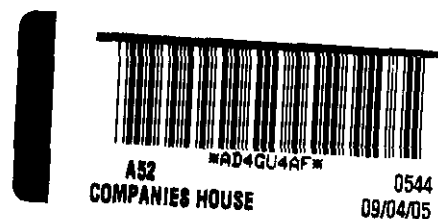


**SPP Pumps Limited (formerly
Quayshelfco 1022 Limited)**

Report and Financial Statements

Period ended 31 December 2004

Company number: 4839607



Tenon Limited
Accountants and Business Advisers

SPP PUMPS LIMITED (formerly Quayshelfco 1022 Limited)

Report and financial statements for the period ended 31 December 2004

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9	Notes forming part of the financial statements

Directors

SC Kirloskar (Chairman)
O Shevlin
GA Kulkarni
PB Shirke
SG Chitnis
A Sathe

Secretary and registered office

CD Johnson, Pincents Lane, Calcot, Reading, Berkshire, RG31 7SP

Company number

4839607

Accountants and Business Advisers

Tenon Limited, Charnwood House, Gregory Boulevard, Nottingham, NG7 6NX

Auditor

Tenon Audit Limited, Charnwood House, Gregory Boulevard, Nottingham, NG7 6NX

Principal bankers

Barclays Bank plc, City Service Centre, PO Box 544, 54 Lombard Street, London, EC3V 9EX

ICICI Bank UK Limited, 21 Knightsbridge, London, SW1X 7LY

SPP PUMPS LIMITED (formerly Quayshelfco 1022 Limited)

Report of the directors for the period ended 31 December 2004

The directors present their report together with the audited financial statements for the period since incorporation ended 31 December 2004.

Results and dividends

The consolidated profit and loss account is set out on page 4 and shows the profit for the period.

The directors do not recommend the payment of a dividend.

Principal activities, review of business and future developments

The company incorporated on 17 July 2003 as Quayshelfco 1022 Limited before changing its name to SPP Pumps Limited on 17 November 2003.

On 1 November 2003 the trade and assets of Aqua Capital Limited, a company registered in the United Kingdom, were acquired by SPP Pumps Limited for consideration of £4,950,000.

On 1 November 2003 SPP Pumps Limited acquired 100% of the ordinary share capital of SPP Pumps (South Africa) (Pty) Limited, a company incorporated in South Africa, for consideration of £14,363.

On the same date the trade and assets of Sterling Fluid Systems SA (Pty) Limited, a company registered in South Africa, were acquired by SPP Pumps (South Africa) (Pty) Limited, for consideration of £50,429.

Since 1 November 2003, the principal activities of the group are those of the design, manufacture, supply and services of pumps, pump packages and associated equipment.

The directors are satisfied with the period under review and are confident of future prospects.

Directors

The directors of the company during the period and their interests in the ordinary share capital of the company were:

	Ordinary shares of £1 each	
	on	
	incorporation	
	or later	
	2004	date
	£	£
SC Kirloskar (appointed 20 February 2004)	-	-
O Shevlin (appointed 27 August 2003)	50,000	-
GA Kulkarni (appointed 20 February 2004)	-	-
PB Shirke (appointed 20 February 2004)	-	-
SG Chitnis (appointed 20 February 2004)	-	-
A Sathe (appointed 6 November 2003)	-	-

NQH (Co.Sec.) Limited was appointed as a director on incorporation and resigned on 27 August 2003.

SPP PUMPS LIMITED (formerly Quayshelfco 1022 Limited)

Report of the directors for the period ended 31 December 2004 (Continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company and of the profit of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure 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 group and the company will continue in business.

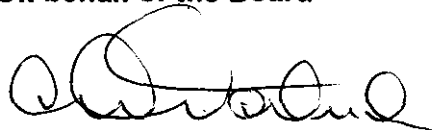
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding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

Auditor

On 28th February 2005 our auditors, Blueprint Audit Limited changed their name to Tenon Audit Limited and have signed the audit report in their new name.

