

**SPP Pumps Limited**  
**Report and Financial Statements**  
**Year ended 31 December 2011**  
**Company number: 4839607**

**RSM Tenon Limited**  
Accountants and Business Advisers  
The Poynt  
45 Wollaton Street  
Nottingham  
NG1 5FW

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# **SPP PUMPS LIMITED**

## **Report and financial statements for the year ended 31 December 2011**

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### **Directors**

SC Kirloskar (Chairman)  
AS Kirloskar  
O Shevlin  
GA Kulkarni  
PB Shirke

### **Secretary and registered office**

JW Powell, Pincents Lane, Calcot, Reading, Berkshire, RG31 7SP

### **Company number**

4839607

### **Accountants and Business Advisers**

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

### **Auditor**

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

### **Principal bankers**

Barclays Bank plc, 1 Churchill Place, London, E14 5HP

ICICI Bank UK Limited, 1 Thomas Moor Square, 5 Thomas Moor Street, London, E1W 1YN

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

## **SPP PUMPS LIMITED**

### **Report of the directors for the year ended 31 December 2011**

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The directors present their report together with the audited financial statements for the year ended 31 December 2011

#### **Results and dividends**

The consolidated profit and loss account is set out on page 7 and shows the profit for the year. A dividend of £1.0 million was distributed to members in 2011.

#### **Principal activities, review of business and future developments**

The principal activities of the group are the design, manufacture, supply and service of pumps, pump packages and associated equipment.

#### **Business Review**

2011 was a year of continuing economic uncertainty with the Euro zone coming under increasing pressures. Despite worsening confidence about the general business situation amid concerns over the slowdown in the world economy, the balance of UK manufacturing firms reported an increase of profitability confidence rose from 32% to 36%. However a quarter of exporters have seen a decrease in export orders over the last quarter compared to lower figures earlier in the year.

In this volatile and declining export market whereby SPP export over 75% of their produce the Group's overall turnover has increased by 25%. This is an astounding performance considering the economic pressures the company have had to perform under. Despite global material price increases and reduced margins across the business, overall growth in profitability has attained £5 million before taxation, representing 7.3% of sales, up from 6.5% in 2010.

Both fixed and current assets have increased by 13.8% and 24.3% respectively, while current liabilities have also increased in step by 24.2%. This has led to a net cash inflow from activities of £2.6 million and due to increased working capital requirements, a net decrease in cash of £.715k.

#### **Future developments**

Recovery in the manufacturing sector in the UK, and in the market areas in which the Group sells, remains tentative. However SPP has demonstrated a stronger than sector average for renewed growth in 2012 with confirmed orders of almost 52% of budget already contracted.

Against this background, SPP continues to maintain and where appropriate enhance its product offerings and supporting manufacturing capability, in readiness for improvements in demand when they are established. SPP continues to strengthen its brand image, market profile, reputation for product, service quality, and maintain its valued pool of skilled employees, while keeping its cost base under close review.

The Group continues to benefit from its cooperation with KBL, its ultimate parent company. SPP is strongly positioned to benefit from the recovery in market confidence as and when it arrives, and in the meantime to retain its position and sustain good results in the current more testing circumstances.

## **SPP PUMPS LIMITED**

### **Report of the directors for the year ended 31 December 2011 (Continued)**

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#### **Business risks**

The business risks facing the Group in 2012 remain much as in 2011

**Market environment** as foreseen, growth has suffered some setback in the European pump markets, with any upturn awaiting improvement in overall economic confidence. The global Oil & Gas sector remains strong and will be important to the Group in 2012

**Supplier performance and material costs** during 2011 material costs continued to put pressure on margins. SPP has been able to maintain acceptable margins for its products however an increased focus on these costs during 2012 will be paramount to the continued success of SPP

**Foreign exchange** a significant proportion of SPP's export business, primarily to the Oil & Gas sector, is denominated in US Dollars

**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 has inevitably increased the danger of business failures. However, SPP controls its credit exposures carefully, and does not anticipate material impact on its financial performance as a result of these

**Liquidity** SPP has maintained a sound financial position in 2011. The Group continues to be backed by first class international banks, and retains the facilities required to support the demands of the business fully

#### **Directors**

The directors of the company during the year were as follows

SC Kirloskar  
O Shevlin  
GA Kulkarni  
PB Shirke  
AS Kirloskar (appointed 28 February 2011)

#### **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

**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 are, 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 2006. 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 2011 (*Continued*)**

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**Auditor**

RSM Tenon Audit Limited are deemed to be reappointed under Section 487(2) of the Companies Act 2006

**On behalf of the Board**

A handwritten signature in black ink, appearing to read 'JW Powell', is written over the printed name.

