

## SPX Flow Europe Limited

Annual Report and Financial Statements

For the year ended 31 December 2020

Company Number 07065382

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# SPX Flow Europe Limited

## Annual report and financial statements for the year ended 31 December 2020

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### Directors

J Easley  
M Shanahan  
P Ryan

### Registered office

C/O SPX Flow Europe Limited Part Ground Floor, Alexander House, 4 Station Road, Cheadle Hulme, United Kingdom, SK8 5AE

### Company number

07065382

### Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

# SPX Flow Europe Limited

## Strategic report for the year ended 31 December 2020

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The directors present their Strategic report together with the audited financial statements for the year ended 31 December 2020.

### **Business Review and Financial Key Performance Indicators ("KPIs")**

SPX FLOW, Inc. ("SPX FLOW"), the ultimate parent company of SPX Flow Europe Limited registered in the U.S., has continued its journey of implementing a principal type structure with sales branches in multiple European countries and with the principal entity being SPX Flow Europe Limited (the "Company").

The Company operates in two business segments: The Nutrition and Health segment and the Industrial segment as described below:

**Nutrition and Health:** The Nutrition and Health segment operates in a regulated, global industry with customers who demand highly engineered, process solutions. Key demand drivers include dairy consumption, emerging market capacity expansion, sustainability and productivity initiatives, customer product innovation and food safety. Key products for the segment include pumps, valves, heat exchangers, homogenizers and other related products. The Company also designs and assembles process systems that integrate many of these products for customers. The key brands include APV, Gerstenberg Schröder, Anhydro, Seital and Waukesha Cherry-Burrell.

**Industrial:** The Industrial segment primarily serves customers in the chemical, petrochemical, paper and pulp, infrastructure construction, rigging, quarrying and marine industries. Key demand drivers of this segment are tied to macroeconomic conditions and growth in the respective end markets we serve. Key products for the segment are pumps, mixers, bolting solutions, hydraulic technologies and heat exchangers. Key brands include APV, Bolting Systems, Bran+Luebbe, Plenty Mixers, Johnson Pump, Johnson Pump Marine, LIGHTNIN, Deltech, Hankison, Jemaco, Power Team and Stone.

In addition to the above activities, the Company continued to provide finance, human resource ("HR") and customer and payroll services via its European Shared Service Centre "ESSC" to SPX FLOW entities within the EMEA and Americas regions during 2020. Furthermore, the Company continues to act as a hub within EMEA for hosting employees who serve various SPX FLOW businesses both within EMEA and globally.

In 2021, the Company's finance related services in the ESSC fully transitioned to an external business process outsourcing provider. The transition started in the final quarter of 2020, although there were no significant changes in the Company's revenues, costs, operations or control environment, as the full effect of outsourcing commenced in the first quarter of 2021.

On 1 November 2020 and in connection with company strategy, the Company acquired the trade and assets in relation to the Gerstenberg Schröder business line of SPX Flow Technology Danmark A/S, which expanded the level of the Company's activities to the Food and Beverage segment.

Gerstenberg Schröder brand specialises in process solutions for all kinds of crystallised, churned, and emulsified food products as well as products that require thermal treatment within the dairy, fats & oils and food processing industries. These applications include margarine, shortening, butter, spreadable butter products, fat-sugar, cream-fillings for biscuits, mayonnaise, ketchup, sauces, dressings etc. These include high-pressure pumps, scraped surface heat exchangers, pasteurizers, pin rotor machines, continuous butter making machines, emulsifying machines, and automation systems.

Further details are provided in Note 28 to the financial statements.

## SPX Flow Europe Limited

### Strategic report for the year ended 31 December 2020 (continued)

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#### **Business Review and Financial Key Performance Indicators ("KPIs") (Continued)**

The Company expects to continue to expand its growth in sales operations through the implementation of SPX FLOW's strategic plan for adding additional product lines to the branch structures from various countries across Europe. The Company's financial results are directly impacted by the performance of its combined sales branch operations and the number of business units to which it provides Finance and HR services, as well as the number of hosted employees/functions it supports. The Company has branches in the United Kingdom, Belgium, the Netherlands, Ireland, Finland, Italy, Spain, France, Sweden, Germany and Denmark.

During 2020, revenue decreased by €1.6m, or 1%. On a geographic basis, revenue outside the United Kingdom decreased by €7.3m, or 4%, in 2020, driven mostly by the completion of major APV projects in Spain and Ireland. This was offset by (i) twelve months of revenue in 2020 in the Middle East region related to the Bran+Luebbe Systems and Plenty Mixers businesses acquired in December 2019, and (ii) the addition of the two months operations from the Gerstenberg Schröder business acquired during 2020. Revenue within the United Kingdom increased by €5.6m, or 43%, in 2020, due to the operations from the acquired business lines in 2019 having a full year of operations.

The Company incurred an operating loss of €5.7m in 2020, compared to an operating loss of €17.9m in 2019. The improvement in operating results from 2019 to 2020 reflected primarily the effects of (i) a mix of lower margins realised, or losses incurred in particular instances, in connection with the execution of certain large systems and dry-dairy technology projects in the nutrition and health business in 2019 that did not return in 2020, and (ii) the recognition of an impairment of €0.7m in 2020, compared to an impairment of €12.7m in 2019, related to the poor performance of certain branches, as well as management's forecast of future cash flows of those branches (see notes 12 and 13). See "Key Performance Indicators" below for additional information regarding 2020 operating results.

Net current assets of the Company were €29.1m as of 31 December 2020, compared to the net current liabilities of €4.6m as of 31 December 2019. This is mainly driven by an increase of €43.5m in cash and cash equivalents, largely due to dividends received from investments in group undertakings totalling €25.1m (2019: €nil), and (ii) a reduction of €9.2m of overdrafts in a cash pool facility maintained by SPX FLOW, Inc.

#### **Post balance sheet events**

On 24 May 2021, the Company's subsidiary, SPX Flow Technology Crawley filed an application with Companies House to dissolve. The dissolution is expected to be completed in 2021.

On 7 June 2021, the Company acquired 100% of the shareholding in SPX Flow Technology Assen B.V. for €16,981k in cash.

In August 2021 the Denmark branch was dissolved and management's intention is to not re-activate it. The trading activities in this branch were transferred to other branches in advance of the dissolution resulting in no negative impact for the Company.

## SPX Flow Europe Limited

### Strategic report for the year ended 31 December 2020 (continued)

#### Key Performance Indicators

The Company's KPIs consist of the following:

	2020	2019
Gross Profit Margin	24.0% <sup>(1)</sup>	21.1% <sup>(1)</sup>
Net Operating Loss in €'000	€5,739 <sup>(2)</sup>	€17,936 <sup>(2)</sup>
Net Operating Loss Margin	3.3% <sup>(2)</sup>	10.2% <sup>(2)</sup>
Current Ratio	1.2 <sup>(3)</sup>	0.9 <sup>(3)</sup>

**(1)** Gross profit margins increased from 2019 to 2020 primarily as a result of the completion of certain large systems and dry-dairy technology projects which experienced lower margins in 2019 in the Nutrition and Health business. The Company has intentionally rationalised its exposure to the dry-dairy market, which business activity has historically, and generally, resulted in lower-than-average gross margins, including certain loss projects, the effect of which was seen to result in moderate improved operating results in 2020. For 2020, the moderate decrease in revenue, compared to 2019, was primarily due to the decrease in organic revenue described above and adverse impact of the COVID-19 pandemic (e.g. shorter-cycle product lines within our Industrial segment). Gross profit margin improvement from 2019 to 2020 also reflected strong operational and project execution on an improved mix of revenue, savings from cost reduction actions and net price benefits.

**(2)** The €5.7m and 3.3% of net operating loss and margin, respectively, in 2020 compared to €17.9m and 10.2% of net operating loss and margin in 2019 reflects primarily the recognition of an impairment of €0.7m in 2020, compared to an impairment of €12.7m in 2019, related to the poor performance of certain branches, as well as management's forecast of future cash flows of those branches (see notes 12 and 13).

**(3)** The increase in current ratio from 0.9 as of 31 December 2019 to 1.2 as of 31 December 2020 was largely due to (i) an increase in cash and cash equivalents of €43.5m (2020 - €64.1m, and 2019 - €20.6m), and (ii) a reduction in the Company's overdraft position of €9.2m (2020 - €9.6m, and 2019 - €18.8m), or an increase in the Company's cash position (i.e. cash and cash equivalent balance net of overdraft position) of €52.7m during 2020. The increase in the Company's net cash position was substantially associated with 2020 activities associated with investments in subsidiaries and a business acquisition, including (i) a €17.6m cash inflow from a voluntary capital redemption by the Company's wholly-owned subsidiary, SPX Flow Poland sp z.o.o. (see note 13), (ii) dividends received from investments in group undertakings totalling €25.1m (see note 6), and (iii) a €1.4m return on investment from the Company's wholly-owned subsidiary, SPX Flow Technology Crawley Limited (see note 13), partially offset by a net cash outflow on the acquisition the Gerstenberg Schroeder business line of SPX Flow Technology Danmark A/S of €10.5m (see note 28).

In addition to the key financial metrics noted above, the Company also uses non-financial KPIs.

During 2020 the Company hosted 61 employees (2019 - 69) on behalf of other group companies.

During 2020, the ESSC provided:

- Finance support services for 30 reporting units (2019 - 37),
- HR support services for 27 reporting units (2019 - 27)
- Customer service support for 5 reporting units (2019 - 5)

## SPX Flow Europe Limited

### Strategic report for the year ended 31 December 2020 (*continued*)

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#### **Principal risks and uncertainties**

As the Company has a substantial number of transactions with other companies in the SPX FLOW group, its exposure to price, credit and liquidity risk is somewhat mitigated.

With the addition of the operations recently acquired by the Company, the exposure to certain risks has increased. Amongst other risks, price and credit risks have increased. The directors actively monitor the risks associated with the operations of the business, including changes in the prices of raw materials and other costs and continuously assesses the impact that such changes may require to its selling prices. Although the Company does not obtain collateral or other security to mitigate credit loss exposure, management actively monitors the extension of credit and credit standing of its customers. The directors liaise with the wider group's supply chain, commercial and treasury functions when circumstances require to mitigate exposures to such risks.

The Company's principal foreign currency exposures relate to the British sterling, US dollar and Polish zloty. The Company monitors its exposure to these and other currencies on a continuous basis. Management reports such exposures to the wider group's treasury function on a periodic basis and utilises its access to the SPX FLOW finance facility and periodically enters into hedging activity to actively mitigate exposures that might otherwise result from maintaining significant non-functional currency positions.

The increases in cash flow volatility and liquidity risk which may arise from the Company's increased dependence on trade with parties outside the SPX FLOW group are substantially mitigated by its access to the SPX FLOW finance facility which may be drawn upon, when needed, to support its working capital or other financial requirements.

The directors continue to actively monitor the above risks to the business and continue to liaise with group management on a regular basis. The directors consider the risk management strategies of the group sufficient to identify and mitigate the risks to the Company and are therefore confident in the ongoing performance and risk position of the business.

The UK exited from membership in the EU on 31 January 2020 ("Brexit") and then entered into a Transition Agreement whereby it continued utilising the full EU trading architecture until 31 December 2020. In December 2020 a Trade Deal was agreed between the UK and EU, which took effect from 1 January 2021. The Trade Deal included a free-trade agreement, i.e. no tariffs for sales between the UK and EU, but due to the UK leaving the Customs Union, such sales will result in increased regulatory complexity, in particular related to Customs Declarations. This increased bureaucracy could deter some capital spending in the UK, which could result in decreased demand for the Company's products, although there has been no material impact experienced by the Company to date in 2021. These effects of Brexit, and others we cannot anticipate, could adversely affect our business, business opportunities, financial condition, results of operations and cash flows.

#### **Development and performance**

The Company expects to continue to expand its growth in sales operations through the implementation of SPX FLOW's strategic plan for adding additional product lines to the branch structures from various countries across Europe. This is coupled with the continuation of migrating both Customer Services and HR activities from other SPX FLOW entities into the ESSC. Continuous improvement ("CI") sits at the heart of the centre with a number of ongoing change and improvement programmes in flight which focus on delivering an efficient and effective level of service delivery from its ongoing operations. The business continues to provide control and compliance leadership on its practice of embedding robust processes and its CI streams of promoting simplification and standardisation.

## SPX Flow Europe Limited

### Strategic report for the year ended 31 December 2020 (*continued*)

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#### Development and performance (*continued*)

In 2021, the Company's finance-related ESSC services fully transitioned to an external business process outsourcing provider. The transition started in the final quarter of 2020, although there were no significant changes in the Company's revenues, costs, operations or control environment, as the full effect of outsourcing commenced in the first quarter of 2021. The Company's ESSC will continue to provide customer service, HR and payroll services to SPX FLOW entities within the EMEA and Americas regions. A partnership with the external business process outsourcing provider (the "BPO") offers a unique opportunity to take a significant step toward further transformation and standardization of the Group's finance shared services. The BPO will bring to the Company its expertise in digital and automation solutions that are expected to drive efficiency in our transactional processes. The BPO's six sigma and continuous improvement DNA are expected to create a healthy and consistent push for leaner processes and new ways of working, focused on reducing process waste and transactional cost.

The Company's sales operations and provision of services, which are provided at arm's length via formal service level agreements, are measured by agreed KPIs for the SPX FLOW business.

#### Section 172 Statement

All large companies must include a separate statement within their strategic report that explains how directors considered the interests of key stakeholders and the broader matters set out in section 172 ("S172") of the Companies Act 2006 when performing their duty to promote the success of the Company. This includes considering the interest of other stakeholders who will have an impact on the long-term success of the Company. The directors of the Company are aware of and acknowledge their duty under section 172 of the Act. This S172 statement explains how the Directors considered the following matters:

- a) the likely consequences of any decision in the long term,
- b) the interests of the Company's employees,
- c) the need to foster the Company's business relationships with suppliers, customers, and others,
- d) the impact of the Company's operations on the community and the environment,
- e) the desirability of the Company maintaining a reputation for high standards of business conduct, and
- f) the need to act as between members of the Company.

The S172 statement focuses on matters of strategic importance, and the level of information disclosed is consistent with the size and the complexity of the business.

#### Stakeholders and General Confirmation of Directors' Duties

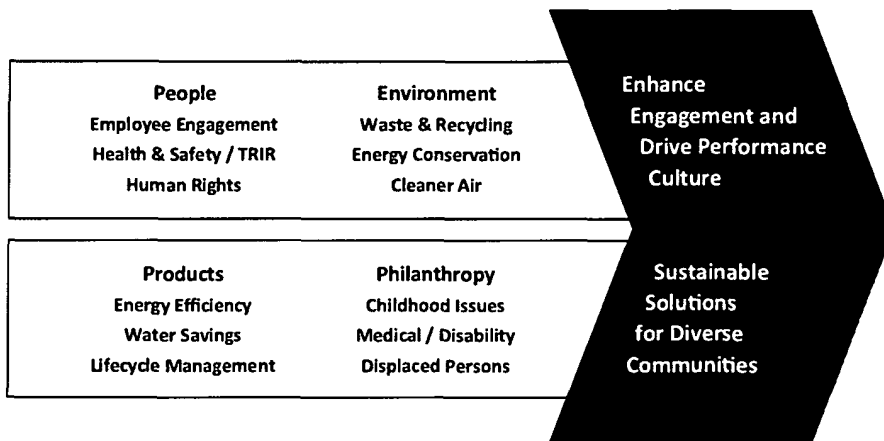
Stakeholders are at the heart of the Company's strategy and business model. Engaging with them helps us understand their evolving needs and improves our strategic decision-making process. We have identified five key stakeholder groups critical to its future success: employees, customers, suppliers/strategic partners, communities (and the environment), and shareholders.

