

SPP Pumps Limited

Report and Financial Statements

Year ended 31 December 2005

Company number: 4839607



Tenon Limited
Accountants and Business Advisers

SPP PUMPS LIMITED

Report and financial statements for the year ended 31 December 2005

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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

Report of the directors for the year ended 31 December 2005

The directors present their report together with the audited financial statements for the year ended 31 December 2005.

Results and dividends

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

The directors do not recommend the payment of a dividend.

Principal activities, review of business and future developments

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 B share capital of the company were:

	Ordinary shares of £1 each	
	2005 £	2004 £
SC Kirloskar	-	-
O Shevlin	50,000	50,000
GA Kulkarni	-	-
PB Shirke	-	-
SG Chitnis	-	-
A Sathe	-	-

No director had an interest in the ordinary 'A' or 'C' share capital during the period.

Financial instruments

The group finances its operations through a mixture of retained profits and where necessary to fund expansion or capital expenditure programmes through bank borrowings. The management's objectives are to:

- Retain sufficient liquid funds to enable it to meet its day to day obligations as they fall due whilst maximising returns on surplus funds; and
- Minimise the company's exposure to fluctuating interest rates when seeking new borrowings; and
- Match the repayment schedule of any external borrowings or overdrafts with the expected future cash flows expected to arise from the company's trading activities.

Hedge accounting is not used by the group.

As all group surplus funds are invested in global treasury funds and its borrowings are all obtained from standard bank loan accounts there is no price risk exposure.

The group's surplus funds are held primarily in short term variable global treasury funds. The directors believe that this gives them the flexibility to release cash resources at short notice

SPP PUMPS LIMITED

Report of the directors for the year ended 31 December 2005 (*Continued*)

and also allows them to take advantage of changing conditions in the finance markets as they arise.

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.

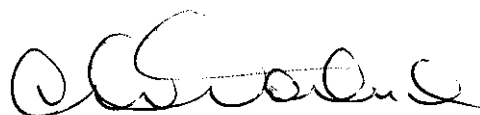
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding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

24 March 2006

Report of the auditor

Independent auditor's report to the shareholders of SPP Pumps Limited

We have audited the financial statements of SPP Pumps Limited for the year ended 31 December 2005 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 auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the group's and company's affairs as at 31 December 2005 and of the group profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Tenon Audit Limited

Tenon Audit Limited

Chartered Accountants and Registered Auditor

24 March 2006

SPP PUMPS LIMITED**Consolidated profit and loss account for the year ended 31 December 2005**

	Note	Year 2005 £	Restated 14 months 2004 £
Turnover	2	27,156,463	28,735,966
Cost of sales		(20,801,976)	(22,769,522)
Gross profit		<u>6,354,487</u>	<u>5,966,444</u>
Distribution costs		(2,369,985)	(2,470,736)
Administrative expenses		(3,188,842)	(3,392,251)
Negative goodwill amortisation		-	1,531,527
Operating profit	5	<u>795,660</u>	<u>1,634,984</u>
Interest payable and similar charges	7	(282,684)	(1,074,587)
Interest receivable		4,917	28,789
Profit on ordinary activities before taxation		<u>517,893</u>	<u>589,186</u>
Taxation on profit on ordinary activities	8	44,989	(155,879)
Retained profit for the year/period	19	<u><u>562,882</u></u>	<u><u>433,307</u></u>

All amounts related to continuing activities.

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**Consolidated statement of total recognised gains and losses**

	Year 2005 £	Restated 14 months 2004 £
Profit for the year/period	562,882	433,307
Exchange gain	25	1,019
Total recognised gains relating to the year/period	562,907	434,326
Prior year adjustment (Note 27)	192,637	
Total gains recognised since last annual report	755,544	

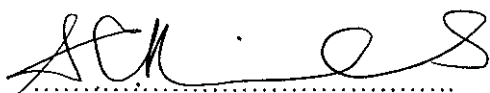
The notes on pages 9 to 22 form part of these financial statements.

