

SPP Pumps Limited

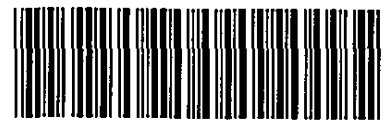
Report and Financial Statements

Year ended 31 December 2008

Company number: 4839607

Tenon Limited
Accountants and Business Advisers

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SPP PUMPS LIMITED

Report and financial statements for the year ended 31 December 2008

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Directors

SC Kirloskar (Chairman)
O Shevlin
GA Kulkarni
PB Shirke

Secretary and registered office

ME Jones, Pincent's Lane, Calcot, Reading, Berkshire, RG31 7SP

Company number

4839607

Accountants and Business Advisers

Tenon Limited, The Poynt, 45 Wollaton Street, Nottingham, NG1 5FW

Auditor

Tenon Audit Limited, The Poynt, 45 Wollaton Street, Nottingham, NG1 5FW

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 2008

The directors present their report together with the audited financial statements for the year ended 31 December 2008.

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 SPP Group has achieved further substantial growth in its operating businesses over 2008, advancing the trend already established in previous years, with corresponding benefit to financial performance. Turnover has increased by 22% compared with 2007 and profit before taxation has increased by 36.5%. Pre-tax profit as a percentage of sales has also improved further from 4.8% to 5.4%.

Growth in sales has resulted both from the continuing strength of demand in our key markets, particularly the Oil and Gas sector, and from SPP's increasing brand recognition and customer satisfaction. Sales have risen both in our main UK Company and in the US subsidiary which has seen a further 7% increase. Particular progress has been made in the water utilities sector, supported by our programme of product development in recent years.

Employee numbers have increased by 4% with the intake of a limited number of new staff in key functions to meet the demands of volume growth. As in previous years this intake has been tightly controlled so that sales per employee have grown over the year by 18%. Pre-tax profit per employee increased by 32%.

SPP has subsidiary companies in the US, South Africa and France. Although these contribute only a minor proportion of the overall Group result, we are pleased to report that profits improved in each area in 2008 with an aggregate increase in profit before tax of 170%.

The management of working capital forms an important part of the Group's financial management. Consolidated net current assets increased by 20% to £5.1 million. Despite the growth in overall business the careful management of inventory and receivable levels enabled Group borrowings to be reduced significantly, with a net cash surplus at year-end. This in turn resulted in a reduction of 34% in the interest charges incurred during the year.

Future developments

The global economic environment has suffered a sharp setback in the closing months of 2008 and the start of 2009 with many business sectors experiencing reductions in activity and uncertain prospects for the coming year. SPP has entered 2009 with a very strong order book and so far continues to see good levels of enquiry for its main business lines. If the current economic downturn is sustained, however, some impact on demand must be expected, and it would therefore be unreasonable to anticipate a continuation in 2009 of the rate of growth enjoyed in the last few years. With the growing market appreciation of its products and after-sales support, a skilled and capable workforce and continuing valuable support from its parent company, Kirloskar Brothers, SPP is well placed to weather the short-term pressures and to emerge well positioned for continuing future growth.

Business risks

The business risks facing the Group remain broadly unchanged, although the economic downturn will bring some elements into sharper focus in the coming year.

Business risks (continued)

Market environment: growth remains low in domestic European pump markets, with further weakness anticipated in the context of the present recessionary tendencies. The global Oil & Gas sector remains strong, despite the decline in oil prices in recent months. Some weakening in this area may occur if the price of energy remains low, and we continue to review the trends in this sector closely.

Supplier performance and material costs: during 2008 commodity pricing pressures have been an issue both for us and for our major competitors. Current global economic trends may lead to some relaxation of these pressures; in the meantime SPP has been able to maintain satisfactory margins for its products.

