

SPP Pumps Limited
Report and Financial Statements
Year ended 31 December 2012
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 2012

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Directors

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

Secretary and registered office

JW Powell, Crucible Close, Mushet Industrial Park, Coleford, Gloucestershire, GL16 8PS

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 2012

The directors present their report together with the audited financial statements for the year ended 31 December 2012

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 £1.2 million was distributed to members in 2012.

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

2012 was a tougher-than-expected year for the UK economy. A year ago it was forecast the economy would grow by 0.9% during 2012, however a flat result was incurred. Accounting for this disappointing performance reveals some unexpected sources of resilience as well as weakness. Continued wage restraint and stronger employment growth created a flip side in labour productivity which pushed up unit labour costs, eroding firms' margins. This is likely to have contributed to the persistence in underlying inflationary pressures, as the erosion of profit margins made firms reluctant to cut prices in the face of weak demand.

In this volatile and declining market, whereby SPP export over 63% (a drop of 12% from 2011) of their produce the Group's overall turnover has remained constant in an ever more difficult market place. This is a sound 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 £5.5 million before taxation, representing 8.2% of sales, up from 7.3% in 2011.

Both fixed and current assets have increased by 6.7% and 11.4% respectively, while current liabilities have also increased in step by 9.2%. This has led to a net cash inflow from activities of £6.7 million and the year end closing cash balance has improved compared to 2011, net increase in cash of £1.7 million. The pressure on working capital within the organisation will ease over the first six months of 2013 once some of the major Oil & Gas projects are invoiced and paid.

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 2013 with confirmed orders of almost 46% of budget already contracted. Export orders remain strong and this will continue to be a focus of future developments for SPP.

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 is evaluating its different alternatives for development globally with the focus on improving manufacturing efficiencies and productivity.

SPP PUMPS LIMITED

Report of the directors for the year ended 31 December 2012 (Continued)

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 2012 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 2013 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 2012. 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
AS Kirloskar
O Shevlin
GA Kulkarni
PB Shirke

Financial instruments

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

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

Hedge accounting is not used by the group

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

SPP PUMPS LIMITED

Report of the directors for the year ended 31 December 2012 (*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 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 2012 (*Continued*)

Auditor

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

On behalf of the Board



JW Powell
Company secretary

7 February 2013

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 31 December 2012 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 2012 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

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

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

7 February 2013

SPP PUMPS LIMITED**Consolidated profit and loss account for the year ended 31 December 2012**

	Note	2012 £	2011 £
Group turnover	2	67,997,448	69,204,842
Cost of sales		(48,468,153)	(51,874,039)
Gross profit		<u>19,529,295</u>	<u>17,330,803</u>
Distribution costs		(5,189,244)	(3,930,673)
Administrative expenses		(8,821,264)	(8,258,285)
Other operating income		126,697	12,411
Operating profit	5	<u>5,645,484</u>	<u>5,154,256</u>
Interest payable and similar charges	6	(115,133)	(119,577)
Interest receivable	7	12,940	3,140
Profit on ordinary activities before taxation		<u>5,543,291</u>	<u>5,037,819</u>
Taxation on profit on ordinary activities	8	(1,429,672)	(1,520,730)
Retained profit for the year	20	<u>4,113,619</u>	<u>3,517,089</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**

	Note	2012 £	2011 £
Profit for the year	20	4,113,619	3,517,089
Exchange (loss)/gain	20	(134,884)	(127,243)
Total recognised gains relating to the year		3,978,735	3,389,846

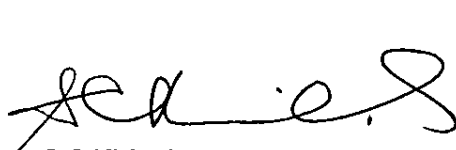
The notes on pages 12 to 26 form part of these financial statements

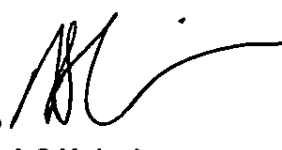
SPP PUMPS LIMITED

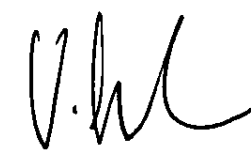
Consolidated balance sheet at 31 December 2012