JW Powell  
**Company secretary**

6 February 2012

## **SPP PUMPS LIMITED**

### **Report of the auditor**

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

We have audited the financial statements of SPP Pumps Limited for the year 31 December 2011 on pages 7 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements

give a true and fair view of the state of the group and company's affairs as at 31 December 2011 and of the group's profit for the year then ended,

have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and

have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## SPP PUMPS LIMITED

### Report of the auditor

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#### Matters on which we are required to report by exception

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

adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or

the parent company financial statements are not in agreement with the accounting records and returns, or

certain disclosures of directors' remuneration specified by law are not made, or

we have not received all the information and explanations we require for our audit

Alistair Hunt, Senior Statutory Auditor  
For and on behalf of



RSM Tenon Audit Limited  
Statutory Auditor  
The Poynt  
45 Wollaton Street  
Nottingham  
NG1 5FW

7 February 2012

**SPP PUMPS LIMITED****Consolidated profit and loss account for the year ended 31 December 2011**

|                                                      | Note | 2011<br>£         | 2010<br>£         |
|------------------------------------------------------|------|-------------------|-------------------|
| <b>Group turnover</b>                                | 2    | 69,204,842        | 55,382,549        |
| Cost of sales                                        |      | (51,874,039)      | (41,526,099)      |
| <b>Gross profit</b>                                  |      | <u>17,330,803</u> | <u>13,856,450</u> |
| Distribution costs                                   |      | (3,930,673)       | (3,605,350)       |
| Administrative expenses                              |      | (8,258,285)       | (6,475,645)       |
| Other operating income                               |      | 12,411            | 32,776            |
| <b>Operating profit</b>                              | 5    | <u>5,154,256</u>  | <u>3,808,231</u>  |
| Interest payable and similar charges                 | 6    | (119,577)         | (192,207)         |
| Interest receivable                                  | 7    | 3,140             | 5,346             |
| <b>Profit on ordinary activities before taxation</b> |      | <u>5,037,819</u>  | <u>3,621,370</u>  |
| Taxation on profit on ordinary activities            | 8    | (1,520,730)       | (1,062,588)       |
| <b>Retained profit for the year</b>                  | 19   | <u>3,517,089</u>  | <u>2,558,782</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**

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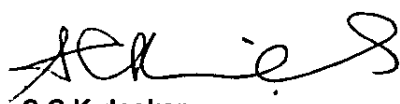
|                                                    | <b>Note</b> | <b>2011<br/>£</b> | <b>2010<br/>£</b> |
|----------------------------------------------------|-------------|-------------------|-------------------|
| <b>Profit for the year</b>                         | 19          | 3,517,089         | 2,558,782         |
| Exchange (loss)/gain                               | 19          | (127,243)         | 90,506            |
|                                                    |             | <hr/>             | <hr/>             |
| <b>Total recognised gains relating to the year</b> |             | <b>3,389,846</b>  | <b>2,649,288</b>  |
|                                                    |             | <hr/>             | <hr/>             |

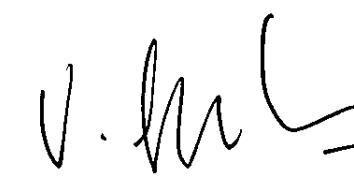
The notes on pages 12 to 26 form part of these financial statements

**SPP PUMPS LIMITED****Consolidated balance sheet at 31 December 2011**

|                                                                |             | <b>2011</b>       |                   | <b>2010</b>       |                   |
|----------------------------------------------------------------|-------------|-------------------|-------------------|-------------------|-------------------|
|                                                                | <b>Note</b> | <b>£</b>          | <b>£</b>          | <b>£</b>          | <b>£</b>          |
| <b>Fixed assets</b>                                            |             |                   |                   |                   |                   |
| Tangible assets                                                | 10          |                   | 4,871,377         |                   | 4,280,817         |
| <b>Current assets</b>                                          |             |                   |                   |                   |                   |
| Stocks                                                         | 12          | 9,705,501         |                   | 8,873,679         |                   |
| Debtors                                                        | 13          | 23,374,216        |                   | 17,238,597        |                   |
| Cash at bank and in hand                                       |             | 302,516           |                   | 746,469           |                   |
|                                                                |             | <u>33,382,233</u> |                   | <u>26,858,745</u> |                   |
| <b>Creditors' amounts falling due within one year</b>          | 14          | (24,120,106)      |                   | (19,413,821)      |                   |
| <b>Net current assets</b>                                      |             |                   | <u>9,262,127</u>  |                   | <u>7,444,924</u>  |
| <b>Total assets less current liabilities</b>                   |             |                   | <u>14,133,504</u> |                   | <u>11,725,741</u> |
| <b>Creditors: amounts falling due after more than one year</b> | 15          |                   | (393,793)         |                   | (228,293)         |
| <b>Provisions for liabilities and charges</b>                  | 16          |                   | (534,806)         |                   | (682,389)         |
| <b>Net assets</b>                                              |             |                   | <u>13,204,905</u> |                   | <u>10,815,059</u> |
| <b>Capital and reserves - equity</b>                           |             |                   |                   |                   |                   |
| Called up share capital                                        | 18          | 1,950,000         |                   | 1,950,000         |                   |
| Capital redemption reserve                                     | 19          | 50,000            |                   | 50,000            |                   |
| Profit and loss account                                        | 19          | 11,204,905        |                   | 8,815,059         |                   |
| <b>Shareholders' funds</b>                                     | 20          |                   | <u>13,204,905</u> |                   | <u>10,815,059</u> |

The financial statements were approved by the Board on 6 February 2012

  
**S C Kirloskar**  
 Director

  
**O Shevlin**  
 Director

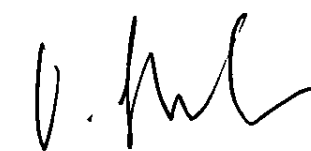
The notes on pages 12 to 26 form part of these financial statements