Foreign exchange: a proportion of SPP's export business is denominated in US Dollars and weakening of this currency put pressure on the economics of UK-based purchase and manufacture at the end of 2007. 2008 has seen a reversal of this trend and the stronger dollar should be supportive of our largely UK based manufacturing activity. This exposure is to some extent counterbalanced by the diversity of our supply sourcing and by the growing presence 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 weaker global economy and credit squeeze will increase the danger of business failures. SPP controls its credit exposures closely and manages the associated risk carefully.

Liquidity: as mentioned in last year's report the continuing high rate of business growth can put pressures on cash flows. However, SPP has managed working capital requirements closely and has improved its financial position during 2008. The Group is backed by first class international banks, and has been able to secure the facilities required 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 (resigned on 15 July 2008)
A Sathe (resigned on 12 July 2008)

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.

Report of the directors for the year ended 31 December 2008 (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 2008 (*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



ME Jones
Company secretary

28 February 2009

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 2008 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 2008 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

28 February 2009

SPP PUMPS LIMITED**Consolidated profit and loss account for the year ended 31 December 2008**

	Note	2008 £	2007 £
Group turnover	2	53,317,701	43,604,654
Cost of sales		(40,260,208)	(33,359,626)
Gross profit		<u>13,057,493</u>	<u>10,245,028</u>
Distribution costs		(3,317,150)	(3,047,015)
Administrative expenses		(6,655,956)	(4,717,435)
Other operating income		35,422	10,024
Operating profit	5	<u>3,119,809</u>	<u>2,490,602</u>
Interest payable and similar charges	6	(261,522)	(399,013)
Interest receivable	7	7,673	7,222
Profit on ordinary activities before taxation		<u>2,865,960</u>	<u>2,098,811</u>
Taxation on profit on ordinary activities	8	(797,758)	(606,314)
Retained profit for the year	19	<u>2,068,202</u>	<u>1,492,497</u>

All amounts related to continuing activities.

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

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

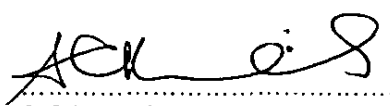
	2008	2007
	£	£
Profit for the year	2,068,202	1,492,497
Exchange gain	182,191	36,220
Total recognised gains relating to the year	2,250,393	1,528,717

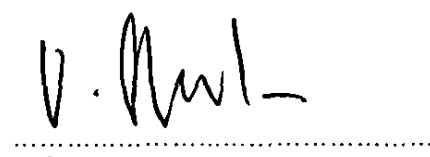
The notes on pages 12 to 26 form part of these financial statements.

SPP PUMPS LIMITED**Consolidated balance sheet at 31 December 2008**

		2008		2007	
	Note	£	£	£	£
Fixed assets					
Intangible assets	9		-		(107,109)
Tangible assets	10		3,636,240		3,238,919
			<u>3,636,240</u>		<u>3,131,810</u>
Current assets					
Stocks	12	7,297,262		5,084,510	
Debtors	13	16,185,316		12,956,210	
Cash at bank and in hand		4,972,600		95,225	
		<u>28,455,178</u>		<u>18,135,945</u>	
Creditors: amounts falling due within one year	14	(23,364,142)		(13,887,430)	
Net current assets			<u>5,091,036</u>		<u>4,248,515</u>
Total assets less current liabilities			<u>8,727,276</u>		<u>7,380,325</u>
Creditors: amounts falling due after more than one year	15		(452,061)		(1,404,521)
Provisions for liabilities and charges	16		(628,430)		(579,412)
Net assets			<u>7,646,785</u>		<u>5,396,392</u>
Capital and reserves - equity					
Called up share capital	18		2,000,000		2,000,000
Profit and loss account	19		5,646,785		3,396,392
Shareholders' funds	20		<u>7,646,785</u>		<u>5,396,392</u>

The financial statements were approved by the Board on 28 February 2009.


