only creative but value adding.

DIRECTORS' REPORT

Directors

The following directors served during the year:

James McColl	
Thomas Burley	
Keith Mitchell	(appointed 15 July 2008)
Allan Dowie	(appointed 15 July 2008)
Stephen Gilbey	
Crawford Gorrie	
Gavin Nicol	(resigned 31 May 2008)
Dennis Gallacher	(resigned 4 July 2008)

The following directors were appointed on 11 June 2009:

Francis Barrett
John Fleming
Mark Hannigan
Brian Scorer

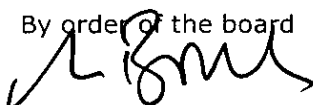
Disclosure of Information to the Auditors

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.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



T J Brown
Secretary

9 February 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the Company financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The directors are required to prepare Company financial statements for each financial year which present fairly the financial position of the Company and the financial performance and cash flows of the Company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- 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 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial positions and financial performance; and
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

to the members of Clyde Union Limited

We have audited the financial statements of Clyde Union Limited for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Statement of Cash Flows, the Statement of Recognised Income and Expense and the related Notes 1 to 34. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 Auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Chairman's Statement that is cross-referred from the future developments section of the Directors' report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Chairman's Statement and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

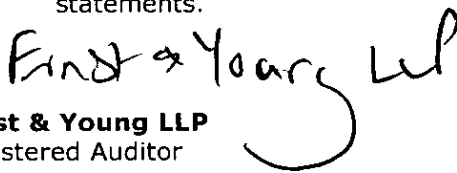
INDEPENDENT AUDITORS' REPORT

to the members of Clyde Union Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP
Registered Auditor
Glasgow

9 February 2010

INCOME STATEMENT

for the year ended 31 December 2008

	Notes	2008 (12 months) £000s	2007 (8 months) £000s
Revenue	3	84,445	44,664
Cost of sales		(66,103)	(34,264)
Gross Profit		18,342	10,400
Other income		1,110	728
Distribution costs		(8,158)	(6,811)
Administrative costs		(7,394)	(3,992)
Operating Profit before Foreign Exchange Losses and Amortisation of Intangibles		3,900	325
Foreign exchange (losses) / gains		(2,261)	646
Operating Profit before Amortisation of Intangibles		1,639	971
Amortisation of intangible assets	13	(3,730)	(5,795)
Operating Loss after Amortisation of Intangibles	4	(2,091)	(4,824)
Finance revenue	9	241	124
Finance costs	10	(9,046)	(2,225)
Exceptional item	6	2,172	(600)
Loss from Continuing Operations before Tax		(8,724)	(7,525)
Taxation	11	-	-
Loss from Continuing Operations		(8,724)	(7,525)

All activities relate to continuing operations.

STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the year ended 31 December 2008

	Notes	2008 (12 months) £000s	2007 (8 months) £000s
Expense Recognised Directly in Equity			
On cash flow hedges		1,339	745
Loss for the Year		8,724	7,525
Total Recognised Expense for the Year		10,063	8,270

This is wholly attributable to the equity holders of the Company.

BALANCE SHEET

at 31 December 2008

	Notes	2008 £000s	2007 £000s
ASSETS			
Non-Current Assets			
Plant and equipment	12	6,666	8,078
Intangible assets	13	30,806	30,986
Investments	15	100	-
Derivative financial instruments	17	1,124	639
		38,696	39,703
Current Assets			
Trade and other receivables	16	15,601	15,912
Inventories	18	3,688	5,333
Construction contracts	19	14,668	9,730
Derivative financial instruments	17	1,118	2,364
Cash and cash equivalents	20	4,503	8,478
		39,578	41,817
Total Assets		78,274	81,520
LIABILITIES			
Current Liabilities			
Interest bearing loans and borrowings	22	3,531	1,169
Trade and other payables	21	19,775	24,040
Construction contracts	19	8,693	5,414
Derivative financial instruments	17	4,022	502
Finance Leases		290	-
Income tax payable	11	-	-
Provisions for charges and liabilities	24	3,730	2,553
		40,041	33,678
Non-Current Liabilities			
Interest bearing loans and borrowings	22	28,274	29,650
Derivative financial instruments	17	2,627	603
Finance Leases		507	-
Provisions for charges and liabilities	24	6,458	7,159
		37,866	37,412
Total Liabilities		77,907	71,090
NET ASSETS		367	10,430
CAPITAL & RESERVES			
Share capital	27	18,700	18,700
Retained (losses) / earnings	28	(16,249)	(7,525)
Hedge reserve	28	(2,084)	(745)
NET EQUITY		367	10,430