**SPP PUMPS LIMITED**
**Company balance sheet at 31 December 2011**

|                                                               | Note | 2011              | 2010              |
|---------------------------------------------------------------|------|-------------------|-------------------|
|                                                               |      | £                 | £                 |
| <b>Fixed assets</b>                                           |      |                   |                   |
| Tangible assets                                               | 10   | 4,415,444         | 3,848,194         |
| Investments                                                   | 11   | 300,878           | 300,878           |
|                                                               |      | <u>4,716,322</u>  | <u>4,149,072</u>  |
| <b>Current assets</b>                                         |      |                   |                   |
| Stock                                                         | 12   | 7,259,834         | 7,003,358         |
| Debtors                                                       | 13   | 21,209,091        | 16,054,177        |
| Cash at bank and in hand                                      |      | 1,987             | 470,426           |
|                                                               |      | <u>28,470,912</u> | <u>23,527,961</u> |
| <b>Creditors amounts falling due within one year</b>          | 14   | (20,296,855)      | (17,420,778)      |
| <b>Net current assets</b>                                     |      | <u>8,174,057</u>  | <u>6,107,183</u>  |
| <b>Total assets less current liabilities</b>                  |      | <u>12,890,379</u> | <u>10,256,255</u> |
| <b>Creditors amounts falling due after more than one year</b> | 15   | (289,390)         | (73,970)          |
| <b>Provisions for liabilities and charges</b>                 | 16   | (560,469)         | (611,709)         |
| <b>Net assets</b>                                             |      | <u>12,040,520</u> | <u>9,570,576</u>  |
| <b>Capital and reserves – equity</b>                          |      |                   |                   |
| Called up share capital                                       | 18   | 1,950,000         | 1,950,000         |
| Capital redemption reserve                                    | 19   | 50,000            | 50,000            |
| Profit and loss account                                       | 19   | 10,040,520        | 7,570,576         |
| <b>Shareholders' funds</b>                                    | 20   | <u>12,040,520</u> | <u>9,570,576</u>  |

The financial statements were approved by the Board on 6 February 2012

  
**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 2011**

|                                                                              | Note | 2011        | 2010        |
|------------------------------------------------------------------------------|------|-------------|-------------|
|                                                                              |      | £           | £           |
| <b>Net cash inflow from operating activities</b>                             | 23   | 2,652,982   | 4,160,902   |
| <b>Returns on investments and servicing of finance</b>                       |      |             |             |
| Bank interest paid                                                           |      | (103,786)   | (169,795)   |
| Interest on hire purchase                                                    |      | (15,791)    | (22,412)    |
| Interest received                                                            |      | 3,140       | 5,346       |
| <b>Net cash outflow from returns on investments and servicing of finance</b> |      | (116,437)   | (186,861)   |
| <b>Taxation</b>                                                              |      | (1,257,082) | (1,204,524) |
| <b>Capital expenditure</b>                                                   |      |             |             |
| Payments to acquire tangible fixed assets                                    |      | (936,507)   | (498,423)   |
| Receipts from disposals of tangible fixed assets                             |      | 59,636      | 85          |
| <b>Net cash outflow from capital expenditure</b>                             |      | (876,871)   | (498,338)   |
| <b>Net cash inflow before financing</b>                                      |      | 402,592     | 2,271,179   |
| <b>Equity dividends paid</b>                                                 |      | (1,000,000) | (1,000,000) |
|                                                                              |      | (597,408)   | 1,271,179   |
| <b>Financing</b>                                                             |      |             |             |
| Capital repayments under hire purchase contracts                             | 24   | (93,148)    | (106,846)   |
| Inception of bank loan                                                       | 24   | 1,500,000   | 2,000,000   |
| Repayment of bank loans                                                      | 24   | (1,525,159) | (2,994,226) |
| <b>Net cash outflow from financing</b>                                       |      | (118,307)   | (1,101,072) |
| <b>(Decrease)/increase in cash</b>                                           | 25   | (715,715)   | 170,107     |

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 2011 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 |

Assets in the course of construction are not depreciated.

*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 experience of past claims on the sales of products from different business units.

**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 | - | Moving weighted average                                                                             |
| 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

**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.

*Employee Benefit Trusts (EBTs)*

The company has established trusts for the benefit of employees and certain of their dependents. Monies held in these trusts are held by independent trustees and managed at their discretion.

Where the company retains future economic benefit from, and has de facto control of the assets and liabilities of the trust, they are accounted for as assets and liabilities of the company until the earlier of the date that an allocation of trust funds to employees in respect of past services is declared and the date that assets of the trust vest in identified individuals.

Where monies held in a trust are determined by the company on the basis of employees' past services to the business and the company can obtain no future economic benefit from those monies, such monies, whether in the trust or accrued for by the company are charged to the profit and loss account in the period to which they relate.

**2 Turnover**

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

|                               | 2011<br>£         | 2010<br>£         |
|-------------------------------|-------------------|-------------------|
| UK                            | 16,004,330        | 15,479,088        |
| North America                 | 5,794,989         | 4,184,824         |
| South East Asia and Australia | 19,290,423        | 16,792,886        |
| Europe                        | 10,767,065        | 6,936,522         |
| Middle east                   | 8,748,372         | 5,035,003         |
| Rest of the world             | 8,599,663         | 6,954,226         |
|                               | <u>69,204,842</u> | <u>55,382,549</u> |

**3 Employees**

Staff costs for all employees, including directors, consist of

|                       | 2011<br>£         | 2010<br>£         |
|-----------------------|-------------------|-------------------|
| Wages and salaries    | 12,120,101        | 11,068,512        |
| Social security costs | 1,222,620         | 1,217,663         |
| Pension costs         | 705,855           | 683,503           |
|                       | <u>14,048,576</u> | <u>12,969,678</u> |

