

SPP Pumps Limited
Report and Financial Statements
Year ended 31 December 2007
Company number 4839607

Tenon Limited
Accountants and Business Adv

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SPP PUMPS LIMITED

Report and financial statements for the year ended 31 December 2007

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Directors

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

Secretary and registered office

ME Jones, 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, 1 Churchill Place, London, E14 5HP

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

Citibank, Canada Square, Canary Wharf, London, E14 5LB

SPP PUMPS LIMITED

Report of the directors for the year ended 31 December 2007

The directors present their report together with the audited financial statements for the year ended 31 December 2007

Results and dividends

The consolidated profit and loss account is set out on page 7 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

Business Review

The business has again advanced strongly in 2007, continuing the trend established in recent years, with substantial growth in financial performance. Turnover has increased by 28% compared with 2006 and net profit is up by 66%. Pre-tax profit as a percentage of sales has improved further from 4.4% to 4.8%.

Sales have grown both in our main UK company and in the US subsidiary which has seen a further 59% increase. Demand has been healthy in all sectors, with particular support from the continuing firm oil & gas market.

The improving level of business has been supported by increased employee numbers in key areas. This intake has been tightly controlled, and sales per employee has grown over the year by 6%, pre-tax profit by 15%.

Working capital was noted previously as a key indicator of business performance. This remains strong across the group with net current assets totalling £4.2 million at year-end.

Future developments

The later months of 2007 were marked by a rising level of uncertainty around the short-term economic outlook, particularly for the US and to a lesser degree for Europe, and by disturbed financial markets. Despite these negative influences we remain confident that SPP's businesses will continue to perform strongly with further growth in 2008. The growing presence and reputation of our products and after-sales support both in the UK and overseas and the strength of a skilled and experienced workforce are matched by a continuing high level of order inflow. The close co-operation with Kirloskar Brothers Limited has been and will remain a key benefit to the business.

SPP PUMPS LIMITED

Report of the directors for the year ended 31 December 2007 (continued)

Business risks

The profile of risks facing the business remains broadly the same as that elaborated in the previous report

Market environment growth remains relatively low in domestic European pump markets, while the global Oil & Gas sector is still very strong, supported by record oil prices in recent months. Weakness in this area would lead to pressure on sales volumes and pricing. We review the trends in this sector closely and do not expect significant weakness in the short-term. As indicated last year, our continuing expansion both in product range and in geographical coverage reduce our exposure to market risk.

Supplier performance and material costs as signalled last year this presents problems in a tight market both for ourselves and for our major competitors. Our close supply links with India help to mitigate this exposure.

Foreign exchange a proportion of SPP's export business is denominated in US Dollars and weakening of this currency puts pressure on the economics of UK-based purchase and manufacture. This exposure is to some extent counterbalanced by the diversity of our supply sourcing and by the growing footprint of our US operation.

Credit risks the majority of customers in the sectors in which we operate are financially robust, and in consequence SPP has not suffered from significant problems as a result of bad debts. The business controls its credit exposures closely and manages the associated risk carefully.

Liquidity as mentioned in last year's report the rapid rate of business growth puts pressures on cash flows. However, the group is backed by first class international banks, and has been able to increase its facilities to keep pace with the demands of the business.

Directors

The directors of the company during the year were as follows

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

Financial instruments

The group finances its operations through a mixture of retained profits and where necessary bank borrowings to fund expansion or capital expenditure programmes. 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,
- minimise the group'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 group'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

SPP PUMPS LIMITED

Report of the directors for the year ended 31 December 2007 (Continued)

Employees

It is group policy that there should be effective communication with all employees who, subject to practical and commercial considerations, should be consulted on and involved in decisions that affect their current jobs and future prospects

The achievement of this policy has to be treated flexibly in accordance with the varying circumstances and needs of companies in the group but, in all cases, the emphasis is on communication at the local level

The group actively encourages the promotion of safe working conditions and the procedures and the development of practices which secure and enhance the health and welfare at work of employees

Applications for employment by disabled persons are fully and fairly considered having regard to the abilities of each applicant. Efforts are made to enable any employee who becomes disabled during employment to continue their career with the group. Training, career development and promotion of disabled persons is, as far as possible, identical to that of other employees who are not disabled

Fixed assets

The directors are of the opinion that the existing value of freehold property is in excess of its current net book value

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

In so far as the directors are aware

- There is no relevant audit information of which the company's auditors are unaware, and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

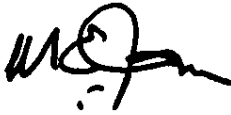
SPP PUMPS LIMITED

Report of the directors for the year ended 31 December 2007 (*Continued*)

Auditor

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 in accordance with Section 385 of the Companies Act 1985

On behalf of the Board

A handwritten signature in black ink, appearing to be 'ME Jones', with a stylized flourish at the end.