Allan Dowie

Director

9 February 2010

STATEMENT OF CASH FLOWS

for the period ended 31 December 2008

	Notes	2008 (12 months) £000s	2007 (8 months) £000s
Cash Flows from Operating Activities			
Cash generated from operations	29	1,599	7,303
Net Cash Flow from Operating Activities		1,599	7,303
Cash Flows from Investing Activities			
Interest received		241	124
Cash element of acquisition of Weir Pumps business	2	-	(46,074)
Purchases of intangible assets		(2,680)	(56)
Purchases of plant and equipment		(623)	(707)
Investment in joint ventures		(100)	-
Net Cash Flow from Investing Activities		(3,162)	(46,713)
Cash Flows from Financing Activities			
Finance Charges		(4,181)	(1,812)
Proceeds from issue of ordinary share capital (net of issue costs)		-	18,700
Proceeds from borrowings		32,769	31,000
Repayments of borrowings		(31,000)	-
Net Cash Flow from Financing Activities		(2,412)	47,888
(Decrease) / Increase in Cash and Cash Equivalents		(3,975)	8,478
Cash and Cash Equivalents at the Beginning of the Year		8,478	-
Effect of exchange rates on cash and cash equivalents		-	-
Cash and Cash Equivalents at the End of the Year		4,503	8,478

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

1. Accounting Policies

Authorisation of Financial Statements and Statement of Compliance with IFRSs

The financial statements of Clyde Union Limited for the year ended 31 December 2008 were approved and authorised for issue by the board of directors on 9 February 2010 and the balance sheet was signed on the board's behalf by Allan Dowie, Finance Director. Clyde Union Limited is a Company incorporated and domiciled in Scotland.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 December 2008, and in accordance with the provisions of the Companies Act 1985.

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 EU Endorsed International Financial Reporting Standards (IFRS), IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention with the exception of derivative financial instruments which are stated at fair value.

The Company has taken advantage of the exemption from preparing group accounts under Section 228 of the Companies Act 1985.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed further below.

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.

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 cashflows.

Estimates and Assumptions

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.

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

1. Accounting Policies (continued)

Estimates and Assumptions (continued)

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, is given in Note 14.

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 11.

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.

Business Combinations and Goodwill

Business combinations have been accounted for under IFRS 3 using the purchase method. The cost of an acquisition is measured as the fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any minority interest. Any excess of the cost of the business combination over the Company's interest in the net fair value of identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is not amortised.

After initial recognition, goodwill is stated at cost less any impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

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 FINANCIAL STATEMENTS

at 31 December 2008

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 20 years
Customer relationships	over 20 years
Order book	over 2 years

Intangible assets with indefinite useful lives are tested for impairment annually. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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

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:

Plant and equipment, including furniture and fixtures - over 2 to 20 years

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

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

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.

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

1. Accounting Policies (continued)

Impairment of Non-Financial Assets (continued)

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. 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.

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 un-winding 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.

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
Short term work in progress	- cost of direct materials and 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

Profit on construction contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit 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.

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

1. Accounting Policies (continued)

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.

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 property 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.

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

1. Accounting Policies (continued)

Income Taxes

Income 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 income 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 income 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 subsidiaries 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 income 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 income 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.

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

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

Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

1. Accounting Policies (continued)

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.

Exceptional Items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Company's financial performance.

Derivative Financial Instruments

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

Hedge Accounting

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

Research and Development

Costs incurred on pure research projects are charged to the income statement as incurred. Costs on projects which are expected to generate future income and other qualifying development expenditure is capitalised as deferred development within intangible assets where it is considered there is a commercially viable and technically feasible product, the related expenditure is separately identifiable, and there is a reasonable expectation that these costs will be exceeded by future revenues.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

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:

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.

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 FINANCIAL STATEMENTS

at 31 December 2008

1. Accounting Policies (continued)

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, loans and receivables, held-to-maturity investments or available-for-sale financial assets, 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 2008, no financial assets have been designated as at fair value through profit and loss.

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

Investments intended to be held for an undefined period are not included in this classification. As at 31 December 2008, the Company had no held-to-maturity investments.

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

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

1. Accounting Policies (continued)

Financial Assets (continued)

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.

Available-for-Sale Financial Assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as such or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

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). 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

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

1. Accounting Policies (continued)

Impairment of Financial Assets (continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

1. Accounting Policies (continued)

Derecognition of Financial Assets and Liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognising of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

Offsetting of Financial Instruments

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

Derivative Financial Instruments and Hedging

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

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

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

1. Accounting Policies (continued)

Derivative Financial Instruments and Hedging (continued)

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

At the inception of a transaction to be designated as a hedge the Company formally designates and documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The only designated hedging transactions currently in place in the Company are interest rate swaps hedging variable rate borrowings. Such designated hedging transactions are classified as cash flow hedges.

Cash Flow Hedges

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

1. Accounting Policies (continued)

New Standards and Interpretations Not Applied

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements.

