

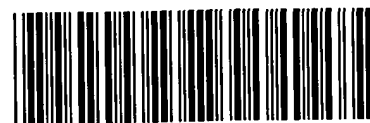
Registration number: 04839607

SPP Pumps Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2015

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SPP Pumps Limited

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SPP Pumps Limited

Company Information

Chairman	S C Kirloskar
Directors	S C Kirloskar A S Kirloskar P B Shirke
Company secretary	A B Naniwadekar Speafi Secretarial Limited
Registered office	Crucible Close Mushet Industrial Park Coleford Gloucestershire GL16 8PS
Auditor	Deloitte LLP Abbots House Abbey Street Reading RG1 3DB

SPP Pumps Limited

Strategic Report for the year ended 31 December 2015

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to SPP Pumps Limited and its subsidiary undertakings when viewed as a whole.

Fair review of the business

2015 has been a more difficult year for the Group. As shown in the profit and loss account, turnover has fallen by 15% compared with 2014 and the gross margin has reduced from 27.5% to 21.1%.

The main influence on the Group's overall performance was the continuing fall in the price of oil from around \$55 a barrel at the start of the year to about \$35 at the year end. This downturn in the Oil industry on a global scale has meant that exploration; production and major construction projects in this sector have been either cancelled or postponed, with a consequent impact on the Group's sales to this market.

In 2014, the Oil & Gas business unit comprised 33% of the UK Company's turnover. This has dropped to 18% in 2015, with most work coming from onshore rather than offshore contracts. The Group has responded to this change in market conditions by focussing on other market sectors and growth of 8% was seen in 2015 in the Industrial Fire business unit, mainly due to expansion of SPP's presence in Central and Eastern Europe and built on strong customer relationships.

The economic growth slowdown in key areas like China has also caused a drop in demand for some of the Group's products and geographically, turnover has dropped away in South East Asia but increased sales have been seen both in the UK and USA. The fall in the value of the Euro compared with Sterling has made sales to the Euro Zone more challenging and margins on these sales have tightened in 2015.

The Group's strategy of diversification within its core sector has also helped to reduce its previous reliance on the Oil & Gas market. In 2014, the Group acquired SyncroFlo Inc., based in the USA. This company is the largest independent manufacturer of packaged pumping systems and controls, and its turnover, which is wholly within the USA, grew by 9% in 2015.

The Group's other US business, SPP Pumps Inc. has seen turnover grow by 7% with growth also achieved in the USA.

The Group's branch in Dubai (Middle East) has maintained its turnover at £5 million, which is a very good performance considering the economic conditions in that area and this reflects the expansion of the range of products and services provided by this office.

With market conditions being more challenging, the Group has focussed on controlling capital expenditure and working capital. A planned expansion at the Coleford site has been put on hold at the present time and the focus on cash flow has resulted in bank balances being maintained well within the Group's banking facilities throughout the year.

During the year, the Group was successful in obtaining re-certification for OHAS 18001 and ISO 14001 at its Coleford site. The business is looking to introduce these quality standards across all its sites. There is a system of internal and external audits to verify continued compliance with these standards. Quality, Environment, Safety and Health awareness is actively promoted with employees through compulsory induction for new employees, regular information updates as well as more formal training programmes. In the UK, the Group carried out Equality and Diversity training across all levels of staff and also conducted an Employee Engagement Survey, which was completed by 82% of employees. In the US, the Group completed a Job Evaluation for all employees.

SPP Pumps Limited

Strategic Report for the year ended 31 December 2015 (continued)

Principal risks and uncertainties

Commodity risk

The price of oil now stands at about \$30 a barrel and, with the possibility of it reducing further, the Oil & Gas market will remain a challenging sector for the Group with fierce competition for orders in this area.

Currency risk

Approximately 70% of the Group's business comes from outside the UK, with a significant portion denominated in US Dollars. The Group also trades in the Euro, so foreign exchange movements are an ongoing risk that needs to be managed. The Group minimises this risk by hedging foreign currency transactions through forward contracts.

Credit risk

The weaker global economy has inevitably increased the credit risk to the Group, however SPP controls its credit exposures carefully and does not anticipate any material impact on its financial performance as a result of these.

Liquidity risk

The Group has maintained sound financial control in 2015 and is in a strong financial position going into 2016. The Group continues to be backed by first class international banks and retains the facilities required to fully support the demands of the business.

Future developments

The Group has a healthy order book at the end of 2015 and prospects for 2016 are for a return to growth in turnover in the Oil & Gas business unit as well as continued focus on growth and diversification in other areas and markets. Prospects for growth in Industrial Fire and Water business units are also encouraging, despite these being very price competitive sectors. SPP continues to evaluate alternatives for global expansion and partnering opportunities, including continued efforts to achieve orders in the Desalination market sector.

The Group has commenced a formal programme of initiatives aimed at improving operational efficiency, expanding the product range, achieving business growth, eliminating waste and reducing costs. These steps will place the Group in an even stronger position to face future global challenges.

SPP will continue to support and strengthen its brand image and reputation for product quality through industry accreditations, adherence to quality standards as well as marketing and exhibition activities.

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.

Approved by the Board on 10.02.16 and signed on its behalf by:



.....
A B Naniwadekar
Company Secretary

SPP Pumps Limited

Directors' Report for the year ended 31 December 2015

The directors present their report and the consolidated financial statements for the year ended 31 December 2015.

Results and dividends

The consolidated profit and loss account is set out on page 9 and shows the loss for the year of £890,588 (2014: profit of £4,115,975). An interim dividend of £1,000,000 (2014: £1,000,000) was distributed to members in 2015. The prior year result has been restated for the transition to FRS 102, as detailed in Note 31.

Principal activity

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

Directors of the Group

The directors who held office during the year were as follows:

S C Kirloskar - Chairman
A S Kirloskar - Managing Director
O Shevlin (resigned 30 June 2015)
P B Shirke

Going concern

The directors have considered the Company's and Group's financial position, its forecast trading performance, and the current uncertain economic environment and have identified no material uncertainties that cast significant doubt about the ability of the Company and the Group to continue as a going concern. The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Employee involvement

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.

Future developments

Future developments are described in the Strategic Report.

SPP Pumps Limited

Directors' Report for the year ended 31 December 2015 (continued)

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.

The Group uses forward currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material receipts and payments in a foreign currency.