**SPP PUMPS LIMITED****Notes forming part of the financial statements for the year ended 31 December 2011 (Continued)****3 Employees (continued)**

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

|                               | <b>2011<br/>Number</b> | <b>2010<br/>Number</b> |
|-------------------------------|------------------------|------------------------|
| Management and administration | 75                     | 45                     |
| Manufacturing                 | 231                    | 246                    |
| Sales and distribution        | 76                     | 67                     |
|                               | <u>382</u>             | <u>358</u>             |

**4 Directors**

|                                                  | <b>2011<br/>£</b> | <b>2010<br/>£</b> |
|--------------------------------------------------|-------------------|-------------------|
| <b>Emoluments</b>                                |                   |                   |
| Remuneration for management services             | 346,452           | 272,749           |
| Payments to defined contribution pension schemes | 40,000            | 31,000            |
|                                                  | <u>386,452</u>    | <u>303,749</u>    |
| <br>Highest paid director remuneration           | <br>326,452       | <br>252,749       |
| Highest paid director pension contributions      | 40,000            | 31,000            |
|                                                  | <u></u>           | <u></u>           |

Contributions were made to defined contribution pension schemes on behalf of one (2010 one) director

**5 Operating profit**

|                                                                       | <b>2011<br/>£</b> | <b>2010<br/>£</b> |
|-----------------------------------------------------------------------|-------------------|-------------------|
| This is arrived at after charging/(crediting)                         |                   |                   |
| Rental income                                                         | (33,773)          | (46,055)          |
| Depreciation of owned tangible fixed assets                           | 612,289           | 607,337           |
| Depreciation of assets held under hire purchase contracts             | 44,817            | 67,262            |
| Operating leases - land and buildings                                 | 291,153           | 470,290           |
| Operating leases - other                                              | 209,082           | 262,655           |
| Auditor's remuneration - audit of these financial statements          | 26,600            | 30,275            |
| Audit of accounts of subsidiaries pursuant to legislation             | 23,099            | 23,395            |
| Amounts receivable by the auditors and their associates in respect of |                   |                   |
| - other services relating to taxation                                 | 15,036            | 7,475             |
| - all other services                                                  | 7,750             | 7,300             |
| (Profit) on disposal of fixed assets                                  | (12,322)          | (85)              |
| (Profit) on foreign exchange                                          | (75,652)          | (232,912)         |
|                                                                       | <u></u>           | <u></u>           |

**SPP PUMPS LIMITED****Notes forming part of the financial statements for the year ended 31 December 2011 (Continued)****6 Interest payable and similar charges**

|                           | <b>2011</b><br><b>£</b> | <b>2010</b><br><b>£</b> |
|---------------------------|-------------------------|-------------------------|
| Bank loans and overdrafts | 103,786                 | 169,795                 |
| Hire purchase contracts   | 15,791                  | 22,412                  |
|                           | <u>119,577</u>          | <u>192,207</u>          |

**7 Interest receivable**

|                          | <b>2011</b><br><b>£</b> | <b>2010</b><br><b>£</b> |
|--------------------------|-------------------------|-------------------------|
| Bank interest receivable | 3,140                   | 5,346                   |

**8 Taxation on profit on ordinary activities**

|                                                          | <b>2011</b><br><b>£</b> | <b>2010</b><br><b>£</b> |
|----------------------------------------------------------|-------------------------|-------------------------|
| <b>(a) Analysis of charge in year</b>                    |                         |                         |
| <i>Current tax</i>                                       |                         |                         |
| UK Corporation tax on profits in the year                | 1,328,788               | 989,562                 |
| Overseas corporation tax on profits in the year          | 181,286                 | 63,398                  |
| Total current tax (note 8 (b))                           | <u>1,510,074</u>        | <u>1,052,960</u>        |
| <i>Deferred tax</i>                                      |                         |                         |
| Reversal and origination of timing differences (note 16) | 10,656                  | 9,628                   |
| Tax on profit on ordinary activities                     | <u>1,520,730</u>        | <u>1,062,588</u>        |

## SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2011 (*Continued*)

### 8 Taxation on profit on ordinary activities (*continued*)

#### (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

|                                                                                                   | 2011<br>£ | 2010<br>£ |
|---------------------------------------------------------------------------------------------------|-----------|-----------|
| Profit on ordinary activities before taxation                                                     | 5,037,819 | 3,621,370 |
| Profit on ordinary activities multiplied by expected<br>rate of corporation tax of 26% (2010 28%) | 1,309,833 | 1,013,984 |
| Effects of                                                                                        |           |           |
| Expenses not deductible for tax purposes                                                          | 157,924   | 26,891    |
| Capital allowances for period in excess of depreciation                                           | (29,432)  | 4,680     |
| Short term timing differences                                                                     | 25,609    | (43,873)  |
| Trade losses carried forward                                                                      | 38,959    | 28,057    |
| Adjustment in respect of prior years                                                              | (74,116)  | (48,242)  |
| Provision for unrealised profit                                                                   | -         | (1,487)   |
| Permanent adjustment                                                                              | -         | 70,534    |
| Difference in tax rates                                                                           | 59,840    | 5,481     |
| Non qualifying depreciation                                                                       | 21,457    | -         |
| Utilisation of brought forward losses                                                             | -         | (3,065)   |
|                                                                                                   | 1,510,074 | 1,052,960 |