The Company and its Directors are deeply committed to global corporate citizenship and having a lasting positive impact in the communities in which we work and live. This commitment begins at the top of our organization and extends through all our employees across our continuing operations in multiple countries. We view the future as our opportunity to help enhance the world through new ideas, and we are working to meet the needs of a growing global community in a responsible way. We take special pride in the fact that many of our products and services are helping to create a more sustainable, safer, and healthier world. We also applaud the efforts and generosity of our people who contribute their talents, creativity, and time – at work and outside it – to help build a better world for tomorrow. Our current sustainability focus areas are illustrated below.

## SPX Flow Europe Limited

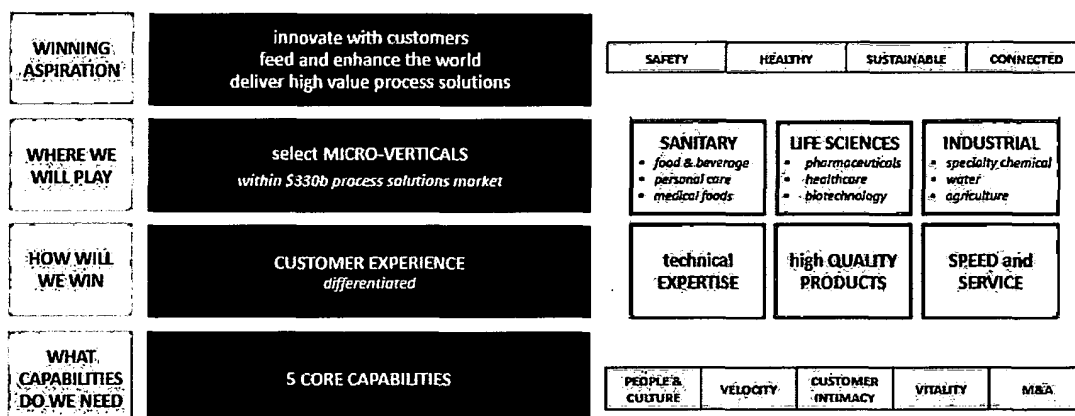
### Strategic report for the year ended 31 December 2020 *(continued)*

**Section 172 Statement (continued)**



**(A) “The likely consequences of any decision in the long term”**

The Company's purpose is to innovate with customers to help feed and enhance the world by designing, delivering, and servicing high value solutions at the heart of growing and sustaining our diverse communities. With this purpose, the focus of the Company and its directors is on the following key strategic choices:



The directors have a clear delegation of authority framework for determining the matters within its remit and has approved limits for the matters delegated to its executive and management teams. When making decisions, each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its stakeholders.

**(B) “The interests of the company's employees”**

The directors recognize that the Company's employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining, and motivating employees.

**SPX Flow Europe Limited**  
**Strategic report**  
**for the year ended 31 December 2020 (continued)**

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**Section 172 Statement (continued)**

**(B) “The interests of the company’s employees” (continued)**

From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

The directors and management review the findings of the Company’s annual Voice survey each year. The Voice survey is one of the Company’s main tools to measure employee engagement, motivation, and commitment to the Company. It provides insight into employee views and is used by the directors and management teams to strengthen the Company’s culture and values.

As also explained in the Report of the directors, the group’s management provides periodic global updates to employees with information on matters of concern to them as employees, such as the strategic direction of the wider group, and the financial and economic factors affecting the performance of the group. These updates are typically recorded via webcast and are available to employees for playback.

In connection with the COVID-19 global pandemic, the Company implemented a variety of workplace changes in an effort to protect the health and safety of its employees including, at all its locations, permitting remote work options to employees to the extent feasible and, at a minimum, where required by local regulations, and by otherwise limiting the number of employees who could be on site at any particular location, equipping employees and locations with relevant safety supplies (e.g., safety masks, sanitizing solutions), and increasing the cleaning requirements/protocols for its locations.

**(C) “The need to foster the company’s business relationships with suppliers, customers and others”**

Fostering positive business relationships with key stakeholders, such as customers and suppliers, is also important to the success of the Company. These relationships are largely delegated to the management of the Company, while the directors closely monitor metrics and engage with the leadership team to understand issues if our performance is not meeting expectations. The Company’s customers are one of its most important stakeholders. In an environment where needs are rapidly evolving, we consider customer engagement as a key element of promoting success of the Company. We engage with our customers directly, through channel partners or through customer events and trade shows.

**(D) “The impact of the company’s operations on the community and the environment”**

The Company is following the Group’s environmental, health and safety policy. It is committed to operating its business throughout the world in a manner that reflects the highest standards of ethics and integrity and meets or exceeds applicable environmental, health and safety laws and regulations. It values continuous improvement in its ongoing efforts to implement and communicate effective management systems that help to protect environmental, health and safety interests.

The director - Environmental, Health and Safety of the SPX FLOW Group is responsible for implementing the policies and practices that address the matters and risks such as incorrect use of equipment, health and safety hazards, and environmental risks (energy, waste, pollution, and COVID-19 pandemic risks). The Company’s managers and employees share the responsibility to abide by its environmental, health and safety policies and practices, and apply them to their jobs.

The Company continually seeks opportunities to improve the safety of work practices and environments by communicating and providing the appropriate training and resources to address environmental issues, assure compliance, protect the environment, and carry out responsibilities in a safe manner.

**SPX Flow Europe Limited**  
**Strategic report**  
**for the year ended 31 December 2020 (continued)**

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**Section 172 Statement (continued)**

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

The Company follows the Group’s code of business conduct, which provides that each employee must comply with the letter and spirit of every applicable law or regulation in each country and locality in which SPX FLOW operates. Each employee is responsible for understanding the laws and regulations that relate to their individual responsibilities.

The Company prohibits forced labor, slavery, and trafficking in persons. Employees, contractors, subcontractors, vendors, suppliers, partners and others through whom SPX FLOW conducts business must not engage in any practice that utilizes child, slave, prisoner, or any other form of forced or involuntary labor, or engage in abusive, misleading or corrupt employment practices resulting in forced labor, slavery or human trafficking, including (i) destroying, concealing, confiscating or otherwise denying access to an individual’s identity or immigration documents such as passports or drivers licenses and (ii) failing to disclose during the recruitment process, or making material misrepresentations concerning, key terms and conditions, including wages, benefits, work location, living conditions, housing, transportation and associated costs.

**(F) “The need to act fairly as between members of the company”**

The Company follows the Group’s policy for equal treatment of personnel. To achieve a well-functioning equal treatment effort, SPX FLOW aims to work from both qualitative and quantitative perspectives. At SPX FLOW and at the Company, employers and employees work together to achieve equality across gender, race, sexual orientation, disability and age. Each manager takes responsibility for the intentions of gender equality work carried out within his or her own function. Responsible personnel shall be provided with the necessary training and continuous information in the field. Well-functioning equality work is important to take advantage of employees’ special skills in terms of skills, knowledge, experience, contacts, values and leadership.


At SPX FLOW and at the Company, everyone is treated equally regardless of gender, ethnicity, sexual orientation, disability, and age. SPX FLOW and the Company choose to look after each individual’s performance and not to group affiliation. In this way, we can attract and retain those who work best to achieve our goals and visions.

To further support its commitment to the above values, in April 2021, SPX FLOW created and filled a new Chief Diversity Officer role, the primary goals of which are to help build upon its, and the Company’s, culture of belonging and to advocate for diversity, equity and inclusion, as well as to spearhead community relations. SPX FLOW’s Chief Diversity Officer will develop and implement innovative strategies that foster a more inclusive work environment across SPX FLOW, and the Company, while enabling an exceptional team member experience aligned with superior organizational performance.

On the basis of the above, the members of the Board consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006) in the decisions taken during the year ended 31 December 2020.

**Approval**

This Strategic report was approved by the board on 29/09/2021 and signed on its behalf by:

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M Shanahan  
Director

## SPX Flow Europe Limited

### Report of the directors for the year ended 31 December 2020

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The directors present their report together with the audited financial statements for the year ended 31 December 2020.

#### Results and dividends

The statement of comprehensive income is set out on page 15 and shows the profit for the year (2019 - loss).

No ordinary dividends were paid during the year (2019 - €Nil). The directors do not recommend payment of a final dividend (2019 - €Nil).

#### Principal activities

The Company's principal activities included primarily the sale and marketing of pumps, valves, heat exchangers, homogenizers and other related products, as well as large engineered systems, with a focus on processing industries such as the food, dairy, chemical, petrochemical, paper and pulp, shipbuilding and greenhouse industries. In addition, the Company's activities included the sale of bolting solutions, including hydraulic torque and tensioning systems, pumps and other related products and services, into various industries, including the construction, rigging, quarrying and marine industries. The Company's sales activities are organized into two segments: the Nutrition and Health segment and the Industrial segment.

During 2020 and in connection with company strategy, the Company acquired the trade and assets in relation to the Gerstenberg Schroeder business line of SPX Flow Technology Danmark A/S, which expanded the level of the Company's activities to the Nutrition and Health segment.

Further details are provided in the Strategic report and Note 28 to the financial statements.

In addition to the above activities, in 2020 the Company continued to provide finance, customer service, human resources and payroll services to SPX FLOW entities within the EMEA and Americas regions, and also serves as a hub within EMEA for hosting employees who serve various SPX FLOW businesses both within EMEA and globally. In 2021, the Company's finance-related services fully transitioned to an external business process outsourcing provider.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J Easley  
M Shanahan  
P Ryan  
P Cahill (resigned on 30 March 2020)

The ultimate parent company, SPX FLOW, Inc., maintains directors' and officers' liability insurance, which is available to the directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force as at the date of approving the report. No director had an interest in the issued share capital of the Company at any point during the current or prior year.

## SPX Flow Europe Limited

### Report of the directors for the year ended 31 December 2020 (continued)

#### Employment of disabled persons

The Company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or by perceptions of it.

#### Employee involvement

The wider group's management provides periodic global updates to employees with information on matters of concern to them as employees, such as the strategic direction of the wider Group, and the financial and economic factors affecting the performance of the Group. These updates are typically recorded via webcast and are available to employees for playback. The wider Group also undertakes periodic staff surveys which enables employees to express their views anonymously on a broad range of matters that affect them.

UK employees are generally eligible to participate in one of a variety of group-sponsored bonus plans, depending on the function, role, and/or pay grade of the employee. Generally, the level of bonus payments achieved is, for certain employees, dependent on Group-wide performance against various annual financial targets and, for other employees, dependent on shared-service performance against key performance targets.

#### Future developments and financial risk management

The Company has chosen, in accordance with Companies Act 2006, s.414C(11), to set out in the Company's Strategic report information required to be contained in the Report of the directors. It has done so in respect of future developments and financial risk management.

#### Going concern

The activities of the business, together with factors likely to affect its future development, performance and position, are set out in the Strategic report and thus the directors hold an expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors have made enquiries of the ultimate parent company SPX FLOW, Inc. about its intentions for the Company for the foreseeable future. After making enquiries, the directors are satisfied that SPX FLOW, Inc. will continue to provide sufficient financial support for a period of at least twelve months from the date of approval of these financial statements and have been provided with a letter of support as confirmation.

Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

#### Streamlined Energy and Carbon Reporting

In line with current Streamlined Energy and Carbon Reporting requirements (SECR), the total emissions for the UK Branch of the Company in the year ended 31 December 2020 was 321,770 kWh based on invoices and contracted mileage over a fixed term, and 78,037 kgCO<sub>2</sub>e based on The Carbon Trust carbon footprint calculator. This is a ratio of 1,170 kWh and 284 kgCO<sub>2</sub>e per head based on a UK headcount of 275 as at the end of 2020. The directors are committed to reducing the Company's environmental footprint by proactively identifying and implementing environmental sustainability initiatives across our operations. Several energy efficiencies projects have already been completed in 2021 including reduction of two UK offices' footprint by moving to smaller facilities, upgrading the engineering servers, the installation of reflective solar film, an LED light controlled by movement sensors, and clearly marked 'green' and 'other' waste bins, allowing for maximum recycling.

Emissions are analysed as follows:

	2020	
	Kwh	kgCO <sub>2</sub> e
UK direct emissions (UK facilities and vehicles)	1,551	3,381
UK indirect emissions (UK purchased electricity)	320,219	74,656
Total emissions	<b>321,770</b>	<b>78,037</b>

## SPX Flow Europe Limited

### Report of the directors for the year ended 31 December 2020 (*continued*)

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#### Post balance sheet events

Material post balance sheet events have been included in the Strategic report and Note 30 of the financial statements.

#### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006. Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

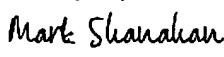
#### Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

This report was approved by the board on 29/09/2021 and signed on its behalf by:

#### On behalf of the Board

DocuSigned by:  
  
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M Shanahan  
Director

## SPX Flow Europe Limited

### Independent auditors' report for the year ended 31 December 2020

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#### INDEPENDENT AUDITORS' REPORT TO MEMBERS OF SPX FLOW EUROPE LIMITED

##### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of SPX Flow Europe Limited ("the Company") for the year ended 31 December 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

##### *Independence*

We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

##### Conclusions relating to going concern

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

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

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

## SPX Flow Europe Limited

### Independent auditors' report for the year ended 31 December 2020 (*continued*)

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#### Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

#### Responsibilities of Directors

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

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

# SPX Flow Europe Limited

## Independent auditors' report for the year ended 31 December 2020 (*continued*)

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### Auditor's responsibilities for the audit of the financial statements

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

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

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

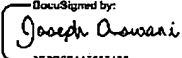
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (IFRS and the Companies act 2006).
- We understood how the company is complying with those legal and regulatory frameworks by making enquiries to management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it is considered there was a susceptibility of fraud. We considered the controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and accounting estimates in relation to stage of completion accounting, and were designed to provide reasonable assurance that the financial statements were free of fraud or error.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

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

DocuSigned by:  
  
3037C68145557436  
Joseph Aswani (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK

29 September 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## SPX Flow Europe Limited

### Statement of comprehensive income for the year ended 31 December 2020

	Note	2020 €'000	2019 €'000
<b>Revenue</b>	4	<b>174,797</b>	176,441
Cost of sales		<b>(132,788)</b>	(139,203)
<b>Gross profit</b>		<b>42,009</b>	37,238
Administrative expenses		<b>(47,171)</b>	(42,502)
Impairment losses	12, 13	<b>(685)</b>	(12,695)
Other operating income		<b>108</b>	23
<b>Loss from operations</b>	5	<b>(5,739)</b>	(17,936)
Income from investments in group undertakings	6	<b>25,120</b>	-
Finance expense	9	<b>(542)</b>	(1,164)
<b>Profit/(loss) before tax for the year</b>		<b>18,839</b>	(19,100)
Tax credit for the year	10	<b>285</b>	1,148
<b>Profit/(loss) after tax for the year</b>		<b>19,124</b>	(17,952)
<b>Other comprehensive loss:</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit pension schemes		<b>(111)</b>	(175)
<b>Total comprehensive income/(loss)</b>		<b>19,013</b>	(18,127)

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes on pages 20 to 74 form part of these financial statements.