Group borrowings are obtained from standard bank loan accounts.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to be reappointed as auditor. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board on **10.02.16** and signed on its behalf by:



.....
A B Naniwadekar
Company Secretary

SPP Pumps Limited

Directors' Responsibilities Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 102. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures 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 Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and 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.

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

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Independent Auditor's Report to the members of SPP Pumps Limited

We have audited the financial statements of SPP Pumps Limited for the year ended 31 December 2015, which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 31. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 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 Statements (set out on page 6), 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 and express an opinion on 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 (APB's) Ethical Standards for Auditors to the financial statements.

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 the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 102; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent Auditor's Report to the members of SPP Pumps Limited (continued)

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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



Simon Olsen FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Abbots House
Abbey Street
Reading
RG1 3DB

Date: 10th February, 2016

SPP Pumps Limited

Consolidated Profit and Loss Account for the year ended 31 December 2015

	Note	2015 £	Restated 2014 £
Group turnover			
Continuing operations		73,686,174	84,863,813
Discontinued operations		-	2,404,390
	4	<u>73,686,174</u>	<u>87,268,203</u>
Cost of sales		<u>(58,163,946)</u>	<u>(63,270,758)</u>
Gross profit		15,522,228	23,997,445
Distribution costs		(6,839,936)	(7,600,275)
Administrative expenses		(9,106,380)	(11,345,077)
Other operating income		<u>318,459</u>	<u>708,724</u>
	7	<u>(105,629)</u>	<u>5,760,817</u>
Operating (loss)/profit			
Continuing operations		(105,629)	6,246,004
Discontinued operations		-	(485,187)
	7	<u>(105,629)</u>	<u>5,760,817</u>
Loss on sale of discontinued operations	8	-	(216,246)
Net finance costs	9	(357,762)	(325,378)
(Loss)/gain on valuation of forward contracts		<u>(319,393)</u>	<u>55,232</u>
(Loss)/profit before tax		(782,784)	5,274,425
Tax on (loss)/profit on ordinary activities	10	<u>(107,804)</u>	<u>(1,158,450)</u>
(Loss)/profit for the financial year		<u>(890,588)</u>	<u>4,115,975</u>
(Loss)/profit attributable to:			
Owners of the Company		<u>(890,588)</u>	<u>4,115,975</u>

SPP Pumps Limited

Consolidated Statement of Comprehensive Income for the year ended 31 December 2015

	2015	Restated
	£	2014
		£
(Loss)/profit for the year	(890,588)	4,115,975
Foreign currency translation gains	<u>161,658</u>	<u>136,188</u>
Total comprehensive income for the year	<u>(728,930)</u>	<u>4,252,163</u>
Total comprehensive income attributable to:		
Owners of the Company	<u>(728,930)</u>	<u>4,252,163</u>

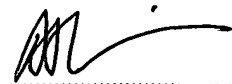
SPP Pumps Limited

Consolidated Balance Sheet as at 31 December 2015

	Note	2015 £	Restated 2014 £
Fixed assets			
Intangible assets	13	446,275	491,880
Goodwill	13	161,955	173,242
Tangible assets	14	11,513,956	10,585,222
Investments	15	-	200,000
		<u>12,122,186</u>	<u>11,450,344</u>
Current assets			
Stocks	18	10,706,870	8,580,122
Debtors	19	25,540,717	33,655,505
Cash at bank and in hand		<u>1,630,861</u>	<u>1,589,875</u>
		37,878,448	43,825,502
Creditors: amounts falling due within one year	20	<u>(24,912,473)</u>	<u>(28,735,391)</u>
Net current assets		<u>12,965,975</u>	<u>15,090,111</u>
Total assets less current liabilities		25,088,161	26,540,455
Creditors: amounts falling due after more than one year	21	(3,199,244)	(3,826,918)
Provisions for liabilities	22	<u>(2,187,740)</u>	<u>(1,283,430)</u>
Net assets		<u>19,701,177</u>	<u>21,430,107</u>
Capital and reserves			
Called-up share capital	26	1,950,000	1,950,000
Capital redemption reserve		50,000	50,000
Profit and loss account		<u>17,701,177</u>	<u>19,430,107</u>
Shareholders' funds		<u>19,701,177</u>	<u>21,430,107</u>

The consolidated financial statements of SPP Pumps Limited (registered number: 04839607) were approved by the Board of directors and authorised for issue on 10.02.16

They were signed on its behalf by:



A S Kirloskar
Managing Director

The notes on pages 17 to 41 form an integral part of these financial statements.

SPP Pumps Limited

Company Balance Sheet as at 31 December 2015

	Note	2015 £	Restated 2014 £
Fixed assets			
Tangible assets	14	7,034,128	6,209,842
Investments	15	<u>286,515</u>	<u>486,515</u>
		<u>7,320,643</u>	<u>6,696,357</u>
Current assets			
Stocks	18	7,006,131	5,028,385
Debtors	19	19,847,176	27,908,206
Cash at bank and in hand		<u>1,220,902</u>	<u>1,016,334</u>
		28,074,209	33,952,925
Creditors: amounts falling due within one year	20	<u>(16,222,367)</u>	<u>(18,820,889)</u>
Net current assets		<u>11,851,842</u>	<u>15,132,036</u>
Total assets less current liabilities		19,172,485	21,828,393
Creditors: amounts falling due after more than one year	21	(631,038)	(1,229,744)
Provisions for liabilities	22	<u>(1,551,995)</u>	<u>(1,168,648)</u>
Net assets		<u>16,989,452</u>	<u>19,430,001</u>
Capital and reserves			
Called-up share capital	26	1,950,000	1,950,000
Capital redemption reserve		50,000	50,000
Profit and loss account		<u>14,989,452</u>	<u>17,430,001</u>
Shareholders' funds		<u>16,989,452</u>	<u>19,430,001</u>

The financial statements of SPP Pumps Limited (registered number: 04839607) were approved by the Board of directors and authorised for issue on 10.02.16

They were signed on its behalf by:



.....
A S Kirloskar
Managing Director

The notes on pages 17 to 41 form an integral part of these financial statements.