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 2008**

	Note	2008	2007
		£	£
Fixed assets			
Tangible assets	10	3,306,596	3,064,274
Investments	11	300,878	300,878
		<u>3,607,474</u>	<u>3,365,152</u>
Current assets			
Stock	12	6,090,376	4,368,941
Debtors	13	14,791,420	12,288,272
Cash at bank and in hand		4,810,566	2,354
		<u>25,692,362</u>	<u>16,659,567</u>
Creditors: amounts falling due within one year	14	(21,327,510)	(12,771,177)
Net current assets		<u>4,364,852</u>	<u>3,888,390</u>
Total assets less current liabilities		<u>7,972,326</u>	<u>7,253,542</u>
Creditors: amounts falling due after more than one year	15	(229,251)	(1,298,443)
Provisions for liabilities and charges	16	(628,429)	(579,412)
Net assets		<u>7,114,646</u>	<u>5,375,687</u>
Capital and reserves - equity			
Called up share capital	18	2,000,000	2,000,000
Profit and loss account	19	5,114,646	3,375,687
Shareholders' funds	20	<u>7,114,646</u>	<u>5,375,687</u>

The financial statements were approved by the Board on 28 February 2009.



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 2008

	Note	2008		2007	
		£	£	£	£
Net cash inflow from operating activities	23		7,353,806		1,625,117
Returns on investments and servicing of finance					
Interest paid		(261,522)		(399,013)	
Interest received		7,673		7,222	
Net cash outflow from returns on investments and servicing of finance			(253,849)		(391,791)
Taxation			(832,796)		(592,037)
Capital expenditure					
Payments to acquire tangible fixed assets		(784,844)		(341,272)	
Receipts from disposals of tangible fixed assets		-		-	
Net cash outflow from capital expenditure			(784,844)		(341,272)
Acquisitions					
Net cash acquired		-		47,956	
Acquisition of subsidiary undertaking		-		(1)	
					47,955
Net cash inflow before financing			5,482,317		347,972
Financing					
Capital repayments under hire purchase contracts	24	(52,000)		(6,297)	
Inception of bank loan	24	-		89,309	
Repayment of bank loans	24	(944,825)		(1,022,246)	
Net cash outflow from financing			(996,825)		(939,234)
Increase/(decrease) in cash	25		4,485,492		(591,262)

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 2008 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.

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 LIMITED

Notes forming part of the financial statements for the year ended 31 December 2008 (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:

	2008 £	2007 £
UK	18,113,405	16,826,922
North America	5,912,772	5,713,037
South East Asia and Australia	9,601,788	7,688,862
Other	19,689,736	13,375,833
	<u>53,317,701</u>	<u>43,604,654</u>

3 Employees

	2008 £	2007 £
Staff costs for all employees, including directors, consist of:		
Wages and salaries	10,841,085	8,550,103
Social security costs	1,173,783	970,065
Pension costs	574,405	540,199
	<u>12,589,273</u>	<u>10,060,367</u>

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

	2008 Number	2007 Number
Management and administration	45	47
Manufacturing	221	210
Sales and distribution	58	56
	<u>324</u>	<u>313</u>

SPP PUMPS LIMITED**Notes forming part of the financial statements for the year ended 31 December 2008 (Continued)****4 Directors**

	2008 £	2007 £
Emoluments:		
Remuneration for management services	1,471,411	159,369
Payments to defined contribution pension schemes	28,000	26,000
	<u>1,499,411</u>	<u>185,369</u>
Highest paid director remuneration	1,461,411	149,369
Highest paid director pension contributions	28,000	26,000

Contributions were made to defined contribution pension schemes on behalf of one (2007: one) director.

5 Operating profit

	2008 £	2007 £
This is arrived at after charging/(crediting):		
Negative goodwill amortisation	(107,109)	(107,109)
Depreciation of owned tangible fixed assets	489,275	404,149
Depreciation of assets held under hire purchase contracts	1,054	3,062
Operating leases - land and buildings	450,334	616,297
Operating leases - other	319,132	206,328
Auditor's remuneration - audit of these financial statements	22,200	21,100
Amounts receivable by the auditors and their associates in respect of:		
- other services relating to taxation	5,100	4,850
- all other services	6,500	6,200
Profit/loss on disposal of fixed assets	6,770	-

