

**GRUNDFOS SERVICE LIMITED**

**Annual Report and Financial Statements**

**For the year ended 31 December 2016**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**GRUNDFOS SERVICE LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

A Davies

H J Hansen

A Colombo (Appointed 10<sup>th</sup> January 2017)

**COMPANY SECRETARY**

T Kelly

**REGISTERED OFFICE**

Grovebury Road,  
Leighton Buzzard,  
Bedfordshire, LU7 4TL

**BANKERS**

Danske Bank  
75 King William Street,  
London, EC4N 7DT

**SOLICITORS**

Tollers  
Medina House,  
334 Silbury Boulevard,  
Milton Keynes, MK9 2AE

**AUDITOR**

Deloitte LLP  
Statutory Auditor  
St Albans, United Kingdom

# **GRUNDFOS SERVICE LIMITED**

## **STRATEGIC REPORT**

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

### **ACTIVITIES**

The principal activities of Grundfos Service Limited are after-sales service support to a wide range of Industrial, Commercial, Domestic and Fire pumps, including risk management through the sales of preventative maintenance agreements, general field based remedial repairs, workshop repairs, remote monitoring, and the up-selling from older fixed speed pumps to more energy efficient inverter driven pumps.

### **BUSINESS REVIEW**

2016 saw a return to Grundfos Service Limited (the Company) concentrating on its core HVAC business with all investment focused on developing HVAC sales, to replace those lost after the strategic re-positioning project when Grundfos Service chose to cease trading with its two largest Fire customers mid-2015.

There was minimal movement with regards to staff turnover but every opportunity was taken to seek replacements in the more profitable HVAC area of the business and towards the end of the year via investment in new HVAC sales staff who came on board in 2017. Consequently, there was an expected dip in sales in 2016 which overall reduced to £7,140k in 2016 (2015: £7,310k) but profitability improved closing at a loss of £34k (2015: £196k loss). However, it is anticipated that the investment made in 2016 will continue to accelerate the growth of HVAC sales in the Company through 2017, particularly as Grundfos Service also continue through the final stages of development of the Company's new bespoke service management system (PROFIS) which is already proving to be a system that is adding value to both the Company and its customers.

The directors have disclosed, as part of subsequent events (note 20), future changes to the Company's activities.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

As a service organisation, the Company's greatest asset is its staff. Throughout 2016 and continuing into 2017, the Company continues to commit to further enhance the skill levels of its new and existing employees through both internal and external training. The development of a highly trained and sought after work-force is also recognised as a potential risk to the business of losing skilled employees to competitors. This risk is mitigated by a range of measures including a generous benefits package, opportunities for flexible working patterns and recognition of long term service that values their loyalty. Regular updates are obtained to assess the overall levels of

## **STRATEGIC REPORT (CONTINUED)**

### **PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**

employee engagement so that any potential issues can be addressed at an early stage to ensure we can retain key staff.

Following the period of consolidation, the company has seen the average time taken for customers to pay improve from 73 days (end of 2015) to 57 days (end of 2016). An improvement that was largely due to the decision made to stop trading with two of the largest customers in 2015. Physical stock also remains fairly minimal at £113k in 2016 (2015: £98k).

### **LIQUIDITY AND GOING CONCERN**

The Company's activities are described above. The directors believe the Company is structured to successfully manage and control the business risks it faces as an integral part of the broader Grundfos group, despite any economic uncertainty. The Company manages liquidity needs through a combination of cash balances, access to group UK overdraft facilities which are guaranteed by the ultimate parent company and access to Group funding for any longer-term requirements. Whilst there are no cash balances reported, the UK bank overdraft facility shows regular swings into credit and with the improvement in the aged debt position the Group funding reported in 2015 has been repaid. The Company has immediate access to cash balances held elsewhere in the Group to meet ongoing cash-flow requirements in addition to the continuation of the UK bank overdraft facility.

The Company had net current assets of £406k at 31 December 2016 (2015: £395k) before preference shares of £865k which are repayable after more than one year to the parent company Grundfos Pumps Limited, who have confirmed their ongoing support of the company for a period of not less than 12 months from the date of signing these Finance statements. Net liabilities increased to £355k at 31 December 2016 (2015: £321k) the majority of which was due to an increase in provisions in respect of long service bonuses offered to employees. The calculations for the provision followed the same principles as in previous years, however values were impacted by a significant movement in the discount rate to 1.9% (2015: 2.9%).

In a move to improve transparency, consistency and reduce complexity for UK customers, the Grundfos Group has decided that Grundfos Service Limited will sell its business to Grundfos Pumps Limited, to create a single UK sales and service organisation. It is believed that the new organisation will be better placed to serve the UK customer base and will allow for increased growth in product and service sales. As Grundfos moves more towards total solutions sales, it will also enable customers to have one entity with which to conduct transactions, and Grundfos Pumps Limited will become the main trading entity in the UK. Integration of the two companies is anticipated for 31st December 2017.