		2012		2011	
	Note	£	£	£	£
Fixed assets					
Tangible assets	10		8,155,942		4,871,377
Current assets					
Stocks	12	14,286,273		9,705,501	
Debtors	13	21,023,492		23,374,216	
Cash at bank and in hand		1,865,349		302,516	
		<u>37,175,114</u>		<u>33,382,233</u>	
Creditors: amounts falling due within one year	14	(26,339,546)		(24,120,106)	
Net current assets			<u>10,835,568</u>		<u>9,262,127</u>
Total assets less current liabilities			<u>18,991,510</u>		<u>14,133,504</u>
Creditors: amounts falling due after more than one year	15	(2,662,526)		(393,793)	
Provisions for liabilities and charges	16	(345,344)		(534,806)	
Net assets			<u>15,983,640</u>		<u>13,204,905</u>
Capital and reserves - equity					
Called up share capital	18	1,950,000		1,950,000	
Capital redemption reserve	19	50,000		50,000	
Profit and loss account	19	13,983,640		11,204,905	
Shareholders' funds	20		<u>15,983,640</u>		<u>13,204,905</u>

The financial statements were approved by the Board on


S C Kirloskar
 Director


A S Kirloskar
 Director


O Shevlin
 Director

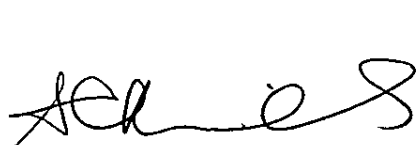
The notes on pages 12 to 26 form part of these financial statements

SPP PUMPS LIMITED

Company balance sheet at 31 December 2012

	Note	2012	2011
		£	£
Fixed assets			
Tangible assets	10	4,576,682	4,415,444
Investments	11	300,878	300,878
		<u>4,877,560</u>	<u>4,716,322</u>
Current assets			
Stock	12	11,319,070	7,259,834
Debtors	13	19,694,971	21,209,091
Cash at bank and in hand		1,013,126	1,987
		<u>32,027,167</u>	<u>28,470,912</u>
Creditors, amounts falling due within one year	14	(22,007,142)	(20,296,855)
Net current assets		<u>10,020,025</u>	<u>8,174,057</u>
Total assets less current liabilities		<u>14,897,585</u>	<u>12,890,379</u>
Creditors: amounts falling due after more than one year	15	(211,089)	(289,390)
Provisions for liabilities and charges	16	(365,007)	(560,469)
Net assets		<u>14,321,489</u>	<u>12,040,520</u>
Capital and reserves – equity			
Called up share capital	18	1,950,000	1,950,000
Capital redemption reserve	19	50,000	50,000
Profit and loss account	19	12,321,489	10,040,520
Shareholders' funds	20	<u>14,321,489</u>	<u>12,040,520</u>

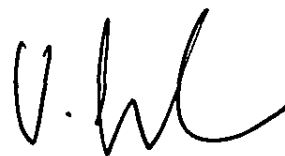
The financial statements were approved by the Board on 7 February 2013



S C Kirloskar
Director



A S 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 2012

	Note	2012		2011	
		£	£	£	£
Net cash inflow from operating activities	23		6,725,060		2,652,982
Returns on investments and servicing of finance					
Bank interest paid		(98,425)		(103,786)	
Interest on hire purchase		(16,708)		(15,791)	
Interest received		12,940		3,140	
Net cash outflow from returns on investments and servicing of finance			(102,193)		(116,437)
Taxation			(1,777,746)		(1,257,082)
Capital expenditure					
Payments to acquire tangible fixed assets		(4,184,958)		(936,507)	
Receipts from disposals of tangible fixed assets		63,665		59,636	
Net cash outflow from capital expenditure			(4,121,293)		(876,871)
Net cash inflow before financing			723,828		402,592
Equity dividends paid			(1,200,000)		(1,000,000)
			(476,172)		(597,408)
Financing					
Capital repayments under hire purchase contracts	24	(101,684)		(93,148)	
Inception of bank loan	24	2,518,574		1,500,000	
Repayment of bank loans	24	(257,635)		(1,525,159)	
Net cash outflow from financing			2,159,255		(118,307)
(Decrease)/increase in cash	25		1,683,083		(715,715)

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

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2012

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 2012 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.