6 Interest payable and similar charges

	2008 £	2007 £
Bank loans and overdrafts	261,522	391,764
Hire purchase contracts	-	7,249
	<u>261,522</u>	<u>399,013</u>

7 Interest receivable

	2008 £	2007 £
Bank interest receivable	7,673	7,222

8 Taxation on profit on ordinary activities

	2008 £	2007 £
(a) Analysis of charge in period		
<i>Current tax</i>		
UK Corporation tax on profits in the year	671,986	561,835
Overseas corporation tax on profits in the year	144,825	19,569
Adjustment in respect of prior years	-	(965)
Total current tax (note 8 (b))	<u>816,811</u>	<u>580,439</u>
<i>Deferred tax</i>		
Reversal and origination of timing differences (note 13)	18,504	24,975
Adjustments in respect of prior years	(37,557)	900
Tax on profit on ordinary activities	<u>797,758</u>	<u>606,314</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:

	2008 £	2007 £
Profit on ordinary activities before taxation	2,865,960	2,098,811
Profit on ordinary activities multiplied by expected rate of corporation tax of 28% (2007: 30%)	<u>802,469</u>	<u>629,643</u>
Effects of:		
Expenses not deductible for tax purposes	22,690	19,055
Depreciation for period in excess of capital allowances	(30,410)	(45,119)
Short term timing differences	1,773	7,781
Trade losses carried forward	7,234	18,812
Adjustment in respect of prior years	-	(964)
Provision for unrealised profit	7,952	12,237
Negative goodwill amortisation	(29,991)	(32,133)
Difference in tax rates	50,364	6,048
Non qualifying depreciation	5,418	5,570
Utilisation of brought forward losses	(20,688)	(40,491)
	<u>816,811</u>	<u>580,439</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-2008 (Continued)

9 Intangible fixed assets

	Negative consolidated goodwill £
Group	
<i>Cost</i>	
At 1 January 2008	(214,218)
Additions	-
At 31 December 2008	<u>(214,218)</u>
<i>Amortisation</i>	
At 1 January 2008	107,109
Credit for the year	107,109
At 31 December 2008	<u>214,218</u>
<i>Net book value</i>	
At 31 December 2008	<u>-</u>
At 31 December 2007	<u>(107,109)</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 2008 (Continued)

10 Tangible assets

Group	Freehold land & buildings £	Leasehold improve- ments £	Motor vehicles £	Plant & machinery £	Tooling & patterns £	Total £
<i>Cost</i>						
At 1 January 08	2,392,000	70,449	16,841	1,901,888	589,342	4,970,520
Additions	2,439	4,187	80,423	675,532	87,337	849,918
Exchange difference	-	-	-	52,230	-	52,230
Disposals	-	(6,770)	-	-	-	(6,770)
At 31 December 08	<u>2,394,439</u>	<u>67,866</u>	<u>97,264</u>	<u>2,629,650</u>	<u>676,679</u>	<u>5,865,898</u>
<i>Depreciation</i>						
At 1 January 08	295,333	43,290	9,698	1,050,454	332,826	1,731,601
Provided for the year	70,880	6,177	17,627	297,597	98,048	490,329
Exchange difference	-	-	-	7,728	-	7,728
At 31 December 08	<u>366,213</u>	<u>49,467</u>	<u>27,325</u>	<u>1,355,779</u>	<u>430,874</u>	<u>2,229,658</u>
<i>Net book value</i>						
At 31 December 08	<u>2,028,226</u>	<u>18,399</u>	<u>69,939</u>	<u>1,273,871</u>	<u>245,805</u>	<u>3,636,240</u>
At 31 December 07	<u>2,096,667</u>	<u>27,159</u>	<u>7,143</u>	<u>851,434</u>	<u>256,516</u>	<u>3,238,919</u>

Hire purchase agreements

Included within the net book value of £3,636,240 (2007: £3,238,919) is £223,440 (2007: £249,690) relating to assets held under hire purchase agreements.

