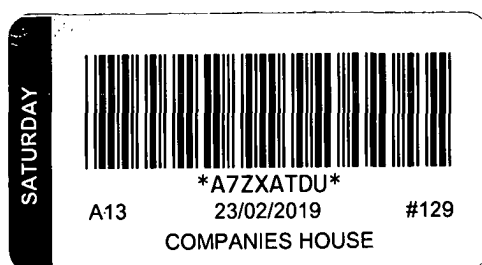


Company Registration No. 04839607 (England and Wales)

SPP Pumps Limited

**Annual report and
group financial statements
for the year ended 31 December 2018**



SPP Pumps Limited

Company information

Chairman	Sanjay Kirloskar
Directors	Sanjay Kirloskar Alok Kirloskar Pratap Shirke Owen Shevlin (Appointed 29 October 2018)
Secretary	Amit Naniwadekar Speafi Secretarial Limited
Company number	04839607
Registered office	SPP Pumps Limited Crucible Close Mushet Industrial Park Coleford Gloucestershire GL16 8PS
Independent auditor	Saffery Champness LLP Suite C, Unex House Bourges Boulevard Peterborough Cambridgeshire PE1 1NG

SPP Pumps Limited

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The directors present the strategic report for the year ended 31 December 2018.

Fair review of the business

The Group has suffered an operating loss for the second year. The external environment is much more competitive than was considered at the beginning of the year, geographically as well as for various product segments. Apart from the UK, markets such as Europe, Middle East and Far East were extremely competitive. For product segments, it was not only restricted to Oil and Gas and associated Spares and Service business but also for Industrial Fire and Water segments. It had an impact on margin, which is reflected in the numbers that are presented. Market supply has increased significantly which has diluted premiums.

SPP had many onshore Oil and Gas contracts that were accepted during 2017. These contracts were executed during 2018. They were essentially low margin jobs, which had to be completed due to contractual obligations. During completion, SPP had cost overruns, which further deteriorated the margins. Many of these jobs are now executed.

In the second half of 2018, SPP has seen signs of improvement in Offshore Oil & Gas and associated spares and service market. Apart from some sizable spares and service orders, it has also received offshore product orders for 2019, with better margins. These orders will improve the margins and return SPP to profits.

Improvement and Cost control initiatives

In spite of the tough external environment, the Group continued with its improvement initiatives throughout 2018. The initiatives aimed at improving operational efficiency, eliminating waste and reducing costs. Most of these initiatives aim for long-term benefit.

Except in very few areas where there were justifiable reasons for costs to exceed the budget, in all other areas costs remained either under or at par with the Budget. Cost controls were put in place and effectively monitored at all levels.

Turnover has reduced by 2.5% compared with 2017 and gross margins have reduced from 20.8% in 2017 to 17.7% in 2018. This reduction was mainly on account of competitive business environment especially with respect to Oil and Gas, Industrial Fire and Water businesses and some cost overruns.

Diversification

The Group continued to focus on other, higher margin, market sectors. Industrial Fire and Water are the key ones. It was mainly achieved through expansion of SPP's presence in Central and Eastern Europe, and by building strong long-standing customer relationships. The efforts in the last two years have shown a positive impact on the Order intake' position at the end of 2018. The order backlog of products and spares business segments remains equally strong as 2017.

The Group has continued its focus on other geographical areas including the Middle East region which has remained buoyant. Significant construction, infrastructure and municipal activity is taking place in that region. Whilst the group continues its focus on this market, contracting jobs with good margins and improving cash flow are now essential.

Principal risks and uncertainties

Commodity risk

With the price of oil now trading between \$55 and \$65 a barrel, the Oil & Gas marketplace is a more stable platform and there is optimism that this will translate to improved orders for the Group's business units that rely on this sector.

Currency risk

Approximately 65% of the Group's sales are from outside the UK, from where many key components are sourced, with a significant portion denominated in US Dollars. 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 matched to specific orders.

Weakening of Sterling primarily against US Dollar resulted in an unrealised (Mark to Market) loss on outstanding forward contracts that further affected 2018 results. As these contracts are executed during 2019, the position will unwind.

Credit risk

The challenges in the global economy have 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. The majority of customers in the sectors in which the Group operates are financially robust and this, together with the Group's own credit risk controls, have meant that the Group has not suffered from significant problems as a result of bad debts.

Liquidity risk

With market conditions being more changeable, the Group has focussed on controlling capital expenditure and working capital. There has been sound management of cash flow throughout the year. The Group continues to be backed by first class international banks and retains the facilities required to fully support the demands of the business.

The Group finances its operations through a mixture of retained profits and where necessary bank borrowings (see note 20) 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 future cash flows expected to arise from the Group's trading activities.

Development and performance

The Group continues to evaluate alternatives for global expansion and partnering opportunities. The Group also continues 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. Health and safety remains a key priority.