SPP PUMPS LIMITED

Consolidated balance sheet at 31 December 2005

		2005		Restated 2004	
	Note	£	£	£	£
Fixed assets					
Tangible assets	9		2,989,603		3,040,116
Current assets					
Stocks	11	2,830,357		2,483,860	
Debtors	12	7,322,797		6,610,637	
Cash at bank and in hand		702,452		1,345,030	
		10,855,606		10,439,527	
Creditors: amounts falling due within one year	13	(7,122,874)		(6,777,769)	
Net current assets			3,732,732		3,661,758
Total assets less current liabilities			6,722,335		6,701,874
Creditors: amounts falling due after more than one year	14		(3,000,000)		(3,505,548)
Provisions for liabilities and charges	15		(725,102)		(762,000)
Net assets			2,997,233		2,434,326
Capital and reserves - equity					
Called up share capital	17		2,000,000		2,000,000
Profit and loss account	18		997,233		434,326
Shareholders' funds	19		2,997,233		2,434,326

The financial statements were approved by the Board on 24 March 2006



S C Kirloskar
Director



O Shevlin
Director

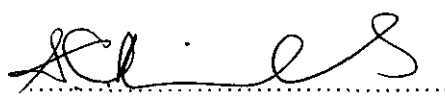
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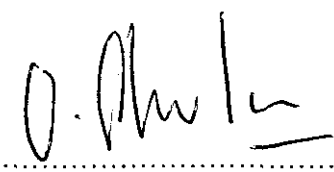
SPP PUMPS LIMITED

Company balance sheet at 31 December 2005

	Note	2005	Restated 2004
		£	£
Fixed assets			
Tangible assets	9	2,889,324	2,981,275
Investments	10	14,363	14,363
		<u>2,903,687</u>	<u>2,995,638</u>
Current assets			
Stock	11	2,386,578	2,438,479
Debtors	12	7,342,595	6,605,812
Cash at bank and in hand		679,955	1,288,528
		<u>10,409,128</u>	<u>10,332,819</u>
Creditors: amounts falling due within one year	13	(6,623,737)	(6,684,336)
Net current assets		<u>3,785,391</u>	<u>3,648,483</u>
Total assets less current liabilities		<u>6,689,078</u>	<u>6,644,121</u>
Creditors: amounts falling due after more than one year	14	(3,000,000)	(3,500,000)
Provisions for liabilities and charges	15	(725,102)	(762,000)
Net assets		<u>2,963,976</u>	<u>2,382,121</u>
Capital and reserves - equity			
Called up share capital	17	2,000,000	2,000,000
Profit and loss account	18	963,976	382,121
Shareholders' funds	19	<u>2,963,976</u>	<u>2,382,121</u>

The financial statements were approved by the Board on 24 March 2006


 S C Kirloskar
 Director


 O Shevlin
 Director

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

SPP PUMPS LIMITED
Consolidated cash flow statement for the year ended 31 December 2005

	Note	Year 2005 £	14 months 2004 £
Net cash (outflow)/inflow from operating activities	22	(3,383)	2,134,271
Returns on investments and servicing of finance			
Interest paid		(282,684)	(1,062,772)
Interest received		4,917	28,789
Net cash outflow from returns on investments and servicing of finance		(277,767)	(1,033,983)
Taxation		(172,352)	-
Capital expenditure			
Payments to acquire tangible fixed assets		(311,291)	(271,218)
Receipts from disposals of tangible fixed assets		351	25,867
Net cash outflow from capital expenditure		(310,940)	(245,351)
Acquisitions			
Purchase of trade and assets		-	(5,000,429)
Net cash acquired		-	4,026
Net cash outflow from acquisitions		-	(4,996,403)
Net cash outflow before financing		(764,442)	(4,141,466)
Financing			
Capital repayments under hire purchase contracts	23	(13,730)	(20,212)
Proceeds from share issue		-	2,000,000
Inception of bank loan	23	116,225	3,500,000
Net cash inflow from financing		102,495	5,479,788
(Decrease)/increase in cash	24	(661,947)	1,338,322

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

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 subsidiaries as at 31 December 2005 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 was 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.

Tangible fixed assets

The cost of tangible fixed assets is their purchase price, together with any incidental costs of acquisition.

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

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Turnover

Turnover is recognised:

- In respect of sale of goods, when the risks and rewards of ownership of the goods have passed to the buyer.
- In respect of servicing income, on completion of the short term service contract.

Warranty

The group provides for its estimated liability on the warranties given on the sale of products based on the past performance of such products.

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005

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.

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 accounts of the overseas subsidiary undertakings are translated into sterling at average rates of exchange prevailing during the year. 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.

