

Company Registration No. 04839607 (England and Wales)

SPP Pumps Limited

**Annual report and
group financial statements
for the year ended 31 December 2021**



SPP Pumps Limited

Company information

Chairman	Sanjay Kirloskar
Directors	Sanjay Kirloskar Alok Kirloskar Pratap Shirke Owen Shevlin Robert Tichband
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 Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ

SPP Pumps Limited

Contents

	Page
Strategic report	1 - 3
Directors' report	4 - 6
Independent auditor's report	7 - 10
Group statement of comprehensive income	11
Group statement of financial position	12 - 13
Company statement of financial position	14 - 15
Group statement of changes in equity	16
Company statement of changes in equity	17
Group statement of cash flows	18
Notes to the financial statements	19 - 44

SPP Pumps Limited

Strategic report

For the year ended 31 December 2021

The directors present the strategic report for the year ended 31 December 2021 for SPP Pumps Limited ("the Company") and its subsidiaries ("the Group").

Fair review of the business

The year started with optimism that the Covid-19 pandemic would soon be behind us. Events proved this hope to be premature. The business environment remained sluggish in the first half of the year, whilst governments continued or in some cases reintroduced lockdown measures. Order intake was lower than expected and some major projects were delayed. The decision was taken to furlough some of the UK workforce temporarily to match the level of business activity and mitigate the financial impact on the Company. Production was maintained, albeit at reduced capacity.

The second half of the year saw business activities start to return to normal, as vaccination programmes were rolled out and lockdown measures relaxed. There was a noticeable upturn in SPP's performance, both in terms of fulfilment of customer orders and new order intake.

Overall, the Group has delivered a reasonable set of financial results, achieving sales revenues of £73.2m and a profit before tax of £1.5m for the year. Gross margin has decreased only slightly from 22.8% to 21.3% in the year. Distribution and administrative costs have remained tightly controlled. The results are underpinned by good performances from the Energy, Industrial Fire and Engineering Service Divisions, as well as the US business.

There continues to be a firm focus on cash collection and efficient working capital management. Group debtors have reduced from £26.1m to £19.2m and Group inventory from £13.7m to £11.0m in the year. This has contributed to a significant reduction in bank borrowings, decreasing by 39% to £5.8m at the end of 2021.

SPP has invested in various initiatives during the year, including developing new products, enhancing test facilities, and upgrading its IT systems. Most notably of all, it has invested in improving its service facility at Coleford. The work is due to be completed in 2022 and will lead to higher service levels for customers and further business opportunities. Together with a strong order book and more streamlined organisational structure, the Group stands in good stead for the forthcoming year.

Principal risks and uncertainties

Commodity risk

The price of oil increased steadily throughout 2021, finishing the year at around \$78 a barrel. There is optimism that the more stable Oil & Gas marketplace will result in improved orders for the Group.

Currency risk

Approximately 75% of the Group's sales are from outside the UK and from where many key components are sourced, with a significant portion denominated in US Dollars. Foreign exchange movements are an ongoing risk. The Group minimises this risk by hedging foreign currency transactions through forward contracts matched to specific orders.

SPP Pumps Limited

Strategic report (continued)

For the year ended 31 December 2021

Credit risk

The challenges in the global economy have inevitably increased the credit risk to the Group. However, SPP controls its credit exposures carefully in order to minimise such risk. The vast 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 any significant issues during the year.

Liquidity risk

With market conditions being more changeable, the Group has focused 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.

Development and performance

SPP has invested in the development of new products and services during the year. It continues to develop the markets in which it sells, notably in Europe, Middle East and the Far East.

Within the Energy Division (formerly Oil & Gas Division), there is now a focus on the “energy transition” from traditional hydrocarbons to renewable energy sources such as hydrogen, tidal, wind, solar, and OTEC. In this respect, the Company is mirroring its customers by exploring opportunities to support the move to a greener and more sustainable energy industry. SPP will continue to offer world class products and services to support the industry through this phase and it will remain a key part of our business.

SPP has taken steps to strengthen its brand image and reputation for product quality through industry accreditations, adherence to quality standards as well as marketing and exhibition activities.

Kirloskar Brothers Limited (“KBL”), the Group’s ultimate parent company, continues to offer strong support. The Group benefits from its close association with KBL and other members within the KBL group of companies.

The Board recognises the hard work and dedication of its employees, in what has been a difficult year due to the ongoing pandemic. It would like to place on record its thanks to them.