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2012 (*Continued*)

1 Accounting policies (*continued*)

Stocks

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

Raw materials, consumables and goods for resale	-	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

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2012 (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.

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.

	2012 £	2011 £
UK	18,241,298	16,004,330
North America	15,218,795	5,794,989
South East Asia and Australia	15,172,598	19,290,423
Europe	6,964,388	10,767,065
Middle East	8,013,102	8,748,372
Rest of the world	4,387,267	8,599,663
	<u>67,997,448</u>	<u>69,204,842</u>

3 Employees

Staff costs for all employees, including directors, consist of

	2012 £	2011 £
Wages and salaries	13,104,661	12,120,101
Social security costs	1,252,113	1,222,620
Pension costs	786,428	705,855
	<u>15,143,202</u>	<u>14,048,576</u>

SPP PUMPS LIMITEDNotes forming part of the financial statements for the year ended 31 December 2012 (*Continued*)**3 Employees (*continued*)**

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

	2012 Number	2011 Number
Management and administration	93	75
Manufacturing	241	231
Sales and distribution	88	76
	<u>422</u>	<u>382</u>

4 Directors

	2012 £	2011 £
Emoluments		
Remuneration for management services	512,718	346,452
Payments to defined contribution pension schemes	6,667	40,000
	<u>519,385</u>	<u>386,452</u>
Highest paid director remuneration	346,231	326,452
Highest paid director pension contributions	6,667	40,000

Contributions were made to defined contribution pension schemes on behalf of one (2011 one) director
These payments ceased in February 2012

5 Operating profit

	2012 £	2011 £
This is arrived at after charging/(crediting)		
Rental income	(39,915)	(33,773)
Depreciation of owned tangible fixed assets	778,185	612,289
Depreciation of assets held under hire purchase contracts	42,940	44,817
Operating leases - land and buildings	498,992	291,153
Operating leases - other	440,516	209,082
Auditor's remuneration - audit of these financial statements	30,025	26,600
Audit of accounts of subsidiaries pursuant to legislation	20,819	23,099
Amounts receivable by the auditors and their associates in respect of		
- other services relating to taxation	32,162	15,036
- all other services	25,087	7,750
(Profit) on disposal of fixed assets	(15,352)	(12,322)
(Profit) on foreign exchange	<u>(134,884)</u>	<u>(75,652)</u>

SPP PUMPS LIMITEDNotes forming part of the financial statements for the year ended 31 December 2012 (*Continued*)**6 Interest payable and similar charges**

	2012 £	2011 £
Bank loans and overdrafts	98,425	103,786
Hire purchase contracts	16,708	15,791
	<u>115,133</u>	<u>119,577</u>

7 Interest receivable

	2012 £	2011 £
Bank interest receivable	12,940	3,140

8 Taxation on profit on ordinary activities

	2012 £	2011 £
(a) Analysis of charge in year		
<i>Current tax</i>		
UK Corporation tax on profits in the year	963,194	1,328,788
Overseas corporation tax on profits in the year	477,483	181,286
Total current tax (note 8 (b))	<u>1,440,677</u>	<u>1,510,074</u>
<i>Deferred tax</i>		
Reversal and origination of timing differences (note 16)	(11,005)	10,656
Tax on profit on ordinary activities	<u>1,429,672</u>	<u>1,520,730</u>

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2012 (*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

	2012 £	2011 £
Profit on ordinary activities before taxation	5,543,291	5,037,819
Profit on ordinary activities multiplied by expected rate of corporation tax of 24% (2011 26%)	1,330,390	1,309,833
Effects of		
Expenses not deductible for tax purposes	35,050	157,924
Depreciation for period in excess of capital allowances	42,673	(29,432)
Short term timing differences	(20,645)	25,609
Trade losses carried forward	38,142	38,959
Adjustment in respect of prior years	(81,041)	(74,116)
Change in tax rates	154,006	-
Difference in tax rates	-	59,840
Consolidation adjustments	(30,444)	-
Non qualifying depreciation	6,681	21,457
Other differences	(34,135)	-
	1,440,677	1,510,074