#### (c) Factors that may affect future tax charges

The directors are not aware of any factors that may affect the future tax charge

### 9 Dividends

The following dividends have been paid in respect of the year

|                            | 2011<br>£ | 2010<br>£ |
|----------------------------|-----------|-----------|
| Dividends paid in the year |           |           |
| Ordinary shares 51 282p    | 1,000,000 | 1,000,000 |

**SPP PUMPS LIMITED**

Notes forming part of the financial statements for the year ended 31 December 2011 (*Continued*)

**10 Tangible assets**

| <b>Group</b>             | <b>Freehold<br/>land &amp;<br/>buildings<br/>£</b> | <b>Leasehold<br/>improve-<br/>ments<br/>£</b> | <b>Motor<br/>vehicles<br/>£</b> | <b>Plant &amp;<br/>machinery<br/>£</b> | <b>Tooling &amp;<br/>patterns<br/>£</b> | <b>Total<br/>£</b> |
|--------------------------|----------------------------------------------------|-----------------------------------------------|---------------------------------|----------------------------------------|-----------------------------------------|--------------------|
| <i>Cost</i>              |                                                    |                                               |                                 |                                        |                                         |                    |
| At 1 January 2011        | 2,410,565                                          | 131,675                                       | 246,444                         | 4,201,731                              | 747,189                                 | 7,737,604          |
| Additions                | 49,875                                             | 34,573                                        | 72,165                          | 1,105,162                              | 76,810                                  | 1,338,585          |
| Disposals                | -                                                  | -                                             | (34,733)                        | (21,414)                               | -                                       | (56,147)           |
| Exchange difference      | -                                                  | -                                             | (40,968)                        | (46,874)                               | -                                       | (87,842)           |
| At 31 December 2011      | <u>2,460,440</u>                                   | <u>166,248</u>                                | <u>242,908</u>                  | <u>5,238,605</u>                       | <u>823,999</u>                          | <u>8,932,200</u>   |
| <i>Depreciation</i>      |                                                    |                                               |                                 |                                        |                                         |                    |
| At 1 January 2011        | 508,330                                            | 60,562                                        | 120,822                         | 2,154,136                              | 612,937                                 | 3,456,787          |
| Provided for<br>the year | 71,616                                             | 10,910                                        | 28,525                          | 481,427                                | 64,628                                  | 657,106            |
| Disposals                | -                                                  | -                                             | -                               | (8,833)                                | -                                       | (8,833)            |
| Exchange difference      | -                                                  | -                                             | (18,650)                        | (25,587)                               | -                                       | (44,237)           |
| At 31 December 2011      | <u>579,946</u>                                     | <u>71,472</u>                                 | <u>130,697</u>                  | <u>2,601,143</u>                       | <u>677,565</u>                          | <u>4,060,823</u>   |
| <i>Net book value</i>    |                                                    |                                               |                                 |                                        |                                         |                    |
| At 31 December 2011      | <u>1,880,494</u>                                   | <u>94,776</u>                                 | <u>112,211</u>                  | <u>2,637,462</u>                       | <u>146,434</u>                          | <u>4,871,377</u>   |
| At 31 December 2010      | <u>1,902,235</u>                                   | <u>71,113</u>                                 | <u>125,622</u>                  | <u>2,047,595</u>                       | <u>134,252</u>                          | <u>4,280,817</u>   |

Freehold land & buildings includes land at a cost of £620,000 (2010 £620,000) which is not being depreciated

**Hire purchase agreements**

Included within the net book value of £4,871,377 (2010 £4,280,817) is £698,377 (2010 £245,878) relating to assets held under hire purchase agreements

Depreciation charged to the financial statements in the year in respect of such assets amounted to £44,816 (2010 £37,492)

**SPP PUMPS LIMITED**Notes forming part of the financial statements for the year ended 31 December 2011 (*Continued*)**10 Tangible assets (*continued*)**

| <b>Company</b>        | <b>Freehold<br/>land &amp;<br/>buildings<br/>£</b> | <b>Leasehold<br/>improve-<br/>ments<br/>£</b> | <b>Motor<br/>vehicles<br/>£</b> | <b>Plant &amp;<br/>machinery<br/>£</b> | <b>Tooling &amp;<br/>patterns<br/>£</b> | <b>Total<br/>£</b> |
|-----------------------|----------------------------------------------------|-----------------------------------------------|---------------------------------|----------------------------------------|-----------------------------------------|--------------------|
| <i>Cost</i>           |                                                    |                                               |                                 |                                        |                                         |                    |
| At 1 January 2011     | 2,410,565                                          | 131,675                                       | 17,163                          | 3,652,587                              | 747,189                                 | 6,959,179          |
| Additions             | 49,875                                             | 34,573                                        | 4,700                           | 956,804                                | 76,810                                  | 1,122,762          |
| At 31 December 2011   | <u>2,460,440</u>                                   | <u>166,248</u>                                | <u>21,863</u>                   | <u>4,609,391</u>                       | <u>823,999</u>                          | <u>8,081,941</u>   |
| <i>Depreciation</i>   |                                                    |                                               |                                 |                                        |                                         |                    |
| At 1 January 2011     | 508,330                                            | 60,562                                        | 16,446                          | 1,912,711                              | 612,936                                 | 3,110,985          |
| Provided for the year | 71,616                                             | 10,910                                        | 1,109                           | 407,249                                | 64,628                                  | 555,512            |
| At 31 December 2011   | <u>579,946</u>                                     | <u>71,472</u>                                 | <u>17,555</u>                   | <u>2,319,960</u>                       | <u>677,564</u>                          | <u>3,666,497</u>   |
| <i>Net book value</i> |                                                    |                                               |                                 |                                        |                                         |                    |
| At 31 December 2011   | <u>1,880,494</u>                                   | <u>94,776</u>                                 | <u>4,308</u>                    | <u>2,289,431</u>                       | <u>146,435</u>                          | <u>4,415,444</u>   |
| At 31 December 2010   | <u>1,902,235</u>                                   | <u>71,113</u>                                 | <u>717</u>                      | <u>1,739,876</u>                       | <u>134,253</u>                          | <u>3,848,194</u>   |