## SPX Flow Europe Limited

### Statement of financial position at 31 December 2020

<i>Company number 07065382</i>	Note	2020 €'000	2019 €'000
<b>Assets</b>			
<b>Current assets</b>			
Inventories	14	11,421	14,443
Trade and other receivables	15	37,421	36,801
Contract assets	4	7,467	4,157
Cash and cash equivalents		64,145	20,596
Income tax receivable		385	-
		<u>120,839</u>	<u>75,997</u>
<b>Non-current assets</b>			
Property, plant and equipment	11	945	957
Right of use assets	24	1,640	2,788
Intangible assets	12	42,510	38,190
Investments in subsidiaries	13	168,331	187,260
		<u>213,426</u>	<u>229,195</u>
<b>Total assets</b>		<u><u>334,265</u></u>	<u><u>305,192</u></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	66,542	51,394
Contract liabilities	4	11,686	6,799
Loans and borrowings	17	9,581	18,794
Lease liabilities	24	566	1,302
Income tax payable		-	175
Employee benefit liabilities	18	1,824	1,782
Provisions	19	1,443	313
		<u>91,642</u>	<u>80,559</u>
<b>Non-current liabilities</b>			
Lease liabilities	24	1,086	1,446
Employee benefit liabilities	18	880	974
Provisions	19	261	774
Deferred tax liability	20	4,076	4,132
		<u>6,303</u>	<u>7,326</u>
<b>Total liabilities</b>		<u><u>97,945</u></u>	<u><u>87,885</u></u>
<b>Net assets</b>		<u><u>236,320</u></u>	<u><u>217,307</u></u>


## SPX Flow Europe Limited

### Statement of financial position at 31 December 2020 *(continued)*

<b>Company number 07065382</b>	<b>Note</b>	<b>2020</b> €'000	<b>2019</b> €'000
<b>Issued capital and reserves attributable to owners of the parent</b>			
Share capital	21	<b>224,789</b>	224,789
Share premium reserve	22	<b>1,490</b>	1,490
Capital contributions	22	<b>16,381</b>	16,381
Other reserves	22	<b>664</b>	775
Accumulated deficit	22	<b>(7,004)</b>	(26,128)
<b>Total equity</b>		<b>236,320</b>	217,307

The financial statements were approved by the board on 29/09/2021 and signed on its behalf by:

On behalf of the Board

DocuSigned by:  
  
058C53C8827D484

M Shanahan  
**Director**

The notes on pages 20 to 74 form part of these financial statements.

## SPX Flow Europe Limited

### Statement of changes in equity for the year ended 31 December 2020

	Share Capital €'000	Share Premium Reserve €'000	Capital Contributions €'000	Other Reserves €'000	Accumulated deficit €'000	Total €'000
<b>01 January 2019</b>	224,789	1,490	16,381	950	(8,176)	235,434
<b>Comprehensive loss for the year</b>						
Loss	-	-	-	-	(17,952)	(17,952)
Other comprehensive loss	-	-	-	(175)	-	(175)
<b>Total comprehensive loss for the year</b>	-	-	-	(175)	(17,952)	(18,127)
<b>31 December 2019</b>	<b>224,789</b>	<b>1,490</b>	<b>16,381</b>	<b>775</b>	<b>(26,128)</b>	<b>217,307</b>
<b>Comprehensive income for the year</b>						
Profit	-	-	-	-	19,124	19,124
Other comprehensive loss	-	-	-	(111)	-	(111)
<b>Total comprehensive income for the year</b>	-	-	-	(111)	19,117	19,013
<b>31 December 2020</b>	<b>224,789</b>	<b>1,490</b>	<b>16,381</b>	<b>664</b>	<b>(7,004)</b>	<b>236,320</b>

The notes on pages 20 to 74 form part of these financial statements.

## SPX Flow Europe Limited

### Statement of cash flows for the year ended 31 December 2020

	Note	2020 €'000	2019 €'000
<b>Cash flows from / (used in) operating activities</b>			
Profit/(loss) for the year		19,124	(17,952)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	11	275	271
Impairment losses on property, plant and equipment	11	-	11
Amortisation of right-of-use assets	24	1,229	1,249
Amortisation of intangible fixed assets	12	4,958	5,156
Impairment losses on intangible fixed assets	12	685	12,050
Impairment losses on investments in subsidiaries	13	-	645
Finance expense	9	542	1,164
Dividends received from investments in subsidiaries	6	(25,120)	-
Share based payment expense	8	821	957
Income tax credit	10	(285)	(1,148)
		<u>2,229</u>	<u>2,403</u>
Decrease in trade and other receivables		5,586	10,811
Decrease / (increase) in inventories		8,351	(3,676)
Increase / (decrease) in trade and other payables		9,394	(11,149)
Increase / (decrease) in provisions and employee benefits		123	(381)
		<u>25,683</u>	<u>(1,992)</u>
<b>Cash from / (used in) operations</b>		<b>25,683</b>	<b>(1,992)</b>
Income taxes paid		(1,474)	(1,397)
		<u>24,209</u>	<u>(3,389)</u>
<b>Net cash flows from / (used in) operating activities</b>			
<b>Investing activities</b>			
Acquisition of subsidiary, net of cash acquired	28	(10,504)	516
Purchase of investments in subsidiaries	13	-	(2,000)
Proceeds from disposals of investments in subsidiaries	13	17,574	39,138
Purchases of property, plant and equipment	11	(263)	(304)
Purchases of intangibles	12	(1,699)	(2,497)
Dividends received from investments in subsidiaries	6	25,120	-
		<u>30,228</u>	<u>34,853</u>
<b>Net cash from investing activities</b>			
<b>Financing activities</b>			
Interest paid on loans and borrowings	9	(443)	(1,083)
Principal paid on lease liabilities	24	(1,232)	(1,377)
		<u>(1,675)</u>	<u>(2,460)</u>
<b>Net cash used in financing activities</b>			
<b>Net increase in cash and cash equivalents, net of loans and borrowings</b>			
		<u>52,762</u>	<u>29,004</u>
<b>Cash and cash equivalents at the beginning of the year, net of loans and borrowings</b>			
		<u>1,802</u>	<u>(27,202)</u>
<b>Cash and cash equivalents at the end of the year, net of loans and borrowings</b>			
		<u>54,564</u>	<u>1,802</u>

The notes on pages 20 to 74 form part of these financial statements.

# SPX Flow Europe Limited

## Notes forming part of the financial statements for the year ended 31 December 2020

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### 1 Basis of preparation

SPX Flow Europe Limited (the "Company") is a private company limited by shares, incorporated in England and Wales.

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

The financial statements are presented in euro, which is the functional currency of the Company. There has been no change to the functional currency of the Company in the year. Amounts are rounded to the nearest thousand, unless otherwise stated.

The financial statements of the Company are consolidated into the financial statements of SPX FLOW, Inc., the ultimate parent company of SPX Flow Europe Limited, registered in the U.S. The consolidated financial statements of SPX FLOW, Inc., are available from its registered office, 13320 Ballantyne Corporate Place, Charlotte, NC 28277 or [www.spxflow.com](http://www.spxflow.com).

#### **Basis of measurement**

The financial statements have been prepared on a historical cost basis, except for the following item (refer to individual accounting policies for details):

- Net defined benefit liability

#### **Accounting policies**

The principal accounting policies adopted are set out below.

#### ***Going concern***

The Company has net assets of €236,320k (2019: €217,307k). As a consequence, the directors believe that the Company is well-positioned to manage its business risks.

The directors acknowledge the latest guidance on going concern. The Company is a key part of SPX FLOW, Inc.'s future strategy and has access to considerable financial resources by way of a corporate cash pooling account from which it can draw the necessary cash it requires.

The activities of the business, together with factors likely to affect its future development, performance and position, are set out in the strategic report and the directors hold an expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors have made enquiries of the ultimate parent company, SPX FLOW, Inc., about its intentions for the Company for the foreseeable future. After making enquiries, the directors are satisfied that SPX FLOW, Inc. will continue to provide sufficient financial support for a period of at least twelve months from the date of approval of these financial statements and have been provided with a letter of support as confirmation.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

#### 1 Basis of preparation (*continued*)

##### Accounting policies (*continued*)

##### *Going concern (continued)*

The directors have no concerns regarding the ability of the ultimate parent to provide such support. The directors have considered (i) the trading outlook for the Company and have taken account of reasonably possible changes in future trading performance and (ii) in connection with the wider group's overall Food and Beverage business strategy, the Company has intentionally rationalized its exposure to the dry-dairy market within its Food and Beverage segment, which business activity has historically, and generally, resulted in lower-than-average gross margins, including certain loss projects, the effect of which is expected to result in improved operating results in future periods. Based on these collective considerations, the directors have determined that the Company has adequate resources for the foreseeable future and thus continue to adopt the going concern basis in preparing the financial statements.

The Company began to experience the adverse impacts of the novel coronavirus pandemic ("COVID-19" or the "COVID-19 pandemic") in the first quarter of 2020, including primarily an organic decline in orders and revenue. These adverse impacts continued throughout 2020 and have continued into 2021. Certain product lines (e.g. shorter-cycle product lines within our Industrial segment) have been impacted more than others in the Company's portfolio, and the Company's diverse set of products position it well to mitigate further potential adverse impacts of the COVID-19 pandemic. Also, because the Company serves customers primarily within the Nutrition and Health industry, many of its products, services and operations have been classified as "essential" under various governmental orders.

Despite the adverse impacts experienced in 2020, there are no indications that the COVID-19 pandemic has resulted in a material decline in the carrying value of the Company's assets or a material change in the Company's estimates as of 31 December 2020. However, there is uncertainty as to the duration and overall impact of the COVID-19 pandemic, which could result in an adverse material change in a future period to the estimates made related to the valuation of assets and contingent amounts, which could result in the impairment of certain assets or the recognition of costs due to increases in contingent amounts.

##### **Revenue**

Revenue represents the amounts (excluding VAT) derived primarily from the sale and marketing of pumps, valves, heat exchangers, homogenizers and other related products, as well as large engineered systems, with a focus on processing industries such as the food, dairy, chemical, petrochemical, paper and pulp, shipbuilding and greenhouse industries. In addition, revenue is derived from the sale of bolting solutions, including hydraulic torque and tensioning systems, pumps and other related products and services, into various industries, including the infrastructure construction, rigging, quarrying and marine industries. The Company's sales activities are organized into two segments: the Nutrition and Health segment and the Industrial segment.

During 2020 and in connection with company strategy, the Company acquired the trade and assets in relation to the Gerstenberg Schroeder business line of SPX Flow Technology Danmark A/S, which expanded the level of the Company's activities to the Nutrition and Health segment.

In addition to the above activities, the Company derives service revenue through its European Shared Service Centre ("ESSC") in the form of finance, customer service, human resource ("HR") and payroll services provided to SPX FLOW entities within the EMEA and Americas regions, and also serves as a hub within EMEA for hosting employees who serve various SPX FLOW businesses both within EMEA and globally.

##### *Performance obligations and timing of revenue recognition*

IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Company's financial statements are described below.

# SPX Flow Europe Limited

## Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

### 1 Basis of preparation (*continued*)

#### Accounting policies (*continued*)

##### Revenue (*continued*)

##### *Performance obligations and timing of revenue recognition (continued)*

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Company has adopted the terminology used in IFRS 15 to describe such balances.

The Company uses percentage of completion ('POC') contract accounting resulting in the need to recognise deferred revenue, accrued revenue and WIP over various service lines. The Company has disaggregated revenue into various categories (Revenue analysed by class of business, Revenue analysed by geographical market, Timing of revenue recognition) which is intended to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date.

The Company invoices its customers for products and services at the time of delivery or based on the contractual milestones, resulting in outstanding receivables with payments terms from these customers. In some cases, the timing of revenue recognition, particularly for revenue recognised over time, differs from when such amounts are invoiced to customers, resulting in a contract asset (revenue recognition precedes the invoicing of the related revenue amount) or a contract liability (payment from the customer precedes recognition of the related revenue amount).

Contract assets have been recognised for goods and services for which control has transferred to the customer before consideration is due. Contract assets are reclassified as receivables when the right to payment becomes unconditional and the customer has been billed.

Contract liabilities have been recognised when payment has been received in advance for goods and services that have not transferred to the customer.

The vast majority of the Company's contracts are for the delivery of goods within the next 12 months for which the practical expedient in paragraph 121(a) of IFRS 15 applies. However, certain contracts for the delivery of goods and services have been entered into for which both:

- the original contractual period was greater than 12 months; and
- the Company's right to consideration does not correspond directly with the performance.

The Company's revenue is derived from selling goods and services with revenue recognised (1) at a point in time when control of the goods has transferred to the customer or when the service has been delivered or (2) with revenue recognised over time as the project progresses.

##### *Point in time*

This is generally when the goods are delivered to the customer. There is limited judgement needed in identifying the point control passes, once physical delivery of the products to the agreed location has occurred, the Company no longer has physical possession and retains none of the significant risks and rewards of the goods in question.

Some goods sold by the Company include warranties which require the Company to either replace or mend a defective product during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with IFRS 15, such warranties are not accounted for as separate performance obligations and hence no revenue is allocated to them. Instead, a provision is made for the costs of satisfying the warranties in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. On some product lines, a customer is able to take out extended warranties. These are accounted for as separate performance obligations, with the revenue related to fulfilment of the extended warranty recognised on a straight-line basis over the term of the extended warranty.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

#### 1 Basis of preparation (*continued*)

##### Accounting policies (*continued*)

##### *Revenue (continued)*

###### *Over time*

Revenue includes the recognition of the progress in contracts carried out during the year, based on an assessment of work carried out. Once the outcome of a contract can be estimated reliably, profit is recognised in the income statement on a stage of contract completion basis by reference to the costs incurred to date and total forecast costs on the contract. Losses expected in bringing a contract to completion are recognised immediately in the income statement as soon as they are forecast.

The Company records as a contract asset the net amount due from customers for contracts for which the costs have been incurred, plus the recorded margins, net of any losses incurred, and net of any progress payments already invoiced. Where progress payments exceed revenue and other contract balances, the excess is shown within contract liabilities.

The Company has a business which carries out large scale projects for clients, with revenue recognised typically on an over time basis. This is because the projects have no alternative use for the Company and the contracts would require payment to be received for the time and effort spent by the Company on progressing the contracts in the event of the customer cancelling the contract prior to completion for any reason other than the Company's failure to perform its obligations under the contract.

