

Registration number: 04839607

SPP PUMPS LIMITED
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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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 Secretaries A B Naniwadekar

Speafi Secretarial Limited

Registered Office Crucible Close
Mushet Industrial Park
Coleford
Gloucestershire
GL16 8PS

Auditors Deloitte LLP
Abbots House
Abbey Street
Reading
RG1 3BD

SPP PUMPS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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

The Group had an operating loss for the year, which was on account of an extremely competitive external environment, especially for the Oil and Gas and associated Spares and Service businesses. The Oil and Gas sector did not show the signs of improvement that SPP had expected. It had an impact on margin, which is reflected in the numbers that are presented. The continued downturn in the oil industry on a global scale has meant that exploration, production and major construction projects in this sector will either not start or will be postponed. In addition, service and maintenance activities in this sector will be curtailed. This has had a consequent impact on the Group's sales to this market.

Continuous improvement initiatives

In spite of the tough external environment, the Group continued with its improvement initiatives throughout 2017. These programmes include initiatives aimed at improving operational efficiency, expanding the product range, achieving business growth, eliminating waste and reducing costs. Most of these initiatives aim for a long-term benefit. There has been heavy focus across all business areas.

Although turnover has increased by 16% compared with 2016, gross margins have reduced from 24% in 2016 to 21% in 2017. This reduction is mainly on account of a competitive business environment especially with respect to Oil and Gas, Industrial Fire and Water businesses. The group had to deliver many of its packages to 'On shore' Oil and Gas platforms rather than 'Off shore' Oil and Gas platforms. The margins for 'On Shore' jobs are much lower as compared to 'Off shore' jobs due to heavy competition.

Cost reduction

In order to withstand the challenges posed by the Oil and Gas sector, the group decided to right size the business. Therefore in January 2017, the Group announced a reduction in headcount at its Coleford manufacturing site. This was combined with a reorganisation within the facility that was designed to streamline both production capability and organisational reporting. The change became effective end of February 2017.

Diversification

The Group has responded to this change in market conditions by focussing on other, higher margin, market sectors. Industrial Fire, Water, Transformer Oil, Dewatering are some of these segments. This was mainly achieved through continued 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 2017. The order backlog of the products and spares business segments has significantly improved as compared to 2016. The benefit of which will be seen during 2018.

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 the region and sales of water has seen strong growth with confirmed orders and encouraging prospects for 2018.

SPP PUMPS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

Principal risks and uncertainties

Commodity risk

With the price of oil now trading at about \$60 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 75% of the Group's sales and many key components are sourced from outside the UK, 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 that are matched to specific orders.

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.

Future developments

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.

Kirloskar Brothers Limited ("KBL"), the group's ultimate parent company, has introduced a new global ERP system during 2017-18 for its Indian operations. The road map for the international subsidiaries will be laid down during 2018. This will help the Group's future growth and enhance the continuous improvement efforts being made to streamline processes and reporting. 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 Group recognises the hard work and dedication of employees.

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 5/3/2018 and signed on its behalf by:



.....
A B Naniwadekar
Company secretary

SPP PUMPS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and audited consolidated financial statements for the year ended 31 December 2017.

Results and dividends

The consolidated profit and loss account is set out on page 10 and shows the loss for the year of £463,955 (2016: loss of £1,277,275). An interim dividend of £600,000 (2016: £nil) was declared to members in 2017.

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 and up to the date of signing were as follows:

S C Kirloskar - Chairman

A S Kirloskar

P B Shirke

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.

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.

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 and post balance sheet events

Future developments and post balance sheet events are described in the Strategic Report as permitted under s414C (11) of the Companies Act 2006. There are no post balance sheet events to report.

SPP PUMPS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

Financial Instruments

The Group finances its operations through a mixture of retained profits and where necessary bank borrowings (see note 19) 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.

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 5/3/2018 and signed on its behalf by:



.....
A B Naniwadekar
Company secretary

SPP PUMPS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report, Strategic 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless 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.

SPP PUMPS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPP PUMPS LIMITED

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of SPP Pumps Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the notes to the financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 group 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 are required by ISAs (UK) to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

SPP PUMPS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPP PUMPS LIMITED (CONTINUED)

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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities (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, 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 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.