International Accounting Standards (IAS/IFRS)

IFRS2	Amendment to IFRS2 Share Based Payment: Vesting Conditions and Cancellations	1 Jan 2009
IFRS3	*Revised IFRS3 Business Combinations	1 Jul 2009
IFRS8	Operating Segments	1 Jan 2009
IAS1	Amendments to IAS1 Presentation of Financial Statements: A Revised Presentation	1 Jan 2009
IAS23	Amendments to IAS23 Borrowing Costs	1 Jan 2009
IAS27	*Amendments to IAS27 Consolidated and Separate Financial Statements	1 Jul 2009
IAS32	Amendments to IAS32 Financial Instruments: Presentation	1 Jan 2009
IAS39	Amendments to IAS39 Financial Instruments: Recognition and Measurement and IFRS7 Financial Instruments: Disclosures - Reclassification of Financial Assets	1 Jul 2009
IAS39	*Amendments to IFRIC9 and IAS39 Embedded Derivatives	30 Jun 2009

International Financial Reporting Interpretations Committee (IFRIC)

IFRIC13	*Customer Loyalty Programmes	1 Jul 2008
IFRIC14	#The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	1 Jan 2008
IFRIC15	*Agreements for Construction of Real Estate	1 Jan 2009
IFRIC16	*Hedges of a Net Investment in a Foreign Operation	1 Oct 2008
IFRIC17	*Distribution of Non-Cash Assets to Owners	1 Jul 2009
IFRIC18	*Transfers of Assets from Customers	1 Jul 2009
IFRIC9	*Amendments to IFRIC9 and IAS39 Embedded Derivatives	30 Jun 2009

* Not yet adopted for use in the European Union

Not yet mandatory for use in the European Union until 1 January 2009

The above standards and interpretations will be adopted in accordance with their effective dates and have not been adopted in these financial statements. The directors do not anticipate that adoption of these standards and interpretations will have a material effect on the Company's financial statements in the period of initial application.

IAS23 (revised) requires borrowing costs attributable to the acquisition or construction of certain assets to be capitalised. The option currently taken by the Company of charging such costs to the income statement in the period in which they are incurred will no longer be available prospectively from 1 January 2009.

IFRS3 (revised) will apply to business combinations arising from 1 January 2010. This will require recognition of subsequent changes in the fair value of contingent consideration in the income statement rather than against goodwill. In addition, transaction costs will be recognised immediately in the income statement.

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

2. Business Combinations

On 8 May 2007 the Company acquired the trade, certain assets and certain liabilities of the pump manufacturing division of Weir Pumps Limited, a company based in Glasgow delivering market leading products and services to meet the technical and commercial challenges of customers operating in the power, oil, water and industrial sectors throughout the world.

The fair value of the identifiable assets and liabilities acquired as at the date of the acquisition and the corresponding carrying amounts immediately before the acquisition were:

	<i>Recognised on acquisition £000s</i>	<i>Carrying values £000s</i>
Plant and equipment	8,818	9,690
Intangible assets	23,269	418
Trade and other receivables	14,659	13,481
Inventories	8,149	6,787
Construction contracts	9,457	9,881
Derivative financial instruments	2,943	2,943
Cash and cash equivalents	-	-
Total Assets	67,295	43,200
Trade and other payables	18,638	18,108
Construction contracts	6,663	7,269
Derivative financial instruments	105	105
Provisions for charges and liabilities	9,271	3,974
Total Liabilities	34,677	29,456
Net Assets	32,618	13,744
Goodwill arising on acquisition (Note 13)	13,456	
Total Consideration	46,074	
Discharged by:		
Cash	45,234	
Costs associated with the acquisition, settled in cash	840	
Total Consideration	46,074	

Included in the £13.5m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the assembled workforce, knowledge of the business, detailed information regarding the production and manufacturing process of pumps and patents held.

As the Company was established to purchase this business, the entire results for the period relate to the trade of the acquired business.

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

3. Revenue

Revenue recognised in the income statement is analysed as follows:

	2008 (12 months) £000s	2007 (8 months) £000s
Revenue from construction contracts	49,715	20,460
Sale of goods	33,737	24,204
Rendering of services	993	-
	<u>84,445</u>	<u>44,664</u>

4. Operating Loss after Amortisation of Intangibles

This is stated after charging / (crediting):

	Notes	2008 (12 months) £000s	2007 (8 months) £000s
Depreciation of plant and equipment	12	2,035	1,446
Amortisation of intangible assets	13	3,730	5,795
Operating lease payments		296	170
Exchange loss / (gain)		2,261	(646)
Cost of inventory recognised as an expense		66,103	34,264
Impairment of trade receivables recognised in administrative costs		453	129
Research and development costs		299	25
		<u></u>	<u></u>

5. Auditors' Remuneration

The following amounts were payable to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2008 (12 months) £000s	2007 (8 months) £000s
Audit of the Company's financial statements	<u>70</u>	<u>50</u>
Other fees to auditors:		
- auditing the accounts of subsidiaries	-	-
- other services related to taxation	47	8
- all other services	14	21
	<u>61</u>	<u>29</u>

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

6. Exceptional Items

	2008 (12 months) £000s	2007 (8 months) £000s
Property search and development	76	600
Relocation provision unutilised	(5,532)	-
Onerous lease provision created	2,654	-
Arrangement costs written off on refinancing	630	-
	<u>(2,172)</u>	<u>600</u>

The Company did not acquire the manufacturing facility in Glasgow as part of the acquisition of the trade and assets of the pump manufacturing operations of Weir Pumps Limited but leased the premises on a short term basis. Costs have been incurred as part of the search for a new location and premises for the business.