On partially complete service contracts, the Company recognises revenue based on stage of completion of the project which is estimated by comparing the cost actually incurred on the project with the total cost expected to complete the project (i.e. an input based method). This is considered a representative depiction of the transfer of services as the contracts are initially priced on the basis of anticipated costs to complete the projects and therefore also represents the amount to which the Company would be entitled based on its performance to date.

For non-stage of completion projects, the revenue is recognised at 100% completion rather than stage of completion as the project progresses.

###### *Determining the transaction price*

Most of the Company's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

###### *Allocating amounts to performance obligations*

For most contracts, there is a fixed unit price for each product sold, with reductions given for bulk orders placed at a specific time. Therefore, there is no judgement involved in allocating the contract price to each unit ordered in such contracts (it is the total contract price divided by the number of units ordered). Where a customer orders more than one product line, the Group is able to determine the allocation of the total contract price between each product line by reference to each product's standalone selling prices (all product lines are capable of being, and are, sold separately).

###### *Transfer Pricing*

The UK's transfer pricing rules are set out in Part 4 TIOPA 2010 (prior to April 2010 in s770A and Schedule 28AA of the Income and Corporation Taxes Act 1988). These came into effect for accounting periods ending after 30 June 1999. UK legislation refers to the OECD Guidelines and the arm's length principle they set out. Transfer pricing is part of UK corporation tax self-assessment. This means that submitted corporate tax returns must comply with the arm's length principle.

# SPX Flow Europe Limited

## Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

### 1 Basis of preparation (*continued*)

#### Accounting policies (*continued*)

##### *Revenue (continued)*

##### *Transfer Pricing (continued)*

As noted previously, the ESSC provides finance, customer service, HR and payroll services to SPX FLOW entities within the EMEA and Americas regions. In 2021, the Company's finance related services fully transitioned to an external business process outsourcing provider. The transition started in the final quarter of 2020, although there were no significant changes in the Company's revenues, costs, operations or control environment, as the full effect of outsourcing commenced in the first quarter of 2021. The Company's ESSC will continue to provide customer service, HR and payroll services to SPX FLOW entities within the EMEA and Americas regions.

In addition, the ESSC will sometimes contract with third parties on behalf of SPX FLOW operating companies. These costs will be recharged to the operating companies without a mark-up. As they are pass-through costs, where the ESSC is not involved in changing the nature of the underlying service, not charging a mark-up is consistent with transfer pricing rules. An example of this is the quarterly banking fees received from Deutsche Bank.

A 5% full cost-plus mark-up is applied to ESSC services. This Transfer Pricing Method is the Transaction Net Margin Method ('TNMM'). The ESSC charging process and 5% mark-up comply with the OECD Guidelines and the arm's length principle.

##### ***Intangible fixed assets***

Intangible assets internally developed or acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost of intangible assets less their estimated residual values over their useful lives on the following bases:

Customer relationships	- 6 to 9 years
Developed technology	- 3 to 7 years
Intellectual property	- 9 years
Trademarks	- Indefinite life
Backlog	- 5 months
Licences	- 10 years

##### ***Goodwill***

Goodwill represents the difference between the amounts paid on the cost of a business combination or group reorganisation and the acquirer's interest in the fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition. Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, the fair value of the existing equity interest in the acquiree.

Subsequent to the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised and is reviewed annually for impairment.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the statement of comprehensive income on the acquisition date.

# SPX Flow Europe Limited

## Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

### 1 Basis of preparation (continued)

#### Accounting policies (continued)

##### *Investments in subsidiaries*

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in subsidiaries are assessed at each reporting date to determine whether there is any indication that the investments are impaired. Where there is any indication that an investment may be impaired, the carrying value of the investment is tested for impairment. An impairment loss is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount.

##### *Impairment of non-financial assets (excluding inventories and deferred tax assets)*

Impairment assessments on non-financial assets (excluding inventories and deferred tax assets) are undertaken annually at the financial year end to determine whether there is any indication that the assets are impaired. All non-financial assets are subject to impairment assessments whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment.

Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is impaired accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment assessment is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs').

Fixed assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased except for goodwill where impairment losses previously recognised are not reversed.

Goodwill is allocated on initial recognition to each of the Company's CGUs that are expected to benefit from a business combination that gives rise to the goodwill. Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive loss. An impairment loss recognised for goodwill is not reversed.

##### *Tangible fixed assets*

Tangible fixed assets are initially measured at cost and subsequently measured at cost less depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings leasehold	-	10% straight line per annum
Plant and machinery	-	20% - 33% straight line per annum
Fixtures, fittings and equipment	-	10% straight line per annum

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to the statement of comprehensive income.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

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#### 1 Basis of preparation (*continued*)

##### Accounting policies (*continued*)

###### *Inventories*

Inventories are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income. Provision is made for obsolete, slow-moving or defective items where appropriate.

###### *Financial assets*

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial instruments are recognised when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

###### *Fair value through profit or loss*

This category comprises in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value (see "Financial liabilities" section for out-of-money derivatives classified as liabilities). They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income in the finance income or expense line. The Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

###### *Amortised cost*

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables and contract assets), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

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#### 1 Basis of preparation (*continued*)

##### Accounting policies (*continued*)

###### *Financial assets (continued)*

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Company's financial assets measured at amortised cost comprise trade and other receivables, contract assets and cash and cash equivalents in the statement of financial position.

###### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

###### *Derecognition of financial assets*

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

###### *Financial liabilities and equity*

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

###### *Financial liabilities*

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

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#### 1 Basis of preparation (*continued*)

##### Accounting policies (*continued*)

##### ***Financial liabilities and equity (continued)***

###### *Derecognition of financial liabilities*

Financial liabilities are derecognised when, and only when, the Company's contractual obligations are discharged, cancelled, or they expire.

###### *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

##### ***Current and deferred taxation***

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company's subsidiaries operate and generate taxable income.

Current and deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited to other comprehensive loss or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive loss, or equity.

Current tax assets and current tax liabilities, deferred tax assets and deferred tax liabilities, are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on the taxable results for the year. The taxable result differs from total comprehensive loss because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

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#### 1 Basis of preparation (*continued*)

##### Accounting policies (*continued*)

###### ***Cash at bank and in hand***

Cash at bank and in hand includes cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

###### ***Loans and receivables***

Trade debtors, loans and other debtors that have fixed or determinable payments that are not quoted in an active market are classified as 'trade and other receivables'. Such amounts are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

###### ***Provisions***

Provisions are recognised when the Company has a legal or constructive present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The Company has recognised provisions for liabilities of uncertain timing or amount including those for onerous contracts, warranty claims and leasehold dilapidations.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks or uncertainties specific to the liability. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

###### ***Liquidated damages and warranty***

Specific provisions are created for the probable and estimable costs of significant claims, and a general warranty provision for probable future costs based on respective revenue streams.

###### ***Employee benefits***

The costs of short-term employee benefits are recognised as a liability and an expense.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

###### ***Holiday pay accrual***

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

#### 1 Basis of preparation (*continued*)

##### Accounting policies (*continued*)

##### *Retirement benefits*

###### *Defined contribution schemes*

For defined contribution schemes the amount charged to the statement of comprehensive income in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

###### *Defined benefit schemes*

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The expected return on plan assets and net interest cost on the net defined benefit liability is charged to profit or loss and included within administration costs. Net interest expense (income) is recognised in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the period.

Remeasurement gains and losses, comprised of actuarial gains and losses and the difference between expected and actual returns on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive loss. Service costs are recognised in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. Actuarial valuations are obtained annually and are updated at each balance sheet date.

A branch of the Company located in Belgium operated four defined benefit pension schemes. The difference between the fair value of the assets held in the Company's defined benefit pension schemes and the schemes' liabilities measured on an actuarial basis using the projected unit credit method were recognised on the Company's statement of financial position as a pension asset or liability as appropriate.

###### *Other long-term service benefits*

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities.

Other employee benefits that are not expected to be settled wholly within 12 months after the end of the reporting period are presented as non-current liabilities.

##### **Share-based payments**

Equity awards in SPX FLOW, Inc. are granted to certain employees of SPX Flow Europe Limited.

Equity-settled share-based payment awards are measured and recorded as a liability to SPX FLOW, Inc. based on the cumulative expense recognised to date for any outstanding, unvested awards. The recognition of compensation expense for share-based payment awards is based on their grant date fair values. The fair value of each award is expensed over the service period, which is generally three years.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

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#### 1 Basis of preparation (continued)

##### Accounting policies (continued)

##### *Share-based payments (continued)*

Where equity settled share awards are awarded to employees, the fair value of the awards at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of awards that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the awards granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of awards are modified before they vest, the increase in the fair value of the awards, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

##### *Leases*

The Company adopted IFRS 16 in the financial year beginning 1 January 2019, using the modified retrospective method in accordance with the transitional provisions.

On transition to IFRS 16 the Company capitalised its rented office premises and other operating facilities on the statement of financial position by recognising them as "right-of-use" assets and their corresponding lease liabilities for the present value of future lease payments, unless certain exemptions are available. For leases classified as operating leases, under previous accounting requirements the Company did not recognise related assets or liabilities, and instead spread the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

In respect of the lease liability the remaining payments payable under lease arrangements are discounted using an appropriate incremental borrowing rate and recognised as lease liabilities.

Right-of-use assets are recognised equivalent to the lease liability, adjusted for any pre-existing prepaid lease payments, accrued lease expenses, and related onerous lease and decommissioning provisions.

The Company has recognised the cumulative effect of initially applying the standard as an adjustment to the opening balance of accumulated deficit at 1 January 2019. The years ended 31 December 2019 and 2020 are reported under IFRS 16 and include the required additional disclosures in its financial statements.

Instead of recognising an operating expense for its operating lease payments, as was done in 2018, the Company recognised interest on its lease liabilities and amortisation on its right-of-use assets under IFRS 16 in 2019 and 2020.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

#### 1 Basis of preparation (*continued*)

##### Accounting policies (*continued*)

##### *Leases (continued)*

The Company has decided to apply the following practical expedients and exemptions that are available under IFRS 16 and have made the following judgements:

- Application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
  - Reliance on an assessment of whether a lease is onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review using the principles in IAS 36 Impairment of Assets;
  - No recognition of leases whose term ends within 12 months of the date of initial application and low value leases, such leases continue to be recognised using the previous policy;
  - Exclusion of initial direct costs from the measurement of the right of use asset at the date of initial application;
  - Treatment of lease and non-lease components as a single lease component. Non-lease components are prevalent mainly in leases for real estate, including such charges as CAM, insurance, property taxes, maintenance, other services etc. Non-lease components that are fixed are included in determination of base rent and the calculation of right of use assets and lease liabilities. Non-lease components that are variable (such as reimbursement of costs incurred by a landlord) are excluded from the determination of base rent and recognised when incurred;
  - No reassessment of the lease term from the previous accounting treatment. Some of the Company's leases have renewal options to lease the asset for an additional period beyond the original lease term, typically for a period less than the original term. In some cases, the terms of the renewal are uncertain and require negotiation at or near the date of renewal. Rarely does a lease contract provide an economic incentive that makes a renewal option reasonably certain to be exercised at the point of lease inception; and
  - The Company has applied the assumption that the discount rates are equal to its incremental cost of borrowing.
- Where the Company has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' occurs.

##### **Foreign currency translation and transactions**

###### (a) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'euro', which is the currency of the primary economic environment in which the Company operates ('the functional currency').

###### (b) *Transactions and balances*

Transactions entered into by the Company in a currency other than the currency of the primary economic environment in which each branch operates (their "functional currency") are remeasured into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

# SPX Flow Europe Limited

## Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

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### 1 Basis of preparation (continued)

#### Accounting policies (continued)

##### *Foreign currency translation and transactions (continued)*

Monetary assets and liabilities denominated in foreign currencies are remeasured at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are remeasured at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or expense'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'administrative expenses'.

##### *Dividends*

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

##### *Share capital*

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments.

##### *Changes in accounting policies*

###### *a) New standards, interpretations and amendments effective from 1 January 2020*

New standards impacting the Company that were adopted in the annual financial statements for the year ended 31 December 2020 and which have given rise to changes in the Company's accounting policies are:

- *Definition of a Business* (Amendments to IFRS 3)

###### Definition of a Business (Amendments to IFRS 3)

Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. The Company has applied the revised definition of a business for acquisitions occurring on or after 1 January 2020 in determining whether an acquisition is accounted for in accordance with IFRS 3 *Business Combinations*. The amendments do not permit the Company to reassess whether acquisitions occurring prior to 1 January 2020 met the revised definition of a business. See note 28 for disclosures relating to the Company's business combination occurring during the year ended 31 December 2020.

###### Other standards

New standards that have been adopted in the annual financial statements for the year ended 31 December 2020, but have not had a significant effect on the Company are:

- *Interest Rate Benchmark Reform – IBOR 'phase 2'* (Amendments to IFRS 9, IAS 39 and IFRS 7); and
- *COVID-19-Related Rent Concessions* (Amendments to IFRS 16); and
- *IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material)*; and
- Revisions to the Conceptual Framework for Financial Reporting.

# SPX Flow Europe Limited

## Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

### 1 Basis of preparation (*continued*)

#### Accounting policies (*continued*)

##### *Changes in accounting policies (continued)*

##### *b) New standards, interpretations and amendments not yet effective*

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2022:

- *Onerous Contracts – Cost of Fulfilling a Contract* (Amendments to IAS 37);
- *Property, Plant and Equipment: Proceeds before Intended Use* (Amendments to IAS 16);
- *Annual Improvements to IFRS Standards 2018-2020* (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- *References to Conceptual Framework* (Amendments to IFRS 3).

The Company is currently assessing the impact of these new accounting standards and amendments.

##### *Other*

The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company.

### 2 Critical accounting estimates and judgements

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. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, the nature of estimation means that actual outcomes could differ from those estimates and assumptions.

The estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

##### *Judgements*

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:

- Determine whether there are indicators of impairment of the Company's tangible, intangible and right-of-use assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

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#### 2 Critical accounting estimates and judgements (*continued*)

##### *Judgements (continued)*

- The Company has intercompany receivables and payables for which expectations are that all will be fully paid and received without a premium or discount. In assessing the recoverability of amounts owed to the Company by fellow Group undertakings, management has considered the anticipated cash flow within the wider Group and the support from the ultimate parent company, and has deemed these balances recoverable.
- In determining the carrying value of investments in subsidiaries, the Company applies the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. In determining the fair value of investments, key assumptions are analysed and sensitivity analysis on the key assumptions is performed as part of the fair value calculation to ensure key assumptions are appropriate.
- Determine whether amounts owed by customers are recoverable. Management has considered the credit rating of the customer, as well as current settlement of trading balances subsequent to the year, and has deemed the current provision against these balances to be appropriate.
- Determine whether the recoverable amount in relation to the Company's inventories is appropriate. Management has considered the aging of inventory lines, as well as the post year end trading of inventory held at year end, and has deemed the current provision against these balances to be appropriate.
- 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. The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limited or uncertainties.