Tenon Audit Limited has expressed its willingness to continue in office and a resolution to reappoint it will be proposed at the annual general meeting.

On behalf of the Board



CD Johnson
Company secretary

23 March 2005

Report of the auditor

Independent auditor's report to the shareholders of SPP Pumps Limited (formerly Quayshelfco 1022 Limited)

We have audited the financial statements of SPP Pumps Limited for the period ended 31 December 2004 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Consolidated Statement of Total Recognised Gains and Losses, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Directors' Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the group and company's affairs as at 31 December 2004 of the group's profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Tenon Audit Limited
Chartered Accountants and Registered Auditor

6 April 2005

SPP PUMPS LIMITED (formerly Quayshelfco 1022 Limited)**Consolidated profit and loss account for the period ended 31 December 2004**

	Note	2004 £
Turnover	2	28,735,966
Cost of sales		(22,769,522)
Gross profit		<u>5,966,444</u>
Distribution costs		(2,470,736)
Administrative expenses		(2,053,361)
Operating profit	5	<u>1,442,347</u>
Interest payable	7	(1,074,587)
Interest receivable		28,789
Profit on ordinary activities before taxation		<u>396,549</u>
Taxation on profit on ordinary activities	8	(155,879)
Profit on ordinary activities after taxation and retained for the year	19	<u><u>240,670</u></u>

All amounts related to acquired activities in the period.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own profit and loss account.

The notes on pages 9 to 22 form part of these financial statements.

SPP PUMPS LIMITED (formerly Quayshelfco 1022 Limited)

Consolidated statement of total recognised gains and losses for the period ended 31 December 2004

	2004 £
Statement of total recognised gains and losses	
Profit for the period	240,670
Exchange gain	1,019
Total recognised gains for the period	241,689

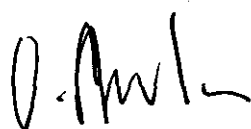
The notes on pages 9 to 22 form part of these financial statements.

SPP PUMPS LIMITED (formerly Quayshelfco 1022 Limited)

Consolidated balance sheet at 31 December 2004

			2004	
	Note	£		£
Fixed assets				
Intangible assets	9			-
Tangible assets	10			3,040,116
				<u>3,040,116</u>
Current assets				
Stocks	12	2,483,860		
Debtors	13	6,610,637		
Cash at bank and in hand		1,345,030		
		<u>10,439,527</u>		
Creditors: amounts falling due within one year	14	(6,970,406)		
Net current assets				<u>3,469,121</u>
Total assets less current liabilities				<u>6,509,237</u>
Creditors: amounts falling due after more than one year	15		(3,505,548)	
Provisions for liabilities and charges	16		(762,000)	
Net assets				<u>2,241,689</u>
Capital and reserves - equity				
Called up share capital	18		2,000,000	
Profit and loss account	19		241,689	
Shareholders' funds	20		<u>2,241,689</u>	

The financial statements were approved by the Board on 23 March 2005.

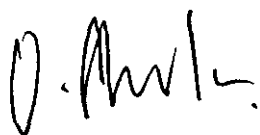


The notes on pages 9 to 22 form part of these financial statements.

SPP PUMPS LIMITED (formerly Quayshelfco 1022 Limited)**Company balance sheet at 31 December 2004**

	Note	£	2004 £
Fixed assets			
Tangible assets	10		2,981,275
Investments	11		14,363
			<u>2,995,638</u>
Current assets			
Stock	12	2,438,479	
Debtors	13	6,605,812	
Cash at bank and in hand		1,288,528	
		<u>10,332,819</u>	
Creditors: amounts falling due within one year	14	(6,876,973)	
Net current assets			<u>3,455,846</u>
Total assets less current liabilities			<u>6,451,484</u>
Creditors: amounts falling due after more than one year	15		(3,500,000)
Provisions for liabilities and charges	16		(762,000)
Net assets			<u>2,189,484</u>
Capital and reserves - equity			
Called up share capital	18		2,000,000
Profit and loss account	19		189,484
Shareholders' funds			<u>2,189,484</u>

The financial statements were approved by the Board on 23 March 2005.