During the year, agreement was reached with Weir Engineering Services Limited for Clyde Union Limited to continue to lease the premises for a period of three years until 31 March 2012, and for Clyde Blowers Limited to be granted an option to purchase the site at the end of the lease period. Consequently the relocation provision set up on acquisition can now be released.

The lease covers the whole of the Glasgow site and includes both manufacturing and office areas not presently occupied or utilised. An onerous lease provision has been set up for the proportion of the lease applicable to the unoccupied areas.

The arrangement fee for the Company's working capital facility was being amortised over the period of the facility. A new facility was put in place at the time of the acquisition of Union Pump.

7. Employee Benefit Expense

	2008 (12 months) £000s	2007 (8 months) £000s
Wages and salaries	21,968	11,781
Social security costs	2,285	1,309
Pension costs	852	483
	<u>25,105</u>	<u>13,573</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:

	2008 (12 months) No.	2007 (8 months) No.
Operations	403	385
Engineering	95	88
Sales & Administration	128	127
	<u>626</u>	<u>600</u>

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

8. Directors' Emoluments

	2008 (12 months) £000s	2007 (8 months) £000s
Directors' emoluments	922	498
	No.	No.
Directors accruing benefits under a defined contribution scheme	6	5

During the year, the aggregate value of Company contributions paid to a pension scheme on behalf of the directors is £31,000.

For the highest paid director:

	2008 (12 months) £000s	2007 (8 months) £000s
Emoluments	263	118
Contributions to a defined contribution scheme	9	5

9. Finance Revenue

	2008 (12 months) £000s	2007 (8 months) £000s
Bank interest receivable	241	124

10. Finance Costs

	2008 (12 months) £000s	2007 (8 months) £000s
Interest payable on bank loans and overdrafts	2,924	2,010
Finance charges related to committed loan facilities	388	200
Finance charges under finance leases	13	-
Fair value adjustments to financial derivatives	4,966	-
Movement in discount on provisions	755	-
Other finance charges	-	15
	9,046	2,225

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

11. Taxation

(a) Tax on Profit on Ordinary Activities

There is no tax charge in the income statement or the statement of recognised income and expense in the year.

(b) Reconciliation of the Total Tax Charge

The tax expense in the income statement for the year is higher than the standard rate of corporation tax in the UK of 28.5% (2007 30%). The differences are reconciled below:

	2008 (12 months) £000s	2007 (8 months) £000s
Loss from continuing operations before taxation	(8,724)	(7,525)
Loss multiplied by the UK standard rate of corporation tax of 28.5% (2007 30%)	(2,486)	(2,257)
Tax effect of non-deductible or non-taxable items	210	213
Deferred tax on losses not recognised	684	2,044
Deferred tax on foreign currency contracts not recognised	1,662	-
Deferred tax on provisions not recognised	(19)	-
Deferred tax on goodwill not recognised	(151)	-
Deferred tax on P, P & E not recognised	59	-
Effect of DT at 28% and CT at 28.5%	41	-
Total tax expense reported in the income statement	-	-

(c) Change in Corporation Tax Rate

The UK Corporation tax rate decreased from 30% to 28% with effect from 1 April 2008. The unrecognised deferred tax balance has been adjusted in the current year to reflect this change.

(d) Deferred Tax

	Unrecognised	
	2008 £000s	2007 £000s
Deferred Tax Liability		
Plant and equipment	(31)	29
Intangible assets	248	150
Derivative financial assets	-	841
	217	1,020
Deferred Tax Asset		
Tax losses	(3,014)	(2,529)
Less: Not recognised	2,867	1,908
Provisions	(70)	(89)
Derivative financial assets	-	(310)
	(217)	(1,020)
Deferred tax asset not recognised on unused tax losses ¹	10,242	6,815

¹ on the basis that future economic benefit is uncertain

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

12. Plant and Equipment

	<i>Plant and Equipment</i>	
	<i>2008</i>	<i>2007</i>
	<i>(12 months)</i>	<i>(8 months)</i>
	<i>£000s</i>	<i>£000s</i>
Cost or valuation:		
At 1 January	9,523	-
Acquisition	-	8,818
Additions	623	707
Disposals	-	(2)
At 31 December	10,146	9,523
Depreciation and impairment:		
At 1 January	1,445	-
Provided during the year	2,035	1,446
Disposals	-	(1)
At 31 December	3,480	1,445
Net book value:		
At 31 December	6,666	8,078

The carrying value of plant and equipment held under finance leases or hire purchase contracts at 31 December 2008 was £282,000 (2007 £450,000). There were no additions during the year of plant and equipment held under finance leases or hire purchase contracts. Leased assets and assets held under hire purchase contracts are pledged as security for the related lease and hire purchase liabilities.