##### *Estimates and assumptions*

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Impairment of Non-Financial Assets*

- The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when indicators of impairment may exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.
- When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

##### *Revenue Recognition (note 4)*

- Management has considered the detailed criteria for the recognition of revenue and, in particular, whether the Company has transferred to the buyer the significant risks and rewards of ownership.
- Percentage of completion accounting is used for revenue recognition on contracts where it is applicable. This requires that reasonable estimates can be made as to the extent of progress towards completion, project revenues, and project costs.

##### *Transfer Pricing*

- The Company determines whether transactions with other subsidiary undertakings of the wider group have been conducted on an arm's length basis. These decisions involve the input of internal and external tax advisors to the Company, including analysis of comparable companies and groups who operate in similar markets to SPX FLOW, Inc.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

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#### 2 Critical accounting estimates and judgements (*continued*)

##### *Property, plant and equipment (note 11)*

- Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

##### *Intangible assets (note 12)*

- Intangible assets are amortised over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors similar to those referred to above for tangible fixed assets are taken into account.

##### *Investments (note 13)*

- The Company reviews the valuation of its investments for impairment annually or if events and changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount is determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows.

##### *Provisions – Impairment of trade and other receivables, Liquidated Damages, Dilapidations and Warranty (note 19)*

- Provisions are made based on the historical experience of levels of recovery from accounts and specifically identified debtors. The actual amounts collected could differ from the estimated level of recovery which could impact the operating results.
- Specific provisions are created for the probable and estimable costs of significant claims, and a general warranty provision for probable future costs based on respective revenue streams.
- Dilapidation provisions are calculated based on the best estimates of the cost required to return leased properties back to their original condition upon termination of the lease.

##### *Lease liabilities (note 24)*

- Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used.
- In determining the lease term and assessing the length of the non-cancellable period of a lease, the Company determines the period for which the contract is enforceable. A lease is no longer considered enforceable when the lessee and the lessor each have the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

##### *Defined benefit pension scheme (note 26)*

- The most critical estimates, assumptions and judgements relate to the determination of discount rates, future salary increases, future pension increases, inflation and mortality rates. In determining these assumptions, the entity uses a third party valuation company.

##### *Share based awards (note 27)*

- The Monte Carlo simulation model valuation technique used is routinely assessed to ensure that the share-based payments are recorded appropriately and that the appropriate inputs are used in the valuation of awards at grant.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

#### 3 Financial instruments – risk management

SPX Flow Europe Limited is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk
- Other market price risk, and
- Liquidity risk.

In common with other businesses, SPX Flow Europe Limited is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

##### (i) Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Trade and other receivables classified as financial assets measured at amortised costs under IFRS 9
- Cash and cash equivalents
- Trade and other payables, and
- Loans and borrowings classified as financial liabilities measured at amortised costs under IFRS 9

##### (ii) Financial instruments by category

Financial assets:

	Amortised cost	
	2020	2019
	€'000	€'000
Cash and cash equivalents	64,145	20,596
Trade and other receivables	32,812	33,625
Total financial assets	<u>96,957</u>	<u>54,221</u>

Financial liabilities:

	Amortised cost	
	2020	2019
	€'000	€'000
Trade and other payables	59,357	46,168
Loans and borrowings	9,581	18,794
Total financial liabilities	<u>68,938</u>	<u>64,962</u>

##### (iii) Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

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#### 3 Financial instruments – risk management (*continued*)

##### (iii) *Financial instruments not measured at fair value (continued)*

###### *General objectives, policies and processes*

The directors have overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, they have delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The directors actively monitor the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

###### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales, cash deposits, cash equivalents and trade debtors. It is Company policy, implemented locally, to assess the credit risk of new customers before entering contracts. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Such credit ratings are taken into account by local business practices, each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring additional approval. Although the Company does not obtain collateral or other security to mitigate credit loss exposure, management actively monitors the extension of credit and credit standing of its customers. Credit guarantee insurance is purchased when deemed appropriate. The directors liaise with the wider group's supply chain, commercial and treasury functions when circumstances require to mitigate exposures to such risks.

Management determines concentrations of credit risk by monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables' ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their credit characteristics. Customers that are graded as "high risk" are placed on a restricted customer list, and future credit sales are made only with additional approval, otherwise payment in advance is required.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The Company only deposits cash with major banks with high quality credit standing.

Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 15.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 *(continued)*

#### 3 Financial instruments – risk management (continued)

##### *(iii) Financial instruments not measured at fair value (continued)*

###### *Cash in bank and short-term deposits*

A significant amount of cash is held with the following institutions:

	Rating	Cash at Bank	
		2020 €'000	2019 €'000
Bank Mendes Gans	Aa3	60,917	16,887
Bank of America	A2	2,915	3,556
<b>Total</b>		<b>63,832</b>	<b>20,443</b>

Management monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from non-performance by the counterparties. For all financial assets to which the impairment requirements have not been applied, the carrying amount represents the maximum exposure to credit loss.

###### *Market risk*

Market risk arises from the Company's use of financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rate, foreign exchange rates or other market factors.

###### *Interest rate risk*

The Company is exposed to cash flow interest rate risk from borrowing at a variable rate. Local operations are not permitted to borrow long-term from external sources. The Company does not utilise instruments to manage its exposure to movements in interest rates.

###### *Foreign exchange risk*

The Company's principal foreign currency exposures relate to the British Sterling and US Dollar. The Company monitors its exposure to these and other currencies on a continuous basis. Management reports such exposures to the wider group's treasury function on a periodic basis and utilises its access to the SPX FLOW finance facility to actively mitigate exposures that might otherwise result from maintaining significant non-functional currency requirements.

Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than its functional currency. The Company's policy is, where possible, to settle liabilities denominated in its functional currency with the cash generated from its own operations in that currency. Where the Company has liabilities denominated in a currency other than its functional currency (and have insufficient availability of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group, or foreign currency hedges may be entered into to mitigate such risk.

In order to monitor the continuing effectiveness of this policy, the Company monitors transactions for all major currencies, of liabilities due for settlement and expected cash reserves. Generally, the Company does not cover its exposure in exchange rates for trade sales and purchases. The Company does not use derivative financial instruments for speculative purposes.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 *(continued)*

#### 3 Financial instruments – risk management *(continued)*

##### *(iii) Financial instruments not measured at fair value (continued)*

###### *Other market price risk*

The directors actively monitor the risks associated with the operations of the business, including changes in the price of raw materials and other costs and continuously assess the impact that such changes may require to its selling prices.

The Company holds some strategic investments in other companies where those complement the Company's operations. The directors believe that the exposure to market price risk from this activity is acceptable in the Company's circumstances.

###### *Liquidity risk*

Liquidity risk arises from the Company's increased dependence on trade with parties outside of the SPX FLOW Group. This risk is substantially mitigated by its access to the SPX FLOW finance facility which may be drawn upon, when needed, to support its working capital and other financial requirements.

The Company's management of working capital and the finance charges gives rise to the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

The liquidity risk of each group entity is managed centrally by the group treasury function. Each operation has a facility with group treasury, the amount of the facility being based on the position of the cash pooling facility.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Less than 1 year	Between 1 and 2 years
	€'000	€'000
<b>At 31 December 2020</b>		
Trade and other payables	59,357	-
Loans and borrowings	9,581	-
<b>Total:</b>	<b>68,938</b>	<b>-</b>
	Less than 1 year	Between 1 and 2 years
	€'000	€'000
<b>At 31 December 2019</b>		
Trade and other payables	46,168	-
Loans and borrowings	18,794	-
<b>Total:</b>	<b>64,962</b>	<b>-</b>

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 *(continued)*

#### 3 Financial instruments – risk management (continued)

##### *(iii) Financial instruments not measured at fair value (continued)*

###### *Capital Disclosures*

The Company reviews its capital structure at least annually to ensure that the Company will be able to continue as a going concern. The Company monitors "adjusted capital" which comprises all components of equity (i.e. share capital, share premium, accumulated deficit, and other reserves), and the capital structure is managed by the Company and its ultimate parent, SPX FLOW, Inc.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to provide returns for its ultimate parent and benefits for other stakeholders. The Company's overall strategy remains unchanged from prior year.

The Company does not have any external debt and there are no externally imposed capital requirements.

#### 4 Revenue from contracts with customers

##### *Disaggregation of Revenue*

The Company has disaggregated revenue into various categories in the following table which is intended to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date.

##### **Revenue analysed by class of business**

	<b>2020</b>	<b>2019</b>
	<b>€'000</b>	<b>€'000</b>
Sale of goods and services	158,627	156,158
Provision of shared service centre services	16,170	20,283
<b>Revenue</b>	<b>174,797</b>	<b>176,441</b>

##### **Revenue analysed by geographical market**

	<b>2020</b>	<b>2019</b>
	<b>€'000</b>	<b>€'000</b>
EMEA	128,284	141,595
Americas	11,175	14,012
United Kingdom	18,545	12,939
Middle East and Asia	16,793	7,895
<b>Revenue</b>	<b>174,797</b>	<b>176,441</b>

##### **Timing of revenue recognition**

	<b>2020</b>	<b>2019</b>
	<b>€'000</b>	<b>€'000</b>
Revenue recognised at a point in time	105,434	83,419
Revenue recognised over time	69,363	93,022
<b>Revenue</b>	<b>174,797</b>	<b>176,441</b>

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 *(continued)*

#### 4 Revenue from contracts with customers (continued)

The Company enters into contracts with customers which are comprised of multiple deliverables, which can include hardware and software components, installation, maintenance, and extended warranties. In some cases, the contract will be for the integration of a complex set of tasks and components into a single project, even if the single project results in delivery of multiple units. Alternatively, the Company delivers contracts that are for the delivery of distinct goods or services as a stand-alone sale which can include spare parts or individual items.

#### Contract assets and liabilities

	Contract Assets		Contract Liabilities	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000
Current	7,467	4,157	(11,686)	(6,799)
Non-current	-	-	-	-
<b>Total</b>	<b>7,467</b>	<b>4,157</b>	<b>(11,686)</b>	<b>(6,799)</b>
	Contract Assets		Contract Liabilities	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000
<b>As at 1 January</b>	<b>4,157</b>	<b>6,237</b>	<b>(6,799)</b>	<b>(13,617)</b>
Acquired through business combinations	2,207	934	(9,352)	(1,123)
Transfers in the period from contract assets to trade receivables	(1,525)	(5,813)	-	-
Amounts included in contract liabilities that was recognised as revenue during the period	-	-	5,178	13,256
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	2,628	2,799	-	-
Cash received in advance of performance and not recognised as revenue during the period	-	-	(713)	(5,315)
<b>As at 31 December</b>	<b>7,467</b>	<b>4,157</b>	<b>(11,686)</b>	<b>(6,799)</b>

Contract assets and contract liabilities are recorded on the face of the statement of financial position. They arise from the Company's project-related business, which enters into contracts that can take up to 2 years to complete, because cumulative payments received from customers at each balance sheet date do not necessarily equal the amount of cumulative revenue recognised on the contracts.

#### *Remaining performance obligations*

The vast majority of the Company's contracts are for the delivery of goods within the next 12 months for which the practical expedient in paragraph 121(a) of IFRS 15 applies. However, certain contracts for the delivery of goods and services have been entered into for which both:

- the original contractual period was greater than 12 months; and
- the Company's right to consideration does not correspond directly with the performance.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

#### 4 Revenue from contracts with customers (continued)

##### Remaining performance obligations (continued)

Revenue recognised in 2020 relating to performance obligations that were satisfied, or partially satisfied, in previous years was not material. Revenue expected to be recognised in future periods for performance obligations that are not complete (or are partially complete) as at 31 December 2020 is €71,865k (2019 - €56,577k).

The amount of revenue that is expected to be recognised in future periods on contracts with remaining performance obligations as at 31 December 2020, is analysed as follows:

	2021 €'000	2022 €'000	2023 €'000	Total €'000
Goods and services	70,722	1,033	110	71,865
<b>Total</b>	<b>70,722</b>	<b>1,033</b>	<b>110</b>	<b>71,865</b>

The amount of revenue that was expected to be recognised in future periods on contracts with remaining performance obligations as at 31 December 2019, is analysed as follows:

	2020 €'000	2021 €'000	2022 €'000	Total €'000
Goods and services	52,107	4,470	-	56,577
<b>Total</b>	<b>52,107</b>	<b>4,470</b>	<b>-</b>	<b>56,577</b>

#### 5 Expenses by nature

	2020 €'000	2019 €'000
Employee benefit expense (note 8)	46,558	37,685
Cost of inventory recognised as an expense	106,812	110,348
Group charges	9,127	8,766
Amortisation of intangible assets (note 12)	4,958	5,156
Amortisation of right-of-use assets (note 24)	1,229	1,249
Legal fees	72	140
Travel expenses	1,300	2,646
<i>Operating lease expense for low value or short term leases (note 24):</i>		
- Property	1,009	267
- Vehicles	894	825
- Computers	-	13
Professional fees	3,032	1,986
Auditors' remuneration (note 7)	322	312
Depreciation of property, plant and equipment (note 11)	275	271
Foreign exchange losses	25	159

Amortisation charges on the Company's intangible assets are recognised in the administrative expenses line item in the statement of comprehensive income.

Impairment charges have been recognised as a separate line item in the statement of comprehensive income.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

#### 6 Income from investments in group undertakings

	2020	2019
	€'000	€'000
Dividend income	25,120	-

The Company received the following dividends from investments in subsidiaries during the current and prior year:

- On 20 August 2020, a cash dividend of PLN 85,000k (€19,120k) was received from SPX Flow Technology Poland sp z.o.o. (2019: nil), a company incorporated in Poland.
- On 24 November 2020, a cash dividend of €6,000k was received from SPX Flow Technology Santorso S.r.l (2019: nil), a company incorporated in Italy.

#### 7 Auditors' remuneration

	2020	2019
	€'000	€'000
Fees payable to the Company's auditor:		
<b>For audit services</b>		
Audit of the Company's financial statements	287	281
<b>For other services</b>		
Taxation compliance services	15	11
Other services	20	20
	322	312

#### 8 Employee benefit expenses

	2020	2019
	€'000	€'000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	34,735	27,404
Social security contributions and similar taxes	5,036	4,804
Other short term employee benefits	1,599	2,483
Defined contribution schemes	2,325	1,955
Defined benefit pension costs (note 26)	266	82
Share-based payments (note 27)	821	957
Redundancy costs	1,776	-
	46,558	37,685

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

#### 8 Employee benefit expenses (continued)

The Company applied for government support during the year introduced in response to the global pandemic.

Included in profit or loss is £8k of government grants obtained relating to supporting the payroll of the Company's employees. The Company has elected to reduce the related expense, rather than presenting this government grant separately. The Company had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Company does not have any unfulfilled obligations relating to this program.

The average number of employees employed by the Company (including Directors) were:

	2020 Average	2019 Average
Management staff	15	12
Operations staff	435	378
Support staff	27	26
	477	416
	477	416

#### Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the directors of the Company listed on page 9, and the site controllers of the Company.