The notes on pages 9 to 22 form part of these financial statements.

SPP PUMPS LIMITED (formerly Quaysheifco 1022 Limited)**Consolidated cash flow statement for the period ended 31 December 2004**

	Note	£	2004 £
Net cash inflow from operating activities	24		2,134,271
Returns on investments and servicing of finance			
Interest paid		(1,062,772)	
Interest received		28,789	
Net cash outflow from returns on investments and servicing of finance			(1,033,983)
Capital expenditure			
Payments to acquire tangible fixed assets		(271,218)	
Receipts from disposals of tangible fixed assets		25,867	
Net cash outflow from capital expenditure			(245,351)
Acquisitions			
Purchase of trade and assets	23	(5,000,429)	
Net cash acquired	23	4,026	
Net cash outflow from acquisitions			(4,996,403)
Net cash outflow before financing			(4,141,466)
Financing			
Capital repayments under hire purchase contracts	25	(20,212)	
Proceeds from share issue		2,000,000	
Inception of bank loan	25	3,500,000	
Net cash inflow from financing			5,479,788
Increase in cash	26		1,338,322

The notes on pages 9 to 22 form part of these financial statements.

SPP PUMPS LIMITED (formerly Quayshelfco 1022 Limited)

Notes forming part of the financial statements for the period ended 31 December 2004

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of SPP Pumps Limited and its subsidiary as at 31 December 2004 accounted for on an acquisition basis.

Goodwill

Negative goodwill arising on the acquisition of trade and assets is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and carried as an intangible asset on the balance sheet.

Negative goodwill is being released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

Turnover

Turnover represents sales to outside customers at invoiced amount less value added tax.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for freehold land over their expected useful lives. It is calculated at the following rates:

Freehold buildings	-	4% straight line basis
Leasehold improvements	-	5% to 20% straight line basis
Plant and machinery	-	5% to 33⅓% straight line basis
Motor vehicles	-	25% straight line basis
Tooling and patterns	-	16⅔% to 20% straight line basis

Stocks

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

Raw materials, consumables and goods for resale	-	Purchase cost on a first in, first out basis.
Work in progress and finished goods	-	Cost of direct material and labour plus attributable overheads based on a revised level of activity.

Net realisable value is based on estimated selling price less additional costs to completion and disposal.

SPP PUMPS LIMITED (formerly Quayshelfco 1022 Limited)

Notes forming part of the financial statements for the period ended 31 December 2004
(Continued)

1 Accounting policies (Continued)

Deferred taxation

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 or a right to pay less tax in the future have accrued by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Hire purchase and leased assets

Assets acquired under hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element is charged to the profit and loss account over the term of the contract.

Rentals in respect of operating leases are charged to the profit and loss account on a straight line basis over the term of the agreement.

Pension costs

Contributions to defined contribution pension schemes operated by group companies are charged to the profit and loss account in the year in which they become payable.

Foreign currencies

The profit and loss account of the overseas subsidiary undertaking is translated into sterling at exchange rates prevailing at the year end. The net assets are translated at year end rates, the difference on exchange being recorded as a reserve movement. Other monetary assets and liabilities dominated in foreign currencies are translated at year end rates, the exchange differences arising are taken to the profit and loss account.

Onerous leases

Provision is made on an undiscounted basis for the future rent expense and related costs of leasehold property (net of estimated sublease income) where the space is vacant or currently not planned to be used for ongoing operations.