ME Jones
Company secretary

25 March 2008

Tenon audit

SPP PUMPS LIMITED

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 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, 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 the directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the 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 whether in our opinion, the information given in the Directors' Report is consistent with the financial statements.

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

We read 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's and the parent 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.

Tenon audit

SPP PUMPS LIMITED

Report of the auditor

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2007 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Tenon Audit Limited

Tenon Audit Limited
Registered Auditor

31 March 2008

SPP PUMPS LIMITED

Consolidated profit and loss account for the year ended 31 December 2007

		2007			2006
	Notes	Acquired	Continuing	Total	Total
	£	operations	operations	£	continuing
		£	£		operations
Group turnover	2	1,757,219	41,847,435	43,604,654	34,015,465
Cost of sales		(1,133,193)	(32,226,433)	(33,359,626)	(25,342,137)
Gross profit		624,026	9,621,002	10,245,028	8,673,328
Distribution costs		-	(3,047,015)	(3,047,015)	(2,821,599)
Administrative expenses		(569,656)	(4,147,779)	(4,717,435)	(4,057,803)
Other operating income		-	10,024	10,024	5,576
Operating profit	5	54,370	2,436,232	2,490,602	1,799,502
Interest payable and similar charges	6			(399,013)	(298,272)
Interest receivable	7			7,222	4,119
Profit on ordinary activities before taxation				2,098,811	1,505,349
Taxation on profit on ordinary activities	8			(606,314)	(605,961)
Retained profit for the year	19			1,492,497	899,388

The notes on pages 12 to 26 form part of these financial statements

SPP PUMPS LIMITED**Consolidated statement of total recognised gains and losses**

	2007 £	2006 £
Profit for the year	1,492,497	899,388
Exchange gain/(loss)	36,220	(28,946)
Total recognised gains relating to the year	1,528,717	870,442

The notes on pages 12 to 26 form part of these financial statements

SPP PUMPS LIMITED

Consolidated balance sheet at 31 December 2007

	Note	2007		2006	
		£	£	£	£
Fixed assets					
Intangible assets	9		(107,109)		-
Tangible assets	10		3,238,919		3,006,010
			<u>3,131,810</u>		<u>3,006,010</u>
Current assets					
Stocks	12	5,084,510		4,789,585	
Debtors	13	12,956,210		9,298,765	
Cash at bank and in hand		95,225		37,584	
		<u>18,135,945</u>		<u>14,125,934</u>	
Creditors' amounts falling due within one year	14	(13,887,430)		(10,627,721)	
Net current assets			<u>4,248,515</u>		<u>3,498,213</u>
Total assets less current liabilities			<u>7,380,325</u>		<u>6,504,223</u>
Creditors' amounts falling due after more than one year	15		(1,404,521)		(2,007,436)
Provisions for liabilities and charges	16		(579,412)		(629,112)
Net assets			<u>5,396,392</u>		<u>3,867,675</u>
Capital and reserves - equity					
Called up share capital	18		2,000,000		2,000,000
Profit and loss account	19		3,396,392		1,867,675
Shareholders' funds	20		<u>5,396,392</u>		<u>3,867,675</u>

The financial statements were approved by the Board on 25 March 2008



S C Kirloskar
Director



O Shevlin
Director

The notes on pages 12 to 26 form part of these financial statements

SPP PUMPS LIMITED

Company balance sheet at 31 December 2007

	Note	2007	2006
		£	£
Fixed assets			
Tangible assets	10	3,064,274	2,912,462
Investments	11	300,878	300,877
		<u>3,365,152</u>	<u>3,213,339</u>
Current assets			
Stock	12	4,368,941	4,046,871
Debtors	13	12,288,272	9,309,483
Cash at bank and in hand		2,354	-
		<u>16,659,567</u>	<u>13,356,354</u>
Creditors: amounts falling due within one year	14	(12,771,177)	(9,875,843)
Net current assets		<u>3,888,390</u>	<u>3,480,511</u>
Total assets less current liabilities		<u>7,253,542</u>	<u>6,693,850</u>
Creditors: amounts falling due after more than one year	15	(1,298,443)	(2,000,000)
Provisions for liabilities and charges	16	(579,412)	(629,112)
Net assets		<u>5,375,687</u>	<u>4,064,738</u>
Capital and reserves - equity			
Called up share capital	18	2,000,000	2,000,000
Profit and loss account	19	3,375,687	2,064,738
Shareholders' funds	20	<u>5,375,687</u>	<u>4,064,738</u>