Report on other legal and regulatory requirements

Opinion on other matter prescribed by the Companies Act 2006

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

- 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; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

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

SPP PUMPS LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPP PUMPS LIMITED
(CONTINUED)**

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Simon Olsen FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP,
Statutory Auditors

Reading
United Kingdom

Date: 5th March 2018

SPP PUMPS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Turnover	4	79,094,708	68,461,440
Cost of sales		<u>(62,608,897)</u>	<u>(51,998,893)</u>
Gross profit		16,485,811	16,462,547
Distribution costs		(7,634,514)	(7,065,160)
Administrative expenses		(11,347,107)	(9,944,770)
Other operating income		<u>351,915</u>	<u>721,722</u>
Operating (loss)/profit	7	(2,143,895)	174,339
Net finance costs	8	(447,130)	(376,968)
Profit/(loss) on currency valuation	9	<u>2,030,389</u>	<u>(1,333,545)</u>
Loss before tax		(560,636)	(1,536,174)
Taxation	10	<u>96,681</u>	<u>258,899</u>
Loss for the financial year		<u>(463,955)</u>	<u>(1,277,275)</u>
Loss attributable to:			
Owners of the company		<u>(463,955)</u>	<u>(1,277,275)</u>

The above results were derived from continuing operations.

The notes on pages 18 to 37 form an integral part of these financial statements.

SPP PUMPS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31
DECEMBER 2017**

	2017 £	2016 £
Loss for the year	(463,955)	(1,277,275)
Foreign currency translation (losses) / gains	<u>(357,691)</u>	<u>615,144</u>
Total comprehensive loss for the year	<u>(821,646)</u>	<u>(662,131)</u>
Total comprehensive loss attributable to:		
Owners of the company	<u>(821,646)</u>	<u>(662,131)</u>

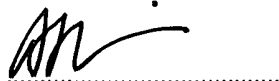
The notes on pages 18 to 37 form an integral part of these financial statements.

SPP PUMPS LIMITED**(REGISTRATION NUMBER: 04839607)****CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	13	502,910	649,176
Tangible assets	14	<u>10,357,424</u>	<u>11,594,964</u>
		<u>10,860,334</u>	<u>12,244,140</u>
Current assets			
Stocks	16	17,609,632	14,467,341
Debtors	17	28,833,182	26,424,485
Cash at bank and in hand		<u>532,324</u>	<u>585,540</u>
		46,975,138	41,477,366
Creditors: Amounts falling due within one year	18	<u>(36,611,586)</u>	<u>(28,734,080)</u>
Net current assets		<u>10,363,552</u>	<u>12,743,286</u>
Total assets less current liabilities		21,223,886	24,987,426
Creditors: Amounts falling due after more than one year	18	(2,770,376)	(3,491,449)
Provisions for liabilities	20	<u>(836,110)</u>	<u>(2,456,931)</u>
Net assets		<u>17,617,400</u>	<u>19,039,046</u>
Capital and reserves			
Called up share capital	23	1,950,000	1,950,000
Capital redemption reserve		50,000	50,000
Profit and loss account		<u>15,617,400</u>	<u>17,039,046</u>
Equity attributable to owners of the company		<u>17,617,400</u>	<u>19,039,046</u>
Shareholders' funds		<u>17,617,400</u>	<u>19,039,046</u>

The consolidated financial statements of SPP Pumps Limited (registered number: 04839607) were approved by the directors and authorised for issue on **5/3/2018**

They were signed on its behalf by:



A S Kirloskar
Managing Director

The notes on pages 18 to 37 form an integral part of these financial statements.

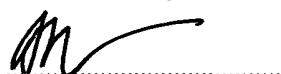
SPP PUMPS LIMITED

**(REGISTRATION NUMBER: 04839607)
COMPANY BALANCE SHEET AS AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	14	5,635,941	6,352,714
Investments	15	<u>382,688</u>	<u>382,688</u>
		<u>6,018,629</u>	<u>6,735,402</u>
Current assets			
Stocks	16	11,997,102	10,470,131
Debtors	17	23,142,567	20,704,000
Cash at bank and in hand		<u>197,905</u>	<u>272,227</u>
		<u>35,337,574</u>	<u>31,446,358</u>
Creditors: Amounts falling due within one year	18	<u>(26,085,619)</u>	<u>(20,301,811)</u>
Net current assets		<u>9,251,955</u>	<u>11,144,547</u>
Total assets less current liabilities		<u>15,270,584</u>	<u>17,879,949</u>
Creditors: Amounts falling due after more than one year	18	(85,613)	(417,958)
Provisions for liabilities	20	<u>(368,591)</u>	<u>(1,666,563)</u>
Net assets		<u>14,816,380</u>	<u>15,795,428</u>
Capital and reserves			
Called up share capital	23	1,950,000	1,950,000
Capital redemption reserve		50,000	50,000
Profit and loss account		<u>12,816,380</u>	<u>13,795,428</u>
Shareholders' funds		<u>14,816,380</u>	<u>15,795,428</u>