Freehold land & buildings includes land at a cost of £620,000 (2010 £620,000) which is not being depreciated

**Hire purchase agreements**

Included within the net book value of £4,415,444 (2010 £3,848,194) is £618,499 (2010 £166,000) relating to assets held under hire purchase agreements

Depreciation charged to the financial statements in the year in respect of such assets amounted to £40,431 (2010 £24,000)

# SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2011 (*Continued*)

## 11 Investments

### Company

Shares in  
group  
undertakings  
£

*Cost and net book value*

At 1 January 2011 and at 31 December 2011

300,878

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

| Name                                 | Country of<br>incorporation | Principal<br>activity                                    | Proportion of voting<br>rights and ordinary<br>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<br>2011<br>£ | Group<br>2010<br>£ | Company<br>2011<br>£ | Company<br>2010<br>£ |
|-------------------------------|--------------------|--------------------|----------------------|----------------------|
| Raw materials and consumables | 2,684,888          | 3,252,745          | 2,936,876            | 3,222,000            |
| Work in progress              | 3,105,626          | 3,517,118          | 2,960,171            | 3,284,921            |
| Finished goods                | 3,914,987          | 2,103,816          | 1,362,787            | 496,437              |
|                               | <u>9,705,501</u>   | <u>8,873,679</u>   | <u>7,259,834</u>     | <u>7,003,358</u>     |

**SPP PUMPS LIMITED**

**Notes forming part of the financial statements for the year ended 31 December 2011 (Continued)**

| <b>13 Debtors</b>                  | <b>Group<br/>2011<br/>£</b> | <b>Group<br/>2010<br/>£</b> | <b>Company<br/>2011<br/>£</b> | <b>Company<br/>2010<br/>£</b> |
|------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Trade debtors                      | 20,211,109                  | 16,179,361                  | 17,718,858                    | 14,565,800                    |
| Amounts owed by group undertakings | 2,049,253                   | 195,244                     | 2,260,168                     | 690,781                       |
| Other debtors                      | 146,421                     | 281,786                     | 417,721                       | 253,821                       |
| Prepayments and accrued income     | 585,976                     | 498,968                     | 430,887                       | 461,283                       |
| VAT recoverable                    | 381,457                     | 83,238                      | 381,457                       | 82,492                        |
|                                    | <u>23,374,216</u>           | <u>17,238,597</u>           | <u>21,209,091</u>             | <u>16,054,177</u>             |

Other debtors includes an amount of £Nil (2010 £7,461) for the group and £Nil (2010 £Nil) for the company in respect of a deferred tax asset

The deferred tax asset/(provision) is provided in full (see note 16) to the extent it is considered recoverable and can be analysed as follows

|                                | <b>Group<br/>2011<br/>£</b> | <b>Group<br/>2010<br/>£</b> | <b>Company<br/>2011<br/>£</b> | <b>Company<br/>2010<br/>£</b> |
|--------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Prepayments and accrued income | -                           | 7,461                       | -                             | -                             |
|                                | <u>-</u>                    | <u>7,461</u>                | <u>-</u>                      | <u>-</u>                      |

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

**14 Creditors' amounts falling due within one year**

|                                           | <b>Group<br/>2011<br/>£</b> | <b>Group<br/>2010<br/>£</b> | <b>Company<br/>2011<br/>£</b> | <b>Company<br/>2010<br/>£</b> |
|-------------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Bank loans and overdraft (note 15)        | 411,552                     | 75,986                      | 285,934                       | 19,830                        |
| Trade creditors                           | 12,955,320                  | 8,393,773                   | 10,842,726                    | 7,431,360                     |
| Amounts owed to group undertakings        | 624,361                     | 839,201                     | 697,244                       | 526,447                       |
| Tax and social security                   | 345,545                     | 560,994                     | 194,892                       | 396,094                       |
| Corporation tax                           | 929,455                     | 676,463                     | 855,584                       | 639,758                       |
| Obligations under hire purchase contracts | 146,854                     | 92,387                      | 134,774                       | 60,773                        |
| Other creditors                           | 797,162                     | 76,990                      | -                             | 992                           |
| Accruals                                  | 7,909,857                   | 8,698,027                   | 7,285,701                     | 8,345,524                     |
|                                           | <u>24,120,106</u>           | <u>19,413,821</u>           | <u>20,296,855</u>             | <u>17,420,778</u>             |

**SPP PUMPS LIMITED****Notes forming part of the financial statements for the year ended 31 December 2011 (Continued)****15 Creditors: amounts falling due after more than one year**

|                                           | <b>Group<br/>2011<br/>£</b> | <b>Group<br/>2010<br/>£</b> | <b>Company<br/>2011<br/>£</b> | <b>Company<br/>2010<br/>£</b> |
|-------------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Bank loan                                 | 44,403                      | 133,366                     | -                             | 14,172                        |
| Obligations under hire purchase contracts | 349,390                     | 94,927                      | 289,390                       | 59,798                        |
|                                           | <u>393,793</u>              | <u>228,293</u>              | <u>289,390</u>                | <u>73,970</u>                 |