2 Turnover

The total turnover of the group has been derived from its principal activity for which a geographical analysis is given below:

	2004 £
UK	15,461,847
North America	1,205,407
South East Asia and Australia	3,023,140
Other	9,045,572
	<u>28,735,966</u>

SPP PUMPS LIMITED (formerly Quayshelfco 1022 Limited)

Notes forming part of the financial statements for the period ended 31 December 2004
(Continued)

3 Employees**2004
£**

Staff costs for all employees, including directors, consist of:

Wages and salaries	6,588,968
Social security costs	668,131
Pension costs	499,120
	7,756,219

The average monthly number of employees of the group during the year, including directors, was as follows:

**2004
Number**

Management and administration	31
Manufacturing	140
Sales and distribution	52
	223

4 Directors**2004
£**

Emoluments:

Remuneration for management services	211,425
Payments to defined contribution pension schemes	28,000
	239,425

Highest paid director remuneration	201,425
Highest paid director pension	28,000

5 Operating profit**2004
£**

This is arrived at after charging/(crediting):

Depreciation of owned tangible fixed assets	567,634
Depreciation of assets held under hire purchase contracts	26,716
Amortisation of negative goodwill	(1,338,890)
Operating leases - land and buildings	375,663
Operating leases - other	245,128
Auditor's remuneration - audit services	24,000
- non audit services	61,050
Profit on disposal of tangible fixed assets	(3,645)

SPP PUMPS LIMITED (formerly Quaysshelfco 1022 Limited)

Notes forming part of the financial statements for the period ended 31 December 2004
(Continued)

6	Interest receivable	2004 £
	Bank interest receivable	28,789
7	Interest payable	
	Interest on loans from group undertakings	301,192
	Bank loans and overdrafts	150,740
	Hire purchase contracts	1,142
	Other interest	621,513
		<u>1,074,587</u>
8	Taxation on profit on ordinary activities	2004 £
	(a) Analysis of charge in period	
	<i>Current tax</i>	
	UK Corporation tax on profits in the period	252,000
	Total current tax (note 7 (b))	<u>252,000</u>
	<i>Deferred tax</i>	
	Reversal and origination of timing differences (note 13)	(96,121)
	Tax on profit on ordinary activities	<u>155,879</u>
	(b) Factors affecting tax charge for period	
	The tax assessed for the period is different to the expected rate of corporation tax. The differences are explained below:	
	Profit on ordinary activities before taxation	396,549
	Profit on ordinary activities multiplied by expected rate of corporation tax of 30%	<u>118,965</u>
	Effects of:	
	Expenses not deductible for tax purposes	29,128
	Depreciation for period in excess of capital allowances	47,204
	Marginal relief	(3,242)
	Short term timing differences	59,945
		<u>252,000</u>
	(c) Factors that may affect future tax charges.	

There are no factors which are expected to significantly affect future tax charges.

SPP PUMPS LIMITED (formerly Quayshelfco 1022 Limited)

Notes forming part of the financial statements for the period ended 31 December 2004
(Continued)

9 Intangible assets

Group	Negative purchased goodwill £
<i>Cost</i>	
Additions and at 31 December 2004 (note 23)	1,338,890
<i>Amortisation</i>	
Provided for the period and at 31 December 2004	1,338,890
<i>Net book value</i>	
At 31 December 2004	-

10 Tangible assets

Group	Freehold land & buildings £	Leasehold improvements £	Motor vehicles £	Plant & machinery £	Tooling & patterns £	Total £
<i>Cost</i>						
Additions	2,392,000	47,576	12,252	993,007	211,853	3,656,688
Disposals	-	-	(8,132)	(15,104)	-	(23,236)
At 31 Dec 04	2,392,000	47,576	4,120	977,903	211,853	3,633,452
<i>Depreciation</i>						
Provided for the period	98,000	17,113	2,216	396,946	80,075	594,350
Disposals	-	-	(1,014)	-	-	(1,014)
At 31 Dec 04	98,000	17,113	1,202	396,946	80,075	593,336
<i>Net book value</i>						
At 31 Dec 04	2,294,000	30,463	2,918	580,957	131,778	3,040,116

SPP PUMPS LIMITED (formerly Quayshelfco 1022 Limited)