SPP Pumps Limited

Consolidated Statement of Changes in Equity for the year ended 31 December 2015

	Called-up share capital £	Capital redemption reserve £	Profit and loss account £	Total £
At 31 December 2013 as previously stated	1,950,000	50,000	16,398,698	18,398,698
Changes on transition to FRS 102 (see note 31)	-	-	(220,754)	(220,754)
At 1 January 2014 as restated	1,950,000	50,000	16,177,944	18,177,944
Profit for the year	-	-	4,115,975	4,115,975
Foreign currency translation gains	-	-	136,188	136,188
Total comprehensive income	-	-	4,252,163	4,252,163
Dividends (see note 12)	-	-	(1,000,000)	(1,000,000)
At 31 December 2014 (restated)	1,950,000	50,000	19,430,107	21,430,107
	Called-up share capital £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 2015 (restated)	1,950,000	50,000	19,430,107	21,430,107
Loss for the year	-	-	(890,588)	(890,588)
Foreign currency translation gains	-	-	161,658	161,658
Total comprehensive income	-	-	(728,930)	(728,930)
Dividends (see note 12)	-	-	(1,000,000)	(1,000,000)
At 31 December 2015	1,950,000	50,000	17,701,177	19,701,177

The notes on pages 17 to 41 form an integral part of these financial statements.

SPP Pumps Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2015

	Called-up share capital £	Capital redemption reserve £	Profit and loss account £	Total £
At 31 December 2013 as previously stated	1,950,000	50,000	14,344,591	16,344,591
Changes on transition to FRS 102 (see note 31)	-	-	(220,754)	(220,754)
At 1 January 2014 as restated	1,950,000	50,000	14,123,837	16,123,837
Profit for the year	-	-	4,306,164	4,306,164
Total comprehensive income	-	-	(4,306,164)	(4,306,164)
Dividends (see note 12)	-	-	(1,000,000)	(1,000,000)
At 31 December 2014 (restated)	1,950,000	50,000	17,430,001	19,430,001
	Called-up share capital £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 2015 (restated)	1,950,000	50,000	17,430,001	19,430,001
Loss for the year	-	-	(1,440,549)	(1,440,549)
Total comprehensive income	-	-	(1,440,549)	(1,440,549)
Dividends (see note 12)	-	-	(1,000,000)	(1,000,000)
At 31 December 2015	1,950,000	50,000	14,989,452	16,989,452

SPP Pumps Limited

Consolidated Statement of Cash Flows for the year ended 31 December 2015

	Note	2015 £	Restated 2014 £
Cash flows from operating activities			
(Loss)/profit for the year before taxation		(782,784)	5,274,425
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	7	1,479,699	1,491,974
Loss on disposal of subsidiary		-	216,246
Interest income	9	(3,972)	(21,996)
Interest expense	9	361,734	347,374
Foreign exchange (gain)/loss		(95,649)	13,996
Valuation of forward contracts loss/(gain)		319,393	(55,232)
		<u>1,278,421</u>	<u>7,266,787</u>
Working capital adjustments			
(Increase)/decrease in stocks	18	(2,126,748)	501,679
Decrease/(increase) in trade and other debtors	19	8,875,360	(3,744,887)
Decrease in trade and other creditors	20	(3,101,794)	(721,818)
Increase in provisions	22	81,991	747,038
		<u>5,007,230</u>	<u>4,048,799</u>
Cash generated from operations			
Income taxes paid	10	(912,220)	(1,394,935)
Net cash flow from operating activities		<u>4,095,010</u>	<u>2,653,864</u>
Cash flows from investing activities			
Interest received	9	3,972	21,996
Acquisition of intangible assets	13	(1,818)	-
Acquisition of tangible assets	14	(2,103,132)	(2,327,206)
Disposal of tangible assets	14	206	-
Disposal of investments	15	200,000	-
Purchase of subsidiary	16	-	(1,301,129)
Disposal of subsidiary	17	-	97,003
		<u>(1,900,772)</u>	<u>(3,509,336)</u>
Net cash flows from investing activities			
Cash flows from financing activities			
Interest paid	9	(361,734)	(347,374)
Interim dividend paid	12	(1,000,000)	(1,000,000)
New hire purchase contracts		419,341	-
Repayments under hire purchase contracts		(317,576)	(120,306)
New bank loan		727,139	1,131,214
Loan repayment		(1,234,253)	(190,545)
		<u>(1,767,083)</u>	<u>(527,011)</u>
Net cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		427,155	(1,382,483)

The notes on pages 17 to 41 form an integral part of these financial statements.

SPP Pumps Limited

Consolidated Statement of Cash Flows for the year ended 31 December 2015 (continued)

	Note	2015 £	Restated 2014 £
Cash and cash equivalents at 1 January		<u>(22,240)</u>	<u>1,360,243</u>
Cash and cash equivalents at 31 December		<u>404,915</u>	<u>(22,240)</u>

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015

1 General information

The Company is a private company limited by share capital incorporated and domiciled in the United Kingdom. The address of its registered office is:

Crucible Close
Mushet Industrial Park
Coleford
Gloucestershire
GL16 8PS

The nature of the Group's operations and its principal activities are set out in the strategic report on pages 2 to 3.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 31.

The functional currency of SPP Pumps Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

SPP Pumps Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition. More information can be found in note 31 to these financial statements.

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

2 Accounting policies (continued)

Going concern

The directors have considered the Company's financial position, its forecast trading performance, and the current uncertain economic environment and have identified no material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern. The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

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.

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the amount received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Other exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income; and
- in the case of the consolidated financial statements, exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised in other comprehensive income and reported under equity.

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

2 Accounting policies (continued)

Tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment is measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 10 years. Provision is made for any impairment.

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

2 Accounting policies (continued)

Intangible assets - patents and trademarks

Patents and trademarks are included at cost and depreciated in equal annual instalments over a period of 10 years which is their estimated useful economic life.

Tangible fixed assets

Tangible assets is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation rate and method
Freehold buildings	4% straight line basis
Leasehold improvements	5% to 20% straight line basis
Motor vehicles	25% straight line basis
Plant and machinery	5% to 33.33% straight line basis
Tooling and patterns	20% to 25% straight line basis

Stocks

Stocks are valued at the lower of cost and selling price less costs to sell, which is equivalent to the 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

Borrowings

Borrowing costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Provisions

Provisions are recognised when the Group has an obligation at the reporting date as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

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.

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.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

2 Accounting policies (continued)

Defined contribution pension obligation

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.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Investments

In the Company balance sheet, investments (including investments in associates) are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

Derivative financial instruments

The Group uses forward currency contracts to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes. Derivatives are adjusted to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss.