13. Intangible Fixed Assets

	<i>Purchased Software</i>	<i>Business Acquisition**</i>	<i>Goodwill</i>	<i>Total 2008</i>	<i>Total 2007</i>
	<i>(12 months)</i>			<i>(8 months)</i>	
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Cost:					
At 1 January	351	22,974	13,456	36,781	-
Acquisition	-	-	-	-	36,725
Additions	3,550	-	-	3,550	56
At 31 December	3,901	22,974	13,456	40,331	36,781
Depreciation and impairment:					
At 1 January	68	5,727	-	5,795	-
Amortisation during the year	306	3,424	-	3,730	5,795
At 31 December	374	9,151	-	9,525	5,795
Net book value:					
At 31 December 2008	3,527	13,823	13,456	30,806	
Net book value:					
At 31 December 2007	283	17,247	13,456		30,986

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

13. Intangible Fixed Assets (continued)

** The intangible fixed assets identified as part of the business acquisition were as follows:

	<i>Brand Name</i>	<i>Installed Pump Base</i>	<i>Order Book</i>	<i>Total 2008 (12 months) £000s</i>	<i>Total 2007 (8 months) £000s</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>		
Cost:					
At 1 January	5,338	10,985	6,651	22,974	-
Acquisition	-	-	-	-	22,974
Additions	-	-	-	-	-
At 31 December	<u>5,338</u>	<u>10,985</u>	<u>6,651</u>	<u>22,974</u>	<u>22,974</u>
Depreciation and impairment:					
At 1 January	665	366	4,696	5,727	-
Amortisation during the year	997	548	1,879	3,424	5,727
At 31 December	<u>1,662</u>	<u>914</u>	<u>6,575</u>	<u>9,151</u>	<u>5,727</u>
Net book value					
At 31 December 2008	<u>3,676</u>	<u>10,071</u>	<u>76</u>	<u>13,823</u>	
Net book value					
At 31 December 2007	<u>4,673</u>	<u>10,619</u>	<u>1,955</u>		<u>17,247</u>

Brand Name: The trade name and heritage of Weir Pumps is globally recognised so the acquisition agreement granted Clyde Pumps (now renamed Clyde Union) the right to use the subtext 'incorporating Weir Pumps Glasgow' under the Clyde Union name for a period of four years from the completion date 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 2008 of £3.7m will be substantially amortised over the next two years.

Installed Pumps Base: The Weir Pumps business has been supplying pumps for many years so naturally there will be a significant number still operating at customer locations worldwide which will give rise to future service and spares revenue for Clyde Pumps (now renamed Clyde Union) now that the Company has acquired Weir Pumps. The net book value at 31 December 2008 of £10.1m will be amortised over the remaining useful life of 18 years.

Order Book: The customer order book acquired by Clyde Pumps (now renamed Clyde Union) at the transaction date comprised both original equipment and spares orders that had not yet been delivered or invoiced. The majority of the order book was to be fulfilled within the first year of trading. The net book value at 31 December 2008 of £0.1m will be amortised over the next year.

Other intangibles 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 14). 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 2008 was £870,000 (2007 £nil).

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

14. 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 covering a five year period.

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 of five years, increased over the period for anticipated efficiency improvements.

Discount rates: Discount rates 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 16.1%.

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 4% 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.

15. Investments

	2008 £000s	2007 £000s
Investments	100	-

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:

Name of Company	Holding	Proportion of voting rights and shares held	Nature of business
Clyde Union China Holdings Limited	Ordinary Shares	100%	Holding Company
Clyde Pumps Inc	Ordinary Shares	100%	Sales Office
Clyde Pumps India Pte Limited	Ordinary Shares	60%	Joint Venture

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

16. Trade and Other Receivables

	2008 £000s	2007 £000s
Trade receivables	14,558	13,388
Less: provision for impairment of receivables	705	284
Trade receivables - net	13,853	13,104
Prepayments and other accrued income	1,748	2,808
	<u>15,601</u>	<u>15,912</u>

Out of the carrying amount of trade receivables of £14.6m, £3.6m relates to four major customers. Trade receivables are non-interest bearing and are generally on 30-60 days terms.