	2020 €'000	2019 €'000
Wages and salaries	1,587	1,632
Social security contributions and similar taxes	294	398
Defined contribution pension costs	116	128
Share-based payment expense	104	360
Other short term employee benefits	158	161
	2,259	2,679
	2,259	2,679

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

#### 9 Finance expense

	2020 €'000	2019 €'000
Interest expense on financial liabilities measured at amortised cost	443	1,083
Interest on lease liabilities (note 24)	99	81
	542	1,164
Total finance expense	542	1,164
	542	1,164
Net finance expense recognised in the statement of comprehensive income	542	1,164
	542	1,164

The above finance expense includes the following in respect of assets / (liabilities) not at fair value through profit or loss:

	2020 €'000	2019 €'000
Total interest income on financial assets	-	-
Total interest expense on financial liabilities	542	1,164
	542	1,164
	542	1,164

#### 10 Tax credit

	2020 €'000	2019 €'000
<b>Current tax expense</b>		
Current tax on profits/(losses) for the year	914	969
<b>Deferred tax (credit)</b>		
Origination and reversal of temporary differences	(1,031)	(2,004)
Recognition of previously unrecognised deferred tax assets	(168)	(113)
	(1,199)	(2,117)
Total deferred tax (note 20)	(1,199)	(2,117)
	(285)	(1,148)
Total tax credit	(285)	(1,148)
	(285)	(1,148)

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

#### 10 Tax credit (continued)

The tax credit for the year can be reconciled to the profit / (loss) per the statement of comprehensive income as follows:

	2020 €'000	2019 €'000
Profit/(loss) before taxation	18,839	(19,100)
Expected tax expense/(benefit) based on the blended rate of corporation tax in the U.K. of 19.00% (2019 - 19.00%)	3,579	(3,629)
Expenses not deductible	1,107	3,236
Tax effect of income not taxable in determining taxable profit	(4,773)	-
Tax effect of carry forward of tax losses not recognised	1,086	(117)
Group relief	-	(85)
Share-based payment charge/(credit)	16	(187)
Adjustment in respect of prior period	(168)	(113)
Foreign tax charge - overseas branches	(273)	(783)
Branch profits/losses – non taxable in determining U.K. taxable profits	(859)	530
Tax credit for the year	(285)	(1,148)

The adjustment in respect of prior period in 2020 of €168k related to an adjustment in respect of share-based payment compensation. The adjustment in respect of prior period in 2019 of €113k related to a provision-to-return adjustment related to decelerated capital allowances.

The Finance (No. 2) Act 2015 was enacted in October 2015 and reduced the main rate of corporation tax from 20% to 19% from 1 April 2017. In March 2020 the government announced that the main rate of corporation tax would remain at 19% for years starting 1 April 2020 and 2021. In March 2021, the government announced that the main rate would be increasing to 23% in 2023.

#### *Overseas branch tax considerations*

We have received 2020 tax returns from the tax advisers for the Finland and Spain branches. We have recorded the tax charges per these returns as overseas tax.

The 2020 tax returns for the Netherlands, Belgium, Ireland, Sweden, Italy, Germany, Denmark and France branches have not yet been prepared. We have made an estimate of tax due for 2020 based on the financial results of these branches, adjusted for estimated permanently disallowable items. As there are no timing differences in relation to fixed assets or provisions (tax treatment follows accounting treatment), no adjustment has been made for these items in the estimates. Following receipt of these tax returns in 2021, we will perform a true-up exercise of these assumptions and disclose any changes in the losses carried forward in respect of these branches in the Company's 2021 financial statements.

We have also recorded the amortisation of the intangibles acquired as part of the 2018 and 2020 business combinations as tax credits to the statement of comprehensive income, reducing the deferred tax liabilities set up on recognition of the assets.

As disclosed in note 20, no deferred tax assets have been recognised in respect of the losses carried forward in the Italy, Sweden, Netherlands and Ireland branches.

## SPX Flow Europe Limited

Notes forming part of the financial statements  
for the year ended 31 December 2020 (*continued*)

11 Property, plant and equipment	Land and buildings leasehold €'000	Plant and machinery €'000	Fixtures, fittings and equipment €'000	Total €'000
<i>Cost</i>				
<b>At 1 January 2019</b>	1,626	1,243	330	3,199
Additions	108	164	32	304
On acquisition of trade and assets	302	25	59	386
Disposals	(113)	(143)	(14)	(270)
<b>At 31 December 2019</b>	<b>1,923</b>	<b>1,289</b>	<b>407</b>	<b>3,619</b>
Additions	106	157	-	263
Disposals	-	(28)	-	(28)
<b>At 31 December 2020</b>	<b>2,029</b>	<b>1,418</b>	<b>407</b>	<b>3,854</b>
<i>Accumulated depreciation and impairment</i>				
<b>At 1 January 2019</b>	<b>1,418</b>	<b>1,005</b>	<b>227</b>	<b>2,650</b>
Depreciation charged in the year	123	99	49	271
Disposals	(113)	(143)	(14)	(270)
Impairment	-	11	-	11
<b>At 31 December 2019</b>	<b>1,428</b>	<b>972</b>	<b>262</b>	<b>2,662</b>
Depreciation charged in the year	140	102	33	275
Disposals	-	(28)	-	(28)
<b>At 31 December 2020</b>	<b>1,568</b>	<b>1,046</b>	<b>295</b>	<b>2,909</b>
<i>Net book value</i>				
At 31 December 2019	495	317	145	957
<b>At 31 December 2020</b>	<b>461</b>	<b>372</b>	<b>112</b>	<b>945</b>

## SPX Flow Europe Limited

Notes forming part of the financial statements  
for the year ended 31 December 2020 (continued)

### 12 Intangible assets

	Customer relationships	Goodwill	Developed technology	Intellectual property	Trade-marks	Backlog	Licenses	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
<i>Cost or valuation</i>								
<b>At 1 January 2019</b>	31,906	20,137	1,891	1,836	651	561	123	57,105
Additions – internally developed	-	-	2,497	-	-	-	-	2,497
<b>At 31 December 2019</b>	31,906	20,137	4,388	1,836	651	561	123	59,602
Additions – internally developed	-	-	1,699	-	-	-	-	1,699
Acquired through business combinations (note 28)	5,196	3,068	-	-	-	-	-	8,264
<b>At 31 December 2020</b>	<b>37,102</b>	<b>23,205</b>	<b>6,087</b>	<b>1,836</b>	<b>651</b>	<b>561</b>	<b>123</b>	<b>69,565</b>

## SPX Flow Europe Limited

Notes forming part of the financial statements  
for the year ended 31 December 2020 (continued)

### 12 Intangible assets (continued)

	Customer relationships €'000	Goodwill €'000	Developed technology €'000	Intellectual property €'000	Trade-marks €'000	Backlog €'000	Licenses €'000	Total €'000
<i>Accumulated amortisation and impairment</i>								
At 1 January 2019	1,320	1,494	470	238	-	561	123	4,206
Amortisation charged for the year	4,502	-	586	68	-	-	-	5,156
Impairment losses	2,962	9,088	-	-	-	-	-	12,050
<b>At 31 December 2019</b>	<b>8,784</b>	<b>10,582</b>	<b>1,056</b>	<b>306</b>	<b>-</b>	<b>561</b>	<b>123</b>	<b>21,412</b>
Amortisation charged for the year	4,119	-	635	204	-	-	-	4,958
Impairment losses	248	-	437	-	-	-	-	685
<b>At 31 December 2020</b>	<b>13,151</b>	<b>10,582</b>	<b>2,128</b>	<b>510</b>	<b>-</b>	<b>561</b>	<b>123</b>	<b>27,055</b>
<i>Net book value</i>								
At 31 December 2019	23,122	9,555	3,332	1,530	651	-	-	38,190
<b>At 31 December 2020</b>	<b>23,951</b>	<b>12,623</b>	<b>3,959</b>	<b>1,326</b>	<b>651</b>	<b>-</b>	<b>-</b>	<b>42,510</b>

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

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#### 12 Intangible assets (continued)

The Company does not have any contractual commitments for the acquisition of intangible assets.

Customer relationships consist of the customer lists owned by the Company which were acquired through business combinations in 2018 and 2020 and are being amortised over the directors' estimate of useful life of 6 - 9 years.

Goodwill represents the excess of the cost of a business combination over the fair value of the entity's share of the net identifiable assets of the acquired business. Goodwill is not amortised and is reviewed annually for impairment.

Developed technology represents the value of the rights to internally generated software and technology owned by the Company. Developed technology is being amortised over the directors' estimate of useful life of 3 - 7 years.

Intellectual property includes internally developed ideas and designs for which the Company has the exclusive rights to use and are being amortised over the directors' estimate of useful life of 9 years.

Trademarks include brand names which are primarily used in the marketing or promotion of products or services. Trademarks are not amortised.

During 2019, due to the poor performance of the Johnson Pump brand of the Netherlands branch since the acquisition of the trade and assets of SPX Flow Technology Sweden AB in 2018, as well as management's forecast of future operating cash flows, the remaining goodwill recognised on this transaction attributable to the Netherlands branch amounting to €956k was fully impaired. In addition, an impairment has been recognised in relation to the customer relationships acquired of €1,577k.

Also in 2019, due to poor performance of the Italy, Spain and Netherlands branches since the merger of the subsidiaries in 2018 as well as management's forecast of future operating cash flows, goodwill recognised on the mergers has been impaired by €5,998k, €123k and €2,011k respectively. In addition, an impairment has been recognised in relation to the customer relationships acquired in the Spanish branch of €1,385k.

On 1 November 2020, the Company acquired certain trade and assets of SPX Flow Technology Danmark A/S and recognised customer relationships of €5,196k and goodwill of €3,068k.

During 2020, due to the continued poor performance of the Johnson Pump brand of the Netherlands branch since the acquisition of the trade and assets of SPX Flow Technology Sweden AB in 2018, as well as management's forecast of future operating cash flows, customer relationships and developed technology has been impaired by €248k and €437k respectively.

Amortisation of intangibles is included in administrative expenses.

Impairment of intangibles is included in the statement of comprehensive income as a separate line item.

## SPX Flow Europe Limited

Notes forming part of the financial statements  
for the year ended 31 December 2020 (*continued*)

### 13 Investments in subsidiaries

	<b>Group undertakings €'000</b>
<i>Cost or valuation</i>	
<b>At 1 January 2019</b>	225,043
Additions	2,000
Disposals	(39,138)
	187,905
<b>At 31 December 2019</b>	187,905
Return on investment	(1,355)
Disposals	(17,574)
	168,976
<b>At 31 December 2020</b>	<b>168,976</b>
<i>Impairment</i>	
<b>At 31 December 2019 and 31 December 2020</b>	645
<i>Net book value</i>	
At 31 December 2019	187,260
At 31 December 2020	<b>168,331</b>

On 13 February 2019, the Company reduced its investment in SPX Flow Technology Poland sp z.o.o. by €39,138k via a voluntary capital redemption by SPX Flow Technology Poland sp z.o.o. SPX Flow Technology Poland sp z.o.o redeemed 124 of its shares from the 492 shares held by the Company at 31 December 2018. These were of nominal value PLN 500 each, valued in total at PLN 62k, and were redeemed for consideration of PLN 170,000k in cash which was financed out of the share capital and share premium of SPX Flow Technology Poland sp z.o.o.

On 21 August 2019, the Company purchased 4 ordinary shares of £0.25 each of SPX Flow Technology Crawley Limited from SPX International Limited for £1,830k (€2,000k) in cash and became the immediate parent company.

Also in 2019, the Company impaired the investment in SPX Flow Technology Crawley Limited by €645k to bring the investment in line with the net asset position of the subsidiary, which the directors believe is representative of the investment's realisable value given it has ceased operations by 31 December 2019.

On 4 May 2020, the Company reduced its investment in SPX Flow Technology Poland sp z.o.o. by €17,574k via a voluntary capital redemption by SPX Flow Poland sp z.o.o. SPX Flow Technology Poland sp z.o.o redeemed 53 of its shares from the 368 shares held by the Company at 31 December 2019. These were of nominal value PLN 500 each, valued in total at PLN 27k, and were redeemed for consideration of PLN 80,000,000 in cash which was financed out of the share capital and share premium of SPX Flow Technology Poland sp z.o.o.

On 16 November 2020, SPX Flow Technology Crawley declared a dividend in specie in the sum of £1,157k (€1,355k) to be settled by way of the transfer of a receivable owed to SPX Flow Technology Crawley Limited from the Company pursuant to a Promissory Note dated 27 September 2019. This dividend was accounted for as a return on investment as the subsidiary is in the process of being liquidated.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

#### 13 Investments in subsidiaries (continued)

The principal subsidiaries of SPX Flow Europe Limited are as follows:

Name	Country of incorporation and principal place of business	Proportion of ownership interest at 31 December	
		2020	2019
SPX Flow Technology Poland sp. z.o.o	Bydgoszcz, at Stanislaw Jana Rolbieskiego 2, Poland	100%	100%
SPX Flow Technology Santorso S.r.l	Via delle Prese, 14, Santorso, IT 3601, Italy	100%	100%
SPX Flow Technology Crawley Limited	C/O SPX Flow Europe Limited Part Ground Floor, Alexander House, 4 Station Road, Cheadle Hulme, United Kingdom, SK8 5AE	100%	100%

#### 14 Inventories

	2020 €'000	2019 €'000
Raw materials and consumables	3,105	2,753
Work-in progress	3,450	5,700
Finished goods and goods for resale	4,866	5,990
	<b>11,421</b>	<b>14,443</b>

There is no material difference between the balance sheet value of inventories and their replacement value. There are no inventories pledged as security for liabilities. The figures above are after an inventory provision of €773k (2019 - €606k).

#### 15 Trade and other receivables

	2020 €'000	2019 €'000
Trade receivables	27,683	31,946
Less: Provision for impairment of trade receivables	(1,631)	(1,013)
	<b>26,052</b>	30,933
Trade receivables - net		
Receivables from related parties (note 29)	6,753	2,426
	<b>32,805</b>	33,359
Total financial assets other than cash and cash equivalents and contract assets		
Other debtors	7	266
Prepayments	3,243	3,176
Other taxes and social security	1,366	-
	<b>37,421</b>	36,801
Total trade and other receivables		

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

#### 15 Trade and other receivables (continued)

The carrying value of trade and other receivables classified at amortised cost approximates fair value.

The Company does not hold any collateral as security.

No trade receivables have been sold to a provider of invoice discounting or debt factoring services.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to trade receivables for similar types of contracts.

The expected credit loss rates are based on the Company's historic credit losses experienced over the one year prior to the year end. The historical loss rates are then adjusted for the current and forward-looking information and consider macroeconomic factors affecting the Company's customers. The Company has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors in the countries where the Company operates.