SPP is strongly positioned to benefit from the recent recovery in market confidence. Its focus will remain on developing its core business and improving its standing through sound financial management.

Overview of how the Board performed its duties

The Board continues to have regard to the interests of employees and other stakeholders when making decisions that it considers most likely to promote the success of the Company and Group in the long term.

Fundamentally, SPP is a manufacturer of pumps and pump packages. Like all commercial enterprises, the goal is to achieve a consistent pattern of superior value offering to its customers and better returns for its shareholders. It is therefore important for SPP to differentiate itself in the way that it creates and delivers value.

In line with SPP’s Mission Statement, by giving customers superior service and value, SPP will achieve sustainable growth, profitability and ensure the long term future of the Group. This is underpinned by some key fundamental relationships:

SPP Pumps Limited

Strategic report (continued)

For the year ended 31 December 2021

Customers

SPP works collaboratively with its customers to provide security in their supply chain through world class products and services. Adding value for customers is at the heart of everything SPP does. This is achieved through regular customer visits and asking for honest feedback, which helps SPP improve its products and services. Due to the pandemic, contact with customers during 2021 has largely been via telephone and electronic media, but relationships remained unaffected.

Suppliers

SPP works in partnership with its suppliers, actively involving them in its business and providing a basis for mutual prosperity.

Community

SPP works as an active member of the local community to provide security through employment, either direct or indirect, as well as volunteering and other social programmes.

Environment

SPP actively pursues an environmental policy that benefits and protects both the local community and the wider public at large.

Approved by the Board on 04.02.22 and signed on its behalf by:



Amit Naniwadekar

Company Secretary

04th February 2022

SPP Pumps Limited

Directors' report

For the year ended 31 December 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

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

Robert Tichband

Results and dividends

The results for the year are set out on page 11.

The directors do not recommend the payment of a dividend.

Disabled persons

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 reasonably practicable, identical to that of other employees who are not disabled.

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 development of practices that secure and enhance the health and welfare of employees at work.

Emissions and energy consumption

During the year, the Company emitted 465 tonnes of CO₂e from activities involving the combustion of gas and consumption of fuel for the purposes of transport, and 234 tonnes of CO₂e from the purchase of electricity for its own use. In aggregate it consumed 3.43 million kWh of energy. Greenhouse gas emissions were calculated using the UK Government GHG Conversion Factors for Company Reporting 2021. Energy usage data was gathered from a variety of sources, including utility bills for gas and electric, and mileage expenses and fuel card data for transport. The Company's intensity ratio, expressed as tonnes of CO₂e per total £m of sales revenue, is 15.8. This compares to an intensity ratio of 17.0 in 2020.

SPP Pumps Limited

Directors' report (continued)

For the year ended 31 December 2021

SPP understands the importance of reducing energy consumption and sourcing energy supply in a way that helps protect the environment from future harm. As part of its utility contract renewal, the Company has increased the number of sites that now source 100% renewable electricity. It aims to have all its sites using 100% renewable electricity by the end of 2022.

Overseas branches

The Company has subsidiary companies in the USA and France; and overseas sales offices in the United Arab Emirates and Czech Republic.

Auditor

The auditors, Saffery Champness LLP, have indicated their willingness to continue in office.

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; and
- 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 Group 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 Group is aware of that information.

SPP Pumps Limited

Directors' report (continued)

For the year ended 31 December 2021

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 1 to 3. The Group has considerable financial resources together with a strong order book and 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 its 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.

By order of the Board



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Amit Naniwadekar
Company Secretary

Date: 04th February 2022

SPP Pumps Limited

Independent auditor's report

To the members of SPP Pumps Limited

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 2021 which comprise 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 significant accounting policies. 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).

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Group and of the Parent Company as at 31 December 2021 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 and Parent 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

SPP Pumps Limited

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 the 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 its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' Report.

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

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the Group and Parent Company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the Group and Parent Company by discussions with directors and communication with component auditors, and by updating our understanding of the sector in which the Group and Parent Company operates.

Laws and regulations of direct significance in the context of the Parent Company include The Companies Act 2006, and UK Tax legislation including as it relates to research and development as well as similar laws and regulations prevailing in each country in which we identified a significant component.