\$PP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31-December-2008 (Continued)

10 Tangible assets (continued)

Company	Freehold land & buildings £	Leasehold improvements £	Motor vehicles £	Plant & machinery £	Tooling & patterns £	Total £
<i>Cost</i>						
At 1 Jan 08	2,392,000	70,449	11,125	1,668,887	589,342	4,731,803
Additions	2,439	4,187	2,584	581,002	87,337	677,549
Disposals	-	(6,770)	-	-	-	(6,770)
At 31 Dec 08	2,394,439	67,866	13,709	2,249,889	676,679	5,402,582
<i>Depreciation</i>						
At 1 Jan 08	295,333	43,290	6,080	990,001	332,825	1,667,529
Provided for the year	70,880	6,177	2,035	251,317	98,048	428,457
Disposals	-	-	-	-	-	-
At 31 Dec 08	366,213	49,467	8,115	1,241,318	430,873	2,095,986
<i>Net book value</i>						
At 31 Dec 08	2,028,226	18,399	5,594	1,008,571	245,806	3,306,596
At 31 Dec 07	2,096,667	27,159	5,045	678,886	256,517	3,064,274

Hire purchase agreements

Included within the net book value of £3,306,596 (2007: £3,064,274) is £214,000 (2007: £238,000) relating to assets held under hire purchase agreements.

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2008 (Continued)

11 Investments

Company

Shares in
group
undertakings
£

Cost and net book value

At 1 January 2008 and at 31 December 2008

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	Supply and servicing of pumps and related equipment	100%

12 Stocks

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Raw materials and consumables	1,968,232	2,299,898	1,893,445	2,069,556
Work in progress	3,096,695	1,904,219	3,033,137	1,893,801
Finished goods	2,232,335	880,393	1,163,794	405,584
	<u>7,297,262</u>	<u>5,084,510</u>	<u>6,090,376</u>	<u>4,368,941</u>

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31-December 2008 (Continued)

13 Debtors	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Trade debtors	15,517,858	12,645,259	13,012,469	11,824,198
Amounts owed by group undertakings	-	38,352	1,239,139	301,590
Other debtors	168,738	149,341	93,621	43,632
Prepayments and accrued income	498,720	123,258	446,191	118,852
	<u>16,185,316</u>	<u>12,956,210</u>	<u>14,791,420</u>	<u>12,288,272</u>

Other debtors includes an amount of £116,551 (2007: £97,611) for the group and £77,200 (2007: £20,000) 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 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Other timing differences	<u>116,551</u>	<u>97,611</u>	<u>77,200</u>	<u>20,000</u>

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

14 Creditors: amounts falling due within one year

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Bank loans and overdraft	2,057,562	1,648,903	1,945,889	1,599,868
Trade creditors	11,970,474	7,394,713	9,933,424	6,177,352
Amounts owed to group undertakings	1,866,479	1,124,230	2,276,872	1,480,298
Tax and social security	417,309	475,485	415,634	474,272
Corporation tax	281,420	297,519	122,409	283,910
Obligations under hire purchase contracts	54,128	50,195	52,415	48,676
Other creditors	287,932	274,406	152,029	133,761
Accruals	6,428,838	2,621,979	6,428,838	2,573,040
	<u>23,364,142</u>	<u>13,887,430</u>	<u>21,327,510</u>	<u>12,771,177</u>

15 Creditors: amounts falling due after more than one year

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Bank loan	207,550	1,169,151	52,240	1,069,017
Obligations under hire purchase contracts	244,511	235,370	177,011	229,426
	<u>452,061</u>	<u>1,404,521</u>	<u>229,251</u>	<u>1,298,443</u>

The bank loans fall due for repayment as follows:

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Within one year	1,016,776	1,000,000	1,016,776	1,000,000
Between one and two years	207,550	1,169,151	52,240	1,069,017
Between two and five years	-	-	-	-
	<u>1,224,326</u>	<u>2,169,151</u>	<u>1,069,016</u>	<u>2,069,017</u>