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

2 Turnover

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

	Year 2005 £	14 months 2004 £
UK	11,337,997	15,461,847
North America	1,656,880	1,205,407
South East Asia and Australia	4,906,853	3,023,140
Other	9,254,733	9,045,572
	<u>27,156,463</u>	<u>28,735,966</u>

3 Employees

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

	Year 2005 £	14 months 2004 £
Wages and salaries	5,823,157	6,588,968
Social security costs	602,659	668,131
Pension costs	469,265	499,120
	<u>6,895,081</u>	<u>7,756,219</u>

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

	Year 2005 Number	14 months 2004 Number
Management and administration	30	31
Manufacturing	146	140
Sales and distribution	60	52
	<u>236</u>	<u>223</u>

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

4 Directors

	Year 2005 £	14 months 2004 £
Emoluments:		
Remuneration for management services	164,332	211,425
Payments to defined contribution pension schemes	24,000	28,000
	<u>188,332</u>	<u>239,425</u>
Highest paid director remuneration	150,000	201,425
Highest paid director pension	24,000	28,000
	<u></u>	<u></u>

Contributions were made to defined contribution schemes on behalf of one (2004: one) director.

5 Operating profit

	Year 2005 £	Restated 14 months 2004 £
This is arrived at after charging/(crediting):		
Depreciation of owned tangible fixed assets	361,423	567,634
Depreciation of assets held under hire purchase contracts	-	26,716
Amortisation of negative goodwill	-	(1,531,527)
Operating leases - land and buildings	226,895	226,895
Operating leases - other	178,365	245,128
Auditor's remuneration - audit services	25,000	22,500
- non audit services	20,600	62,550
Loss/(profit) on disposal of tangible fixed assets	56	(3,645)
	<u></u>	<u></u>

6 Interest receivable

	Year 2005 £	14 months 2004 £
Bank interest receivable	4,917	28,789
	<u></u>	<u></u>

7 Interest payable and similar charges

	Year 2005 £	14 months 2004 £
Interest on loans from group undertakings	242,087	301,192
Bank loans and overdrafts	39,617	150,740
Hire purchase contracts	980	1,142
Debt issue costs	-	621,513
	<u>282,684</u>	<u>1,074,587</u>

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

8 Taxation on profit on ordinary activities	Year 2005 £	14 months 2004 £
(a) Analysis of charge in period		
<i>Current tax</i>		
UK Corporation tax on profits in the year	178,369	252,000
Adjustment in respect of prior years	(184,826)	-
Total current tax (note 8 (b))	<u>(6,457)</u>	<u>252,000</u>
<i>Deferred tax</i>		
Reversal and origination of timing differences (note 12)	(38,532)	(96,121)
Tax on profit on ordinary activities	<u>(44,989)</u>	<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:

	Year 2005 £	Restated 14 months 2004 £
Profit on ordinary activities before taxation	517,893	589,186
Profit on ordinary activities multiplied by expected rate of corporation tax of 30%	<u>151,478</u>	<u>176,756</u>
Effects of:		
Expenses not deductible for tax purposes	22,739	29,128
Depreciation for period in excess of capital allowances	(21,752)	47,204
Marginal relief	(-)	(3,242)
Short term timing differences	15,704	59,945
Trade losses carried forward	10,200	-
Release of negative goodwill	-	(57,791)
Adjustment in respect of prior years	(184,826)	-
	<u>(6,457)</u>	<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

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

9 Tangible assets

Group

	Freehold land & buildings £	Leasehold improvements £	Motor vehicles £	Plant & machinery £	Tooling & patterns £	Total £
<i>Cost</i>						
At 1 Jan 05	2,392,000	47,576	4,120	977,903	211,853	3,633,452
Additions	-	-	5,450	128,370	177,471	311,291
Disposals	-	-	-	(407)	-	(407)
Exchange difference	-	-	1	30	-	31
At 31 Dec 05	2,392,000	47,576	9,571	1,105,896	389,324	3,944,367
<i>Depreciation</i>						
At 1 Jan 05	98,000	17,113	1,202	396,946	80,075	593,336
Provided for the year	55,573	12,113	2,619	215,907	75,211	361,423
Disposals	-	-	-	-	-	-
Exchange difference	-	-	-	5	-	5
At 31 Dec 05	153,573	29,226	3,821	612,858	155,286	954,764
<i>Net book value</i>						
At 31 Dec 05	2,238,427	18,350	5,750	493,038	234,036	2,989,603
At 31 Dec 04	2,294,000	30,463	2,918	580,957	131,778	3,040,116