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the Parent Company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the Parent Company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance including the maintenance of industry accreditations.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud, including those areas with a high risk of possible management manipulation including revenue recognition for Energy contracts and stock provisioning. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries, and identifying and testing any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

SPP Pumps Limited

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

As Group auditors, our assessment of matters relating to non-compliance with laws or regulations and fraud differed at Group and component level according to their particular circumstances. Our communications with component auditors included a request to identify instances of non-compliance with laws and regulations and fraud that could give rise to a material misstatement of the Group financial statements in addition to our risk assessment.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available 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.



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

8 February 2022
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Chartered Accountants
Statutory Auditors

Westpoint
Peterborough Business Park
Lynch Wood
Peterborough
PE2 6FZ

SPP Pumps Limited

**Group statement of comprehensive income
For the year ended 31 December 2021**

		2021	2020
	Notes	£	£
Turnover	3	73,137,036	78,678,749
Cost of sales		(57,615,721)	(60,762,349)
Gross profit		15,521,315	17,916,400
Distribution costs		(5,306,231)	(6,037,892)
Administrative expenses		(10,031,259)	(10,676,229)
Other operating income	3	1,585,744	2,286,714
Operating profit	7	1,769,569	3,488,993
Interest receivable and similar income		-	13,641
Interest payable and similar expenses	8	(397,569)	(545,343)
Other gains and losses	9	107,081	295,003
Profit before taxation		1,479,081	3,252,294
Tax on profit	10	(299,228)	(222,207)
Profit for the financial year		1,179,853	3,030,087
Other comprehensive income			
Currency translation differences		65,298	(318,495)
Total comprehensive income for the year		1,245,151	2,711,592

Profit for the financial year is all attributable to the owners of the parent Company.

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

SPP Pumps Limited

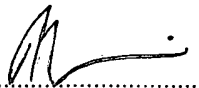
**Group statement of financial position
As at 31 December 2021**

		2021		2020	
	Notes	£	£	£	£
Fixed assets					
Goodwill	11		47,013		68,029
Other intangible assets	11		129,334		187,194
Total intangible assets			176,347		255,223
Tangible assets	12		8,222,357		7,953,722
			8,398,704		8,208,945
Current assets					
Stocks	15	11,020,091		13,685,297	
Debtors	16	19,226,481		26,078,797	
Cash at bank and in hand		3,760,426		3,641,506	
			34,006,998		43,405,600
Creditors: amounts falling due within one year	17	(17,041,903)		(28,118,745)	
Net current assets			16,965,095		15,286,855
Total assets less current liabilities			25,363,799		23,495,800
Creditors: amounts falling due after more than one year	18		(5,363,959)		(4,539,952)
Provisions for liabilities	22		(604,319)		(805,478)
Net assets			19,395,521		18,150,370
Capital and reserves					
Called up share capital	24		3,000,000		3,000,000
Capital redemption reserve			50,000		50,000
Profit and loss reserves			16,345,521		15,100,370
Total equity			19,395,521		18,150,370

SPP Pumps Limited

Group statement of financial position (continued)
As at 31 December 2021

The financial statements were approved by the board of directors and authorised for issue on ~~04.02.2022~~ 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 2021**

			2021	2020
	Notes	£	£	£
Fixed assets				
Tangible assets	12		3,757,990	3,657,344
Investments	13		1,382,688	1,382,688
			<u>5,140,678</u>	<u>5,040,032</u>
Current assets				
Stocks	15	6,081,146	9,282,555	
Debtors	16	15,302,587	21,569,071	
Cash at bank and in hand		802,826	1,600,602	
		<u>22,186,559</u>	<u>32,452,228</u>	
Creditors: amounts falling due within one year	17	(11,498,993)	(23,747,596)	
Net current assets			<u>10,687,566</u>	<u>8,704,632</u>
Total assets less current liabilities			<u>15,828,244</u>	<u>13,744,664</u>
Creditors: amounts falling due after more than one year	18	(650,000)		-
Provisions for liabilities	22	(409,952)		(572,305)
Net assets			<u>14,768,292</u>	<u>13,172,359</u>
Capital and reserves				
Called up share capital	24	3,000,000	3,000,000	
Capital redemption reserve		50,000	50,000	
Profit and loss reserves		11,718,292	10,122,359	
Total equity			<u>14,768,292</u>	<u>13,172,359</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 profit for the year was £1,595,933 (2020 : £1,785,542 profit).