At present, the real changes and potential effects of the UK leaving the EU ("Brexit") is still unknown. The group has a presence already in Europe which can be used as an alternative gateway into the EU markets, should there be significant changes to the UK membership of the Customs Union.

Kirloskar Brothers Limited ("KBL"), the group's ultimate parent company has offered strong support which will help the Group's future growth and enhance the continuous improvement efforts being made. It will also allow the Group to take better advantage of its global strength that comes from being part of the KBL group. Wider KBL group collaboration is increasing and the Group continues to benefit from its close association with KBL, and other companies within the KBL group.

The board recognises the hard work and dedication of employees and wishes to thank them.

SPP is strongly positioned to benefit from the recovery in market confidence as and when it arrives, and in the meantime to improve its position by sound financial management and broadening of focus within its core business.

Approved by the Board on 13/2/19 and signed on its behalf by:



.....
Amit Nariwadekar
Company Secretary
13/02/2019

SPP Pumps Limited

Directors' report

For the year ended 31 December 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities

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

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Sanjay Kirloskar

Alok Kirloskar

Pratap Shirke

Owen Shevlin

(Appointed 29 October 2018)

Results and dividends

The results for the year are set out on page 10.

The £600,000 ordinary dividend declared and provided last year was paid on 20 April 2018. The directors do not recommend the payment of further dividends.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

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 of employees at work.

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.

Overseas branches

The Company has subsidiary companies in the USA and France; and overseas sales offices in the UAE, Czech Republic and Netherlands.

Directors' report (continued)

For the year ended 31 December 2018

Auditor

In accordance with the company's articles, a resolution proposing that Saffery Champness LLP be reappointed as auditor of the group will be put at a General Meeting.

Statement of directors' responsibilities

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

Going Concern

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on pages 2 and 3. The group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

The ultimate parent company has a good expectation that the company and its subsidiaries have adequate resources to continue their operational existence for the foreseeable future. It has proven its confidence by issuing a comfort letter in support of the company and its subsidiaries.

By order of the board



.....
Amit Nariwadekar

Company Secretary

Date: 13th February 2019

Opinion

We have audited the financial statements of SPP Pumps Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the group income statement, the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2018 and of the group's loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report (continued)
To the members of SPP Pumps Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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 parent company, 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.

**Independent auditor's report (continued)
To the members of SPP Pumps Limited**

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



**Alistair Hunt (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP**

13 February 2019

**Chartered Accountants
Statutory Auditors**

Suite C, Unex House
Bourges Boulevard
Peterborough
Cambridgeshire
PE1 1NG

SPP Pumps Limited**Group income statement****For the year ended 31 December 2018**

		2018	2017
	Notes	£	£
Turnover	3	77,188,511	79,094,708
Cost of sales		(63,522,962)	(62,608,897)
Gross profit		13,665,549	16,485,811
Distribution costs		(8,301,033)	(7,634,514)
Administrative expenses		(11,474,532)	(11,347,107)
Other operating income		1,871,111	351,915
Operating loss	7	(4,238,905)	(2,143,895)
Interest receivable and similar income		8,772	3,143
Interest payable and similar expenses	8	(485,531)	(450,273)
Other gains and losses	9	(809,071)	2,030,389
Loss before taxation		(5,524,735)	(560,636)
Tax on loss	10	642,490	96,681
Loss for the financial year		(4,882,245)	(463,955)

Loss for the financial year is all attributable to the owners of the parent company.

SPP Pumps Limited

**Group statement of comprehensive income
For the year ended 31 December 2018**

	2018	2017
	£	£
Loss for the year	(4,882,245)	(463,955)
Other comprehensive income		
Currency translation differences	211,706	(357,691)
Total comprehensive income for the year	(4,670,539)	(821,646)

Total comprehensive income for the year is all attributable to the owners of the parent company.

SPP Pumps Limited

**Group statement of financial position
As at 31 December 2018**

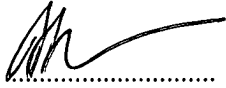
		2018		2017	
	Notes	£	£	£	as restated £
Fixed assets					
Goodwill	12		118,915		134,026
Other intangible assets	12		327,278		368,884
Total intangible assets			446,193		502,910
Tangible assets	13		9,805,903		10,357,424
			10,252,096		10,860,334
Current assets					
Stocks	16	23,347,730		17,609,632	
Debtors	17	28,577,070		28,833,182	
Cash at bank and in hand		795,450		532,324	
			52,720,250		46,975,138
Creditors: amounts falling due within one year	18	(44,334,704)		(36,361,586)	
Net current assets			8,385,546		10,613,552
Total assets less current liabilities			18,637,642		21,473,886
Creditors: amounts falling due after more than one year	19		(2,668,855)		(2,770,376)
Provisions for liabilities	23		(1,971,926)		(1,086,110)
Net assets			13,996,861		17,617,400
Capital and reserves					
Called up share capital	26		3,000,000		1,950,000
Capital redemption reserve			50,000		50,000
Profit and loss reserves			10,946,861		15,617,400
Total equity			13,996,861		17,617,400