Analysis of trade receivables:

	2008 £000s	2007 £000s
Neither impaired or past due	9,618	7,769
Past due but not impaired	4,235	5,335
Impaired	705	284
At 31 December	<u>14,558</u>	<u>13,388</u>

Ageing of past due but not impaired trade receivables:

	2008 £000s	2007 £000s
Up to 3 months	3,751	5,335
Between 3 and 6 months	166	-
More than 6 months	318	-
At 31 December	<u>4,235</u>	<u>5,335</u>

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

	2008 (12 months) £000s	2007 (8 months) £000s
At 1 January	284	-
Impairment losses recognised on receivables	453	284
Amounts written off as uncollectible	(32)	-
At 31 December	<u>705</u>	<u>284</u>

Ageing of impaired trade receivables:

	2008 £000s	2007 £000s
Up to 3 months	-	20
Between 3 and 6 months	56	6
More than 6 months	649	258
At 31 December	<u>705</u>	<u>284</u>

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

17. Derivative Financial Instruments

	2008 £000s	2007 £000s
Forward currency hedging contracts: non-current assets	1,124	639
current assets	1,118	2,364
Total Assets	<u>2,242</u>	<u>3,003</u>

	2008 £000s	2007 £000s
Interest rate swap contracts: non-current liabilities	2,084	600
current liabilities	-	145
Forward currency hedging contracts: non-current liabilities	543	3
current liabilities	4,022	357
Total Liabilities	<u>6,649</u>	<u>1,105</u>

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

	2008 (12 months) £000s	2007 (8 months) £000s
Financial assets at fair value through profit or loss	761	-
Financial liabilities at fair value through profit or loss	4,205	-
Net gain / (loss)	<u>4,966</u>	<u>-</u>

18. Inventories

	2008 £000s	2007 £000s
Raw materials and consumables	1,288	1,603
Short term work in progress	2,400	3,730
	<u>3,688</u>	<u>5,333</u>

19. Construction Contracts

	2008 £000s	2007 £000s
Gross amount due from customers for contract work (included in current assets)	<u>14,668</u>	<u>9,730</u>
Gross amount due to customers for contract work (included in current liabilities)	<u>8,693</u>	<u>5,414</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 £47,396,000 (2007 £40,628,000). There were no retentions held by customers for contract work. The amount of advances received from customers for contract work amounted to £3,539,000 (2007 £1,936,000).

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

20. Cash and Cash Equivalents

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

	2008 £000s	2007 £000s
Cash at bank and in hand	4,503	8,478
	<u>4,503</u>	<u>8,478</u>

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

21. Trade and Other Payables

	2008 £000s	2007 £000s
Trade payables	10,422	11,763
Other payables	9,353	12,247
Interest payable	-	30
	<u>19,775</u>	<u>24,040</u>

22. Interest Bearing Loans and Borrowings

	2008 £000s	2007 £000s
<i>Current</i>		
Current instalments due on bank loans (net of unamortised arrangement fees)	<u>3,531</u>	<u>1,169</u>
<i>Non-current</i>		
Non-current instalments due on bank loans (net of unamortised arrangement fees)	<u>28,274</u>	<u>29,650</u>

Bank loans comprise the following:

	2008 £000s	2007 £000s
£2,000,000 variable rate loan 2009 ¹	2,000	-
£12,000,000 variable rate loan 2011 ⁴	-	12,132
£6,000,000 variable rate loan 2012 ⁴	-	6,070
£8,822,000 variable rate loan 2013 ²	8,885	-
£6,000,000 variable rate loan 2014 ⁴	-	6,074
£8,822,000 variable rate loan 2014 ²	8,885	-
£7,000,000 variable rate loan 2014 ⁵	-	7,137
£8,822,000 variable rate loan 2015 ²	8,885	-
£4,303,000 variable rate loan 2016 ³	4,491	-
Less: Unamortised arrangement fees	<u>(1,341)</u>	<u>(594)</u>
	<u>31,805</u>	<u>30,819</u>
Less: Current instalments due on bank loans (net of unamortised arrangement fees)	<u>3,531</u>	<u>1,169</u>
	<u>28,274</u>	<u>29,650</u>

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

22. Interest Bearing Loans and Borrowings (continued)

Each loan is secured by a first and only floating charge on Clyde Union Limited and Clyde Union Holdings Limited.

- ¹ Interest on the revolving credit facility maturing in 2009 is LIBOR plus a margin of 3%
- ² Interest on the loans maturing in 2013 to 2015 is LIBOR plus margins of 3%, 3.25% and 3.75% respectively
- ³ Interest on the loan maturing in 2016 is LIBOR plus a margin of 12% (7% cash margin, 5% payment in kind margin)
- ⁴ Interest on the loans maturing in 2011 to 2013 was at LIBOR plus margins of 1.75%, 2.25% and 2.75% respectively
- ⁵ Interest on the loan maturing in 2014 was at LIBOR plus a margin of 4% plus a further 4%

23. 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:

	2008 £000s	2007 £000s
Not later than one year	92	83
After one year but not more than five years	5	16
Later than five years	-	-
	<u>97</u>	<u>99</u>

24. Provisions for Charges and Liabilities

	Warranties 2008 £000s	Other 2008 £000s	Total 2008 £000	Total 2007 £000s
At 1 January	4,493	5,219	9,712	-
Acquisition	-	-	-	9,271
Arising during the year	3,724	2,654	6,378	1,246
Utilised during the year	(1,123)	(2)	(1,125)	(805)
Unused during the year	-	(5,532)	(5,532)	-
Movement in discount rate	404	351	755	-
At 31 December	<u>7,498</u>	<u>2,690</u>	<u>10,188</u>	<u>9,712</u>
Current	2,767	963	3,730	
Non-current	4,731	1,727	6,458	
At 31 December 2008	<u>7,498</u>	<u>2,690</u>	<u>10,188</u>	
Current	2,553	-	2,553	
Non-current	1,940	5,219	7,159	
At 31 December 2007	<u>4,493</u>	<u>5,219</u>	<u>9,712</u>	