At 31 December 2020 the lifetime expected loss provision for trade receivables is as follows:

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	24,585	901	777	1,420	27,683
Expected loss rate	0.08%	5.19%	3.75%	6.53%	0.68%
Loss provision	20	47	29	93	189

At 31 December 2019 the lifetime expected loss provision for trade receivables is as follows:

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	28,371	1,040	897	1,638	31,946
Expected loss rate	0.08%	5.19%	3.75%	6.53%	0.68%
Loss provision	23	54	34	107	218

Contract assets have nil lifetime expected credit losses as the underlying contracts have cancellation and payment clauses within the terms of the contract that protect the Company from a default by the customer. In addition, the customers with whom these types of contracts are entered into are generally among the Company's largest and, generally and relatively, have more significant levels of financial resources. The Company has historically not experienced credit loss under contracts recognised over time.

As at 31 December 2020 trade receivables of €1,106k (2019: €441k) had lifetime expected credit losses of the full value of the receivables. The receivables due at the end of the financial year relate to 129 (2019: 80) different customers and the average receivable amount is €8.5k (2019: €5.5k). The largest of these receivables was €185k (2019: €118k).

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

#### 15 Trade and other receivables (continued)

Movements in the impairment allowance for trade receivables are as follows:

	2020 €'000	2019 €'000
At 1 January	1,013	537
Increase during the year	605	414
Arising on business combinations	74	140
Receivables written off during the year as uncollectible	(61)	(78)
Impairment loss during the year	618	476
At 31 December	1,631	1,013

Credit risk for receivables from related parties has not increased significantly since their initial recognition.

As per SPX FLOW, Inc. policy, receivables from related parties are not included in the bad debt reserves. Related party payments are generally settled through SPX FLOW, Inc.'s BMG payment netting process. In countries where this is not possible, payments are settled through wire transfers. Related party invoices are settled in the first BMG cash pooling settlement occurring after completion of the accounts payable matching process or, when applicable, completion of the dispute resolution process. The only exception to this settlement policy occurs when additional documentation is required for regulatory purposes (e.g., import duty requirements, transfer pricing).

See additional information regarding the nature of SPX FLOW, Inc.'s cash pooling facility maintained through BMG, a third-party bank in the Netherlands, in note 17.

#### 16 Trade and other payables

	2020 €'000	2019 €'000
<b>Current</b>		
Trade payables	3,017	3,385
Accruals	16,111	16,277
Total financial liabilities, excluding contract liabilities and loans and borrowings, classified as financial liabilities measured at amortised cost	19,128	19,662
Amount due to related parties (note 29)	40,229	26,506
Other taxation and social security	7,185	5,226
Total trade and other payables	66,542	51,394

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

#### 17 Loans and borrowings

The book value of loans and borrowings is as follows:

	2020 €'000	2019 €'000
<b>Current</b>		
Overdrafts	9,581	18,794
	9,581	18,794

The carrying value of loans and borrowings approximates the fair value.

The overdraft relates to a cash pool facility that is a notional pool structure through which many SPX FLOW, Inc. companies maintain an account with BMG in the Netherlands. This account can be an investment account (with a positive balance and earning interest) or a borrowing account (with a negative balance and accruing interest payable). SPX FLOW, Inc. subsidiaries provide their excess cash to the cash pool which allows other entities to borrow from the cash pool, such that the cash position can be managed centrally at a Corporate level. SPX FLOW, Inc. monitors the entire notional cash pool balance to ensure the overall cash pool balance is positive. This allows SPX FLOW, Inc. to provide global liquidity to all companies which are legally eligible to participate in a notional pooling structure and to achieve lower external cost of funding.

The cash pooling facility is not secured and does not have any collateral. Collectively, the borrowing positions in the cash pool are pledged by the collective invested (credit) balances in the cash pool.

The currency profile of the Company's loans and borrowings is as follows:

	2020 €'000	2019 €'000
Euro	7,316	18,446
Swedish Krona	-	340
Pound Sterling	2,265	8
	9,581	18,794

As of the year end, the average December base interest rate for each currency is as follows:

	2020 %
Euro	-0.5425
Swedish Krona	-0.1922
Pound Sterling	0.2039

Loans and borrowings (account) balances in the cash pool add 0.75% and surplus balances in the cash pool earn (0.25%) as the cost of participating in the cash pool, amounts which are paid to (or received from) SPX FLOW, Inc.

Loans and borrowings balances held in currencies with negative interest rates realise no interest benefit.

#### Bank Borrowings

The Company does not have any undrawn committed borrowing facilities available at 31 December 2020.

## SPX Flow Europe Limited

**Notes forming part of the financial statements  
for the year ended 31 December 2020 (continued)**

### 18 Employee benefit liabilities

Liabilities for employee benefits comprise:

	2020 €'000	2019 €'000
Defined benefit schemes (note 26)	430	456
Defined contribution scheme	450	518
Accrual for annual leave	1,824	1,782
	2,704	2,756
	2,704	2,756
Categorised as:		
	2020 €'000	2019 €'000
Current	1,824	1,782
Non-current	880	974
	2,704	2,756
	2,704	2,756

#### Estimates and assumptions

The costs, assets and liabilities of the defined benefit schemes operated by the Company are determined using methods relying on actuarial estimates and assumptions such as the discount rate and salary inflation rate. Details of the key assumptions are set out in note 26. The Company takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the statement of comprehensive income and the statement of financial position.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

#### 19 Provisions

	Onerous contracts €'000	Warranty claims €'000	Dilapidations €'000	Total €'000
As at 1 January 2020	40	287	760	1,087
Charged to the statement of comprehensive income	180	404	22	606
Arising on business combinations (note 28)	-	331	-	331
Utilised in the year	(59)	(159)	-	(218)
Released in the year	(22)	(75)	(5)	(102)
	<u>139</u>	<u>788</u>	<u>777</u>	<u>1,704</u>
As at 31 December 2020	<u>139</u>	<u>788</u>	<u>516</u>	<u>1,443</u>
Due within one year	139	788	516	1,443
Due after more than one year	-	-	261	261

The onerous contracts provision represents amounts provided in respect of amounts payable to complete a contract in which the aggregate cost required to fulfil the agreement is higher than the economic benefit obtained from it. The onerous contract provision is recognised at the point in time that the contract becomes loss making and is released, to the extent not utilised during the completion of the contract, when the contract is completed. The provision is estimated as the expected future loss that will be incurred upon recognition of any remaining revenue associated with the contract.

The warranty claims provision represents amounts provided in respect of amounts payable to honour warranty clauses within the sales contracts. For certain products the Company has an obligation to exchange, replace or repair the item if the item breaks prematurely due to a lack of quality. Revenue for the sale is recognised once the goods are delivered, however, a provision is recognised concurrently based on the historic experience of the warranty claims. The warranty provision is based on the expected warranty costs relating to products sold prior to the balance sheet date which remain in their warranty period. The provision amount is estimated using the assumption that future warranty claims will be in line with historic trends.

The dilapidations provision represents amounts provided in respect of amounts payable to dismantle leasehold improvements and return the property to its original state primarily on termination of property lease agreements. The provisions will run in line with the current leasing arrangements of the offices and warehouses being leased. The primary lease to which these dilapidations provisions relate expired in March 2021 and was not renewed. Dilapidation provisions are calculated based on the best estimates of the cost required to return leased properties back to their original condition upon termination of the lease.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

#### 20 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19.00% tax rate (2019: 19.00%). Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The analysis of the deferred tax balances (after offset) for financial reporting purposes is as follows:

	2020 €'000	2019 €'000
<b>Assets - recognised</b>		
Decelerated capital allowances	1,458	1,433
Shared-based payments	239	107
	1,697	1,540
<b>Assets – not recognised</b>		
Tax losses carried forward	1,203	26
<b>Liabilities</b>		
Intangibles acquired in a business combination	(5,773)	(5,672)
	(4,076)	(4,132)
<b>Net liability</b>		
	(4,076)	(4,132)
<b>Movements in the year:</b>		<b>€'000</b>
Liability at 1 January 2020		(4,132)
Arising on business combinations (note 28)		(1,143)
Credit to the statement of comprehensive income (note 10)		1,199
		(4,076)
<b>Liability at 31 December 2020</b>		<b>(4,076)</b>

The deferred tax assets set out above relate to fixed asset timing differences in relation to assets held in the U.K. and unrealised benefit of future tax deductions in relation to share based awards.

The deferred tax liability arose on the recognition of intangible assets on business combinations in 2018 and 2020. Amortisation has been charged on the intangibles for the proportion of the year that each has been held by the branch, and the associated deferred tax liability has been reduced accordingly.

The Company also has net unrecognised deferred tax assets in relation to the following:

	2020 €'000
Belgium - pension	429
Italy – carried forward trading losses	295
Sweden – carried forward trading losses	318
Netherlands - carried forward trading losses	2,865
Ireland - carried forward trading losses	16,043

Such amounts have not been recognised due to uncertainty in relation to the availability of future profits in the branches.

## SPX Flow Europe Limited

Notes forming part of the financial statements  
for the year ended 31 December 2020 (*continued*)

### 21 Share Capital

	2020 Number	2020 €'000	2019 Number	2019 €'000
Issued and fully paid				
Ordinary shares of £1 each	200,649,179	224,789	200,649,179	224,789

### 22 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium reserve	Amount subscribed for share capital in excess of nominal value, net of any issue costs.
Capital contributions	Amount of money or assets contributed to the Company by its parent company.
Other reserves	Other reserves include (1) foreign exchange differences arising from the change in functional currency from British sterling to euro effective 1 January 2017, and (2) actuarial gains and losses under the Company's defined benefit pension scheme which are recognised as a component of equity.
Accumulated deficit	Cumulative loss, net of distributions to owners (e.g. dividends) not recognised elsewhere.

### 23 Analysis of amounts recognised in other comprehensive loss

	Other Reserves €'000
Year to 31 December 2019	
<i>Items that will not be reclassified to profit or loss</i>	
Actuarial loss on defined benefit schemes	(175)
Year to 31 December 2020	
<i>Items that will not be reclassified to profit or loss</i>	
Actuarial loss on defined benefit schemes	(111)

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

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#### 24 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to exercise that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

#### 24 Leases (continued)

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- in all other cases where the renegotiated lease increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of use asset being adjusted by the same amount.
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

#### Nature of leasing activities (in the capacity as lessee)

The Company leases a number of properties in the jurisdictions in which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation and in others to be reset periodically to market rental rates. In some jurisdictions the periodic rent is fixed over the lease term.

The Company also leases certain items of plant and equipment. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the balance sheet date to lease payments that are variable.

31 December 2020	Lease Contracts Number	Fixed payments %	Variable payments %	Sensitivity €'000
Property leases with periodic uplifts to market rentals	1	-	26	14
Property leases with fixed payments	6	73	-	-
Leases of plant and equipment	2	1	-	-
31 December 2019	Lease Contracts Number	Fixed payments %	Variable payments %	Sensitivity €'000
Property leases with periodic uplifts to market rentals	1	-	16	15
Property leases with fixed payments	10	83	-	-
Leases of plant and equipment	3	1	-	-

The Company sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Company considers whether the absence of a break clause exposes the Company to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the Company.

## SPX Flow Europe Limited

Notes forming part of the financial statements  
for the year ended 31 December 2020 *(continued)*

### 24 Leases (continued)

#### Right-of-Use Assets

	Land and buildings €'000	Plant, machinery and motor vehicles €'000	Total €'000
<b>At 1 January 2019</b>	2,249	15	2,264
Additions	1,780	-	1,780
Amortisation	(1,245)	(4)	(1,249)
Foreign exchange movements	(7)	-	(7)
	<u>2,777</u>	<u>11</u>	<u>2,788</u>
<b>At 31 December 2019</b>	<u>2,777</u>	<u>11</u>	<u>2,788</u>

	Land and buildings €'000	Plant, machinery and motor vehicles €'000	Total €'000
<b>At 1 January 2020</b>	2,777	11	2,788
Additions	129	-	129
Amortisation	(1,224)	(5)	(1,229)
Foreign exchange movements	(48)	-	(48)
	<u>1,634</u>	<u>6</u>	<u>1,640</u>
<b>At 31 December 2020</b>	<u>1,634</u>	<u>6</u>	<u>1,640</u>

#### Lease liabilities

	Land and buildings €'000	Plant, machinery and motor vehicles €'000	Total €'000
<b>At 1 January 2019</b>	2,249	15	2,264
Additions	1,780	-	1,780
Interest expense	80	1	81
Lease payments	(1,373)	(4)	(1,377)
	<u>2,736</u>	<u>12</u>	<u>2,748</u>
<b>At 31 December 2019</b>	<u>2,736</u>	<u>12</u>	<u>2,748</u>

## SPX Flow Europe Limited

Notes forming part of the financial statements  
for the year ended 31 December 2020 (*continued*)

### 24 Leases (continued)

#### Lease liabilities

	Land and buildings €'000	Plant, machinery and motor vehicles €'000	Total €'000
<b>At 1 January 2020</b>	2,736	12	2,748
Additions	129	-	129
Interest expense	99	-	99
Lease payments	(1,227)	(5)	(1,232)
Foreign exchange movements	(92)	-	(92)
<b>At 31 December 2020</b>	<b>1,645</b>	<b>7</b>	<b>1,652</b>
		<b>2020</b>	<b>2019</b>
		€'000	€'000
Non-current liabilities from leases		1,086	1,446
Short-term lease liabilities		566	1,302
		<b>1,652</b>	<b>2,748</b>
Short-term lease expense		953	259
Low value lease expense		950	846
Aggregate undiscounted commitments for low-value and/or short-term leases (note 25)		1,354	1,676

	Up to 3 Months €'000	Between 3 and 12 months €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	Over 5 years €'000
<b>At 31 December 2020</b>					
Lease liabilities	149	417	396	690	-
<b>At 31 December 2019</b>					
Lease liabilities	537	765	490	956	-

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

#### 25 Commitments under operating leases

As at 31 December, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

##### Lessee

	2020 €'000	2019 €'000
Not later than one year	535	690
Later than one year and not later than five years	819	986
	1,354	1,676

As at 31 December 2019 and 2020, operating lease payments represent rentals payable by the Company for its leased properties, plant, machinery and vehicles which are considered to be of low value or have a duration of less than 12 months.

#### 26 Defined benefit schemes

Defined benefit schemes in operation in 2020:

##### (i) *Defined benefit scheme characteristics and funding*

The Company operates four post-employment defined benefit schemes for its qualifying employees in a branch located in Belgium, these schemes were initially recognised as defined benefit schemes beginning in 2018. All of the schemes provide employees in the Belgium branch with a pension on retirement which is varied based on the age of retirement, the length of service and salary level.

- Scheme A is restricted to APV employees
- Scheme B is restricted to Blue Collar employees
- Scheme C is restricted to Management employees
- Scheme D is restricted to White Collar employees

All of the schemes are funded by the Company and the employee. Contributions by the Company are calculated by a separate actuarial valuation based on the funding policies detailed in the scheme agreement.