SPP Pumps Limited

Group statement of financial position (continued)

As at 31 December 2018

The financial statements were approved by the board of directors and authorised for issue on 13/02/2019 and are signed on its behalf by:



Alok Kirloskar

Director

Company Registration No. 04839607

SPP Pumps Limited

**Company statement of financial position
As at 31 December 2018**

		2018		2017
	Notes	£	£	as restated £
Fixed assets				
Tangible assets	13	4,996,825		5,635,941
Investments	14	382,688		382,688
		<u>5,379,513</u>		<u>6,018,629</u>
Current assets				
Stocks	16	16,175,096	11,997,102	
Debtors	17	22,460,682	23,142,567	
Cash at bank and in hand		591,695	197,905	
		<u>39,227,473</u>	<u>35,337,574</u>	
Creditors: amounts falling due within one year	18	(32,258,869)	(25,835,619)	
Net current assets		<u>6,968,604</u>		<u>9,501,955</u>
Total assets less current liabilities		<u>12,348,117</u>		<u>15,520,584</u>
Creditors: amounts falling due after more than one year	19	-		(85,613)
Provisions for liabilities	23	(1,451,291)		(618,591)
Net assets		<u>10,896,826</u>		<u>14,816,380</u>
Capital and reserves				
Called up share capital	26	3,000,000		1,950,000
Capital redemption reserve		50,000		50,000
Profit and loss reserves		7,846,826		12,816,380
Total equity		<u>10,896,826</u>		<u>14,816,380</u>

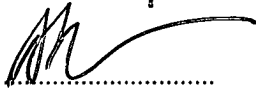
As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £4,969,554 (2017 - £379,048 loss).

SPP Pumps Limited

Company statement of financial position (continued)

As at 31 December 2018

The financial statements were approved by the board of directors and authorised for issue on 13/02/2019 and are signed on its behalf by:



Alok Kirloskar

Director

Company Registration No. 04839607

SPP Pumps Limited

**Group statement of changes in equity
For the year ended 31 December 2018**

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2017		1,950,000	50,000	17,039,046	19,039,046
Year ended 31 December 2017:					
Loss for the year		-	-	(463,955)	(463,955)
Other comprehensive income:					
Currency translation differences on overseas subsidiaries		-	-	(357,691)	(357,691)
Total comprehensive income for the year		-	-	(821,646)	(821,646)
Dividends	11	-	-	(600,000)	(600,000)
Balance at 31 December 2017		1,950,000	50,000	15,617,400	17,617,400
Year ended 31 December 2018:					
Loss for the year		-	-	(4,882,245)	(4,882,245)
Other comprehensive income:					
Currency translation differences on overseas subsidiaries		-	-	211,706	211,706
Total comprehensive income for the year		-	-	(4,670,539)	(4,670,539)
Issue of share capital	26	1,050,000	-	-	1,050,000
Balance at 31 December 2018		3,000,000	50,000	10,946,861	13,996,861

SPP Pumps Limited

**Company statement of changes in equity
For the year ended 31 December 2018**

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2017		1,950,000	50,000	13,795,428	15,795,428
Year ended 31 December 2017:					
Loss and total comprehensive income for the year		-	-	(379,048)	(379,048)
Dividends	11	-	-	(600,000)	(600,000)
Balance at 31 December 2017		1,950,000	50,000	12,816,380	14,816,380
Year ended 31 December 2018:					
Loss and total comprehensive income for the year		-	-	(4,969,554)	(4,969,554)
Issue of share capital	26	1,050,000	-	-	1,050,000
Balance at 31 December 2018		3,000,000	50,000	7,846,826	10,896,826

SPP Pumps Limited

Group statement of cash flows

For the year ended 31 December 2018

		2018	2017
	Notes	£	£
Cash flows from operating activities			
Cash (absorbed by)/generated from operations	30	(1,770,366)	507,511
Interest paid		(485,531)	(450,273)
Income taxes (paid)/refunded		-	341,956
Net cash (outflow)/inflow from operating activities		(2,255,897)	399,194
Investing activities			
Purchase of tangible fixed assets		(375,678)	(535,099)
Interest received		8,772	3,143
Net cash used in investing activities		(366,906)	(531,956)
Financing activities			
Proceeds from issue of shares	1,050,000	-	-
Repayment of borrowings	-	(604,908)	-
Proceeds of new bank loans	1,000,000	2,400,000	-
Repayment of bank loans	(65,865)	-	-
Payment of finance leases obligations	(183,152)	(400,168)	-
Dividends paid to equity shareholders	(600,000)	-	-
Net cash generated from financing activities		1,200,983	1,394,924
Net (decrease)/increase in cash and cash equivalents		(1,421,820)	1,262,162
Cash and cash equivalents at beginning of year		(3,296,823)	(4,707,134)
Effect of foreign exchange rates		236,209	148,149
Cash and cash equivalents at end of year		(4,482,434)	(3,296,823)
Relating to:			
Cash at bank and in hand		795,450	532,324
Bank overdrafts included in creditors payable within one year		(5,277,884)	(3,829,147)

1 Accounting policies

Company information

SPP Pumps Limited ("the company") is a private limited company incorporated in England and Wales. The registered office is SPP Pumps Limited, Crucible Close, Mushet Industrial Park, Coleford, Gloucestershire, GL16 8PS.