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

24. Provisions for Charges and Liabilities (continued)

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

Other: The Company entered into operating leases up to 31 March 2009 for the factory and offices at its main location in Cathcart, Glasgow and on acquisition provided £5.2m for relocation costs to another site in the local area. During the year, agreement was reached with Weir Engineering Services Limited for Clyde Union Limited to enter into a new lease for the premises for a period of three years until 31 March 2012, and for Clyde Blowers Limited to be granted an option to purchase the site at the end of the lease period. Consequently the relocation provision set up on acquisition can now be released. The lease covers the whole of the Glasgow site and includes both manufacturing and office areas not presently occupied or utilised. An onerous lease provision has been set up for the proportion of the lease applicable to the unoccupied areas.

25. Financial Instruments

Financial Risk Management Objectives and Policies

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

	Increase in US Dollar / Euro rate	Effect on loss before tax 2008 £000s	Effect on loss before tax 2007 £000s
US dollar	+5%	1,649	1,500
US dollar	-5%	(1,924)	(1,657)
Euro	+5%	(591)	(142)
Euro	-5%	760	156

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

25. Financial Instruments (continued)

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 unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by 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.

Liquidity Risk

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2008 based on contractual cash flows. In the table below interest rates on variable rate loans have been based on a forward curve:

At 31 December 2008	On Demand £000s	Less than 3 months £000s	3 to 12 months £000s	2 to 5 years £000s	>5 years £000s	Total £000s
Interest bearing loans and borrowings	-	1,651	2,566	24,436	13,540	42,193
Trade and other payables	-	17,337	6,703	-	-	24,040
	-	18,988	9,269	24,436	13,540	66,233
At 31 December 2007	On Demand £000s	Less than 3 months £000s	3 to 12 months £000s	2 to 5 years £000s	>5 years £000s	Total £000s
Interest bearing loans and borrowings	-	1,651	2,566	24,436	13,540	42,193
Trade and other payables	-	17,337	6,703	-	-	24,040
	-	18,988	9,269	24,436	13,540	66,233

Certain of the Company's borrowings have normal financial covenants. If these were breached the borrowings would become payable immediately.

Each loan is secured by a first and only floating charge on Clyde Union Limited and Clyde Union Holdings Limited.

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

25. Financial Instruments (continued)

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:

	<i>Book Value £000s 2008</i>	<i>Fair Value £000s 2008</i>	<i>Book Value £000s 2007</i>	<i>Fair Value £000s 2007</i>
Financial assets:				
Cash	4,503	4,503	8,478	8,478
Derivative financial instruments	2,242	2,242	3,003	3,003
Financial liabilities:				
Interest bearing loans and borrowings:				
Floating rate borrowings	33,146	33,146	31,413	31,413
Derivative financial instruments	6,649	6,649	1,105	1,105

Interest Rate Maturity Profile of Financial Assets and Liabilities

Interest rate exposure is managed within limits agreed by the board. The majority of the Company's borrowings are at variable rates of interest. Interest rate risk is regularly monitored to ensure that the mix of fixed and variable rate borrowing is appropriate for the Company in the short to medium term. To achieve this mix the company has entered into interest rate swaps. At 31 December 2008 the fair value of these derivatives was £2,084,000 (2007 £745,000) and these will impact cash flows and profits up to 2013.

Interest Rate Risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Company's equity. The sensitivity analysis excludes all non-derivative fixed rate financial instruments carried at amortised cost but includes those recognised at fair value as well as all non-derivative floating rate financial instruments.

Fair value interest rate hedges, that are part of a hedging relationship, have been excluded from the analysis, as gains and losses from fair valuing both the hedging item and hedging instrument almost cancel one another out completely in the income statement. However, for the purpose of the sensitivity analysis hedged loans are treated as floating rate borrowings as a result of the swap relationship, which exposes them to a variable interest expense in the income statement.

Currency derivatives have not been included in the sensitivity analysis below as they are not considered to be exposed to interest rate risk:

	<i>Increase in basis points</i>	<i>Effect on loss before tax 2008 £000s</i>	<i>Effect on loss before tax 2007 £000s</i>
Sterling	25	(5)	(17)

A 25 point decrease would have an equal and opposite effect.

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

26. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions to maintain or adjust the capital structure. The Company monitors capital using the following indicators.

Gearing Ratio

Gearing comprises net debt divided by total equity. Net debt comprises cash and short term deposits and interest bearing loans and borrowings (See Notes 20 & 22).