SPP Pumps Limited

Company statement of financial position (continued)
As at 31 December 2021

The financial statements were approved by the board of directors and authorised for issue on ~~04.02.2022~~ and are signed on its behalf by:



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Alok Kirloskar
Director

Company Registration No. 04839607

SPP Pumps Limited

**Group statement of changes in equity
For the year ended 31 December 2021**

	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2020	3,000,000	50,000	12,388,778	15,438,778
Year ended 31 December 2020:				
Profit for the year	-	-	3,030,087	3,030,087
Other comprehensive income:				
Currency translation differences on overseas subsidiaries	-	-	(318,495)	(318,495)
Total comprehensive income for the year	-	-	2,711,592	2,711,592
Balance at 31 December 2020	3,000,000	50,000	15,100,370	18,150,370
Year ended 31 December 2021:				
Profit for the year	-	-	1,179,853	1,179,853
Other comprehensive income:				
Currency translation differences on overseas subsidiaries	-	-	65,298	65,298
Total comprehensive income for the year	-	-	1,245,151	1,245,151
Balance at 31 December 2021	3,000,000	50,000	16,345,521	19,395,521

SPP Pumps Limited**Company statement of changes in equity
For the year ended 31 December 2021**

	Share capital £	redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2020	3,000,000	50,000	8,336,817	11,386,817
Year ended 31 December 2020: Profit and total comprehensive income for the year	-	-	1,785,542	1,785,542
Balance at 31 December 2020	3,000,000	50,000	10,122,359	13,172,359
Year ended 31 December 2021: Profit and total comprehensive income for the year	-	-	1,595,933	1,595,933
Balance at 31 December 2021	3,000,000	50,000	11,718,292	14,768,292

SPP Pumps Limited

Group statement of cash flows
For the year ended 31 December 2021

		2021	2020
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	29	5,621,257	9,843,763
Interest paid		(397,569)	(545,343)
Corporation tax paid		(236,433)	(266,209)
Net cash inflow from operating activities		4,987,255	9,032,211
Investing activities			
Purchase of tangible fixed assets	(1,207,651)	(566,698)	
Proceeds on disposal of tangible fixed assets	7,376	6,099	
Interest received	-	13,641	
Net cash used in investing activities		(1,200,275)	(546,958)
Financing activities			
Proceeds of new bank loans	1,000,000	-	
Repayment of bank loans	(4,289,061)	(5,311,177)	
Payment of finance leases obligations	(4,580)	(6,044)	
Net cash used in financing activities		(3,293,641)	(5,317,221)
Net increase in cash and cash equivalents		493,339	3,168,032
Cash and cash equivalents at beginning of year		3,246,619	54,655
Effect of foreign exchange rates		20,468	23,932
Cash and cash equivalents at end of year		3,760,426	3,246,619
Relating to:			
Cash at bank and in hand		3,760,426	3,641,506
Bank overdrafts included in creditors payable within one year		-	(394,887)

SPP Pumps Limited

Notes to the financial statements For the year ended 31 December 2021

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 14.

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

The Group financial statements incorporate those of SPP Pumps Limited and all of its subsidiaries (i.e. 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 2021. 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.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the Company and Group 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 Accounting policies (continued)

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. Turnover is recognised:

- In respect of engineered products, when the risks and rewards of ownership of the goods have passed to the buyer in line with the terms of the agreed contract;
- In respect of standard products, on shipment of completed product to the customer; and
- In respect of spares and 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. Provision is made for any impairment.

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 Group is expected to benefit. This period is between three and five years. Provision is made for any impairment.

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.

Notes to the financial statements (continued)
For the year ended 31 December 2021

1 Accounting policies (continued)

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
Assets in course of construction	Not depreciated

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 and cash equivalents 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.

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 and loans from fellow group companies, 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.

1 Accounting policies (continued)

Other financial liabilities

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 Group 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 profit or loss 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 profit or loss 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 leased asset are consumed.

1.19 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

1 Accounting policies (continued)

1.20 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.

SPP Pumps Limited**Notes to the financial statements (continued)**
For the year ended 31 December 2021**3 Turnover and other revenue**

	2021	2020
	£	£
Turnover analysed by class of business		
Engineered Products	19,983,966	19,314,119
Standard Products	38,371,961	42,210,513
Spares and Servicing	14,781,109	17,154,117
	<u>73,137,036</u>	<u>78,678,749</u>
Grants received relating to Coronavirus Job Retention Scheme	207,877	1,040,234
Coronavirus Aid, Relief and Economic Security (CARES) Act US grant income	-	1,140,211
Rental Income	1,455	2,325
Royalties	47,704	56,916
Other	1,328,708	47,028
	<u>1,585,744</u>	<u>2,286,714</u>
	2021	2020
	£	£
Turnover analysed by geographical market		
United Kingdom	16,897,459	19,295,424
North America	21,186,002	23,116,776
South East Asia and Australia	8,420,243	9,600,760
Europe	6,165,293	6,274,114
Middle East	7,565,237	9,430,852
Rest of World	12,902,802	10,960,823
	<u>73,137,036</u>	<u>78,678,749</u>