The financial statements of SPP Pumps Limited (registered number: 04839607) were approved by the directors and authorised for issue on 05/03/2018

They were signed on its behalf by:



A S Kirloskar
Managing Director

The notes on pages 18 to 37 form an integral part of these financial statements.

SPP PUMPS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Share capital £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 2016		<u>1,950,000</u>	<u>50,000</u>	<u>17,701,177</u>	<u>19,701,177</u>
Loss for the year		-	-	(1,277,275)	(1,277,275)
Foreign currency translation gains		-	-	615,144	615,144
Total comprehensive income		-	-	(662,131)	(662,131)
At 31 December 2016		<u>1,950,000</u>	<u>50,000</u>	<u>17,039,046</u>	<u>19,039,046</u>

	Notes	Share capital £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 2017		<u>1,950,000</u>	<u>50,000</u>	<u>17,039,046</u>	<u>19,039,046</u>
Loss for the year		-	-	(463,955)	(463,955)
Foreign currency translation losses		-	-	(357,691)	(357,691)
Total comprehensive income		-	-	(821,646)	(821,646)
Dividends issued to parent company	12	-	-	(600,000)	(600,000)
At 31 December 2017		<u>1,950,000</u>	<u>50,000</u>	<u>15,617,400</u>	<u>17,617,400</u>

The notes on pages 18 to 37 form an integral part of these financial statements.

SPP PUMPS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Share capital £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 2016		1,950,000	50,000	14,989,452	16,989,452
Loss for the year		-	-	(1,194,024)	(1,194,024)
At 31 December 2016		<u>1,950,000</u>	<u>50,000</u>	<u>13,795,428</u>	<u>15,795,428</u>

	Notes	Share capital £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 2017		1,950,000	50,000	13,795,428	15,795,428
Loss for the year		-	-	(379,048)	(379,048)
Dividends issued to parent company	12	-	-	(600,000)	(600,000)
At 31 December 2017		<u>1,950,000</u>	<u>50,000</u>	<u>12,816,380</u>	<u>14,816,380</u>

The notes on pages 18 to 37 form an integral part of these financial statements.

SPP PUMPS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Loss for the year before taxation		(560,636)	(1,536,174)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	7	1,412,601	1,519,920
Finance income		(3,143)	(15,700)
Finance costs		450,273	392,668
Foreign exchange (gains) / losses		(62,121)	301,060
Valuation of forward contracts (losses) / gains		<u>(1,566,289)</u>	<u>472,185</u>
		(329,315)	1,133,959
Working capital adjustments			
Increase in stocks	16	(3,142,291)	(3,760,471)
Increase in trade debtors	17	(2,294,603)	(599,608)
Increase in trade creditors	18	6,625,036	192,655
Decrease in provisions	20	<u>(351,316)</u>	<u>(241,930)</u>
Cash generated from operations		507,511	(3,275,395)
Income taxes received	10	<u>341,956</u>	<u>66,605</u>
Net cash flow from operating activities		<u>849,467</u>	<u>(3,208,790)</u>
Cash flows from investing activities			
Interest received		3,143	15,700
Acquisition of intangible assets	13	-	(16,091)
Acquisitions of tangible assets		<u>(535,099)</u>	<u>(609,689)</u>
Net cash flows from investing activities		<u>(531,956)</u>	<u>(610,080)</u>
Cash flows from financing activities			
Interest paid		(450,273)	(392,668)
Repayments under hire purchase contracts		(400,168)	(257,784)
New bank loan		2,400,000	477,560
Loan repayment		<u>(604,908)</u>	<u>(955,356)</u>
Net cash flows from financing activities		<u>944,651</u>	<u>(1,128,248)</u>
Net increase/(decrease) in cash and cash equivalents		1,262,162	(4,947,118)
Cash and cash equivalents at 1 January		(4,707,134)	404,915
Loss/(gain) from exchange rate fluctuations on cash held		<u>148,149</u>	<u>(164,931)</u>
Cash and cash equivalents at 31 December		<u><u>(3,296,823)</u></u>	<u><u>(4,707,134)</u></u>

The notes on pages 18 to 37 form an integral part of these financial statements.