Fair value measurement

The fair value is estimated with reference to year end exchange rates.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies in note 2 contain details of key accounting judgements made in the preparation of these financial statements.

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

4 Turnover

An analysis of the Group's turnover by class of business is as follows:

	2015 £	2014 £
Engineered Products	27,142,107	34,551,515
Standard Products	30,534,058	30,373,479
Spares and Servicing	16,010,009	22,343,209
	<u>73,686,174</u>	<u>87,268,203</u>

An analysis of the Group's turnover by geographical market is set out below:

	2015 £	2014 £
United Kingdom	22,071,481	18,029,357
North America	27,102,824	18,067,925
South East Asia and Australia	6,554,154	24,765,222
Europe	8,075,715	10,993,393
Middle East	7,241,557	7,802,189
Rest of world	2,640,443	7,610,117
	<u>73,686,174</u>	<u>87,268,203</u>

5 Staff costs

The average monthly number of employees (including executive directors) was:

	2015 No.	2014 No.
Management and administration	101	85
Manufacturing	262	344
Sales and distribution	113	89
	<u>476</u>	<u>518</u>

The aggregate payroll costs (including directors' remuneration) were as follows:

	2015 £	2014 £
Wages and salaries	16,444,530	16,088,549
Social security costs	1,219,857	1,554,374
Pension costs, defined contribution scheme	686,750	847,842
	<u>18,351,137</u>	<u>18,490,765</u>

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

6 Directors' remuneration

The directors' remuneration for the year was as follows:

	2015 £	2014 £
Emoluments:		
Remuneration for management services	237,727	578,491
Benefits in kind	21,574	21,151
Payments to defined contribution pension schemes	1,501	1,500
	<u>260,802</u>	<u>601,142</u>

In respect of the highest paid director:

	2015 £	2014 £
Remuneration	187,406	331,118
Benefits in kind	18,032	17,278
Payments to defined contribution pension schemes	1,501	1,500
	<u>206,939</u>	<u>349,896</u>

Contributions were made to defined contribution pension schemes on behalf of one (2014: one) director.

7 (Loss)/profit before tax

This is arrived at after charging/(crediting)

	2015 £	2014 £
Rental income	-	(60,079)
Depreciation of owned tangible fixed assets	1,188,626	1,279,142
Depreciation of assets held under hire purchase contracts	199,561	78,612
Operating leases - land and buildings	391,507	445,117
Operating leases - other	248,755	356,975
Amortisation of patents and trademarks	71,682	118,472
Amortisation of goodwill	19,830	15,748
Government grants repayable/(receivable)	290,019	(332,000)
Employee Benefit Trust Settlement	229,748	-
Research & development expenditure credit	(42,229)	(66,737)
Auditor's remuneration - audit of these financial statements	48,600	46,000
Audit of accounts of subsidiaries pursuant to legislation	38,602	43,239
Amounts receivable by the auditor and their associates in respect of:		
- other services relating to taxation	11,000	10,000
- all other services	<u>44,000</u>	<u>54,000</u>

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

8 Loss on sale of discontinued operations

The loss on sale of discontinued operations in 2014 relates to the disposal of the Group's interest in SPP Pumps South Africa (Pty) Limited.

This effect of the loss on sale of discontinued operations of £nil (2014: £216,246) is reported after operating profit.

9 Finance income and costs

	2015 £	2014 £
Interest receivable:		
Bank interest receivable	3,972	21,996
Interest payable:		
Bank loans and overdrafts	(248,446)	(323,980)
Interest on hire purchase	(51,873)	-
Other interest	(41,765)	(23,394)
Group interest	<u>(19,650)</u>	<u>-</u>
Net finance costs	<u><u>(357,762)</u></u>	<u><u>(325,378)</u></u>

10 Tax on (loss)/profit on ordinary activities

Tax charged/(credited) in the income statement

	2015 £	Restated 2014 £
Current tax on profit on ordinary activities		
UK corporation tax	(219,802)	1,126,288
Overseas corporation tax on profits in the year	(270,188)	281,349
Adjustment in respect of prior years	<u>64,329</u>	<u>(31,573)</u>
Total current tax	<u><u>(425,661)</u></u>	<u><u>1,376,064</u></u>
Deferred tax		
Reversal and origination of timing differences	503,468	(233,282)
Adjustment in respect of prior years	<u>29,997</u>	<u>15,668</u>
Total deferred tax	<u><u>533,465</u></u>	<u><u>(217,614)</u></u>
Total tax on (loss)/profit on ordinary activities	<u><u>107,804</u></u>	<u><u>1,158,450</u></u>

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

10 Tax on (loss)/profit on ordinary activities (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%).

The differences are reconciled below:

	2015 £	Restated 2014 £
(Loss)/profit before tax	<u>(782,784)</u>	<u>5,274,425</u>
Corporation tax at standard rate	(158,514)	1,068,071
Effects of:		
Expenses not deductible for tax purposes	133,567	208,318
Depreciation for period in excess of capital allowances	52,230	(37,146)
Short-term timing differences	3,232	(5,211)
Trade losses carried forward	-	(41,061)
Adjustment in respect of prior years	94,326	(31,573)
Difference in tax rates	<u>(17,037)</u>	<u>(2,948)</u>
Total tax charge	<u>107,804</u>	<u>1,158,450</u>

A reduction in the rate of UK corporation tax took place on 1 April 2015 from 21% to 20%. Further reductions have been announced but not yet enacted.

The Group's overseas tax rates are higher than those in the UK primarily because the profits earned by SPP Pumps Inc. and SyncroFlo Inc. are taxed in the USA at 34% (2014: 34%).

11 Profit attributable to the Company

The loss for the financial year dealt with in the financial statements of the parent Company was £1,440,549 (2014: profit of £4,306,164). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company.