SPP Pumps Limited**Notes to the financial statements (continued)**
For the year ended 31 December 2021**4 Auditor's remuneration**

	2021	2020
	£	£
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the financial statements of the Group and Company	48,150	41,810
For other services		
Interim assurance reviews	12,500	15,167
Taxation compliance services	10,950	10,460
Tax advisory services	3,440	8,540
Other Advisory services	41,565	12,665
Accounts preparation services	5,500	5,230
	<u>122,105</u>	<u>93,872</u>

Fees payable for the audit of the financial statements of the company's subsidiaries amounted to £46,418 (2020: £98,093).

5 Employees

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

	2021	2020
	Number	Number
Mangement and administration	56	57
Manufacturing	209	240
Sales and distribution	80	89
	<u>345</u>	<u>386</u>

SPP Pumps Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

5 Employees (continued)

Their aggregate remuneration comprised:

	2021	2020
	£	£
Wages and salaries	14,710,394	16,220,348
Social security costs	1,407,441	1,432,722
Pension costs	799,997	789,572
	<u>16,917,832</u>	<u>18,442,642</u>

6 Directors' remuneration

	2021	2020
	£	£
Remuneration for qualifying services	705,758	513,694
Company pension contributions to defined contribution schemes	37,822	26,610
	<u>743,580</u>	<u>540,304</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2020 - 2).

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

	2021	2020
	£	£
Remuneration for qualifying services	357,697	189,351
Company pension contributions to defined contribution schemes	16,294	9,060
	<u>373,991</u>	<u>198,411</u>

There are no key management personnel other than the directors.

SPP Pumps Limited**Notes to the financial statements (continued)**
For the year ended 31 December 2021**7 Operating profit**

	2021	2020
	£	£
Operating profit for the year is stated after charging:		
Depreciation of owned tangible fixed assets	792,748	1,047,081
Depreciation of tangible fixed assets held under finance leases	179,785	188,067
Loss on disposal of tangible fixed assets	1,401	1,201
Amortisation of intangible assets	81,412	80,611
Operating lease charges	765,986	835,552
	<u>792,748</u>	<u>1,047,081</u>

8 Interest payable and similar expenses

	2021	2020
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	395,888	544,061
Other interest on financial liabilities	1,681	1,282
	<u>397,569</u>	<u>545,343</u>

SPP Pumps Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

9 Other gains and losses

	2021	2020
	£	£
Fair value gains/(losses) on financial instruments		
Gain on hedge item in a fair value hedge	107,081	295,003

The Company hedges all sales and purchase orders above £10,000 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 Group to value all forward contract liabilities, even where the corresponding asset is not yet included in the Group'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.

SPP Pumps Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

10 Taxation

	2021	2020
	£	£
Current tax		
UK corporation tax on profits for the current period	428,829	188,021
Adjustments in respect of prior periods	50,918	(67,475)
Total current tax	<u>479,747</u>	<u>120,546</u>
Deferred tax		
Origination and reversal of timing differences	214,672	309,017
Changes in tax rates	(309,458)	(120,874)
Adjustment in respect of prior periods	(85,733)	(86,482)
Total deferred tax	<u>(180,519)</u>	<u>101,661</u>
Total tax charge	<u>299,228</u>	<u>222,207</u>

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

	2021	2020
	£	£
Profit before taxation	<u>1,479,081</u>	<u>3,252,294</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.25%)	281,025	626,067
Tax effect of expenses that are not deductible in determining taxable profit	25,638	26,108
Adjustments in respect of prior years	24,478	(67,233)
Research and development tax credit	-	(13,669)
Overseas withholding tax suffered	106,571	-
Deferred tax adjustments in respect of prior years	(57,825)	(86,725)
Effect of overseas branch exemption	53,240	10,430
Other tax adjustments	110,964	(175,128)
Difference in tax rates	(244,863)	(97,643)
Taxation charge	<u>299,228</u>	<u>222,207</u>

SPP Pumps Limited**Notes to the financial statements (continued)**
For the year ended 31 December 2021**10 Taxation (continued)**

The UK Government have confirmed the main rate of corporation tax will increase to 25% from April 2023. Between 1 April 2020 to 31 March 2023 the corporation tax rate will remain at 19%. At the balance sheet date deferred tax has been calculated at the enacted tax rate of 25%.