The bank loans fall due for repayment as follows

|                            | <b>Group<br/>2011<br/>£</b> | <b>Group<br/>2010<br/>£</b> | <b>Company<br/>2011<br/>£</b> | <b>Company<br/>2010<br/>£</b> |
|----------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Within one year            | 139,790                     | 75,986                      | -                             | 19,830                        |
| Between one and two years  | 44,403                      | 133,366                     | -                             | 14,172                        |
| Between two and five years | -                           | -                           | -                             | -                             |
|                            | <u>184,193</u>              | <u>209,352</u>              | <u>-</u>                      | <u>34,002</u>                 |

Interest on the Barclays bank loan of £Nil (2010 £34,002) 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

|                            | <b>Group<br/>2011<br/>£</b> | <b>Group<br/>2010<br/>£</b> | <b>Company<br/>2011<br/>£</b> | <b>Company<br/>2010<br/>£</b> |
|----------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Within one year            | 146,854                     | 92,387                      | 134,774                       | 60,773                        |
| Between one and two years  | 90,768                      | 91,412                      | 78,302                        | 59,798                        |
| Between two and five years | 258,622                     | 3,515                       | 211,088                       | -                             |
|                            | <u>496,244</u>              | <u>187,314</u>              | <u>424,165</u>                | <u>120,571</u>                |

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

**16 Provisions for liabilities and charges**

| <b>Group</b>                     | <b>Warranty provisions<br/>£</b> | <b>Onerous leases<br/>£</b> | <b>Deferred taxation<br/>£</b> | <b>Other<br/>£</b> | <b>Total<br/>£</b> |
|----------------------------------|----------------------------------|-----------------------------|--------------------------------|--------------------|--------------------|
| At 1 January 2011                | 454,946                          | 128,672                     | -                              | 98,771             | 682,389            |
| Transfer from debtors            | -                                | -                           | (7,461)                        | -                  | (7,461)            |
| Increase/(decrease) in provision | 318,235                          | (59,388)                    | 10,656                         | (25,004)           | 244,499            |
| Paid in the year                 | (318,607)                        | -                           | -                              | (53,001)           | (371,608)          |
| Exchange difference              | -                                | -                           | (1,631)                        | (11,382)           | (13,013)           |
|                                  | <u>454,574</u>                   | <u>69,284</u>               | <u>1,564</u>                   | <u>9,384</u>       | <u>534,806</u>     |
| At 31 December 2011              | 454,574                          | 69,284                      | 1,564                          | 9,384              | 534,806            |

| <b>Company</b>                   | <b>Warranty provisions<br/>£</b> | <b>Onerous leases<br/>£</b> | <b>Deferred taxation<br/>£</b> | <b>Total<br/>£</b> |
|----------------------------------|----------------------------------|-----------------------------|--------------------------------|--------------------|
| Provision at 1 January 2011      | 454,946                          | 128,672                     | 28,091                         | 611,709            |
| Increase/(decrease) in provision | 318,235                          | (59,388)                    | 8,520                          | 267,367            |
| Paid in the year                 | (318,607)                        | -                           | -                              | (318,607)          |
|                                  | <u>454,574</u>                   | <u>69,284</u>               | <u>36,611</u>                  | <u>560,469</u>     |
| At 31 December 2011              | 454,574                          | 69,284                      | 36,611                         | 560,469            |

**17 Contingent liability and financial instruments**

Performance bonds and guarantees remain outstanding at 31 December 2011. These arose in the normal course of business and amount to £9,910,921 (2010 £7,252,538).

The following table presents the carrying amounts and the fair values of the group's financial instruments at 31 December 2011. 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.

|                                                                             | <b>2011<br/>Book<br/>value<br/>£</b> | <b>Fair<br/>value<br/>£</b> | <b>2010<br/>Book<br/>value<br/>£</b> | <b>Fair<br/>value<br/>£</b> |
|-----------------------------------------------------------------------------|--------------------------------------|-----------------------------|--------------------------------------|-----------------------------|
| <b>Derivative financial instruments held to manage the currency profile</b> |                                      |                             |                                      |                             |
| Forward foreign exchange contracts                                          | -                                    | 20,651,211                  | -                                    | 18,889,053                  |

**SPP PUMPS LIMITED****Notes forming part of the financial statements for the year ended 31 December 2011 (Continued)****18 Share capital**

|                                | <b>Authorised,<br/>allotted, called up<br/>and fully paid</b> |                  |
|--------------------------------|---------------------------------------------------------------|------------------|
|                                | <b>2011</b>                                                   | <b>2010</b>      |
|                                | <b>£</b>                                                      | <b>£</b>         |
| <b>Equity</b>                  |                                                               |                  |
| "A" ordinary shares of £1 each | 50,000                                                        | 50,000           |
| "C" ordinary shares of £1 each | 1,900,000                                                     | 1,900,000        |
|                                | <u>1,950,000</u>                                              | <u>1,950,000</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**

|                     | <b>Group<br/>profit<br/>and loss<br/>account<br/>£</b> | <b>Group<br/>capital<br/>redemption<br/>reserve<br/>£</b> | <b>Company<br/>profit<br/>and loss<br/>account<br/>£</b> | <b>Company<br/>capital<br/>redemption<br/>reserve<br/>£</b> |
|---------------------|--------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------|
| At 1 January 2011   | 8,815,059                                              | 50,000                                                    | 7,570,576                                                | 50,000                                                      |
| Profit for the year | 3,517,089                                              | -                                                         | 3,469,944                                                | -                                                           |
| Exchange gain       | (127,243)                                              | -                                                         | -                                                        | -                                                           |
| Dividends paid      | (1,000,000)                                            | -                                                         | (1,000,000)                                              | -                                                           |
| At 31 December 2011 | <u>11,204,905</u>                                      | <u>50,000</u>                                             | <u>10,040,520</u>                                        | <u>50,000</u>                                               |