The group consists of SPP Pumps Limited and all of its subsidiaries, as set out in Note 15.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Group. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

The group financial statements incorporate those of SPP Pumps Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All financial statements are made up to 31 December 2018. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Notes to the financial statements (continued)
For the year ended 31 December 2018

1 Accounting policies (continued)

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

- 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.

1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.6 Intangible fixed 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 expected useful economic life, which is 10 years. Provision is made for any impairment.

1.7 Intangible fixed assets other than goodwill

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.

Intangible assets - research and development

Development expenditure is capitalised where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the Company is expected to benefit. This period is between three and five years. Provision is made for any impairment.

1 Accounting policies (continued)

1.8 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

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

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	4% straight line basis
Leasehold improvements	5% to 20% straight line basis
Plant and equipment	5% to 33.33% straight line basis
Tooling and patterns	20% - 25% straight line basis
Motor vehicles	25% straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.9 Fixed asset investments

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.10 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 - direct material costs and attributable production overheads

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.11 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Notes to the financial statements (continued)
For the year ended 31 December 2018

1 Accounting policies (continued)

1.12 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Notes to the financial statements (continued)
For the year ended 31 December 2018

1 Accounting policies (continued)

Other financial liabilities

Other financial liabilities, including debt instruments that do not meet the definition of a basic financial instrument, are measured at fair value through profit or loss.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

1.13 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. 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. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1 Accounting policies (continued)

1.15 Provisions

Provisions are recognised when the group has a legal or constructive present obligation 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.

1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.17 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.18 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1 Accounting policies (continued)

1.19 Foreign exchange

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 year 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.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Deferred tax asset

The Group has recognised a deferred tax asset in its balance sheet in respect of tax losses available for use against future taxable profits. The directors have considered the budgets, pipelines and order book in estimating the corporation tax losses to be recognised in the financial statements.

Provision for losses on major contracts

The directors have considered the status of all major contracts at the year end and has provided for expected future losses. In doing so the directors have considered the likely outcome of the contract and estimated the losses. Additional information can be found in note 23.

SPP Pumps Limited**Notes to the financial statements (continued)****For the year ended 31 December 2018****3 Turnover and other revenue**

	2018	2017
	£	£
Turnover analysed by class of business		
Engineered Products	29,113,753	32,166,449
Standard Products	34,108,374	33,200,765
Spares and Servicing	13,966,384	13,727,494
	<u>77,188,511</u>	<u>79,094,708</u>
	<u><u>77,188,511</u></u>	<u><u>79,094,708</u></u>
	2018	2017
	£	£
Turnover analysed by geographical market		
United Kingdom	16,285,815	15,870,263
North America	22,574,526	22,988,396
South East Asia and Australia	6,222,199	12,696,412
Europe	7,779,537	9,846,222
Middle East	11,606,377	7,475,480
Rest of World	12,720,057	10,217,935
	<u>77,188,511</u>	<u>79,094,708</u>
	<u><u>77,188,511</u></u>	<u><u>79,094,708</u></u>

4 Auditor's remuneration

	2018	2017
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	35,000	59,000
Audit of the financial statements of the company's subsidiaries	92,828	76,635
	<u>127,828</u>	<u>135,635</u>
	<u><u>127,828</u></u>	<u><u>135,635</u></u>
For other services		
Taxation compliance services	9,500	10,000
All other non-audit services	7,500	17,700
	<u>17,000</u>	<u>27,700</u>
	<u><u>17,000</u></u>	<u><u>27,700</u></u>

Notes to the financial statements (continued)
For the year ended 31 December 2018

5 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2018 Number	2017 Number
Mangement and administration	58	48
Manufacturing	252	281
Sales and distribution	117	98
	<u>427</u>	<u>427</u>

Their aggregate remuneration comprised:

	Group 2018 £	2017 £
Wages and salaries	18,149,094	17,969,966
Social security costs	1,480,684	1,465,615
Pension costs	776,514	730,383
	<u>20,406,292</u>	<u>20,165,964</u>

6 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	300,279	200,516
Company pension contributions to defined contribution schemes	6,925	1,783
	<u>307,204</u>	<u>202,299</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017 - 1).