Interest on the ICICI 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 Barclays 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 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Within one year	54,128	50,195	52,415	48,676
Between one and two years	57,898	53,876	56,439	52,415
Between two and five years	186,613	181,494	120,572	177,011
	<u>298,639</u>	<u>285,565</u>	<u>229,426</u>	<u>278,102</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 2008	317,536	261,876	579,412
Increase/(decrease) in provision	(70,088)	457,551	387,463
Paid in the year	-	(338,445)	(338,445)
	<u>247,448</u>	<u>380,982</u>	<u>628,430</u>
At 31 December 2008	247,448	380,982	628,430

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2008 (Continued)

17 Contingent liability and financial instruments

Performance bonds and guarantees remain outstanding at 31 December 2008. These arose in the normal course of business and amount to £10,671,520 (2007: £4,260,385).

The following table presents the carrying amounts and the fair values of the group's financial instruments at 31 December 2008. 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.

	2008 Book value £	Fair value £	2007 Book value £	Fair value £
Derivate financial instruments held to manage the currency profile				
Forward foreign exchange contracts	-	4,180,694	-	101,268

18 Share capital

	Authorised, allotted, called up and fully paid	
	2008 £	2007 £
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 2008	3,396,391	3,375,687
Profit for the year	2,068,202	1,738,959
Exchange gain	182,192	-
At 31 December 2008	<u>5,646,785</u>	<u>5,114,646</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 £1,738,959 (2007: £1,310,949).

20 Reconciliation of movements in shareholders' funds

	Group 2008	Group 2007	Company 2008	Company 2007
Opening shareholders' funds	5,396,392	3,867,675	5,375,687	4,064,738
Profit for the year	2,068,202	1,492,497	1,738,959	1,310,949
Exchange gain/(loss)	182,191	36,220	-	-
Closing shareholders' funds	<u>7,646,785</u>	<u>5,396,392</u>	<u>7,114,646</u>	<u>5,375,687</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 £574,405 (2007: £516,118).

22 Commitments under operating leases

As at 31 December 2008, the group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2008	2007	2008	2007
	£	£	£	£
Operating leases which expire:				
Within one year	-	14,693	35,384	46,909
In two to five years	131,250	41,000	193,256	159,419
After five years	-	90,250	-	-
	<u>131,250</u>	<u>145,943</u>	<u>228,640</u>	<u>206,328</u>

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

	2008 £	2007 £
Operating profit	3,119,809	2,490,602
Negative goodwill amortisation	(107,109)	(107,109)
Depreciation	490,329	407,211
Loss on disposal	6,770	-
Increase in stocks	(2,212,752)	(103,594)
Increase in debtors	(3,210,166)	(3,231,302)
Increase in creditors	9,217,907	2,219,009
Increase/(decrease) in provisions	49,018	(49,700)
Net cash inflow from operating activities	7,353,806	1,625,117

24 Reconciliation of net cashflow to movements in net debt

	2008 £	2007 £
Increase/(decrease) in cash in year	4,485,492	(591,262)
Inception of bank loan	-	(89,309)
Cash outflow from repayment of bank loan	944,825	1,022,246
Cash outflow from repayment of hire purchase contracts	52,000	6,297
Inception of hire purchase contracts	(65,074)	(282,000)
Movement in net debt	5,417,243	65,972
Net (debt) at beginning of year	(3,008,394)	(3,074,366)
Net funds/(debt) at end of year	2,408,849	(3,008,394)

25 Analysis of changes in net debt

	At 1 January 2008 £	Cashflows £	Non Cash movements £	At 31 December 2008 £
Cash at bank and in hand	95,225	4,877,375	-	4,972,600
Overdraft	(648,903)	(391,883)	-	(1,040,786)
	(553,678)	4,485,492	-	3,931,814
Hire purchase contracts	(285,565)	52,000	(65,074)	(298,639)
Debt due after one year	(1,169,151)	-	961,601	(207,550)
Debt due within one year	(1,000,000)	944,825	(961,601)	(1,016,776)
	(3,008,394)	5,482,317	(65,074)	2,408,849

26 Related party transactions

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 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.