12 Dividends

	2015 £	2014 £
Interim dividend of £0.513 (2014: £0.513) per ordinary share	<u>1,000,000</u>	<u>1,000,000</u>

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

13 Intangible assets

Group

	Goodwill £	Contractual backlog £	Trade name £	Product name £	Customer relationship £	Other £	Total £
Cost or valuation							
At 1 January 2015	188,990	90,136	262,683	227,273	30,260	23,559	822,901
Additions	-	-	1	-	-	1,817	1,818
Disposals	-	-	-	-	-	(4,821)	(4,821)
Foreign exchange movements	9,320	4,446	12,955	11,208	1,492	(1,377)	38,044
At 31 December 2015	198,310	94,582	275,639	238,481	31,752	19,178	857,942
Amortisation							
At 1 January 2015	15,748	75,116	21,890	18,942	2,524	23,559	157,779
Amortisation charge	19,830	15,021	26,268	22,730	6,335	1,328	91,512
Eliminated on disposals	-	-	-	-	-	(4,821)	(4,821)
Foreign exchange movements	777	4,445	2,376	2,055	(3,034)	(1,377)	5,242
At 31 December 2015	36,355	94,582	50,534	43,727	5,825	18,689	249,712
Carrying amount							
At 31 December 2015	161,955	-	225,105	194,754	25,927	489	608,230
At 31 December 2014	173,242	15,020	240,793	208,331	27,736	-	665,122

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

14 Tangible fixed assets

Group	Freehold land and buildings £	Leasehold improvements £	Motor vehicles £	Plant and machinery £	Tooling and patterns £	Total £
Cost or valuation						
At 1 January 2015	7,087,933	517,240	40,764	8,915,657	1,016,239	17,577,833
Additions	34,617	7,278	10,813	1,868,559	181,865	2,103,132
Disposals	-	-	-	(390)	-	(390)
Foreign exchange movements	175,659	2,963	858	62,055	-	241,535
At 31 December 2015	<u>7,298,209</u>	<u>527,481</u>	<u>52,435</u>	<u>10,845,881</u>	<u>1,198,104</u>	<u>19,922,110</u>
Depreciation						
At 1 January 2015	1,276,658	123,039	17,403	4,711,743	863,768	6,992,611
Charge for the year	(98,608)	33,807	17,520	1,349,617	85,851	1,388,187
Eliminated on disposal	-	-	-	(184)	-	(184)
Foreign exchange movements	20,928	-	-	6,612	-	27,540
At 31 December 2015	<u>1,198,978</u>	<u>156,846</u>	<u>34,923</u>	<u>6,067,788</u>	<u>949,619</u>	<u>8,408,154</u>
Carrying amount						
At 31 December 2015	<u>6,099,231</u>	<u>370,635</u>	<u>17,512</u>	<u>4,778,093</u>	<u>248,485</u>	<u>11,513,956</u>
At 31 December 2014	<u>5,811,275</u>	<u>394,201</u>	<u>23,361</u>	<u>4,203,914</u>	<u>152,471</u>	<u>10,585,222</u>

Freehold land & buildings includes land at a cost of £1,802,558 (2014: £1,694,417) which is not being depreciated. The change in value relates to foreign exchange movements.

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

14 Tangible fixed assets (continued)

Company	Freehold land and buildings £	Leasehold improvements £	Motor vehicles £	Plant and machinery £	Tooling and patterns £	Total £
Cost or valuation						
At 1 January 2015	3,471,288	457,168	23,381	7,421,049	1,016,239	12,389,125
Additions	8,271	-	(1)	1,671,648	181,865	1,861,783
At 31 December 2015	3,479,559	457,168	23,380	9,092,697	1,198,104	14,250,908
Depreciation						
At 1 January 2015	797,453	123,039	17,404	4,377,619	863,768	6,179,283
Charge for the year	98,808	20,034	2,674	830,130	85,851	1,037,497
At 31 December 2015	896,261	143,073	20,078	5,207,749	949,619	7,216,780
Carrying amount						
At 31 December 2015	2,583,298	314,095	3,302	3,884,948	248,485	7,034,128
At 31 December 2014	2,673,835	334,129	5,977	3,043,430	152,471	6,209,842

Freehold land & buildings includes land at a cost of £745,000 (2014: £745,000) which is not being depreciated.

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

14 Tangible fixed assets (continued)

Hire purchase agreements

Group

Included within the amounts for plant and machinery above is net book value of £1,596,138 (2014: £1,441,079) relating to assets held under hire purchase agreements.

Depreciation charged to the financial statements in the year in respect of such assets amounted to £199,561 (2014: £87,346).

Company

Included within the amounts for plant and machinery above is net book value of £1,506,708 (2014: £1,353,999) relating to assets held under hire purchase agreements.

Depreciation charged to the financial statements in the year in respect of such assets amounted to £177,251 (2014: £78,612).

Hire purchase agreements (Group and Company) mainly comprise financing for machine tools.

15 Investments

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Investment in subsidiary undertakings	-	-	286,515	286,515
Other investment	-	200,000	-	200,000
	<u>-</u>	<u>200,000</u>	<u>286,515</u>	<u>486,515</u>

Details of undertakings

Details of the investments in which the Group and the parent company hold any class of share capital are as follows:

Undertaking	Country of incorporation	Principal activity	Proportion of voting rights and shares held	
			2015	2014
Subsidiary undertakings				
SPP Pumps Inc.	USA	Supply of pumps and related equipment	100%	100%
SPP France SAS	France	Supply and servicing of pumps and related equipment	100%	100%
Certified Engines Limited	England and Wales	Dormant	100%	100%

An exemption has been taken not to prepare accounts for Certified Engines Limited under s394 Companies Act 2006 and under s448 Companies Act 2006 not to file accounts at Companies House.

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

15 Investments (continued)

Subsidiaries of SPP Pumps Inc.:

SPP Real Estate LLC	USA	Real Estate	100%	100%
SyncroFlo, Inc.	USA	Supply of pumping equipment	100%	100%

16 Acquisition of subsidiary undertaking

On 1 March 2014 SPP Group acquired 100% of the issued share capital of SyncroFlo, Inc. for a cash consideration £800,527. Acquisitions are accounted for under the acquisition method.

The following table sets out the book value of the identifiable assets and liabilities acquired and their fair value to the Group:

	Book Value £	Fair Value Adjustment £	Total £
Fixed assets			
Intangible	-	610,353	610,353
Tangible	389,075	-	389,075
Total	389,075	610,353	999,428
Current Assets			
Stocks	1,176,383	-	1,176,383
Debtors	1,481,480	-	1,481,480
Prepaid	73,091	-	73,091
Deferred Tax	71,355	-	71,355
Total	2,802,309	-	2,802,309
Total Assets	3,191,384	610,353	3,801,737
Creditors			
Bank overdraft	500,602	-	500,602
Trade Creditors	2,390,136	-	2,390,136
Accruals	299,462	-	299,462
Total Liabilities	3,190,200	-	3,190,200
Net Assets	1,184	610,353	611,537
Cash consideration			800,527
Less:			
Net Assets acquired			(611,537)
Goodwill			188,990

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

17 Sale of subsidiary undertaking

On 24 October 2014 the Group sold its 100% per cent interest in the ordinary share capital of SPP Pumps (South Africa) Pty Limited. The trading loss of SPP Pumps (South Africa) Pty Limited, up to the date of disposal was £348,633, and for its last financial year was £79,711.