The financial statements were approved by the Board on 25 March 2008



S C Kirloskar
Director



O Shevlin
Director

The notes on pages 12 to 26 form part of these financial statements

SPP PUMPS LIMITED

Consolidated cash flow statement for the year ended 31 December 2007

	Note	2007	2006
		£	£
Net cash inflow from operating activities	23	1,625,117	935,572
Returns on investments and servicing of finance			
Interest paid		(399,013)	(298,272)
Interest received		7,222	4,119
Net cash outflow from returns on investments and servicing of finance		(391,791)	(294,153)
Taxation		(592,037)	(358,868)
Capital expenditure			
Payments to acquire tangible fixed assets		(341,272)	(429,556)
Receipts from disposals of tangible fixed assets		-	25,356
Net cash outflow from capital expenditure		(341,272)	(404,200)
Acquisitions			
Net cash acquired	27	47,956	-
Acquisition of subsidiary undertaking	27	(1)	-
		47,955	-
Net cash inflow/(outflow) before financing		347,972	(121,649)
Financing			
Capital repayments under hire purchase contracts	24	(6,297)	(3,005)
Inception of bank loan	24	89,309	-
Repayment of bank loans	24	(1,022,246)	(514,137)
Net cash outflow from financing		(939,234)	(517,142)
Decrease in cash	25	(591,262)	(638,791)

The notes on pages 12 to 26 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 2007 using acquisition accounting

Goodwill

On the acquisition of subsidiaries, the purchase consideration is allocated between the underlying assets on the basis of fair value. The difference between the value of the net assets acquired and the purchase price is created as positive or negative goodwill on consolidation.

Goodwill arising on acquisitions is capitalised and amortised over its economic life.

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.

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 in house service work, on shipment of completed and repaired product to the customer, and
- In respect of field service work, to the extent that the company has obtained the right to consideration through its performance.

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 2007 (*Continued*)

1 Accounting policies (*continued*)

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 LIMITEDNotes forming part of the financial statements for the year ended 31 December 2007 *(Continued)***1 Accounting policies (continued)***Financial instruments*

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2 Turnover

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

	2007 £	2006 £
UK	16,826,922	16,651,993
North America	5,713,037	3,588,675
South East Asia and Australia	7,688,862	4,687,629
Other	13,375,833	9,087,168
	<u>43,604,654</u>	<u>34,015,465</u>

3 Employees

	2007 £	2006 £
Staff costs for all employees, including directors, consist of		
Wages and salaries	8,550,103	7,113,001
Social security costs	970,065	685,918
Pension costs	540,199	516,257
	<u>10,060,367</u>	<u>8,315,176</u>

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

	2007 Number	2006 Number
Management and administration	47	38
Manufacturing	210	165
Sales and distribution	56	56
	<u>313</u>	<u>259</u>

SPP PUMPS LIMITEDNotes forming part of the financial statements for the year ended 31 December 2007 *(Continued)***4 Directors**

	2007 £	2006 £
Emoluments		
Remuneration for management services	159,369	205,392
Payments to defined contribution pension schemes	26,000	26,000
	<u>185,369</u>	<u>231,392</u>
Highest paid director remuneration	149,369	195,392
Highest paid director pension contributions	26,000	26,000
	<u> </u>	<u> </u>

Contributions were made to defined contribution pension schemes on behalf of one (2006 one) director

5 Operating profit

	2007 £	2006 £
This is arrived at after charging/(crediting)		
Negative goodwill amortisation	(107,109)	-
Depreciation of owned tangible fixed assets	404,149	372,479
Depreciation of assets held under hire purchase contracts	3,062	1,829
Operating leases - land and buildings	616,297	260,902
Operating leases - other	206,328	272,903
Auditor's remuneration - audit of these financial statements	21,100	20,225
Amounts receivable by the auditors and their associates in respect of		
- other services relating to taxation	4,850	4,650
- all other services	6,200	5,900
	<u> </u>	<u> </u>