The Group's overseas tax rates are higher than those in the UK. The US main federal tax rate was 20% (2020: 21%).

11 Intangible fixed assets

Group	Goodwill	Patents and trademarks	Total
	£	£	£
Cost			
At 1 January 2021	214,802	712,781	927,583
Exchange adjustments	2,136	5,754	7,890
At 31 December 2021	216,938	718,535	935,473
Amortisation and impairment			
At 1 January 2021	146,773	525,587	672,360
Amortisation charged for the year	21,692	59,720	81,412
Exchange adjustments	1,460	3,894	5,354
At 31 December 2021	169,925	589,201	759,126
Carrying amount			
At 31 December 2021	47,013	129,334	176,347
At 31 December 2020	68,029	187,194	255,223

The company had no intangible fixed assets at 31 December 2021 or 31 December 2020.

SPP Pumps Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

12 Tangible fixed assets

Group	Freehold land and buildings	Leasehold improvements	Assets under construction	Plant and equipment	Tooling and patterns	Motor vehicles	Total
	£	£	£	£	£	£	£
Cost							
At 1 January 2021	7,887,421	530,085	-	12,508,914	1,590,413	64,822	22,581,655
Additions	389,057	-	491,015	303,925	20,465	3,189	1,207,651
Disposals	-	-	-	(142,639)	-	-	(142,639)
Transfers	-	-	57,378	(57,378)	-	-	-
Exchange adjustments	41,813	860	-	25,526	(1,721)	(1,662)	64,816
At 31 December 2021	8,318,291	530,945	548,393	12,638,348	1,609,157	66,349	23,711,483
Depreciation and impairment							
At 1 January 2021	2,281,414	500,106	-	10,337,157	1,444,434	64,822	14,627,933
Depreciation charged in the year	220,686	15,918	-	656,977	78,516	436	972,533
Eliminated in respect of disposals	-	-	-	(133,860)	-	-	(133,860)
Exchange adjustments	6,858	652	-	18,234	(1,562)	(1,662)	22,520
At 31 December 2021	2,508,958	516,676	-	10,878,508	1,521,388	63,596	15,489,126
Carrying amount							
At 31 December 2021	5,809,333	14,269	548,393	1,759,840	87,769	2,753	8,222,357
At 31 December 2020	5,606,007	29,979	-	2,171,757	145,979	-	7,953,722

SPP Pumps Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

12 Tangible fixed assets (continued)

Company	Freehold land and buildings	Leasehold improvements	Assets under construction	Plant and equipment	Tooling and patterns	Motor vehicles	Total
	£	£	£	£	£	£	£
Cost							
At 1 January 2021	3,479,559	443,597	-	9,782,865	1,561,642	23,380	15,291,043
Additions	20,827	-	491,015	225,332	20,465	-	757,639
Disposals	-	-	-	(38,471)	-	-	(38,471)
Transfers	-	-	57,378	(57,378)	-	-	-
At 31 December 2021	3,500,386	443,597	548,393	9,912,348	1,582,107	23,380	16,010,211
Depreciation and impairment							
At 1 January 2021	1,390,135	434,498	-	8,367,360	1,418,326	23,380	11,633,699
Depreciation charged in the year	98,907	4,810	-	476,439	76,837	-	656,993
Eliminated in respect of disposals	-	-	-	(38,471)	-	-	(38,471)
At 31 December 2021	1,489,042	439,308	-	8,805,328	1,495,163	23,380	12,252,221
Carrying amount							
At 31 December 2021	2,011,344	4,289	548,393	1,107,020	86,944	-	3,757,990
At 31 December 2020	2,089,424	9,099	-	1,415,505	143,316	-	3,657,344

SPP Pumps Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

13 Fixed asset investments

		Group		Company	
		2021	2020	2021	2020
	Notes	£	£	£	£
Investments in subsidiaries	14	-	-	1,382,688	1,382,688

14 Subsidiaries

Details of the Company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Registered office	Nature of business	% Held	
			2021	2020
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 2 rue du Chateau d'eau, 95450 US, France.