SPP PUMPS LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
Reconciliation to Cash and cash equivalents category (adjusted for overdrafts)			
Cash and short-term deposits		532,324	585,540
Bank overdrafts		<u>(3,829,147)</u>	<u>(5,292,674)</u>
Cash and cash equivalents at 31 December		<u><u>(3,296,823)</u></u>	<u><u>(4,707,134)</u></u>

The notes on pages 18 to 37 form an integral part of these financial statements.

SPP PUMPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1 General information

The company is a private company limited by share capital incorporated and domiciled in England and Wales.

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 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. These disclosures are made in Kirloskar Brothers Limited financial statements and can be obtained from the company's registered office at Udyog Bhavan, Tilak Road, Pune, India or online at www.kirloskarpumps.com.

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.

Going concern

The directors have considered the Company's financial position, its forecast trading performance, and the current 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.

SPP PUMPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2 Accounting policies (continued)

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 Group has obtained the right to consideration through its performance.

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 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.

SPP PUMPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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.

SPP PUMPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2 Accounting policies (continued)

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

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

Research expenditure is written off as incurred. Development expenditure is also written off, except 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.

Tangible fixed assets

Tangible assets are 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 method and rate
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.

SPP PUMPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2 Accounting policies (continued)

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.

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.

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 using mark-to-market reports obtained from the Group's forward contract providers. 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 assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Recoverability of debtors

The Group has made provision for all amounts considered to be at risk of non-recoverability.

SPP PUMPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4 Turnover

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

	2017 £	2016 £
Engineered Products	32,166,449	23,232,734
Standard Products	33,200,765	29,318,154
Spares and Servicing	13,727,494	15,910,552
	<u>79,094,708</u>	<u>68,461,440</u>

An analysis of the Group's turnover by geographical market is as follows:

	2017 £	2016 £
United Kingdom	15,870,263	16,719,683
North America	22,988,396	26,336,254
South East Asia and Australia	12,696,412	7,936,168
Europe	9,846,222	8,843,026
Middle East	7,475,480	5,856,617
Rest of World	10,217,935	2,769,692
	<u>79,094,708</u>	<u>68,461,440</u>

5 Staff costs

The average monthly number of employees was:

	2017 No.	2016 No.
Management and administration	48	77
Manufacturing	281	283
Sales and distribution	98	112
	<u>427</u>	<u>472</u>

The aggregate payroll costs were as follows:

	2017 £	2016 £
Wages and salaries	17,969,966	17,347,642
Social security costs	1,465,615	1,578,045
Pension costs, defined contribution scheme	730,383	786,421
	<u>20,165,964</u>	<u>19,712,108</u>

SPP PUMPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

6 Directors' remuneration

The directors' remuneration for the year was as follows:

	2017 £	2016 £
Remuneration	178,640	202,040
Benefits in kind	21,876	19,427
Payments to defined contribution pension schemes	1,783	1,500
	<u>202,299</u>	<u>222,967</u>

In respect of the highest paid director:

	2017 £	2016 £
Remuneration	178,640	182,040
Benefits in kind	21,876	19,427
Payments to defined contribution pension schemes	1,783	1,500
	<u>202,299</u>	<u>202,967</u>

Contributions were made to defined contribution pension schemes on behalf of one (2016: one) director.