6 Interest payable and similar charges

	2007 £	2006 £
Bank loans and overdrafts	391,764	290,770
Hire purchase contracts	7,249	7,502
	<u>399,013</u>	<u>298,272</u>
	<u> </u>	<u> </u>

7 Interest receivable

	2007 £	2006 £
Bank interest receivable	7,222	4,119
	<u> </u>	<u> </u>

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2007(Continued)

8 Taxation on profit on ordinary activities

	2007 £	2006 £
(a) Analysis of charge in period		
<i>Current tax</i>		
UK Corporation tax on profits in the year	561,835	530,001
Overseas corporation tax on profits in the year	19,569	10,644
Adjustment in respect of prior years	(965)	47,803
Total current tax (note 8 (b))	<u>580,439</u>	<u>588,448</u>
<i>Deferred tax</i>		
Reversal and origination of timing differences (note 13)	24,975	17,513
Adjustments in respect of prior years	900	-
Tax on profit on ordinary activities	<u>606,314</u>	<u>605,961</u>

(b) Factors affecting tax charge for year

The tax assessed for the year is different to the expected rate of corporation tax
The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before taxation	2,098,811	1,505,349
Profit on ordinary activities multiplied by expected rate of corporation tax of 30% (2006 30%)	<u>629,643</u>	<u>451,238</u>
Effects of		
Expenses not deductible for tax purposes	19,055	18,450
Depreciation for period in excess of capital allowances	(45,119)	(26,706)
Short term timing differences	7,781	5,291
Trade losses carried forward	18,812	60,752
Adjustment in respect of prior years	(964)	47,803
Provision for unrealised profit	12,237	31,620
Negative goodwill amortisation	(32,133)	-
Difference in tax rates	6,048	-
Non qualifying depreciation	5,570	-
Utilisation of brought forward losses	(40,491)	-
	<u>580,439</u>	<u>588,448</u>

(c) Factors that may affect future tax charges.

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

SPP PUMPS LIMITEDNotes forming part of the financial statements for the year ended 31 December 2007 *(Continued)***9 Intangible fixed assets**

	Negative Consolidated goodwill £
Group	
Cost	
At 1 January 2007	-
Additions (note 27)	(214,218)
At 31 December 2007	<u>(214,218)</u>
Amortisation	
At 1 January 2007	-
Credit for the year	107,109
At 31 December 2007	<u>107,109</u>
Net book value	
At 31 December 2007	<u>(107,109)</u>
At 31 December 2006	<u>-</u>

The negative goodwill arose on the acquisition of SPP France SAS and represents the fair value of the non-monetary assets acquired over consideration. The directors consider that the negative goodwill does not indicate any impairment of the fair value of the assets acquired.

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

10 Tangible assets

Group	Freehold land & buildings £	Leasehold improvements £	Motor vehicles £	Plant & machinery £	Tooling & patterns £	Total £
<i>Cost</i>						
At 1 Jan 07	2,392,000	47,576	11,166	1,376,968	503,020	4,330,730
Additions	-	22,873	5,675	508,402	86,322	623,272
Acquired with subsidiary	-	-	-	16,238	-	16,238
Exchange difference	-	-	-	280	-	280
At 31 Dec 07	2,392,000	70,449	16,841	1,901,888	589,342	4,970,520
<i>Depreciation</i>						
At 1 Jan 07	224,453	36,003	6,946	817,926	239,392	1,324,720
Provided for the year	70,880	7,287	2,752	232,858	93,434	407,211
Exchange difference	-	-	-	(330)	-	(330)
At 31 Dec 07	295,333	43,290	9,698	1,050,454	332,826	1,731,601
<i>Net book value</i>						
At 31 Dec 07	2,096,667	27,159	7,143	851,434	256,516	3,238,919
At 31 Dec 06	2,167,547	11,573	4,220	559,042	263,628	3,006,010

Hire purchase agreements

Included within the net book value of £3,238,919 (2006 £3,006,010) is £249,690 (2006 £13,963) relating to assets held under hire purchase agreements

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2007 *(Continued)*

10 Tangible assets (continued)

Company	Freehold land & buildings £	Leasehold improvements £	Motor vehicles £	Plant & machinery £	Tooling & patterns £	Total £
<i>Cost</i>						
At 1 Jan 07	2,392,000	47,576	5,450	1,251,163	503,020	4,199,209
Additions	-	22,873	5,675	417,724	86,322	532,594
At 31 Dec 07	2,392,000	70,449	11,125	1,668,887	589,342	4,731,803
<i>Depreciation</i>						
At 1 Jan 07	224,453	36,003	4,314	782,585	239,392	1,286,747
Provided for the year	70,880	7,287	1,766	207,416	93,433	380,782
At 31 Dec 07	295,333	43,290	6,080	990,001	332,825	1,667,529
<i>Net book value</i>						
At 31 Dec 07	2,096,667	27,159	5,045	678,886	256,517	3,064,274
At 31 Dec 06	2,167,547	11,573	1,136	468,578	263,628	2,912,462