Net assets disposed of and the related sale losses were as follows:

	£
Fixed assets	174,045
Current assets	1,554,072
Creditors	<u>(1,511,885)</u>
Net Assets	<u>216,232</u>
Cash consideration received	6
Net assets disposed	<u>(216,252)</u>
Loss on disposal of discontinued operations	<u>(216,246)</u>
Net cash inflow/outflow in respect of sale comprised:	
Cash consideration	(6)
Bank overdraft sold	<u>96,997</u>
Total	<u>96,991</u>

18 Stocks

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Raw materials and consumables	4,869,932	2,880,702	2,884,521	2,280,102
Work in progress	4,066,318	2,723,038	3,661,062	2,344,207
Finished goods and goods for resale	<u>1,770,620</u>	<u>2,976,382</u>	<u>460,548</u>	<u>404,076</u>
	<u>10,706,870</u>	<u>8,580,122</u>	<u>7,006,131</u>	<u>5,028,385</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

19 Debtors

	Note	Group		Company	
		2015 £	Restated 2014 £	2015 £	Restated 2014 £
Trade debtors		22,271,872	29,801,999	16,501,884	23,103,935
Amounts owed by group undertakings		709,819	197,094	1,960,334	1,854,591
Other debtors		478,248	2,459,780	262,333	2,158,166
Prepayments		1,064,006	641,388	826,415	474,183
VAT recoverable		4,432	303,476	-	303,476
Corporation tax recoverable		795,096	-	296,210	-
Deferred tax assets	10	217,244	251,768	-	13,855
		<u>25,540,717</u>	<u>33,655,505</u>	<u>19,847,176</u>	<u>27,908,206</u>

20 Creditors: amounts falling due within one year

	Note	Group		Company	
		2015 £	2014 £	2015 £	2014 £
Bank loans		869,311	667,820	400,000	159,600
Overdraft		1,225,946	1,612,115	-	-
Trade creditors		10,644,837	15,866,150	7,267,786	10,569,068
Amounts owed to group undertakings		2,584,279	1,073,569	480,277	373,084
Tax and social security		87,629	124,997	-	11,787
VAT payable		336,047	10,370	336,047	-
Corporation tax	10	-	557,280	-	480,978
Obligations under hire purchase contracts		260,188	239,354	240,428	223,070
Other creditors		558,430	242,087	14,478	187,142
Accruals and deferred income		8,345,806	8,341,649	7,483,351	6,816,160
		<u>24,912,473</u>	<u>28,735,391</u>	<u>16,222,367</u>	<u>18,820,889</u>

21 Creditors: amounts falling due after more than one year

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Bank loan	2,526,969	3,235,574	-	638,400
Obligations under hire purchase contracts	672,275	591,344	631,038	591,344
	<u>3,199,244</u>	<u>3,826,918</u>	<u>631,038</u>	<u>1,229,744</u>

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

21 Creditors: amounts falling due after more than one year (continued)

The bank loans fall due for repayment as follows:

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Bank loans:				
Between one and two years	208,748	709,776	-	319,200
Between two and five years	403,377	591,107	-	319,200
After five years	1,914,844	1,934,673	-	-
	<u>2,526,969</u>	<u>3,235,556</u>	<u>-</u>	<u>638,400</u>
On demand or within one year	869,311	667,820	400,000	159,600
	<u>3,396,280</u>	<u>3,903,376</u>	<u>400,000</u>	<u>798,000</u>

SPP Pumps Inc. restructured its bank loan facility in 2013 with Regions Bank. The loan is a 10 year amortising floating rate term loan. Interest is charged at 3.75% above US Libor rate. The bank facilities are secured by a fixed and floating charge over SPP Pumps Inc.'s assets. The loan is repayable in 124 monthly repayments and matures on 27 June 2023. Principal and interest payments commenced on 27 June 2013.

SPP Pumps Limited took out a loan in December 2014 with Lloyds Bank. This was secured on new land and buildings purchased by the Company. This loan was repaid in full in December 2015.

The hire purchase contracts fall due for repayment as follows:

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Between one and two years	213,934	591,344	196,384	591,344
Between two and five years	458,341	-	434,654	-
	<u>672,275</u>	<u>591,344</u>	<u>631,038</u>	<u>591,344</u>
On demand or within one year	260,188	239,354	240,428	223,070
	<u>932,463</u>	<u>830,698</u>	<u>871,466</u>	<u>814,414</u>

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

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

22 Provisions

Group

	Warranties £	Deferred tax £	Forward contract valuation £	Total £
At 1 January 2015 restated	1,062,720	-	220,710	1,283,430
Profit and loss account movement	265,643	533,465	319,393	1,118,501
Paid in the year	(189,313)	-	-	(189,313)
Reclassification from debtors	-	(13,855)	-	(13,855)
Increase due to foreign exchange differences	5,661	(16,684)	-	(11,023)
At 31 December 2015	<u>1,144,711</u>	<u>502,926</u>	<u>540,103</u>	<u>2,187,740</u>

Company

	Warranties £	Deferred tax £	Forward contract valuation £	Total £
At 1 January 2015 restated	947,938	-	220,710	1,168,648
Profit and loss account movement	27,012	50,797	319,393	397,202
Reclassification from debtors	-	(13,855)	-	(13,855)
At 31 December 2015	<u>974,950</u>	<u>36,942</u>	<u>540,103</u>	<u>1,551,995</u>

Warranties

The provision for warranties relates to expected warranty claims on products sold in the last three years. It is expected that the majority of this expenditure will be incurred in the next financial year and that all will be incurred within three years of the balance sheet date.

Deferred tax

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Group.

Forward contract valuation

In accordance with FRS 102, the Company's forward exchange contracts have been valued at the year end. These contracts are used to hedge against currency exchange fluctuations for debtor and creditor balances denominated in overseas currencies and are typically held for a period of 6-9 months.