15 Stocks

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Raw materials and consumables	8,688,375	8,738,005	4,508,345	4,903,586
Work in progress	2,131,522	4,566,955	1,509,264	4,160,464
Finished goods and goods for resale	200,194	380,337	63,537	218,505
	<u>11,020,091</u>	<u>13,685,297</u>	<u>6,081,146</u>	<u>9,282,555</u>

SPP Pumps Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

16 Debtors

	Group 2021	2020	Company 2021	2020
Amounts falling due within one year:	£	£	£	£
Trade debtors	15,189,618	21,100,267	11,636,958	17,240,275
Corporation tax recoverable	-	58,408	-	-
Amounts owed by group undertakings	1,501,184	1,245,614	1,320,596	890,180
Derivative financial instruments	35,173	555,033	35,173	555,033
Other debtors	619,401	1,341,473	581,101	1,261,232
Prepayments and accrued income	801,283	857,343	651,617	701,692
	<u>18,146,659</u>	<u>25,158,138</u>	<u>14,225,445</u>	<u>20,648,412</u>
Amounts falling due after more than one year:				
Deferred tax asset (note 21)	<u>1,079,822</u>	<u>920,659</u>	<u>1,077,142</u>	<u>920,659</u>
Total debtors	<u>19,226,481</u>	<u>26,078,797</u>	<u>15,302,587</u>	<u>21,569,071</u>

17 Creditors: amounts falling due within one year

		Group 2021	2020	Company 2021	2020
	Notes	£	£	£	£
Bank loans and overdrafts	19	444,540	4,956,093	206,921	4,794,887
Obligations under finance leases	20	5,121	6,103	-	-
Payments received on account		2,881,210	6,514,836	2,881,210	6,179,774
Trade creditors		7,882,421	10,955,149	5,222,650	7,641,889
Amounts owed to group undertakings		1,199,134	1,418,530	907,328	1,596,286
Corporation tax payable		185,641	1,130	-	1,130
Other taxation and social security		81,109	88,293	-	-
Other creditors		123,065	119,144	112,951	101,718
Accruals and deferred income		4,239,662	4,059,467	2,167,933	3,431,912
		<u>17,041,903</u>	<u>28,118,745</u>	<u>11,498,993</u>	<u>23,747,596</u>

SPP Pumps Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

18 Creditors: amounts falling due after more than one year

		Group		Company	
		2021	2020	2021	2020
	Notes	£	£	£	£
Bank loans and overdrafts	19	5,349,704	4,522,099	650,000	-
Obligations under finance leases	20	14,255	17,853	-	-
		<u>5,363,959</u>	<u>4,539,952</u>	<u>650,000</u>	<u>-</u>

19 Loans and overdrafts

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Bank loans	5,794,244	9,083,305	856,921	4,400,000
Bank overdrafts	-	394,887	-	394,887
	<u>5,794,244</u>	<u>9,478,192</u>	<u>856,921</u>	<u>4,794,887</u>
Payable within one year	444,540	4,956,093	206,921	4,794,887
Payable after one year	<u>5,349,704</u>	<u>4,522,099</u>	<u>650,000</u>	<u>-</u>

Bank loans:

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

Term Loan Secured by	Interest rate	Due date	2021	2020
			£	£
A Fixed and moveable assets - Second Charge (ICICI)	3.1%	31 Mar 26	850,000	4,400,000
B Building	3.85%	01 Dec 29	4,944,244	4,683,305
			<u>5,794,244</u>	<u>9,083,305</u>

SPP Pumps Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

19 Loans and overdrafts (continued)

Bank overdrafts:

SPP Pumps Limited has an overdraft facility of £2.0 million from Barclays Bank Plc to finance working capital requirements. This is secured by a first charge over the Company's assets. In November 2021 an additional US \$4.5M short term credit facility was agreed with Citibank.

Similarly, the Company has a short term loan facility of £9.5 million, and a long term facility of £1.0m for capital expenditure from ICICI Bank Plc, of which £850k was utilised as at 31 December 2021. Loans are secured by a second charge on the company's fixed and moveable assets and also covered by a corporate guarantee from Kirloskar Brothers Limited, the 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 assets of SPP Pumps Inc. SPP Real Estate LLC and SyncroFlo Inc. None of these facilities were utilised by the above entities at 31 December 2021.