Hire purchase agreements

Included within the net book value of £3,064,274 (2006 £2,912,462) is £238,000 (2006 £Nil) relating to assets held under hire purchase agreements

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

11 Investments

Company

	Shares in group undertakings £
<i>Cost and net book value</i>	
At 1 January 2007	300,877
Additions (note 27)	1
At 31 December 2007	300,878

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%
SPP France SAS	France	Manufacturing and servicing of pumps and related equipment	100%

12 Stocks

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Raw materials and consumables	2,299,898	2,084,340	2,069,556	1,917,713
Work in progress	1,904,219	1,745,974	1,893,801	1,721,517
Finished goods	880,393	959,271	405,584	407,641
	5,084,510	4,789,585	4,368,941	4,046,871

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

13 Debtors	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Trade debtors	12,645,259	8,717,710	11,824,198	8,627,605
Amounts owed by group undertakings	38,352	-	301,590	180,912
Other debtors	149,341	314,503	43,632	248,173
Prepayments and accrued income	123,258	266,552	118,852	252,793
	<u>12,956,210</u>	<u>9,298,765</u>	<u>12,288,272</u>	<u>9,309,483</u>

Other debtors includes an amount of £97,611 (2006 £123,486) for the group and £20,000 (2006 £57,000) 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 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Other timing differences	<u>97,611</u>	<u>123,486</u>	<u>20,000</u>	<u>57,000</u>

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

14 Creditors. amounts falling due within one year

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Bank loans and overdraft	1,648,903	1,102,088	1,599,868	999,852
Trade creditors	7,394,713	7,026,731	6,177,352	6,426,527
Amounts owed to group undertakings	1,124,230	402,240	1,480,298	368,314
Tax and social security	475,485	227,919	474,272	226,681
Corporation tax	297,519	309,117	283,910	297,315
Obligations under hire purchase contracts	50,195	2,426	48,676	-
Other creditors	274,406	138,349	133,761	138,303
Accruals	2,621,979	1,418,851	2,573,040	1,418,851
	<u>13,887,430</u>	<u>12,985,067</u>	<u>12,771,177</u>	<u>9,875,843</u>

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

15 Creditors' amounts falling due after more than one year

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Bank loan	1,169,151	2,000,000	1,069,017	2,000,000
Obligations under hire purchase contracts	235,370	7,436	229,426	-
	<u>1,404,521</u>	<u>2,007,436</u>	<u>1,298,443</u>	<u>2,000,000</u>

The bank loans fall due for repayment as follows

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Within one year	1,000,000	1,102,088	1,000,000	1,000,000
Between one and two years	1,169,151	1,000,000	1,069,017	1,000,000
Between two and five years	-	1,000,000	-	1,000,000
	<u>2,169,151</u>	<u>3,102,088</u>	<u>2,069,017</u>	<u>3,000,000</u>

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

Interest on the new bank loan is fixed at 8.4% and the loan is secured over capital equipment it has been used to acquire.

The hire purchase contracts fall due for repayment as follows

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Within one year	50,195	2,426	48,676	-
Between one and two years	53,876	1,519	52,415	-
Between two and five years	181,494	5,917	177,011	-
	<u>285,565</u>	<u>9,862</u>	<u>278,102</u>	<u>-</u>

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

16 Provisions for liabilities and charges

	Onerous leases £	Group and company Warranty provisions £	Total £
At 1 January 2007	409,024	220,088	629,112
Increase/(decrease) in provision	(91,488)	326,959	235,471
Paid in the year	-	(285,171)	(285,171)
	<u>317,536</u>	<u>261,876</u>	<u>579,412</u>
At 31 December 2007	317,536	261,876	579,412

17 Contingent liability and financial instruments

Performance bonds and guarantees remain outstanding at 31 December 2007. These arose in the normal course of business and amount to £4,260,385 (2006 £2,259,836)

The following table presents the carrying amounts and the fair values of the group's financial instruments at 31 December 2007. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties other than in a forced or liquidated sale and excludes accrued interest