Notes forming part of the financial statements for the period ended 31 December 2004
(Continued)

10 Tangible assets (continued)

Company	Freehold land & buildings £	Leasehold improvements £	Motor vehicles £	Plant & machinery £	Tooling & patterns £	Total £
<i>Cost</i>						
Additions	2,392,000	47,576	4,471	912,351	211,853	3,568,251
Disposals	-	-	(4,471)	-	-	(4,471)
At 31 Dec 04	2,392,000	47,576	-	912,351	211,853	3,563,780
<i>Depreciation</i>						
Provided for the period	98,000	17,113	1,014	387,317	80,075	583,519
Disposals	-	-	(1,014)	-	-	(1,014)
At 31 Dec 04	98,000	17,113	-	387,317	80,075	582,505
<i>Net book value</i>						
At 31 Dec 04	2,294,000	30,463	-	525,034	131,778	2,981,275

The net book value of tangible fixed assets for the group and company includes an amount of £7,633 in respect of assets held under hire purchase contracts.

SPP PUMPS LIMITED (formerly Quayshelfco 1022 Limited)

Notes forming part of the financial statements for the period ended 31 December 2004
(Continued)

11 Investments**Company**

**Subsidiary
undertaking
£**

Cost and net book value

Additions and at 31 December 2004

14,363

The following was a subsidiary undertaking at the end of the year and has been included in the consolidated financial statements.

Name	Proportion of voting rights and ordinary share capital held	Nature of business
SPP Pumps (South Africa) Pty Limited	100%	Manufacture and servicing of pumps and related equipment.

The subsidiary undertaking is a limited company registered in South Africa.

12 Stocks

	Group 2004 £	Company 2004 £
Raw materials	935,794	890,413
Work in progress	1,018,327	1,018,327
Finished goods	529,739	529,739
	<u>2,483,860</u>	<u>2,438,479</u>

SPP PUMPS LIMITED (formerly Quayshelfco 1022 Limited)

Notes forming part of the financial statements for the period ended 31 December 2004
(Continued)

13 Debtors	Group 2004 £	Company 2004 £
Trade debtors	6,189,689	6,070,713
Amounts owed by group undertakings	13,815	128,686
Other debtors	192,615	195,000
Prepayments and accrued income	214,518	211,413
	<u>6,610,637</u>	<u>6,605,812</u>

Other debtors includes an amount of £96,121 for the group and £107,000 for the company in respect of a deferred tax asset.

The deferred tax asset is provided in full to the extent it is considered recoverable and can be analysed as follows:

	Group 2004 £	Company 2004 £
Other timing differences	<u>96,121</u>	<u>107,000</u>

All amounts except the deferred tax asset fall due for repayment within one year.

14 Creditors: amounts falling due within one year

	Group 2004 £	Company 2004 £
Bank overdraft	6,708	6,708
Trade creditors	4,660,118	4,631,292
Amounts owed to group undertakings	209,786	208,792
Tax and social security	189,739	193,458
Corporation tax	252,000	252,000
Obligations under hire purchase contracts	13,613	6,448
Other creditors	107,411	89,265
Accruals	1,531,031	1,489,010
	<u>6,970,406</u>	<u>6,876,973</u>

SPP PUMPS LIMITED (formerly Quayshelfco 1022 Limited)

Notes forming part of the financial statements for the period ended 31 December 2004
(Continued)

15 Creditors: amounts falling due after more than one year

	Group 2004 £	Company 2004 £
Bank loan	3,500,000	3,500,000
Obligations under hire purchase contracts	5,548	-
	<u>3,505,548</u>	<u>3,500,000</u>

The bank loan falls due for repayment as follows:

	Group and company 2004 £
Within one year	-
Between one and two years	500,000
Between two and five years	3,000,000
	<u>3,500,000</u>

Obligations under hire purchase contracts included within creditors falling due after more than one year fall due within two to five years.