The gearing ratio is as follows:

	2008 £000s	2007 £000s
Net Debt	28,643	22,935
Total Equity	367	10,430
Gearing ratio	7,805%	220%

Net Debt to EBITDA Cover

Net debt to EBITDA comprises net debt divided by operating profit from continuing operations before exceptional items, depreciation and amortisation.

The net debt / EBITDA cover is as follows:

	2008 £000s	2007 £000s
Net Debt	28,643	22,935
Operating loss before exceptional item	(7,057)	(4,824)
Depreciation and amortisation	5,765	7,241
EBITDA	(1,292)	3,017
Net Debt to EBITDA cover	(22.2)	7.6

Interest Cover

Interest cover comprises operating profit from continuing operations before exceptional items and intangible amortisation divided by gross finance costs (excluding other finance income).

Interest cover is as follows:

	2008 £000s	2007 £000s
Operating (loss) / profit before exceptional items and intangible amortisation	(3,327)	971
Net finance costs	4,080	2,225
Interest cover	(0.82)	0.44

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

27. Share Capital

	2008 £000s	2007 £000s
<i>Authorised:</i>		
18,700,000 Ordinary shares of £1 each	18,700	18,700
	No.	£000s
<i>Allotted, Called Up and Fully Paid:</i>		
At 31 December 2008	18,700,000	18,700

On formation, the authorised share capital of the Company was £1,000, being 1,000 ordinary shares of £1. The Company increased the authorised share capital by £18,699,000 by the creation of 18,699,000 ordinary shares of £1 each which were issued on 08 May 2007.

28. Reconciliation of Movement in Equity

	Equity share capital £000s	Hedge reserve £000s	Retained earnings £000s	Total equity £000s
At 1 January 2008	18,700	(745)	(7,525)	10,430
Loss on effective cash flow hedges		(1,339)		(1,339)
Loss in year attributable to equity holders			(8,724)	(8,724)
At 31 December 2008	18,700	(2,084)	(16,249)	367

29. Cash Generated from Operations

	2008 £000s	2007 £000s
Operating loss after amortisation of intangibles	(2,091)	(4,824)
Amortisation	3,730	5,795
Depreciation	2,035	1,446
Loss on disposal of plant and equipment	-	1
Loss on derivatives taken to operating profit	-	195
Exceptional items	2,172	(600)
Discounting of Provisions	(755)	-
Decrease in inventories	1,645	2,816
(Increase) in trade and other receivables and construction contracts	(4,627)	(2,120)
Increase in trade and other payables and construction contracts	(986)	4,153
Increase in provisions for liabilities and charges	476	441
Cash generated from operations	1,599	7,303

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

30. Reconciliation of Net Debt

	<i>Dec 2007 £000s</i>	<i>Cash flow £000s</i>	<i>Exchange differences £000s</i>	<i>Non-cash movements £000s</i>	<i>Dec 2008 £000s</i>
Cash and cash equivalents	8,478	(3,975)	-	-	4,503
Loans	(31,413)	(1,769)	-	36	(33,146)
	<u>(22,935)</u>	<u>(5,744)</u>	<u>-</u>	<u>36</u>	<u>(28,643)</u>

31. Capital Commitments

The Company had capital commitments for plant and equipment and purchased software totalling £350,000 at 31 December 2008 (2007 £56,000).

32. Contingent Liabilities

Bank guarantees to the value of £32.5m (2007 £21.8m) were entered into in the normal course of the Company's business. Other contingent liabilities arise in the ordinary course of business in connection with the completion of contracts. In the opinion of the directors no material loss will arise from such contingent liabilities in excess of the amounts provided in the financial statements.

The guarantee and overdraft facilities are obtained after the granting of fixed and floating charges over the assets of the Company.

33. Related Party Transactions

The Company entered into transactions, in the ordinary course of business, with related parties during the year. Clyde Blowers Limited provide management services to the Company including the services of certain directors, marketing, legal, treasury and administration departments and other associated costs. Clyde Bergemann Limited provides storage facilities for casting patterns. The total of these transactions during 2008 and the trading balances outstanding at 31 December 2008 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 China (Holdings) Limited	-	1,056	330	-
Clyde Union Technology (Beijing) Company Limited	200	649	15	52
Clyde Union DB Limited	-	-	500	-
Clyde Union S.A.S.	-	-	-	2,865
Clyde Pumps Inc.	-	410	21	-
Clyde Blowers Limited	-	590	-	-
Clyde Bergemann Limited	-	67	-	-
	<u>200</u>	<u>2,772</u>	<u>866</u>	<u>2,917</u>

NOTES TO FINANCIAL STATEMENTS

at 31 December 2008

34. Ultimate Parent Company

The Company's intermediate parent undertaking in which Clyde Union Holding Limited's results are consolidated is Clyde Union S.à r.l., a company registered in Luxembourg. Copies of the financial statements can be obtained from 37, rue d'Anvers, L-1130 Luxembourg.

Management considers the Company's ultimate parent undertaking and controlling party to be Clyde Blowers Capital Fund II LP which is a limited partnership incorporated in Scotland.