23 Contingent liability

Performance bonds and guarantees remain outstanding at 31 December 2015. These arose in the normal course of business and amount to £8,282,054 (2014: £7,458,163).

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

24 Post-balance sheet event

The Employee Benefit Trust was closed on 20th January 2016.

25 Pension and other schemes

Defined contribution pension scheme

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 £686,750 (2014: £847,842).

26 Called-up share capital and reserves

Allotted, called-up and fully paid shares

	No.	2015 £	No.	2014 £
A ordinary shares of £1 each	50,000	50,000	50,000	50,000
C ordinary shares of £1 each	1,900,000	1,900,000	1,900,000	1,900,000
	<u>1,950,000</u>	<u>1,950,000</u>	<u>1,950,000</u>	<u>1,950,000</u>

The share classes rank pari passu in all respects.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

27 Obligations under leases

Group

Operating leases

The total of future minimum lease payments is as follows:

	2015 £	2014 £
Not later than one year	525,979	504,947
Later than one year and not later than five years	1,204,670	1,282,489
Later than five years	322,618	534,235
	<u>2,053,267</u>	<u>2,321,671</u>

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

28 Related party transactions

Directors' transactions

Loan from a director:

A director loaned the Company £200,000 on 27 July 2012. The loan was deposited in an interest bearing account at ICICI bank Plc, London. The interest was transferred to the director retrospectively on a quarterly basis. This amount was repaid during 2015.

The Company has taken advantage of the exemption available under FRS 102, section 33.1A not to disclose transactions with other wholly-owned members of the Group.

29 Financial instruments

Group and Company

Categorisation of financial instruments

	2015 £	2014 £
Forward contract valuation through profit and loss	<u>(319,393)</u>	<u>55,232</u>
Forward contract valuation included in provision for liabilities and charges	<u>(540,103)</u>	<u>(220,710)</u>

30 Parent and ultimate parent undertaking

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 parent undertaking of the largest group of which the Company is a member and for which group financial statements are prepared for is Kirloskar Brothers Limited, a publicly listed company incorporated in India. Copies of these group financial statements can be obtained from the company's registered office at Udyog Bhavan, Tilak Road, Pune, India, or online at www.kirloskarpumps.com.

31 Transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102, forward currency contracts are now included on the balance sheet at their year end valuation.

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

31 Transition to FRS 102 (continued)

Consolidated Profit and Loss Account for the year ended 31 December 2014

	As originally reported £	Reclassification £	Remeasurement £	As restated £
Turnover	87,268,203	-	-	87,268,203
Cost of sales	<u>(63,270,758)</u>	<u>-</u>	<u>-</u>	<u>(63,270,758)</u>
Gross profit	23,997,445	-	-	23,997,445
Distribution costs	(7,600,275)	-	-	(7,600,275)
Administrative expenses	(11,345,077)	-	-	(11,345,077)
Other operating income	<u>708,724</u>	<u>-</u>	<u>-</u>	<u>708,724</u>
Operating profit	<u>5,760,817</u>	<u>-</u>	<u>-</u>	<u>5,760,817</u>
Loss on sale of discontinued operations	(216,246)	-	-	(216,246)
Net finance costs	(325,378)	-	-	(325,378)
Forward contract valuation	<u>-</u>	<u>-</u>	<u>55,232</u>	<u>55,232</u>
	<u>(541,624)</u>	<u>-</u>	<u>55,232</u>	<u>(486,392)</u>
Profit before tax	5,219,193	-	55,232	5,274,425
Tax on profit on ordinary activities	<u>(1,147,404)</u>	<u>-</u>	<u>(11,046)</u>	<u>(1,158,450)</u>
Profit for the financial year	<u><u>4,071,789</u></u>	<u><u>-</u></u>	<u><u>44,186</u></u>	<u><u>4,115,975</u></u>

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

31 Transition to FRS 102 (continued)

Consolidated Balance Sheet at 1 January 2014

	As originally reported £	Reclassification £	Remeasurement £	As restated £
Fixed assets				
Tangible assets	8,574,538	-	-	8,574,538
Investments	200,000	-	-	200,000
	<u>8,774,538</u>	<u>-</u>	<u>-</u>	<u>8,774,538</u>
Current assets				
Stocks	8,459,283	-	-	8,459,283
Debtors	29,074,398	34,154	-	29,108,552
Cash at bank and in hand	1,920,937	-	-	1,920,937
	<u>39,454,618</u>	<u>34,154</u>	<u>-</u>	<u>39,488,772</u>
Creditors: amounts falling due within one year	<u>(26,751,711)</u>	<u>-</u>	<u>-</u>	<u>(26,751,711)</u>
Net current assets	<u>12,702,907</u>	<u>34,154</u>	<u>-</u>	<u>12,737,061</u>
Total assets less current liabilities	21,477,445	34,154	-	21,511,599
Creditors: amounts falling due after more than one year	(2,742,031)	-	-	(2,742,031)
Provisions for liabilities (see below)	<u>(336,716)</u>	<u>(34,154)</u>	<u>(220,754)</u>	<u>(591,624)</u>
Net assets/(liabilities)	<u>18,398,698</u>	<u>-</u>	<u>(220,754)</u>	<u>18,177,944</u>
Capital and reserves				
Called-up share capital	1,950,000	-	-	1,950,000
Capital redemption reserve	50,000	-	-	50,000
Profit and loss account	16,398,698	-	(220,754)	16,177,944
Shareholders' funds	<u>18,398,698</u>	<u>-</u>	<u>(220,754)</u>	<u>18,177,944</u>
Provisions for liabilities and charges:				
Warranty provision	(315,682)	-	-	(315,682)
Deferred taxation	(21,034)	(34,154)	55,188	-
Forward contract valuation	-	-	(275,942)	(275,942)
	<u>(336,716)</u>	<u>(34,154)</u>	<u>(220,754)</u>	<u>(591,624)</u>