(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

	2012 £	2011 £
Dividends paid in the year		
Ordinary shares 61 538p	1,200,000	1,000,000

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2012 (Continued)

10 Tangible assets

Group	Freehold land & buildings £	Leasehold improve- ments £	Motor vehicles £	Plant & machinery £	Tooling & patterns £	Total £
<i>Cost</i>						
At 1 January 2012	2,460,440	166,248	242,908	5,238,605	823,999	8,932,200
Additions	3,171,751	223,259	70,414	642,597	76,937	4,184,958
Disposals	-	-	(50,896)	(2,141)	-	(53,037)
Exchange difference	-	-	(19,333)	(42,623)	-	(61,956)
At 31 December 2012	5,632,191	389,507	243,093	5,836,438	900,936	13,002,165
<i>Depreciation</i>						
At 1 January 2012	579,946	71,472	130,697	2,601,143	677,565	4,060,823
Provided for the year	71,615	12,034	28,651	648,020	60,805	821,125
Disposals	-	-	(2,583)	(2,141)	-	(4,724)
Exchange difference	-	-	(9,895)	(21,106)	-	(31,001)
At 31 December 2012	651,561	83,506	146,870	3,225,916	738,370	4,846,223
<i>Net book value</i>						
At 31 December 2012	4,980,630	306,001	96,223	2,610,522	162,566	8,155,942
At 31 December 2011	1,880,494	94,776	112,211	2,637,462	146,434	4,871,377

Freehold land & buildings includes land at a cost of £620,000 (2011 £620,000) which is not being depreciated

Hire purchase agreements

Included within the net book value of £8,155,942 (2011 £4,871,377) is £433,558 (2011 £698,377) relating to assets held under hire purchase agreements

Depreciation charged to the financial statements in the year in respect of such assets amounted to £42,940 (2011 £44,817)

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2012 (*Continued*)

10 Tangible assets (*continued*)

Company	Freehold land & buildings £	Leasehold improve- ments £	Motor vehicles £	Plant & machinery £	Tooling & patterns £	Total £
<i>Cost</i>						
At 1 January 2012	2,460,440	166,248	21,863	4,609,391	823,999	8,081,941
Additions	25,575	223,259	-	558,306	71,915	879,055
Disposals	-	-	(2,583)	-	-	(2,583)
At 31 December 2012	<u>2,486,015</u>	<u>389,507</u>	<u>19,280</u>	<u>5,167,697</u>	<u>895,914</u>	<u>8,958,413</u>
<i>Depreciation</i>						
At 1 January 2012	579,946	71,472	17,555	2,319,960	677,564	3,666,497
Provided for the year	71,615	12,034	1,175	572,188	60,805	717,817
Disposals	-	-	(2,583)	-	-	(2,583)
At 31 December 2012	<u>651,561</u>	<u>83,506</u>	<u>16,147</u>	<u>2,892,148</u>	<u>738,369</u>	<u>4,381,731</u>
<i>Net book value</i>						
At 31 December 2012	<u>1,834,454</u>	<u>306,001</u>	<u>3,133</u>	<u>2,275,549</u>	<u>157,545</u>	<u>4,576,682</u>
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>

Freehold land & buildings includes land at a cost of £620,000 (2011 £620,000) which is not being depreciated

Hire purchase agreements

Included within the net book value of £4,576,682 (2011 £4,415,444) is £433,558 (2011 £618,499) relating to assets held under hire purchase agreements

Depreciation charged to the financial statements in the year in respect of such assets amounted to £42,940 (2011 £40,431)

SPP PUMPS LIMITEDNotes forming part of the financial statements for the year ended 31 December 2012 (*Continued*)**11 Investments****Company**

**Shares in
group
undertakings
£**

Cost and net book value

At 1 January 2012 and at 31 December 2012

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 LP	U S A	Supply of pumps and related equipment	100%
SPP Pumps (South Africa) Pty Limited	South Africa	Manufacture and servicing of pumps and related equipment	100%
SPP France SAS	France	Supply and servicing of pumps and related equipment	100%
SPP Real Estate LLC	U S A	Real Estate	100%
SPP Pumps Holdings LLC	U S A	Dormant	100%
SPP Pumps Management LLC	U S A	Dormant	100%