Notes to the financial statements (continued)
For the year ended 31 December 2018

6 Directors' remuneration (continued)

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2018	2017
	£	£
Remuneration for qualifying services	249,360	200,516
Company pension contributions to defined contribution schemes	6,925	1,783
	<u>256,285</u>	<u>202,300</u>

There are no key management personnel other than the directors.

7 Operating loss

	2018	2017
	£	£
Operating loss for the year is stated after charging:		
Research and development costs	200,322	146,399
Depreciation of owned tangible fixed assets	987,438	1,120,639
Depreciation of tangible fixed assets held under finance leases	200,546	200,718
Amortisation of intangible assets	86,369	91,244
Operating lease charges	830,532	936,519
	<u>2,305,207</u>	<u>2,495,519</u>

8 Interest payable and similar expenses

	2018	2017
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	413,264	350,742
Interest on finance leases and hire purchase contracts	10,903	29,568
Interest payable to group undertakings	48,242	55,238
Other interest on financial liabilities	13,122	14,725
	<u>485,531</u>	<u>450,273</u>

Notes to the financial statements (continued)
For the year ended 31 December 2018

9 Other gains and losses

	2018	2017
	£	£
Fair value gains/(losses) on financial instruments		
(Loss)/gain on hedge item in a fair value hedge	(809,071)	2,030,389
	<u> </u>	<u> </u>

The Company hedges all sales and purchase orders denominated in US Dollars and Euros using forward contracts with expiry dates to match the expected dates of cash receipt and payment. This is an effective strategy to minimise the risk of foreign exchange movements. The Company has very little trade in other currencies.

The reported currency movement arises mainly because forward contracts are taken out when a sales order is received. For Engineered Products, there is often a significant lead time between receiving an order and the invoicing of that order, so at any point in time, there is a significant value of forward contracts for un-invoiced sales orders. At the year-end, approximately half of all forward contracts refer to orders not invoiced. However, FRS102 requires the company to value all forward contract liabilities, even where the corresponding asset is not yet included in the company's balance sheet, as the work is not yet invoiced.

The reported profit/loss on currency valuation is mainly a notional accounting adjustment and for individual trades the calculated profit/loss will reverse as the sales orders are invoiced and as cash is ultimately received.

The Company's subsidiary companies do not have any significant foreign currency transactions.

10 Taxation

	2018	2017
	£	£
Current tax		
Foreign current tax on profits for the current period	88,660	86,363
Adjustments in respect of prior periods	2,799	135,003
	<u> </u>	<u> </u>
Total current tax	91,459	221,366
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	(738,132)	(161,870)
Previously unrecognised tax loss, tax credit or timing difference	-	(156,177)
Adjustment in respect of prior periods	4,183	-
	<u> </u>	<u> </u>
Total deferred tax	(733,949)	(318,047)
	<u> </u>	<u> </u>
Total tax credit	(642,490)	(96,681)
	<u> </u>	<u> </u>

Notes to the financial statements (continued)
For the year ended 31 December 2018

10 Taxation (continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2018 £	2017 £
Loss before taxation	(5,524,735)	(560,636)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(1,049,700)	(107,922)
Tax effect of expenses that are not deductible in determining taxable profit	39,487	94,675
Adjustments in respect of prior years	(14,918)	(20,178)
Deferred tax adjustments in respect of prior years	250,970	-
Effect of overseas branch exemption	93,330	(73,137)
Other	24,629	13,967
Difference in tax rates	13,712	(4,086)
Taxation credit	(642,490)	(96,681)

The Groups overseas tax rates are higher than those in the UK. The US main federal tax rate reduced to 21% effective from 1 January 2018 (2017: 34%).

11 Dividends

	2018 £	2017 £
Interim paid	-	600,000

The interim 2017 dividend was paid on 20 April 2018.

Notes to the financial statements (continued)
For the year ended 31 December 2018

12 Intangible fixed assets

Group	Goodwill	Patents and trademarks	Total
	£	£	£
Cost			
At 1 January 2018	217,331	741,766	959,097
Disposals	-	(21,170)	(21,170)
Exchange adjustments	12,815	41,833	54,648
At 31 December 2018	230,146	762,429	992,575
Amortisation and impairment			
At 1 January 2018	83,305	372,882	456,187
Amortisation charged for the year	23,013	63,356	86,369
Disposals	-	(21,170)	(21,170)
Exchange adjustments	4,913	20,083	24,996
At 31 December 2018	111,231	435,151	546,382
Carrying amount			
At 31 December 2018	118,915	327,278	446,193
At 31 December 2017	134,026	368,884	502,910

The company had no intangible fixed assets at 31 December 2018 or 31 December 2017.