7 Loss before tax

This is arrived at after charging/(crediting)

	2017 £	2016 £
Depreciation of owned tangible fixed assets	1,120,639	1,219,279
Depreciation of assets held under hire purchase contracts	200,718	203,987
Operating leases - land and buildings	631,010	536,645
Operating leases - other	305,509	295,940
Amortisation of patents and trademarks	69,512	72,862
Amortisation of goodwill	21,732	23,792
Research and development cost	146,399	370,115
Research and development expenditure credit	-	(32,071)
Auditor's remuneration - audit of these financial statements	59,000	48,600
- other services relating to taxation	10,000	10,000
- all other services	17,700	7,750
Audit of financial statements of subsidiaries pursuant to legislation	76,635	71,911
Foreign exchange (gain) / loss	<u>(2,030,197)</u>	<u>1,333,545</u>

SPP PUMPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

8 Finance income and costs

Other interest receivable and similar income

	2017 £	2016 £
Interest income on other loans and receivables	<u>3,143</u>	<u>15,700</u>

Interest payable and similar charges

	2017 £	2016 £
Interest on bank overdrafts and borrowings	(350,742)	(251,470)
Interest on obligations under finance leases and hire purchase contracts	(29,568)	(42,676)
Other interest payable	(14,725)	(36,673)
Interest payable to group undertakings	<u>(55,238)</u>	<u>(61,849)</u>
	<u>(450,273)</u>	<u>(392,668)</u>

9 Profit on currency valuation

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.

The higher value of GBP against USD at the 2017 year end compared with 2016, has meant a corresponding drop in value of the company's subsidiary companies based in the USA. In the Consolidated Statement of Changes in Equity on Page 14, a foreign exchange loss of £357,691 has arisen on translation of US assets at the closing exchange rate compared with the year-end rate at 31 December 2016. This reduces some of the currency valuation gain reported in the consolidated profit and loss account.

SPP PUMPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

10 Taxation

Tax charged/(credited) in the income statement

	2017 £	2016 £
Current taxation		
UK corporation tax	-	11,498
Overseas corporation tax on profits in the year	86,363	9,588
Adjustment in respect of prior years	135,003	(218)
	<u>221,366</u>	<u>20,868</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(161,870)	(276,736)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(156,177)	(3,031)
Total deferred taxation	<u>(318,047)</u>	<u>(279,767)</u>
Tax (credit) in the income statement	<u>(96,681)</u>	<u>(258,899)</u>

The differences are reconciled below:

	2017 £	2016 £
Loss before tax	<u>(560,636)</u>	<u>(1,536,174)</u>
Corporation tax at standard rate	(107,922)	(307,235)
Effects of:		
Expenses not deductible for tax purposes	94,675	96,745
Effect of overseas branch exemption	(73,137)	(38,110)
Depreciation for period in excess of capital allowances	-	31,583
Other tax effects for reconciliation between accounting profit and tax credit	13,967	1,118
Adjustment in respect of prior years	(20,178)	(3,249)
Difference in tax rates	<u>(4,086)</u>	<u>(39,751)</u>
Total tax credit	<u>(96,681)</u>	<u>(258,899)</u>

A reduction in the rate of UK corporation tax took place on 1 April 2017 from 20% to 19%.

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% (2016: 34%).

SPP PUMPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

10 Taxation (continued)

Deferred tax

Group

Deferred tax assets and liabilities

	Asset £	Liability £
2017		
Accelerated depreciation	7,476	(373,593)
Intangible assets	-	(78,405)
Trading losses carried forward	249,970	167,353
Short term timing differences	310,473	-
	<u>567,919</u>	<u>(284,645)</u>
2016	Asset £	Liability £
Accelerated depreciation	(96,845)	(749,009)
Intangible assets	-	(162,455)
Trading losses carried forward	226,035	368,189
Short term timing differences	363,662	1,413
	<u>492,852</u>	<u>(541,862)</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%.

The US Government announced a substantial reduction in the main rate of federal tax from 35% to 21% effective from 1 January 2018. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date.

Company

Deferred tax assets and liabilities

	Asset £
2017	
Trading losses carried forward	249,970
Short term timing differences	81,614
Accelerated depreciation	7,476
	<u>339,060</u>
2016	Asset £
Trading losses carried forward	226,035
Short term timing differences	46,928
Accelerated depreciation	(96,845)
	<u>176,118</u>

SPP PUMPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11 Loss attributable to the Company

The loss for the financial year dealt with in the financial statements of the parent Company was £379,048 (2016: loss of £1,194,024). 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

	2017 £	2016 £
Interim dividend of £0.31 (2016: £0.00) per ordinary share	600,000	-