12 Stocks

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Raw materials and consumables	2,328,697	2,684,888	2,494,821	2,936,876
Work in progress	6,264,904	3,105,626	6,037,258	2,960,171
Finished goods	5,692,672	3,914,987	2,786,991	1,362,787
	<u>14,286,273</u>	<u>9,705,501</u>	<u>11,319,070</u>	<u>7,259,834</u>

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2012 (Continued)

13 Debtors	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Trade debtors	19,238,962	20,211,109	17,770,339	17,718,858
Amounts owed by group undertakings	831,250	2,049,253	681,278	2,260,168
Other debtors	596,927	146,421	1,015,544	417,721
Prepayments and accrued income	356,353	585,976	227,810	430,887
VAT recoverable	-	381,457	-	381,457
	<u>21,023,492</u>	<u>23,374,216</u>	<u>19,694,971</u>	<u>21,209,091</u>

Other debtors includes an amount of £10,284 (2011 £Nil) for the group and £Nil (2011 £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

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

14 Creditors. amounts falling due within one year

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Bank loans and overdraft (note 15)	211,362	411,552	-	285,934
Trade creditors	14,105,264	12,955,320	11,546,291	10,842,726
Amounts owed to group undertakings	-	624,361	-	697,244
Tax and social security	232,317	345,545	124,574	194,892
Corporation tax	593,386	929,455	447,980	855,584
Obligations under hire purchase contracts	117,316	146,854	78,303	134,774
Other creditors	460,088	797,162	238,382	-
Accruals and deferred income	10,619,813	7,909,857	9,571,612	7,285,701
	<u>26,339,546</u>	<u>24,120,106</u>	<u>22,007,142</u>	<u>20,296,855</u>

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2012 (Continued)

15 Creditors: amounts falling due after more than one year

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Bank loan	2,385,282	44,403	-	-
Obligations under hire purchase contracts	277,244	349,390	211,089	289,390
	<u>2,662,526</u>	<u>393,793</u>	<u>211,089</u>	<u>289,390</u>

The bank loans fall due for repayment as follows

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Within one year	59,850	139,790	-	-
Between one and two years	82,799	44,403	-	-
Between two and five years	271,684	-	-	-
After more than five years	2,030,799	-	-	-
	<u>2,445,132</u>	<u>184,193</u>	<u>-</u>	<u>-</u>

The bank loan is a 10 year amortising floating rate term loan. The initial loan amount is United States \$4 million. Interest is charged 2.75% above US Libor rate. The bank facilities are secured by a fixed and floating charge over SPP Inc's assets. The loan is repayable in 124 monthly repayments and matures on 31 August 2022. Principal and interest payments commence on 15 April 2013.

At 31 December 2012 SPP Inc has taken out a hedge against changes in interest costs. The fair value of this hedge at the year end is a liability of United States \$54,211.

The hire purchase contracts fall due for repayment as follows

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Within one year	117,316	146,854	78,303	134,774
Between one and two years	206,057	90,768	211,089	78,302
Between two and five years	71,187	258,622	-	211,088
	<u>394,560</u>	<u>496,244</u>	<u>289,392</u>	<u>424,164</u>

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

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2012 (Continued)

16 Provisions for liabilities and charges

Group	Warranty provisions £	Onerous leases £	Deferred taxation £	Other £	Total £
At 1 January 2012	454,574	69,284	1,564	9,384	534,806
Increase/(decrease) in provision	71,364	-	(11,005)	8,006	68,365
Paid in the year	(207,438)	(59,388)	-	-	(266,826)
Exchange difference	-	-	(843)	(442)	(1,285)
Transfer to debtors	-	-	10,284	-	10,284
At 31 December 2012	318,500	9,896	-	16,948	345,344

Company	Warranty provisions £	Onerous leases £	Deferred taxation £	Total £
Provision at 1 January 2012	454,574	69,284	36,611	560,469
Increase/(decrease) in provision	71,364	(59,388)	-	11,976
Paid in the year	(207,438)	-	-	(207,438)
At 31 December 2012	318,500	9,896	36,611	365,007

17 Contingent liability and financial instruments

Performance bonds and guarantees remain outstanding at 31 December 2012. These arose in the normal course of business and amount to £6,666,134 (2011: £9,910,921).