	2007 Book value £	Fair value £	2006 Book value £	Fair value £
Derivate financial instruments held to manage the currency profile				
Forward foreign exchange contracts	-	101,268	-	155,131

18 Share capital

	Authorised, allotted, called up and fully paid	
	2007 £	2006 £
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>

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 £
At 1 January 2007	1,867,675	2,064,738
Profit for the year	1,492,497	1,310,949
Exchange gain	36,220	-
At 31 December 2007	<u>3,396,392</u>	<u>3,375,687</u>

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own profit and loss account. The profit of the company is £1,310,949 (2006 £1,100,762)

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2007 *(Continued)*

20 Reconciliation of movements in shareholders' funds

	Group 2007	Group 2006	Company 2006	Company 2006
Opening shareholders' funds	3,867,675	2,997,233	4,064,738	2,963,976
Profit for the year	1,492,497	899,388	1,310,949	1,100,762
Exchange gain/(loss)	36,220	(28,946)	-	-
Closing shareholders' funds	<u>5,396,392</u>	<u>3,867,675</u>	<u>5,375,687</u>	<u>4,064,738</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 year was £516,118 (2006 £516,257).

22 Commitments under operating leases

As at 31 December 2007, the group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2007	2006	2007	2006
	£	£	£	£
Operating leases which expire				
Within one year	14,693	89,176	46,909	41,049
In two to five years	41,000	60,044	159,419	158,465
After five years	90,250	90,250	-	-
	<u>145,943</u>	<u>239,470</u>	<u>206,328</u>	<u>199,514</u>

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

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

	2007 £	2006 £
Operating profit	2,490,602	1,799,502
Negative goodwill amortisation	(107,109)	-
Depreciation	407,211	376,243
Increase in stocks	(103,594)	(1,959,228)
Increase in debtors	(3,231,302)	(1,990,960)
Increase in creditors	2,219,009	2,806,005
Decrease in provisions	(49,700)	(95,990)
Net cash inflow from operating activities	1,625,117	935,572

24 Reconciliation of net cashflow to movements in net debt

	2007 £	2006 £
Decrease in cash in year	(591,262)	(638,791)
Inception of bank loan	(89,309)	-
Cash outflow from repayment of bank loan	1,022,246	514,137
Cash outflow from repayment of hire purchase contracts	6,297	3,005
Inception of hire purchase contracts	(282,000)	(7,436)
Movement in net debt	65,972	(129,085)
Net debt at beginning of year	(3,074,366)	(2,945,281)
Net debt at end of year	(3,008,394)	(3,074,366)

25 Analysis of changes in net debt

	At At 1 January 2007 £	Cashflows £	Non Cash movements £	At 31 December 2007 £
Cash at bank and in hand	37,584	271,531	-	309,115
Overdraft	-	(862,793)	-	(862,793)
	<u>37,584</u>	<u>(591,262)</u>	<u>-</u>	<u>(553,678)</u>
Hire purchase contracts	(9,862)	6,297	(282,000)	(285,565)
Debt due after one year	(2,000,000)	830,849	-	(1,169,151)
Debt due within one year	(1,102,088)	102,088	-	(1,000,000)
	<u>(3,074,366)</u>	<u>347,972</u>	<u>(282,000)</u>	<u>(3,008,394)</u>

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

26 Related party transactions

Tima SpA became 100% subsidiary of SPP Pumps Ltd on 1 January 2007. During the year ended 31 December 2006 SPP Pumps Limited made sales to Tima SpA of £84,783.

The company has taken advantage of the exemptions under Financial Reporting Standard 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.

27 Acquisition

On 30 September 2007 SPP Pumps Limited acquired 100% of the ordinary share capital of SPP France SAS. This was settled by £1 in cash. The fair value of the net assets acquired were as follows:

	Provisional fair value £
Tangible fixed assets	16,238
Stock	191,331
Debtors	452,018
Cash and bank	47,956
Creditors	(493,324)
Net liabilities	(214,219)
Negative goodwill arising on acquisition (note 9)	214,218
Consideration paid	1

The summarised profit and loss account of SPP Pumps (France) SpA for the period prior to the date of acquisition was as follows:

	Period ended 31 December 2006 £
Turnover	1,600,414
Operating profit	(46,957)
Loss after taxation	(49,227)

28 Ultimate parent company and controlling party

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

The ultimate controlling party is Kirloskar Brothers Limited, a publicly listed company in India.