13 Intangible assets

Group

	Goodwill £	Trademarks, patents and licences £	Total £
Cost			
At 1 January 2017	237,934	806,712	1,044,646
Foreign exchange movements	(20,603)	(64,946)	(85,549)
At 31 December 2017	217,331	741,766	959,097
Amortisation			
At 1 January 2017	67,410	328,060	395,470
Amortisation charge	21,732	69,512	91,244
Foreign exchange movements	(5,837)	(24,690)	(30,527)
At 31 December 2017	83,305	372,882	456,187
Carrying amount			
At 31 December 2017	134,026	368,884	502,910
At 31 December 2016	170,524	478,652	649,176

SPP PUMPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

14 Tangible assets

Group	Freehold land and buildings £	Leasehold improvements £	Motor vehicles £	Plant and machinery £	Tooling and patterns £	Total £
Cost						
At 1 January 2017	8,179,447	543,475	67,863	11,535,617	1,334,240	21,660,642
Additions	114,716	2,852	-	343,795	73,736	535,099
Foreign exchange movements	(403,465)	(7,474)	(955)	(185,233)	1,722	(595,405)
At 31 December 2017	<u>7,890,698</u>	<u>538,853</u>	<u>66,908</u>	<u>11,694,179</u>	<u>1,409,698</u>	<u>21,600,336</u>
Depreciation						
At 1 January 2017	1,480,410	189,519	46,686	7,259,687	1,089,376	10,065,678
Charge for the year	211,806	29,522	9,032	979,302	91,696	1,321,358
Foreign exchange movements	(38,498)	(2,287)	(1,070)	(103,730)	1,461	(144,124)
At 31 December 2017	<u>1,653,718</u>	<u>216,754</u>	<u>54,648</u>	<u>8,135,259</u>	<u>1,182,533</u>	<u>11,242,912</u>
Carrying amount						
At 31 December 2017	<u>6,236,980</u>	<u>322,099</u>	<u>12,260</u>	<u>3,558,920</u>	<u>227,165</u>	<u>10,357,424</u>
At 31 December 2016	<u>6,699,037</u>	<u>353,956</u>	<u>21,177</u>	<u>4,275,930</u>	<u>244,864</u>	<u>11,594,964</u>

Freehold land & buildings includes land at a cost of £2,069,086 (2016: £2,013,864) which is not being depreciated. The change in value relates to foreign exchange movements. The above assets are subject to debentures that form security for bank loans and bank borrowing facilities.

SPP PUMPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

14 Tangible assets (continued)

Company	Freehold land and buildings £	Leasehold improvements £	Motor vehicles £	Plant and machinery £	Tooling and patterns £	Total £
Cost						
At 1 January 2017	3,479,559	457,168	23,380	9,337,757	1,292,833	14,590,697
Additions	-	-	-	159,084	73,735	232,819
At 31 December 2017	<u>3,479,559</u>	<u>457,168</u>	<u>23,380</u>	<u>9,496,841</u>	<u>1,366,568</u>	<u>14,823,516</u>
Depreciation						
At 1 January 2017	995,310	163,108	22,278	6,003,048	1,054,239	8,237,983
Charge for the year	99,049	19,913	778	740,863	88,989	949,592
At 31 December 2017	<u>1,094,359</u>	<u>183,021</u>	<u>23,056</u>	<u>6,743,911</u>	<u>1,143,228</u>	<u>9,187,575</u>
Carrying amount						
At 31 December 2017	<u>2,385,200</u>	<u>274,147</u>	<u>324</u>	<u>2,752,930</u>	<u>223,340</u>	<u>5,635,941</u>
At 31 December 2016	<u>2,484,249</u>	<u>294,060</u>	<u>1,102</u>	<u>3,334,709</u>	<u>238,594</u>	<u>6,352,714</u>

Freehold land & buildings includes land at a cost of £745,000 (2016: £745,000) which is not being depreciated.

The above assets are subject to a debenture that forms security for a bank borrowing facility.

SPP PUMPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

14 Tangible assets (continued)

Hire purchase agreements

Group

Included within the amounts for plant and machinery above is net book value of £1,172,844 (2016: £1,383,252) relating to assets held under hire purchase agreements.

Depreciation charged to the financial statements in the year in respect of such assets amounted to £200,718 (2016: £203,987).

Company

Included within the amounts for plant and machinery above is net book value of £1,130,574 (2016: £1,318,641) relating to assets held under hire purchase agreements.