The schemes are legally separate from the Company and are administered by a separate fund. The board of the fund is made up of representatives of the Company and employees (present and former), as well as an independent chair. By law, the board is required to act in the best interests of participants to the scheme and has the responsibility of setting investment, contribution, and other relevant policies.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 *(continued)*

#### 26 Defined benefit schemes (continued)

##### *(i) Defined benefit scheme characteristics and funding (continued)*

The schemes are exposed to a number of risks, including:

- *Investment risk*: movement of discount rate used against the return from plan assets;
- *Interest rate risk*: decreases/increases in the discount rate and interest rate used will increase/decrease the defined benefit obligation;
- *Longevity risk*: changes in the estimation of mortality rates of current and former employees.
- *Salary risk*: increases in future salaries increase the gross defined benefit obligation.

Employees not participating in a defined benefit scheme are eligible to join a defined contribution scheme. No other post retirement benefits are provided by the Company.

In 2021, the Company expects to contribute €415k into its defined benefit schemes.

##### *(ii) Reconciliation of defined benefit obligation and fair value of scheme assets*

All of the schemes are exposed to materially the same risks and therefore the reconciliation below is presented in aggregate.

	Defined benefit obligation		Fair value of scheme assets		Net defined scheme liability	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000
<b>As at 1 January</b>	<b>5,717</b>	5,259	<b>(5,261)</b>	(4,687)	<b>456</b>	572
Service cost	<b>251</b>	290	-	-	<b>251</b>	290
Interest cost/(income)	<b>33</b>	67	<b>(32)</b>	(63)	<b>1</b>	4
Administration costs	<b>14</b>	7	-	-	<b>14</b>	7
Cost to administer	-	(219)	-	-	-	(219)
<b>Included in profit or loss</b>	<b>298</b>	145	<b>(32)</b>	(63)	<b>266</b>	82
Remeasurement loss/(gain)						
a) Actuarial loss/(gain) from:						
- Financial assumptions	<b>22</b>	162	-	-	<b>22</b>	162
- Adjustments (experience)	<b>78</b>	203	-	-	<b>78</b>	203
b) Return on plan assets (excluding interest)	-	-	<b>11</b>	(190)	<b>11</b>	(190)
<b>Included in other comprehensive loss</b>	<b>100</b>	365	<b>11</b>	(190)	<b>111</b>	175

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

#### 26 Defined benefit schemes (continued)

##### (ii) Reconciliation of defined benefit obligation and fair value of scheme assets (continued)

	Defined benefit obligation		Fair value of scheme assets		Net defined scheme liability	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000
Employer contributions	-	-	(403)	(373)	(403)	(373)
Plan participant contributions	57	63	(57)	(63)	-	-
Disbursements	(451)	(115)	451	115	-	-
<b>Other Movements</b>	<b>(394)</b>	<b>(52)</b>	<b>(9)</b>	<b>(321)</b>	<b>(403)</b>	<b>(373)</b>
<b>As at 31 December</b>	<b>5,721</b>	<b>5,717</b>	<b>(5,291)</b>	<b>(5,261)</b>	<b>430</b>	<b>456</b>

##### (iii) Disaggregation of defined benefit scheme assets

The fair value of the Scheme assets is comprised of the following:

	2020 €'000	2019 €'000
Insurance Contracts	5,291	5,261
<b>Total</b>	<b>5,291</b>	<b>5,261</b>

The schemes are funded through guaranteed insurance contracts. The fair value of the pension schemes' assets represents the present value of future pension benefits plus the present value of future surplus interest expected to be realised under the contract. The market rate was assumed to be equal to the discount rate which reflected the assets underlying the contract.

##### (iv) Defined benefit obligation - actuarial assumptions

The principal actuarial assumptions used in determining the present value of the defined benefit obligation of the schemes include:

	2020
Discount rate	0.55%
Increase in social security	1.75%
Increase in inflation	1.75%
Increase in future salaries	3.00%
Longevity at retirement age (current pensioners)	
- Males	20
- Females	22.7
Longevity at retirement age (future pensioners)	
- Males	22.2
- Females	24.7

The average duration of the defined benefit obligation at 31 December 2020 was 13.61 years.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

#### 26 Defined benefit schemes (continued)

##### (v) Defined benefit obligation – sensitivity analysis

The impact to the value of the defined benefit obligation of a reasonably possible change to one actuarial assumption, holding all other assumptions constant, is presented in the table below:

Actuarial assumption	Reasonably possible change	Defined benefit obligation	
		Increase €'000	Decrease €'000
Discount rate	(+/- 0.50%)	(92)	92

#### 27 Share-based payment

The Company's ultimate parent, SPX FLOW, Inc., operates a share-based payment scheme for certain employees of the Company. Equity awards in SPX FLOW, Inc., are granted at no exercise price to the recipient. The Company did not enter into any share-based payment transactions with parties other than employees during the period.

The stock awards are denominated in US dollars. Stock awards generally have a three year vesting schedule. Time-based stock awards granted vest in three equal instalments at one, two and three years after the date of grant. Internal performance-based awards granted vest at three years if certain share price performance criteria are met. Awards are forfeited if the employee leaves the group before the awards vest. Awards are equity-settled at their gross value net of associated income tax liabilities. To the extent that the value of shares required is in excess of a round number of shares, the excess value is settled in cash.

The table below summaries the movements in awards during the year:

	2020 Number	2019 Number
<b>Outstanding at the start of the year</b>	<b>55,982</b>	63,717
Granted during the year	<b>25,469</b>	32,290
Cancelled during the year	<b>(1,246)</b>	(8,586)
Vested during the year	<b>(23,049)</b>	(31,439)
<b>Outstanding at the end of the year</b>	<b>57,156</b>	55,982

The weighted average exercise price of awards outstanding at the end of the year was \$nil (2019: \$nil) and their weighted average contractual life was 2.84 years (2019: 2.86 years).

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

#### 27 Share-based payment (continued)

The following information is relevant in the determination of the fair value of the awards granted during the year under the equity-settled shared based remuneration schemes operated by SPX FLOW, Inc.

	2020	2019
<b>Equity settled</b>		
Option pricing model used	Monte-Carlo	Monte-Carlo
Weighted average share price (USD \$)	\$36.00	\$35.00
Expected volatility (1)	35.75%	36.88%
Risk-free interest rate (2)	1.14%	2.45%
Expected dividends (3)	0.00%	0.00%

- (1) The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of a 50 day rolling median volatility convention of comparable publically quoted companies.
- (2) The risk free rate of return represents the implied yield available during the month the option was granted based on the US Treasury STRIP curve with a remaining term of 2.84 years.
- (3) Awards granted in 2019 and 2020 included clauses which provide the recipients of such awards the right to receive dividends or dividend equivalents, and such awards represented 84.5% of the total number of outstanding awards of the Company as of 31 December 2020 (awards granted in years prior to 2019 did not include such rights). A dividend program has, subsequent to the dates of the 2019 and 2020 grants, been initiated by the Company's ultimate parent company (the initial dividend was first declared by the parent company beginning in the first quarter of the Company's fiscal 2021). The expected dividend applied in the determination of the fair value of the awards is however 0.00% as it assumes dividends distributed will be reinvested in additional shares.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

#### 28 Business combinations

On 1 November 2020, the Company acquired the trade and assets in relation to the Gerstenberg Schroeder business line of SPX Flow Technology Danmark A/S for DKK 90,904k (€12,225k) in cash. The principal reason for this acquisition was as part of a group realignment programme.

Details of the fair value of identifiable assets and liabilities acquired are as follows:

	Book value €'000	Fair value adjustment €'000	Fair value €'000
<b>Fixed assets</b>			
Intangible assets (note 12)	-	5,196	5,196
<b>Current assets</b>			
Inventory	5,303	26	5,329
Debtors	9,516	-	9,516
Cash at bank and in hand	1,721	-	1,721
<b>Total assets</b>	<u>16,540</u>	<u>5,222</u>	<u>21,762</u>
<b>Creditors</b>			
Creditors due within one year	(11,131)	-	(11,131)
Provision for liabilities (note 19)	(331)	-	(331)
Deferred tax liability (note 20)	-	(1,143)	(1,143)
<b>Fair value of net assets</b>	<u>5,078</u>	<u>4,079</u>	<u>9,157</u>
Goodwill recognised (note 12)			3,068
<b>Total of consideration paid</b>			<u>12,225</u>
Fair value of consideration paid			<b>Fair value €'000</b>
Purchase consideration			12,225
Cash and cash equivalents in trade and assets acquired			(1,721)
Cash (outflow) on acquisition			<u>10,504</u>

There are no acquisition costs associated with this transaction.

Since the acquisition date, SPX Flow Technology Danmark A/S Limited has contributed €3,304k to revenues and €165k to profit.

If the acquisition had occurred on 1 January 2019, SPX Flow Technology Danmark A/S would have contributed €19,824k to revenues and €990k to profit.

## SPX Flow Europe Limited

Notes forming part of the financial statements  
for the year ended 31 December 2020 (continued)

### 29 Related party transactions

#### Trading Transactions

During the year the Company entered into the following transactions with related parties who are members of the SPX FLOW, Inc. Group.

	Sales of goods and services		Purchase of goods and services		Amounts owed by related parties		Amounts owed to related parties	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000
APV Middle East Limited	119	21	11	-	57	50	-	-
Clyde Union Canada Limited	9	75	-	-	-	-	-	-
Clyde Union China Holding Ltd. Shanghai	-	-	-	-	-	5	-	-
Clyde Union DB Limited	48	448	-	-	-	1	-	-
Clyde Union Inc	29	32	-	36	-	-	-	(32)
Clyde Union Limited	114	6	-	-	-	3	-	-
Clyde Union Pumps Limited	9	675	-	-	-	-	-	-
Clyde Union S.A.S	94	530	-	-	-	7	-	-
Dollinger Filtration Limited	7	40	-	40	-	-	-	(13)
Power & Energy International Limited	185	67	-	-	-	365	-	-
SPX (Shanghai) Flow Technology Co. Limited	1,738	873	3,951	5,296	-	-	(253)	(890)
SPX Chile Limitada	22	14	-	-	-	13	-	-
SPX Corporation (China) Limited	-	-	736	693	-	-	(259)	(160)
SPX Flow and WTE Energy FZCO	-	2	-	-	-	-	-	-
SPX Flow Germany Holding GmbH	1	1	52	1,551	-	-	(42)	(56)
SPX FLOW, Inc.	4,549	7,915	6,510	7,343	-	-	(4,811)	(4,543)
SPX Flow Oil & Gas Equip. Trading Services LLC	4	3	-	-	-	-	-	-
SPX Flow Technology (India) Private Limited	612	272	853	729	-	-	(68)	(60)
SPX Flow Technology (Pty) Limited	542	664	-	-	876	561	-	-
SPX Flow Technology (Thailand) Ltd	186	1	-	-	-	1	-	-
SPX Flow Technology Assen BV	398	401	24,592	20,786	-	-	(3,817)	(2,193)
SPX Flow Technology Australia Pty Limited	346	218	-	29	92	68	-	-
SPX Flow Technology Crawley Limited	-	211	-	80	-	-	-	(1,408)
SPX Flow Technology Danmark A/S	3,072	2,214	24,835	19,383	-	-	(16,971)	(13,932)

## SPX Flow Europe Limited

Notes forming part of the financial statements  
for the year ended 31 December 2020 (continued)

### 29 Related party transactions (continued)

	Sales of goods and services		Purchase of goods and services		Amounts owed by related parties		Amounts owed to related parties	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000
SPX Flow Technology do Brasil Indústria e Comércio Limitada	48	5	-	-	1	12	-	-
SPX Flow Technology England Limited	346	-	-	-	-	4	-	-
SPX Flow Technology Etten-Leur B.V.	13	47	-	-	-	-	-	-
SPX Flow Technology Germany GmbH	1,254	1,099	5,047	-	-	12	(3,024)	-
SPX Flow Technology Hong Kong Limited	864	431	-	-	2,156	93	-	-
SPX Flow Technology Hungary Kft.	513	385	26	221	12	-	-	(110)
SPX Flow Technology Japan, Inc.	308	151	-	-	19	3	-	-
SPX Flow Technology Kerry Limited	-	281	-	-	-	-	-	-
SPX Flow Technology Korea Co. Limited	78	15	-	-	2	4	-	-
SPX Flow Technology London Limited	-	-	-	-	-	1,196	(2)	-
SPX Flow Technology Mexico, S.A. de C.V.	178	64	-	-	95	-	-	-
SPX Flow Technology New Zealand Limited	-	6	-	-	-	-	-	-
SPX Flow Technology Poland sp. Z.o.o	1,137	885	35,657	21,907	-	-	(4,538)	(944)
SPX Flow Technology s.r.o	79	139	524	1,694	-	-	(120)	(646)
SPX Flow Technology Santorso s.r.l.	164	85	1,497	1,105	-	-	(269)	(85)
SPX Flow Technology SAS	1,503	1,093	7,731	8,065	-	-	(2,551)	(438)
SPX Flow Technology Singapore Pte. Limited	1,853	280	74	553	648	-	-	(271)
SPX Flow Technology Sweden AB	-	27	-	-	-	-	-	(6)
SPX FLOW Technology Systems Inc.	84	-	91	-	-	1	(130)	-
SPX Flow US LLC	2,270	1,374	4,238	5,991	332	-	-	(662)
SPX International Holding GmbH	-	2	-	-	-	-	-	-
SPX International Limited	-	2,012	624	1,020	-	-	(3,374)	(57)
SPX Latin America Corporation	6	14	-	-	-	1	-	-
SPX Middle East FZE	4,762	265	30	-	2,463	26	-	-
UD-RD Holding Company Limited	-	-	(16)	12	-	-	-	-

## SPX Flow Europe Limited

Notes forming part of the financial statements  
for the year ended 31 December 2020 (continued)

### 29 Related party transactions (continued)

	Sales of goods and services		Purchase of goods and services		Amounts owed by related parties		Amounts owed to related parties	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000
SPX Flow Technology USA Inc	219	-	-	-	-	-	-	-
	<u>27,763</u>	<u>23,343</u>	<u>117,063</u>	<u>96,534</u>	<u>6,753</u>	<u>2,426</u>	<u>(40,229)</u>	<u>(26,506)</u>

Sales and purchases of goods to related parties were made at the Company's usual list prices.

Details of directors' remuneration are given in note 8.

The Company has not made any allowances for bad or doubtful debts in respect of related party debtors nor has any guarantee been given or received during 2020 or 2019 regarding related party transactions.

There were no other related party transactions in the year.

## SPX Flow Europe Limited

### Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

#### 30 Notes supporting statement of cash flows

Cash and cash equivalents, net of loans and borrowings, for purposes of the statement of cash flows comprises:

	2020 €'000	2019 €'000
Cash and cash equivalents	64,145	20,596
Loans and borrowings	(9,581)	(18,794)
	54,564	1,802

#### 31 Post balance sheet events

On 24 May 2021, the Company's subsidiary, SPX Flow Technology Crawley filed an application with Companies House to dissolve. The dissolution is expected to be completed in 2021.

On 7 June 2021, the Company acquired 100% of the shareholding in SPX Flow Technology Assen B.V. for €16,982k in cash.

In August 2021 the Denmark branch was dissolved and management's intention is to not re-activate it. The trading activities in this branch were transferred to other branches in advance of the dissolution resulting in no negative impact for the Company.