SPP Pumps Limited

Notes to the financial statements (continued)
For the year ended 31 December 2018

13 Tangible fixed assets

Group	Freehold land and buildings	Leasehold improvements	Plant and equipment	Tooling and patterns	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 January 2018	7,890,698	538,853	11,694,179	1,409,698	66,908	21,600,336
Additions	14,213	14,594	245,467	95,323	6,081	375,678
Disposals	-	(22,001)	-	(18,884)	-	(40,885)
Exchange adjustments	258,724	4,817	127,587	489	1,446	393,063
At 31 December 2018	8,163,635	536,263	12,067,233	1,486,626	74,435	22,328,192
Depreciation and impairment						
At 1 January 2018	1,653,718	216,754	8,135,259	1,182,533	54,648	11,242,912
Depreciation charged in the year	219,344	25,593	838,263	96,302	8,482	1,187,984
Eliminated in respect of disposals	-	(5,023)	-	(18,884)	-	(23,907)
Exchange adjustments	31,622	1,989	80,066	445	1,178	115,300
At 31 December 2018	1,904,684	239,313	9,053,588	1,260,396	64,308	12,522,289
Carrying amount						
At 31 December 2018	6,258,951	296,950	3,013,645	226,230	10,127	9,805,903
At 31 December 2017	6,236,980	322,099	3,558,920	227,165	12,260	10,357,424

SPP Pumps Limited

Notes to the financial statements (continued)
For the year ended 31 December 2018

13 Tangible fixed assets (continued)

Company	Freehold land and buildings	Leasehold improvements	Plant and equipment	Tooling and patterns	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 January 2018	3,479,559	457,168	9,496,841	1,366,568	23,380	14,823,516
Additions	-	8,430	92,116	95,323	-	195,869
Disposals	-	(22,001)	-	-	-	(22,001)
At 31 December 2018	3,479,559	443,597	9,588,957	1,461,891	23,380	14,997,384
Depreciation and impairment						
At 1 January 2018	1,094,359	183,021	6,743,911	1,143,228	23,056	9,187,575
Depreciation charged in the year	99,049	14,592	610,379	93,663	324	818,007
Eliminated in respect of disposals	-	(5,023)	-	-	-	(5,023)
At 31 December 2018	1,193,408	192,590	7,354,290	1,236,891	23,380	10,000,559
Carrying amount						
At 31 December 2018	2,286,151	251,007	2,234,667	225,000	-	4,996,825
At 31 December 2017	2,385,200	274,147	2,752,930	223,340	324	5,635,941

SPP Pumps Limited**Notes to the financial statements (continued)****For the year ended 31 December 2018****13 Tangible fixed assets (continued)**

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Plant and equipment	970,586	1,172,844	942,507	1,130,574
Depreciation charge for the year in respect of leased assets	200,546	200,718	188,067	188,067

14 Fixed asset investments

		Group		Company	
		2018	2017	2018	2017
	Notes	£	£	£	£
Investments in subsidiaries	15	-	-	382,688	382,688

SPP Pumps Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	% Held	
			2018	2017
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%
SPP Real Estate LLC*	USA	Real Estate	100%	100%
SyncroFlo, Inc*	USA	Supply of pumping equipment	100%	100%

*SPP Real Estate LLC and SyncroFlo, Inc are subsidiaries of SPP Pumps Inc.

SPP Pumps Inc. and its subsidiaries are based in Atlanta, Georgia. SPP France SAS has its main office in Us, Val-d'Oise, France.

16 Stocks

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Raw materials and consumables	13,446,823	11,066,790	8,594,631	6,284,190
Work in progress	7,080,614	5,057,665	5,827,723	4,365,055
Finished goods and goods for resale	2,820,293	1,485,177	1,752,742	1,347,857
	<u>23,347,730</u>	<u>17,609,632</u>	<u>16,175,096</u>	<u>11,997,102</u>

Notes to the financial statements (continued)
For the year ended 31 December 2018

17 Debtors

	Group 2018	2017	Company 2018	2017
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	21,419,295	24,044,369	15,038,290	17,970,138
Deferred tax asset (note 22)	587,816	567,919	290,000	339,060
Amounts owed by group undertakings	3,271,228	1,447,470	4,299,082	2,730,868
Derivative financial instruments	-	554,001	-	554,001
Other debtors	1,723,020	1,360,938	1,463,142	913,666
Prepayments and accrued income	796,081	858,485	590,538	634,834
	<u>27,797,440</u>	<u>28,833,182</u>	<u>21,681,052</u>	<u>23,142,567</u>
Amounts falling due after more than one year:				
Deferred tax asset (note 22)	<u>779,630</u>	<u>-</u>	<u>779,630</u>	<u>-</u>
Total debtors	<u>28,577,070</u>	<u>28,833,182</u>	<u>22,460,682</u>	<u>23,142,567</u>

18 Creditors: amounts falling due within one year

		Group 2018	As restated 2017	Company 2018	As restated 2017
	Notes	£	£	£	£
Bank loans and overdrafts	20	8,846,748	6,454,339	7,340,534	4,703,142
Obligations under finance leases	21	91,360	182,528	84,613	162,940
Payments received on account		4,892,467	4,296,215	4,892,467	4,296,215
Trade creditors		17,820,830	13,812,727	12,291,928	10,287,132
Amounts owed to group undertakings		6,995,701	5,988,245	4,508,985	2,918,775
Corporation tax payable		62,607	-	-	-
Other taxation and social security		76,828	130,719	-	-
Dividends payable		-	600,000	-	600,000
Other creditors		125,352	112,645	109,609	97,373
Accruals and deferred income		5,422,811	4,784,168	3,030,733	2,770,042
		<u>44,334,704</u>	<u>36,361,586</u>	<u>32,258,869</u>	<u>25,835,619</u>

In the current and prior periods, amounts paid by customers on account of contract works completed to date have been reallocated from accruals and deferred income to payments received on account.