Depreciation charged to the financial statements in the year in respect of such assets amounted to £188,067 (2016: £188,067).

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

15 Investments

Company

	2017 £	2016 £
Investments in subsidiaries brought forward	382,688	286,515
Investment additions	-	96,173
	<u>382,688</u>	<u>382,688</u>

Group

Details of undertakings

Details of the investments in which the Group holds share capital are as follows:

Undertaking	Country of incorporation	Proportion of voting rights and shares held	
		2017	2016
Subsidiary undertakings			
SPP Pumps Inc.	USA	100%	100%
SPP France SAS	France	100%	100%
SPP Real Estate LLC *	USA	100%	100%
SyncroFlo, Inc. *	USA	100%	100%

SPP PUMPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

15 Investments (continued)

The principal activity of SPP Pumps Inc. is Supply of pumps and related equipment

The principal activity of SPP France SAS is Supply and servicing of pumps and related equipment

The principal activity of SPP Real Estate LLC * is Real Estate

The principal activity of SyncroFlo, Inc. * is Supply of pumping equipment

* 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.

16 Stocks

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Raw materials and consumables	11,066,790	7,631,666	6,284,190	4,674,202
Work in progress	5,057,665	6,212,155	4,365,055	5,578,958
Finished goods and goods for resale	1,485,177	623,520	1,347,857	216,971
	<u>17,609,632</u>	<u>14,467,341</u>	<u>11,997,102</u>	<u>10,470,131</u>

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

17 Debtors

		Group		Company	
		2017	2016	2017	2016
	Note	£	£	£	£
Trade debtors		24,044,369	21,966,252	17,970,138	16,767,366
Amounts owed by related parties	25	1,447,470	1,223,135	2,730,868	1,946,826
Other debtors		1,360,938	1,598,872	913,666	931,029
Prepayments		858,485	1,143,374	634,834	882,661
Deferred tax asset	10	567,919	492,852	339,060	176,118
Forward contract valuation	20	554,001	-	554,001	-
Total current trade and other debtors		<u>28,833,182</u>	<u>26,424,485</u>	<u>23,142,567</u>	<u>20,704,000</u>

SPP PUMPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

18 Creditors

	Note	Group 2017 £	2016 £	Company 2017 £	2016 £
Due within one year					
Loans and borrowings	19	2,625,192	463,421	2,400,000	-
Bank overdrafts		3,829,147	5,292,674	2,303,142	3,378,831
Trade creditors		13,812,727	11,615,510	10,287,132	7,990,067
Amounts due to related parties	25	5,988,245	3,062,919	2,918,775	2,152,495
Social security and other taxes		130,719	99,434	-	-
Obligations under hire purchase contracts		182,528	228,302	162,940	207,246
Other creditors		112,645	20,046	97,373	20,046
Accrued expenses and deferred income		9,330,383	7,951,774	7,316,257	6,553,126
Dividends payable	12	600,000	-	600,000	-
		<u>36,611,586</u>	<u>28,734,080</u>	<u>26,085,619</u>	<u>20,301,811</u>
Due after one year					
Loans and borrowings	19	2,678,393	3,045,072	-	-
Obligations under hire purchase contracts		91,983	446,377	85,613	417,958
		<u>2,770,376</u>	<u>3,491,449</u>	<u>85,613</u>	<u>417,958</u>

19 Loans and borrowings

	Group 2017 £	2016 £	Company 2017 £	2016 £
Current loans and borrowings				
Bank loans	2,625,192	463,421	2,400,000	-
Bank overdrafts	3,829,147	5,292,674	2,303,142	3,378,831
Hire purchase contracts	182,528	228,302	162,940	207,246
	<u>6,636,867</u>	<u>5,984,397</u>	<u>4,866,082</u>	<u>3,586,077</u>