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

31 Transition to FRS 102 (continued)

Consolidated Balance Sheet at 31 December 2014

	As originally reported £	Reclassification £	Remeasurement £	As restated £
Fixed assets				
Intangible assets	665,122	-	-	665,122
Tangible assets	10,585,222	-	-	10,585,222
Investments	200,000	-	-	200,000
	<u>11,450,344</u>	<u>-</u>	<u>-</u>	<u>11,450,344</u>
Current assets				
Stocks	8,580,122	-	-	8,580,122
Debtors	33,641,650	13,855	-	33,655,505
Cash at bank and in hand	1,589,875	-	-	1,589,875
	<u>43,811,647</u>	<u>13,855</u>	<u>-</u>	<u>43,825,502</u>
Creditors: amounts falling due within one year	<u>(28,735,391)</u>	<u>-</u>	<u>-</u>	<u>(28,735,391)</u>
Net current assets	<u>15,076,256</u>	<u>13,855</u>	<u>-</u>	<u>15,090,111</u>
Total assets less current liabilities	<u>26,526,600</u>	<u>13,855</u>	<u>-</u>	<u>26,540,455</u>
Creditors: amounts falling due after more than one year	<u>(3,826,918)</u>	<u>-</u>	<u>-</u>	<u>(3,826,918)</u>
Provisions for liabilities (see below)	<u>(1,093,007)</u>	<u>(13,855)</u>	<u>(176,568)</u>	<u>(1,283,430)</u>
Net assets/(liabilities)	<u>21,606,675</u>	<u>-</u>	<u>(176,568)</u>	<u>21,430,107</u>
Capital and reserves				
Called-up share capital	1,950,000	-	-	1,950,000
Capital redemption reserve	50,000	-	-	50,000
Profit and loss account	19,606,675	-	(176,568)	19,430,107
Shareholders' funds	<u>21,606,675</u>	<u>-</u>	<u>(176,568)</u>	<u>21,430,107</u>
Provisions for liabilities and charges:				
Warranty provision	(1,062,720)	-	-	(1,062,720)
Deferred taxation	(30,287)	(13,855)	44,142	-
Forward contract valuation	-	-	(220,710)	(220,710)
	<u>(1,093,007)</u>	<u>(13,855)</u>	<u>(176,568)</u>	<u>(1,283,430)</u>

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

31 Transition to FRS 102 (continued)

Balance Sheet at 1 January 2014

	As originally reported £	Reclassification £	Remeasurement £	As restated £
Fixed assets				
Tangible assets	4,522,845	-	-	4,522,845
Investments	500,878	-	-	500,878
	<u>5,023,723</u>	<u>-</u>	<u>-</u>	<u>5,023,723</u>
Current assets				
Stocks	5,360,781	-	-	5,360,781
Debtors	24,495,802	34,154	-	24,529,956
Cash at bank and in hand	1,332,359	-	-	1,332,359
	<u>31,188,942</u>	<u>34,154</u>	<u>-</u>	<u>31,223,096</u>
Creditors: amounts falling due within one year	<u>(19,412,438)</u>	<u>-</u>	<u>-</u>	<u>(19,412,438)</u>
Net current assets	<u>11,776,504</u>	<u>34,154</u>	<u>-</u>	<u>11,810,658</u>
Total assets less current liabilities	<u>16,800,227</u>	<u>34,154</u>	<u>-</u>	<u>16,834,381</u>
Creditors: amounts falling due after more than one year	<u>(129,358)</u>	<u>-</u>	<u>-</u>	<u>(129,358)</u>
Provisions for liabilities (see below)	<u>(326,278)</u>	<u>(34,154)</u>	<u>(220,754)</u>	<u>(581,186)</u>
Net assets/(liabilities)	<u>16,344,591</u>	<u>-</u>	<u>(220,754)</u>	<u>16,123,837</u>
Capital and reserves				
Called-up share capital	1,950,000	-	-	1,950,000
Capital redemption reserve	50,000	-	-	50,000
Profit and loss account	14,344,591	-	(220,754)	14,123,837
Shareholders' funds	<u>16,344,591</u>	<u>-</u>	<u>(220,754)</u>	<u>16,123,837</u>
Provisions for liabilities and charges:				
Warranty provision	(305,244)	-	-	(305,244)
Deferred taxation	(21,034)	(34,154)	55,188	-
Forward contract valuation	-	-	(275,942)	(275,942)
	<u>(326,278)</u>	<u>(34,154)</u>	<u>(220,754)</u>	<u>(581,186)</u>

SPP Pumps Limited

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

31 Transition to FRS 102 (continued)

Balance Sheet at 31 December 2014

	As originally reported £	Reclassification £	Remeasurement £	As restated £
Fixed assets				
Tangible assets	6,209,842	-	-	6,209,842
Investments	486,515	-	-	486,515
	<u>6,696,357</u>	<u>-</u>	<u>-</u>	<u>6,696,357</u>
Current assets				
Stocks	5,028,385	-	-	5,028,385
Debtors	27,894,351	13,855	-	27,908,206
Cash at bank and in hand	1,016,334	-	-	1,016,334
	<u>33,939,070</u>	<u>13,855</u>	<u>-</u>	<u>33,952,925</u>
Creditors: amounts falling due within one year	<u>(18,820,889)</u>	<u>-</u>	<u>-</u>	<u>(18,820,889)</u>
Net current assets	<u>15,118,181</u>	<u>13,855</u>	<u>-</u>	<u>15,132,036</u>
Total assets less current liabilities	<u>21,814,538</u>	<u>13,855</u>	<u>-</u>	<u>21,828,393</u>
Creditors: amounts falling due after more than one year	<u>(1,229,744)</u>	<u>-</u>	<u>-</u>	<u>(1,229,744)</u>
Provisions for liabilities (see below)	<u>(978,225)</u>	<u>(13,855)</u>	<u>(176,568)</u>	<u>(1,168,648)</u>
Net assets/(liabilities)	<u>19,606,569</u>	<u>-</u>	<u>(176,568)</u>	<u>19,430,001</u>
Capital and reserves				
Called-up share capital	1,950,000	-	-	1,950,000
Capital redemption reserve	50,000	-	-	50,000
Profit and loss account	17,606,569	-	(176,568)	17,430,001
Shareholders' funds	<u>19,606,569</u>	<u>-</u>	<u>(176,568)</u>	<u>19,430,001</u>
Provisions for liabilities and charges:				
Warranty provision	(947,938)	-	-	(947,938)
Deferred taxation	(30,287)	(13,855)	44,142	-
Forward contract valuation	-	-	(220,710)	(220,710)
	<u>(978,225)</u>	<u>(13,855)</u>	<u>(176,568)</u>	<u>(1,168,648)</u>