20 Finance lease obligations

	Group 2021 £	2020 £	Company 2021 £	2020 £
Future minimum lease payments due under finance leases:				
Within one year	5,121	6,103	-	-
In two to five years	14,255	5,070	-	-
In over five years	-	12,783	-	-
	<u>19,376</u>	<u>23,956</u>	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)
For the year ended 31 December 2021

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

Page 39

SPP Pumps Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

22 Provisions for liabilities

		Group 2021	2020	Company 2021	2020
	Notes	£	£	£	£
Warranties		604,319	784,517	409,952	572,305
		<u>604,319</u>	<u>784,517</u>	<u>409,952</u>	<u>572,305</u>
Deferred tax liabilities	21	-	20,961	-	-
		<u>604,319</u>	<u>805,478</u>	<u>409,952</u>	<u>572,305</u>

Movements on provisions apart from deferred tax liabilities:

Group	Warranties £
At 1 January 2021	784,517
Additions to provision in the year	216,189
Utilisation of provision	(398,186)
Exchange difference	1,799
At 31 December 2021	<u>604,319</u>

Company	Warranties £
At 1 January 2021	572,305
Additions to provision in the year	165,305
Utilisation of provision	(327,658)
At 31 December 2021	<u>409,952</u>

Warranties

The provision for warranties relates to expected warranty claims on products sold in the last three years. The provision includes an estimate for the expected average warranty cost incurred plus a provision for specific known issues. 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.

Notes to the financial statements (continued)
For the year ended 31 December 2021

22 Provisions for liabilities (continued)**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 Group'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.

23 Retirement benefit schemes

	2021	2020
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	799,997	789,572

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 £90,551 (2020: £84,428).

24 Share capital

	Group and company	
	2021	2020
	£	£
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	2,950,000
	<u>3,000,000</u>	<u>3,000,000</u>

SPP Pumps Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

24 Share capital (continued)

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.

25 Financial commitments, guarantees and contingent liabilities

Performance bonds and guarantees remain outstanding at 31 December 2021. These arose in the normal course of business and amount to £8,214,243 (2020: 10,442,642).

26 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 2021 £	2020 £	Company 2021 £	2020 £
Within one year	391,683	368,806	391,683	368,806
Between two and five years	320,584	326,141	320,584	326,141
	<u>712,267</u>	<u>694,947</u>	<u>712,267</u>	<u>694,947</u>

27 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.

SPP Pumps Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

28 Controlling party

The ultimate parent company of SPP Pumps Limited is Kirloskar Brothers Limited, whose registered office is "Yamuna", Survey No. 98 /(3 to7), Plot No. 3, Baner, Pune 411 045, State Maharashtra, 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 "Yamuna", Survey No. 98 /(3 to7), Plot No. 3, Baner, Pune 411 045, State Maharashtra, India, or online at www.kirloskarpumps.com.

29 Cash generated from group operations

	2021	2020
	£	£
Profit for the year after tax	1,179,853	3,030,087
Adjustments for:		
Taxation charged	299,228	222,207
Finance costs	397,569	545,343
Investment income	-	(13,641)
Loss on disposal of tangible fixed assets	1,401	1,201
Amortisation and impairment of intangible assets	81,412	80,611
Depreciation and impairment of tangible fixed assets	972,533	1,235,148
Other gains and losses	519,860	(295,003)
(Decrease) in provisions	(180,198)	(375,935)
Movements in working capital:		
Decrease/(increase) in stocks	2,665,206	(729,218)
Decrease in debtors	6,433,211	6,809,779
(Decrease) in creditors	(6,748,818)	(666,816)
Cash generated from operations	5,621,257	9,843,763

SPP Pumps Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

30 Analysis of changes in net debt - group

	1 January 2021	Cash flows	31 December 2021
	£	£	£
Cash at bank and in hand	3,641,506	118,920	3,760,426
Bank overdrafts	(394,887)	394,887	-
	<u>3,246,619</u>	<u>513,807</u>	<u>3,760,426</u>
Borrowings excluding overdrafts	(9,083,305)	3,289,061	(5,794,244)
Obligations under finance leases	(23,956)	4,580	(19,376)
	<u>(5,860,642)</u>	<u>3,807,448</u>	<u>(2,053,194)</u>

31 Analysis of changes in net debt - company

	1 January 2021	Cash flows	31 December 2021
	£	£	£
Cash at bank and in hand	1,600,602	(797,776)	802,826
Bank overdrafts	(394,887)	394,887	-
	<u>1,205,715</u>	<u>(402,889)</u>	<u>802,826</u>
Borrowings excluding overdrafts	(4,400,000)	3,543,079	(856,921)
	<u>(3,194,285)</u>	<u>3,140,190</u>	<u>(54,095)</u>