SPP PUMPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

19 Loans and borrowings (continued)

	Group 2017 £	2016 £	Company 2017 £	2016 £
Non-current loans and borrowings				
Bank loans:				
Between one and two years	326,791	467,409	-	-
Between two and five years	520,963	423,038	-	-
After five years	1,830,639	2,154,625	-	-
	<u>2,678,393</u>	<u>3,045,072</u>	<u>-</u>	<u>-</u>
Hire purchase contracts:				
Between one and two years	91,983	228,690	85,613	207,246
Between two and five years	-	217,687	-	210,712
	<u>91,983</u>	<u>446,377</u>	<u>85,613</u>	<u>417,958</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	2017 £	2016 £
A	Building	3.750%	27 Jun 23	2,475,400	2,834,412
B	Stock & Debtors	3.260%	-	-	354,624
C	Equipment	3.995%	23 Jul 18	46,904	136,775
D	Building	4.650%	16 Aug 18	21,668	58,333
E	Vehicle	4.110%	-	-	4,790
F	Land improvement	4.995%	30 Aug 22	359,613	119,559
G	Stock & Debtors	2.698%	18 Jan 18	2,400,000	-
				<u>5,303,585</u>	<u>3,508,493</u>

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 £2.4million has been drawn down at 31 December 2017. 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.

Hire purchase contracts:

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 2017

20 Deferred tax and other provisions

Group

	Warranties £	Deferred tax £	Forward contract valuation £	Total £
At 1 January 2017	902,781	541,862	1,012,288	2,456,931
Increase/(decrease) in existing provisions	218,483	(155,103)	(1,566,289)	(1,502,909)
Provisions used	(549,827)	-	-	(549,827)
Increase due to foreign exchange differences	(19,972)	(102,114)	-	(122,086)
Transfer to debtors	-	-	554,001	554,001
At 31 December 2017	<u>551,465</u>	<u>284,645</u>	<u>-</u>	<u>836,110</u>

Company

	Warranties £	Deferred tax £	Forward contract valuation £	Total £
At 1 January 2017	654,275	-	1,012,288	1,666,563
Increase/(decrease) in existing provisions	239,316	-	(1,566,289)	(1,326,973)
Provisions used	(525,000)	-	-	(525,000)
Transfer to debtors	-	-	554,001	554,001
At 31 December 2017	<u>368,591</u>	<u>-</u>	<u>-</u>	<u>368,591</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 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.

21 Contingent liabilities

Performance bonds and guarantees remain outstanding at 31 December 2017. These arose in the normal course of business and amount to £10,570,374 (2016 - £9,612,111).

SPP PUMPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

22 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 £730,383 (2016 - £786,421). The amount outstanding at the end of the year was £80,310 (2016 - £541).

23 Called-up share capital and reserves

Allotted, called up and fully paid shares

	2017		2016	
	No.	£	No.	£
A ordinary shares of £1 each	50,000	50,000	50,000	50,000
C ordinary shares of £1 each	<u>1,900,000</u>	<u>1,900,000</u>	<u>1,900,000</u>	<u>1,900,000</u>
	<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.

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.

24 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

	2017	2016
	£	£
Not later than one year	468,866	579,508
Later than one year and not later than five years	1,134,432	1,363,244
Later than five years	<u>1,957</u>	<u>150,180</u>
	<u>1,605,255</u>	<u>2,092,932</u>

25 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 (see Note 27 for further details).

SPP PUMPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

26 Financial instruments

Group and Company

Categorisation of financial instruments

	2017 £	2016 £
Forward contract valuation through profit and loss	<u>1,566,289</u>	<u>(472,185)</u>
Forward contract valuation included in assets/provision for liabilities and charges	<u>554,001</u>	<u>(1,012,288)</u>

27 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. 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 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.

SPP PUMPS LIMITED

The page which follows does not form part of the statutory
financial statements of the company

SPP PUMPS LIMITED**INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £	2016 £
Turnover	48,527,677	40,565,930
Cost of sales	<u>(41,214,479)</u>	<u>(32,868,357)</u>
Gross profit	7,313,198	7,697,573
Distribution costs	(5,921,265)	(5,515,811)
Administrative expenses	(4,385,398)	(3,414,165)
Other operating income	<u>651,857</u>	<u>1,234,299</u>
Operating (loss)/profit	(2,341,608)	1,896
Interest receivable	3,143	15,700
Interest payable	(187,126)	(131,272)
Profit/(loss) on currency valuation	<u>2,030,389</u>	<u>(1,333,545)</u>
Loss before tax	(495,202)	(1,447,221)
Taxation	<u>116,154</u>	<u>253,197</u>
Loss for the financial year	<u><u>(379,048)</u></u>	<u><u>(1,194,024)</u></u>

Approved by the Board on 5/3/2018



A S Kirloskar
Managing Director