SPP Pumps Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

19 Creditors: amounts falling due after more than one year

		Group		Company	
		2018	2017	2018	2017
	Notes	£	£	£	£
Bank loans and overdrafts	20	2,668,855	2,678,393	-	-
Obligations under finance leases	21	-	91,983	-	85,613
		<u>2,668,855</u>	<u>2,770,376</u>	<u>-</u>	<u>85,613</u>

20 Loans and overdrafts

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Bank loans	6,237,719	5,303,585	3,400,000	2,400,000
Bank overdrafts	5,277,884	3,829,147	3,940,534	2,303,142
	<u>11,515,603</u>	<u>9,132,732</u>	<u>7,340,534</u>	<u>4,703,142</u>
Payable within one year	8,846,748	6,454,339	7,340,534	4,703,142
Payable after one year	<u>2,668,855</u>	<u>2,678,393</u>	<u>-</u>	<u>-</u>

Bank loans:

SPP Pumps Limited and its subsidiaries have term loans to finance working capital and the purchase of land, buildings and equipment:

Term Loan Secured by	Interest rate	Due date	2018	2017
			£	£
A Building	3.750%	27 Jun 23	2,496,104	2,475,400
B Stock & Debtors	3.260%	-	-	-
C Equipment	3.995%	23 Jul 18	-	46,904
D Building	4.650%	16 Aug 18	-	21,668
E Vehicle	4.110%	-	-	-
F Land Improvement	4.995%	30 Aug 22	341,615	359,613
G Stock & Debtors	2.698%	18 Jan 19	3,400,000	2,400,000
			<u>6,237,719</u>	<u>5,303,585</u>

Notes to the financial statements (continued)
For the year ended 31 December 2018

20 Loans and overdrafts (continued)

Bank overdrafts:

SPP Pumps Limited has an overdraft facility of £5.5million to finance working capital requirements. This is secured by a first charge over the Company's assets.

SPP Pumps Limited has a short-term loan facility of £3.5million, of which £3.4million has been drawn down at 31 December 2018. This is secured by a second charge on the company's fixed and moveable assets and also covered by a corporate guarantee from Kirloskar Brothers Limited, its ultimate parent company.

SPP Pumps Inc. and subsidiaries have lines of credit totalling \$4.0million to finance working capital requirements. The lines of credit and term loans are collateralised by substantially all of the company's assets.

21 Finance lease obligations

	Group 2018 £	2017 £	Company 2018 £	2017 £
Future minimum lease payments due under finance leases:				
Within one year	91,360	182,528	84,613	162,940
In two to five years	-	91,983	-	85,613
	<u>91,360</u>	<u>274,511</u>	<u>84,613</u>	<u>248,553</u>

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 4.5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Notes to the financial statements (continued)

For the year ended 31 December 2018

22 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities 2018 £	Liabilities 2017 £	Assets 2018 £	Assets 2017 £
Group				
Accelerated capital allowances	429,025	373,593	7,476	7,476
Tax losses	69,460	78,406	980,540	249,970
Revaluations	(158,922)	-	-	-
Short term timing differences	-	(167,354)	379,430	310,473
	<u>339,563</u>	<u>284,645</u>	<u>1,367,446</u>	<u>567,919</u>
	Liabilities 2018 £	Liabilities 2017 £	Assets 2018 £	Assets 2017 £
Company				
Accelerated capital allowances	-	-	7,476	7,476
Tax losses	-	-	980,540	249,970
Short term timing differences	-	-	81,614	81,614
	<u>-</u>	<u>-</u>	<u>1,069,630</u>	<u>339,060</u>

Deferred tax assets have been recognised at the substantively enacted rates at the date of the balance sheet, in the UK this is 17%, and in the US this is 21%.