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

9 Tangible assets (continued)

Company	Freehold land & buildings £	Leasehold improvements £	Motor vehicles £	Plant & machinery £	Tooling & patterns £	Total £
<i>Cost</i>						
At 1 Jan 05	2,392,000	47,576	-	912,351	211,853	3,563,780
Additions	-	-	5,450	68,262	175,182	248,894
At 31 Dec 05	2,392,000	47,576	5,450	980,613	387,035	3,812,674
<i>Depreciation</i>						
At 1 Jan 05	98,000	17,113	-	387,317	80,075	582,505
Provided for the year	55,573	12,114	1,589	196,358	75,211	340,845
Disposals						
At 31 Dec 05	153,573	29,227	1,589	583,675	155,286	923,350
<i>Net book value</i>						
At 31 Dec 05	2,238,427	18,349	3,861	396,938	231,749	2,889,324
At 31 Dec 04	2,294,000	30,463	-	525,034	131,778	2,981,275

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

10 Investments

Company

Shares in
group
undertakings
£

Cost and net book value

At 1 January 2005 and 31 December 2005

14,363

The following were subsidiary undertakings at the year end and have been included in the consolidated financial statements.

Name	Country of incorporation	Principal activity	Proportion of voting rights and ordinary share capital held
SPP Pumps (South Africa) Pty Limited	South Africa	Manufacture and servicing of pumps and related equipment.	100%
SPP Pumps Holdings LLC	U.S.A.	Dormant.	100%
SPP Pumps Management LLC	U.S.A.	Dormant.	100%
SPP Pumps LP	U.S.A.	Supply of pumps and related equipment.	100%

11 Stocks

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Raw materials	1,521,087	935,794	1,430,118	890,413
Work in progress	711,274	1,018,327	695,161	1,018,327
Finished goods	597,996	529,739	261,299	529,739
	<u>2,830,357</u>	<u>2,483,860</u>	<u>2,386,578</u>	<u>2,438,479</u>

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

12 Debtors	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Trade debtors	6,928,846	6,189,689	6,747,008	6,070,713
Amounts owed by group undertakings	-	13,815	191,114	128,686
Other debtors	215,468	192,615	225,990	195,000
Prepayments and accrued income	178,483	214,518	178,483	211,413
	<u>7,322,797</u>	<u>6,610,637</u>	<u>7,342,595</u>	<u>6,605,812</u>

Other debtors includes an amount of £138,478 (2004: £96,121) for the group and £149,000 (2004: £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 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Other timing differences	<u>134,653</u>	<u>96,121</u>	<u>149,000</u>	<u>107,000</u>

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

13 Creditors: amounts falling due within one year

	Group 2005 £	Restated Group 2004 £	Company 2005 £	Restated Company 2004 £
Bank loans and overdraft	642,302	6,708	500,000	6,708
Trade creditors	4,561,826	4,660,118	4,272,766	4,631,292
Amounts owed to group undertakings	381,192	209,786	346,692	208,792
Tax and social security	353,136	189,739	351,727	193,458
Corporation tax	77,016	252,000	74,499	252,000
Obligations under hire purchase contracts	5,431	13,613	-	6,448
Other creditors	122,988	107,411	102,557	89,265
Accruals	978,983	1,338,394	975,496	1,296,373
	<u>7,122,874</u>	<u>6,777,769</u>	<u>6,623,737</u>	<u>6,684,336</u>

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

14 Creditors: amounts falling due after more than one year

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Bank loan	3,000,000	3,500,000	3,500,000	3,500,000
Obligations under hire purchase contracts	-	5,548	-	-
	<u>3,000,000</u>	<u>3,505,548</u>	<u>3,000,000</u>	<u>3,500,000</u>

The bank loans fall due for repayment as follows:

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Within one year	616,225	-	500,000	-
Between one and two years	1,000,000	500,000	1,000,000	500,000
Between two and five years	2,000,000	3,000,000	2,000,000	3,000,000
	<u>3,616,225</u>	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,500,000</u>

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

Interest on the parent company 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 as well as a corporate guarantee of £3m from the ultimate parent company, Kirloskar Brothers Limited.

During the year, SPP Pumps LP drew down a \$200,000 bank loan.

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

15 Provisions for liabilities and charges

	Onerous leases £	Group and company Warranty provisions £	Total £
At 1 January 2005	592,000	170,000	762,000
Charge/(credit) to the profit and loss account	(91,488)	54,590	(36,898)
	<u>500,512</u>	<u>224,590</u>	<u>725,102</u>
At 31 December 2005	500,512	224,590	725,102

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

16 Contingent liability

Performance bonds and guarantees remain outstanding at 31 December 2005. These arose in the normal course of business and amount to £1,470,880 (2004: £670,234).