Interest on the bank loan is payable at a rate per annum which is the aggregate of the applicable margin, LIBOR and any associated costs. The bank loan is secured by fixed and floating charges over the assets of the group.

Obligations under hire purchase contracts are secured on the assets to which they relate.

16 Provisions for liabilities and charges

	Onerous leases 2004 £	Group and company Warranty provisions 2004 £	Total 2004 £
Additions (note 23)	663,642	170,000	833,642
Paid during the year	(71,642)	-	(71,642)
	<u>592,000</u>	<u>170,000</u>	<u>762,000</u>
At 31 December 2004	592,000	170,000	762,000

SPP PUMPS LIMITED (formerly Quayshelfco 1022 Limited)

Notes forming part of the financial statements for the period ended 31 December 2004
(Continued)

17 Contingent liability

Performance bonds and guarantees remain outstanding at 31 December 2004. These arose in the normal course of business and amount to £670,234.

18 Share capital

	Authorised 2004 £	Allotted, called up and fully paid 2004 £
Equity		
"A" ordinary shares of £1 each	50,000	50,000
"B" ordinary shares of £1 each	50,000	50,000
"C" ordinary shares of £1 each	1,900,000	1,900,000
	<u>2,000,000</u>	<u>2,000,000</u>

On incorporation 1,000 ordinary shares of £1 each were issued for consideration equal to the par value of the shares.

On 14 October 2003 the share capital of the company was increased to £2,000,000 by the creation of 1,900,000 ordinary shares of £1 each, also for consideration equal to the par value of the shares.

Further details of the terms and conditions attaching to all shares are detailed within the Articles of Association which are available from Companies House.

19 Reserves

	Group profit and loss account £	Company profit and loss account £
Profit for the period	240,670	189,484
Exchange gain	1,019	-
At 31 December 2004	<u>241,689</u>	<u>189,484</u>

SPP PUMPS LIMITED (formerly Quayshelfco 1022 Limited)

Notes forming part of the financial statements for the period ended 31 December 2004
(Continued)

20 Reconciliation of movements in shareholders' funds

	Group 2004 £
Profit for the period	240,670
Issued share capital	2,000,000
Exchange gain	1,019
Closing shareholders' funds	<u>2,241,689</u>

21 Pensions

The group operates a stakeholder pension scheme. The assets of the scheme are held separately from the assets of the company and are administered by trustees and managed professionally. The pension cost for the period was £499,120.

22 Commitments under operating leases

As at 31 December 2004, the group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2004 £	Other 2004 £
Operating leases which expire:		
Within one year	-	19,850
In two to five years	136,644	169,747
After five years	90,250	-
	<u>226,894</u>	<u>189,597</u>

SPP PUMPS LIMITED (formerly Quayshelfco 1022 Limited)

Notes forming part of the financial statements for the period ended 31 December 2004
(Continued)

23 Acquisition

On 1 November 2003 the trade and assets of Aqua Capital Limited were acquired by SPP Pumps Limited for consideration of £4,950,000.

On 1 November 2003 SPP Pumps Limited acquired 100% of the ordinary share capital of SPP Pumps (South Africa) (Pty) Limited, a company incorporated in South Africa, for consideration of £14,363. SPP Pumps (South Africa) (Pty) Limited had not previously traded prior to acquisition.

On the same date the trade and assets of Sterling Fluid Systems SA (Pty) Limited, a company registered in South Africa, were acquired by SPP Pumps (South Africa) (Pty) Limited for consideration of £50,429.

The principal activity of both the acquired businesses is that of the manufacture and servicing of pumps and related equipment.

The fair value of the consideration and net assets acquired were as follows:

	Aqua Capital Limited		Sterling Fluid Systems SA (Pty) Limited	
	£	£	£	£
Cash paid		4,950,000		50,429
Tangible assets	3,312,775		72,695	
Stock	3,035,833		12,748	
Debtors	6,183,638		142,350	
Cash	3,568		458	
Creditors	(5,485,814)		(105,290)	
Provisions	(833,642)		-	
		(6,216,358)		(122,961)
Negative goodwill arising upon acquisition		(1,266,358)		(72,532)

The directors do not consider that there are any fair value adjustments other than the provisions, which had a nil book value on acquisition.