The following table presents the carrying amounts and the fair values of the group's financial instruments at 31 December 2012. 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.

	2012 Book value £	Fair value £	2011 Book value £	Fair value £
Derivative financial instruments held to manage the currency profile				
Forward foreign exchange contracts	-	15,306,078	-	20,651,211

SPP PUMPS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2012 (Continued)

18 Share capital

	Authorised, allotted, called up and fully paid	
	2012 £	2011 £
Equity		
"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>

The share classes rank pari passu in all respects

19 Reserves

	Group profit and loss account £	Group capital redemption reserve £	Company profit and loss account £	Company capital redemption reserve £
At 1 January 2012	11,204,905	50,000	10,040,520	50,000
Profit for the year	4,113,619	-	3,480,969	-
Exchange gain	(134,884)	-	-	-
Dividends paid	(1,200,000)	-	(1,200,000)	-
At 31 December 2012	<u>13,983,640</u>	<u>50,000</u>	<u>12,321,489</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 £3,480,969 (2011 £3,469,944)

20 Reconciliation of movements in shareholders' funds

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Opening shareholders' funds	13,204,905	10,815,059	12,040,520	9,570,576
Profit for the year	4,113,619	3,517,089	3,480,969	3,469,944
Exchange loss	(134,884)	(127,243)	-	-
Dividends paid	(1,200,000)	(1,000,000)	(1,200,000)	(1,000,000)
Closing shareholders' funds	<u>15,983,640</u>	<u>13,204,905</u>	<u>14,321,489</u>	<u>12,040,520</u>

SPP PUMPS LIMITED**Notes forming part of the financial statements for the year ended 31 December 2012 (Continued)****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 £786,428 (2011: £705,855).

22 Commitments under operating leases

As at 31 December 2012, the group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2012	2011	2012	2011
	£	£	£	£
Operating leases which expire				
Within one year	270,139	32,915	167,481	252,793
In two to five years	222,486	122,645	319,872	448,206
After five years	279,997	66,303	-	-
	<u>772,622</u>	<u>221,863</u>	<u>487,353</u>	<u>700,999</u>

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

	2012	2011
	£	£
Operating profit	5,645,484	5,154,256
Depreciation	821,125	657,106
Profit on disposal	(15,352)	(12,322)
Increase in stocks	(4,580,772)	(831,822)
Decrease/(increase) in debtors	2,361,008	(6,143,080)
Increase in creditors	2,681,465	3,977,991
Decrease in provisions	(187,898)	(149,147)
Net cash inflow from operating activities	<u>6,725,060</u>	<u>2,652,982</u>

SPP PUMPS LIMITEDNotes forming part of the financial statements for the year ended 31 December 2012 *(Continued)***24 Reconciliation of net cashflow to movements in net funds/(debt)**

	2012 £	2011 £
Increase/(decrease) in cash in year	1,683,083	(715,715)
Inception of bank loan	(2,518,574)	(1,500,000)
Cash outflow from repayment of bank loan	257,635	1,525,159
Cash outflow from repayment of hire purchase contracts	101,684	93,148
Inception of hire purchase contracts	-	(402,078)
Movement in net debt	(476,172)	(999,486)
Net debt/(funds) at beginning of year	(649,683)	349,803
Net debt at end of year	(1,125,855)	(649,683)

25 Analysis of changes in net debt

	At At 1 January 2012 £	Cashflows £	At 31 December 2012 £
Cash at bank and in hand	302,516	1,562,833	1,865,349
Overdraft	(271,762)	120,250	(151,512)
	30,754	1,683,083	1,713,837
Hire purchase contracts	(496,244)	101,684	(394,560)
Bank loans	(184,193)	(2,260,939)	(2,445,132)
Net debt	(649,683)	(476,172)	(1,125,855)

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