17 Share capital

	Authorised, allotted, called up and fully paid 2005 £
Equity	
"A" ordinary shares of £1 each	50,000
"B" ordinary shares of £1 each	50,000
"C" ordinary shares of £1 each	1,900,000
	<u>2,000,000</u>

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

18 Reserves

	Group profit and loss account £	Company profit and loss account £
At 1 January 2005		
As previously reported	241,689	189,484
Prior year adjustment (Note 27)	192,637	192,637
As restated	<u>434,326</u>	<u>382,121</u>
Profit for the year	562,882	581,855
Exchange gain	25	-
At 31 December 2005	<u>997,233</u>	<u>963,976</u>

SPP PUMPS LIMITEDNotes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)**19 Reconciliation of movements in shareholders' funds**

	Group 2005	Restated Group 2004	Company 2005	Restated Company 2004
Opening shareholders' funds	2,434,326	-	2,382,121	-
Profit for the year/period	562,882	433,307	581,855	382,121
Issued share capital	-	2,000,000	-	2,000,000
Exchange gain	25	1,019	-	-
	<u>2,997,233</u>	<u>2,434,326</u>	<u>2,963,976</u>	<u>2,382,121</u>
Closing shareholders' funds	<u>2,997,233</u>	<u>2,434,326</u>	<u>2,963,976</u>	<u>2,382,121</u>

The opening shareholders' funds at 31 December 2004 were originally £2,241,689 for the group and £2,189,484 for the company before deducting the prior year adjustment of £192,637 (see Note 27).

20 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 year was £463,319 (2004: £499,120).

21 Commitments under operating leases

As at 31 December 2005, the group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2005 £	Other 2005 £	Land and buildings 2004 £	Other 2004 £
Operating leases which expire:				
Within one year	-	49,279	-	19,850
In two to five years	136,644	158,596	136,644	169,747
After five years	90,250	-	90,250	-
	<u>226,894</u>	<u>207,875</u>	<u>226,894</u>	<u>189,597</u>

22 Reconciliation of operating profit to net cash (outflow)/inflow from operating activities**Group**

	Year 2005 £	Restated 14 months 2004 £
Operating profit	795,660	1,634,984
Depreciation	361,423	594,350
Amortisation of goodwill	-	(1,531,527)
Loss/(profit) on sale of fixed assets	56	(3,645)
(Increase)/decrease in stocks	(346,497)	564,721
Increase in debtors	(669,803)	(188,528)
(Decrease)/increase in creditors	(107,324)	1,135,558
Decrease in provisions	(36,898)	(71,642)
Net cash (outflow)/inflow from operating activities	(3,383)	2,134,271

23 Reconciliation of net cashflow to movements in net debt

	2005 £	2004 £
(Decrease)/increase in cash in year/period	(661,947)	1,338,322
Inception of bank loan	(116,225)	(3,500,000)
Cash outflow from repayment of hire purchase contracts	13,730	20,212
Net debt arising on acquisition of trade and assets	-	(39,373)
Movement in net debt	(764,442)	(2,180,839)
Net debt at beginning of year/period	(2,180,839)	-
Net debt at end of year/period	(2,945,281)	(2,180,839)

24 Analysis of changes in net debt

	At 1 January 2005 £	Cashflows £	Non Cash movements £	At 31 December 2005 £
Cash at bank and in hand	1,345,030	(642,578)	-	702,452
Overdraft	(6,708)	(19,369)	-	(26,077)
	<u>1,338,322</u>	<u>(661,947)</u>	<u>-</u>	<u>676,375</u>
Hire purchase contracts	(19,161)	13,730	-	(5,431)
Debt due after one year	(3,500,000)	-	500,000	(3,000,000)
Debt due within one year	-	(116,225)	(500,000)	(616,225)
	<u>(2,180,839)</u>	<u>(764,442)</u>	<u>-</u>	<u>(2,945,281)</u>

25 Related party transactions

O Shevlin is a director of Tima SpA, a company registered in France. During the period ended 31 December 2005, SPP Pumps Limited made sales to Tima SpA amounting to £24,951 (2004: £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.

26 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.

27 Prior year adjustment

The directors completed a review of accruals at 31 December 2005 and identified £192,637 of unutilised accruals relating to the acquisition of Aqua Capital Limited acquired on 1 November 2003. In accordance with Financial Reporting Standard no 7, "Fair Values in Acquisition Accounting", the review being in the last full financial year following the acquisition, the adjustment has been treated as a prior year adjustment.

Accordingly, last years' accruals have been reduced by £192,637 with a corresponding increase in retained reserves both in the company and group. The profit and loss account profit for last year was increased by £192,637 by the increase in the "negative goodwill amortised" for both the group and the company. The cash flow statement remains unchanged by the prior year adjustment.