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own profit and loss account. The profit of the company is £3,469,945 (2010 2,467,719)

**20 Reconciliation of movements in shareholders' funds**

|                             | <b>Group<br/>2011<br/>£</b> | <b>Group<br/>2010<br/>£</b> | <b>Company<br/>2011<br/>£</b> | <b>Company<br/>2010<br/>£</b> |
|-----------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Opening shareholders' funds | 10,815,059                  | 9,165,771                   | 9,570,576                     | 8,102,857                     |
| Profit for the year         | 3,517,089                   | 2,558,782                   | 3,469,944                     | 2,467,719                     |
| Exchange gain/(loss)        | (127,243)                   | 90,506                      | -                             | -                             |
| Dividends paid              | (1,000,000)                 | (1,000,000)                 | (1,000,000)                   | (1,000,000)                   |
| Closing shareholders' funds | <u>13,204,905</u>           | <u>10,815,059</u>           | <u>12,040,520</u>             | <u>9,570,576</u>              |

**21 Pensions**

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from the assets of the company and are administered and managed professionally. The pension cost for the year was £705,855 (2010 £683,499)

**22 Commitments under operating leases**

As at 31 December 2011, the group had annual commitments under non-cancellable operating leases as set out below

|                               | <b>Land and buildings</b> |                | <b>Other</b>   |                |
|-------------------------------|---------------------------|----------------|----------------|----------------|
|                               | <b>2011</b>               | <b>2010</b>    | <b>2011</b>    | <b>2010</b>    |
|                               | <b>£</b>                  | <b>£</b>       | <b>£</b>       | <b>£</b>       |
| Operating leases which expire |                           |                |                |                |
| Within one year               | 32,915                    | -              | 252,793        | 40,628         |
| In two to five years          | 122,645                   | 133,443        | 448,206        | 287,745        |
| After five years              | 66,303                    | 66,303         | -              | -              |
|                               | <u>221,863</u>            | <u>199,746</u> | <u>700,999</u> | <u>328,373</u> |

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

|                                                  | <b>2011</b>      | <b>2010</b>      |
|--------------------------------------------------|------------------|------------------|
|                                                  | <b>£</b>         | <b>£</b>         |
| Operating profit                                 | 5,154,256        | 3,808,231        |
| Depreciation                                     | 657,106          | 674,599          |
| Profit on disposal                               | (12,322)         | (85)             |
| (Increase)/decrease in stocks                    | (831,822)        | 477,328          |
| (Increase) in debtors                            | (6,143,080)      | (588,436)        |
| Increase/(decrease) in creditors                 | 3,977,991        | (257,978)        |
| (Decrease)/increase in provisions                | (149,147)        | 47,243           |
| <b>Net cash inflow from operating activities</b> | <u>2,652,982</u> | <u>4,160,902</u> |

# SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2011 (Continued)

## 24 Reconciliation of net cashflow to movements in net funds/(debt)

|                                                        | 2011<br>£   | 2010<br>£   |
|--------------------------------------------------------|-------------|-------------|
| (Decrease)/increase in cash in year                    | (715,715)   | 170,107     |
| Inception of bank loan                                 | (1,500,000) | (2,000,000) |
| Cash outflow from repayment of bank loan               | 1,525,159   | 2,994,226   |
| Cash outflow from repayment of hire purchase contracts | 93,148      | 106,846     |
| Inception of hire purchase contracts                   | (402,078)   | -           |
|                                                        |             |             |
| Movement in net debt                                   | (999,486)   | 1,271,179   |
| Net funds/(debt) at beginning of year                  | 349,803     | (921,376)   |
|                                                        |             |             |
| Net (debt)/funds at end of year                        | (649,683)   | 349,803     |

## 25 Analysis of changes in net funds/(debt)

|                          | At<br>At 1 January<br>2011<br>£ | Cashflows<br>£ | Non Cash<br>movements<br>£ | At<br>31 December<br>2011<br>£ |
|--------------------------|---------------------------------|----------------|----------------------------|--------------------------------|
| Cash at bank and in hand | 746,469                         | (443,953)      | -                          | 302,516                        |
| Overdraft                | -                               | (271,762)      | -                          | (271,762)                      |
|                          | 746,469                         | (715,715)      | -                          | 30,754                         |
| Hire purchase contracts  | (187,314)                       | 93,148         | (402,078)                  | (496,244)                      |
| Debt                     | (209,352)                       | 25,159         | -                          | (184,193)                      |
|                          | 349,803                         | (597,408)      | (402,078)                  | (649,683)                      |

## 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 Intermediate parent company of SPP Pumps Limited is Kirloskar Brothers International BV, a company incorporated in the Netherlands

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