Notes to the financial statements (continued)
For the year ended 31 December 2018

23 Provisions for liabilities

		Group	2017	Company	2017
	Notes	2018		2018	
		£	£	£	£
Warranties		622,841	551,465	441,769	368,591
Forward contract valuation		609,522	-	609,522	-
Contract losses		400,000	250,000	400,000	250,000
		<u>1,632,363</u>	<u>801,465</u>	<u>1,451,291</u>	<u>618,591</u>
Deferred tax liabilities	22	339,563	284,645	-	-
		<u>1,971,926</u>	<u>1,086,110</u>	<u>1,451,291</u>	<u>618,591</u>

Movements on provisions apart from deferred tax liabilities:

	Warranties	Deferred tax	Forward contract valuation	As restated Contract losses	Total
Group	£	£	£	£	£
At 1 January 2018	551,465	284,645	-	250,000	1,086,110
Additional provisions in the year	205,198	-	1,163,523	150,000	1,518,721
Utilisation of provision	(144,301)	(16,909)	-	-	(161,210)
Exchange difference	10,479	71,827	-	-	82,306
Transfers from debtors	-	-	(554,001)	-	(554,001)
At 31 December 2018	<u>622,841</u>	<u>339,563</u>	<u>609,522</u>	<u>400,000</u>	<u>1,971,926</u>

	Warranties	Deferred tax	Forward contract valuation	Contract losses	Total
Company	£	£	£	£	£
At 1 January 2018	368,591	-	-	250,000	618,591
Additional provisions in the year	73,178	-	1,163,523	150,000	1,386,701
Transfers from debtors	-	-	(554,001)	-	(554,001)
At 31 December 2018	<u>441,769</u>	<u>-</u>	<u>609,522</u>	<u>400,000</u>	<u>1,451,291</u>

23 Provisions for liabilities (continued)

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 taxed 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 using Mark-to-Market valuations provided by the forward contract providers. 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.

Forward contracts are held at fair value in the balance sheet within debtors or provisions as appropriate. Movements in fair value are charged or credited to the profit and loss account.

Contract losses

The group has provided for expected losses on major contracts. The group has reviewed all of the available information and where necessary sought professional advice. The group has included a prudent provision for losses that could occur in future periods in relation to contracts in place at year end. Contract losses of £250,000 were reclassified from creditors in Note 18 to provisions in Note 23 in the group and company in 2017.

24 Financial commitments, guarantees and contingent liabilities

Performance bonds and guarantees remain outstanding at 31 December 2018. These arose in the normal course of business and amount to £11,666,391 (2017 - £10,570,374).

Notes to the financial statements (continued)
For the year ended 31 December 2018

25 Retirement benefit schemes

	2018	2017
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	776,514	730,383

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount outstanding at the end of the year was £82,371 (2017 - £80,310).

26 Share capital

	Group and company	
	2018	2017
	£	£
Ordinary share capital		
Issued and fully paid		
50,000 A ordinary shares of £1 each	50,000	50,000
2,950,000 C ordinary shares of £1 each	2,950,000	1,900,000
	<u>3,000,000</u>	<u>1,950,000</u>

The share classes rank pari passu in all respects other than in the event of liquidation any surplus will be applied first to repayment of amounts paid in respect of class C ordinary shares, thereafter equally for all shares.

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

The capital redemption reserve of £50,000 arose from the Company's purchase of own shares on 25 August 2009 when B ordinary shares were redeemed for £123,100.

On the 28th June 2018 the company issued 1,050,000 C ordinary shares of £1 each at a par value.

SPP Pumps Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

27 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Within one year	565,023	468,866	565,023	449,914
Between two and five years	892,466	1,134,432	892,466	1,132,899
In over five years	-	1,957	-	1,957
	<u>1,457,489</u>	<u>1,605,255</u>	<u>1,457,489</u>	<u>1,584,770</u>

28 Related party transactions

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 Kirloskar Brothers Limited Group.

29 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. Kirloskar Brothers Limited is the controlling party of the smallest and largest group for which SPP Pumps Limited is a member and is the ultimate parent company of the smallest and largest group for which the consolidated accounts are prepared which include SPP Pumps Limited. Kirloskar Brothers Limited is a publically listed company incorporated in India. Copies of these financial statements can be obtained from the company's registered office at Udyog Bhavan, Tilak Road, Pune, India, or online at www.kirloskarpumps.com.

SPP Pumps Limited**Notes to the financial statements (continued)****For the year ended 31 December 2018****30 Cash generated from group operations**

	2018	2017
	£	£
Loss for the year after tax	(4,882,245)	(463,955)
Adjustments for:		
Taxation credited	(642,490)	(96,681)
Finance costs	485,531	450,273
Investment income	(8,772)	(3,143)
Amortisation and impairment of intangible assets	86,369	91,244
Depreciation and impairment of tangible fixed assets	1,187,984	1,321,357
Foreign exchange gains on cash equivalents	(354,453)	(62,121)
Other gains and losses	1,163,524	(1,566,289)
Increase/(decrease) in provisions	221,376	(101,316)
Movements in working capital:		
(Increase) in stocks	(5,738,098)	(3,142,291)
Decrease/(increase) in debtors	501,638	(2,294,603)
Increase in creditors	6,209,270	6,375,036
Cash (absorbed by)/generated from operations	(1,770,366)	507,511