SPP PUMPS LIMITED (formerly Quayshefco 1022 Limited)**Notes forming part of the financial statements for the period ended 31 December 2004
(Continued)**

The summarised profit and loss accounts for Aqua Capital Limited and Sterling Fluid SA (Pty) Limited period prior to the date of acquisition are as follows:

Aqua Capital Limited

	1 December 2002 to 31 October 2003 £'000	Year ended 30 November 2002 £'000
Turnover	20,521	33,446
Operating profit/(loss)	3,106	(2,482)
Profit/(loss) after taxation	2,742	(1,843)

Sterling Fluid Systems SA (Pty) Limited

	1 December 2002 to 31 October 2003 £	Year ended 30 November 2002 £
Turnover	988,161	901,031
Operating loss	(141,002)	(80,132)
Loss after taxation	(147,864)	(91,891)

24 Reconciliation of operating profit to net cash inflow from operating activities

	2004 £
Operating profit	1,442,347
Depreciation	594,350
Amortisation of goodwill	(1,338,890)
Profit on sale of fixed assets	(3,645)
Decrease in stocks	564,721
Increase in debtors	(188,528)
Increase in creditors	1,135,558
Decrease in provisions	(71,642)
Net cash inflow from operating activities	2,134,271

SPP PUMPS LIMITED (formerly Quayshelfco 1022 Limited)

Notes forming part of the financial statements for the period ended 31 December 2004
(Continued)

25 Reconciliation of net cashflow to movements in net debt

	2004 £
Increase in cash in year	1,338,322
Inception of bank loan	(3,500,000)
Cash outflow from repayment of hire purchase contracts	20,212
Net debt arising on acquisition of trade and assets	(39,373)
Net debt at 31 December 2004	(2,180,839)

26 Analysis of changes in net debt

	Cashflows £	Acquisition of trade and assets excluding cash £	Total £
Cash at bank and in hand	1,345,030	-	1,345,030
Overdraft	(6,708)	-	(6,708)
	1,338,322	-	1,338,322
Hire purchase contracts	20,212	(39,373)	(19,161)
Debt due after one year	(3,500,000)	-	(3,500,000)
	(2,141,466)	(39,373)	(2,180,839)

27 Related party transactions

O Shevlin is a director of Tima SpA, a company registered in France. During the period ended 31 December 2004, SPP Pumps Limited made sales to Tima SpA amounting to £96,055.

All transactions are made on commercial terms and on an arms length basis.

The company has taken advantage of the exemptions under FRS 8 "Related party disclosures" and not disclosed transactions with other group companies on the grounds that consolidated financial statements are produced by the company's ultimate parent undertaking which are publicly available.

28 Ultimate parent company

The ultimate parent company of SPP Pumps Limited is Kirloskar Brothers Limited, whose registered office is Udyog Bhavan, Tilak Road, Pune, India.

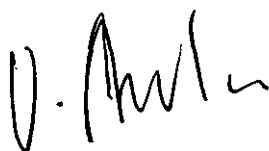
The pages which follow do not
form part of the statutory
financial statements of the company

SPP PUMPS LIMITED (formerly Quayshefco 1022 Limited)

Profit and loss account for the period ended 31 December 2004

	2004 £
Turnover	27,693,626
Cost of sales	(22,179,326)
Gross profit	5,514,300
Distribution expenses	(2,470,736)
Administrative expenses	(1,666,329)
Interest receivable	27,118
Interest payable	(1,069,869)
Profit on ordinary activities before taxation	334,484
Taxation	(145,000)
Profit on ordinary activities after taxation and retained for the year	<u>189,484</u>

Approved by the Board on 23 March 2005.

A handwritten signature in black ink, appearing to be 'D. Miller', is written below the approval text.