# **GRUNDFOS SERVICE LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

### **LIQUIDITY AND GOING CONCERN (CONTINUED)**

As of 31 December 2017, all Grundfos Service Limited's business (including all existing contractual arrangements with its customers and suppliers) will be transferred to Grundfos Pumps Limited. All rights and obligations under any contracts with Grundfos Service Limited will be assumed and performed by Grundfos Pumps Limited.

In accordance with their responsibilities, the Directors have considered the appropriateness of the going concern basis for the preparation of the Financial Statements. It is the intention of the Directors of the Company to cease trading within a period of less than 12 months from the signing date of the Financial Statements. As a consequence of the intention of the Company to cease trading, the Directors have determined that the Financial Statements should be prepared on a basis other than a going concern.

### **EMPLOYEES**

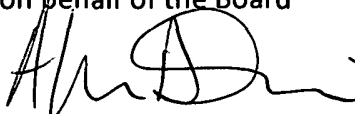
The Company is committed to staff retention and development and we have internal training courses designed to provide employees with the skills necessary for their role and future development. These courses are rolled out locally, with both internal and external trainers and supported with further training in Denmark via the Poul Due Jensen Academy. The Company's benefit scheme is continually reviewed to ensure employees are rewarded and recognised during their employment.

### **FUTURE PROSPECTS**

The strong market position of the Grundfos Group in the UK, allied to the expanding capabilities of Grundfos companies overseas, provides a sound base for continuing to expand the operations of the Grundfos Group in the UK.

Approved by the Board of Directors  
and signed on behalf of the Board

A Davies  
Director  
Date:



29 September 2017

# **GRUNDFOS SERVICE LIMITED**

## **DIRECTORS' REPORT**

The directors present their Annual Report and the audited financial statements for the year ended 31 December 2016.

## **DIVIDENDS AND TRANSFERS FROM RESERVES**

The directors do not recommend the payment of a dividend (2015: £nil). A loss of £34k (2015: loss £196k) has been transferred to reserves.

## **DIRECTORS**

The directors, who served during the year and subsequently were as follows;

A Davies

H J Hansen

M G Johansen (resigned 19<sup>th</sup> October 2016)

A Colombo (appointed 10<sup>th</sup> January 2017)

## **COMPANY SECRETARY**

The company secretary, who served during the year and subsequently is as follows:

T Kelly

## **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 he/she ought to have taken as a director in order to make himself/herself 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 Section 418(2) of the Companies Act 2006.

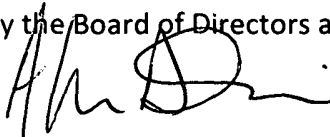
A resolution to re-appoint Deloitte LLP as the company's auditor will be proposed at the Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

A Davies

Director

Date:



29 September 2017

**DIRECTORS' RESPONSIBILITIES STATEMENT**

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), 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 they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 company's transactions and disclose with reasonable accuracy at any time the financial position of 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **GRUNDFOS SERVICE LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRUNDFOS SERVICE LIMITED**

We have audited the financial statements of Grundfos Service Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual

## **GRUNDFOS SERVICE LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRUNDFOS SERVICE LIMITED (CONTINUED)**

report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Emphasis of matter – Financial statements prepared other than on a going concern basis**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

#### **Opinion 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.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

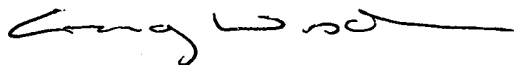
## **GRUNDFOS SERVICE LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRUNDFOS SERVICE LIMITED (CONTINUED)**

#### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, 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.



Craig Wisdom (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
St Albans, UK

29 SEPTEMBER 2017

# GRUNDFOS SERVICE LIMITED

## PROFIT AND LOSS ACCOUNT

For the year ended 31st December 2016

	Note	2016 £'000	2015 £'000
<b>TURNOVER</b>	3	7,140	7,310
Cost of sales		(5,299)	(5,594)
<b>GROSS PROFIT</b>		<u>1,841</u>	<u>1,716</u>
Administrative expenses		(1,873)	(1,880)
<b>OPERATING LOSS</b>		<u>(32)</u>	<u>(164)</u>
Interest payable and similar charges	5	(14)	(14)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	<u>(46)</u>	<u>(178)</u>
Tax (charge)/credit on ordinary activities	8	12	(18)
<b>LOSS FOR THE FINANCIAL YEAR</b>		<u>(34)</u>	<u>(196)</u>

All results for the year are derived from continuing operations.

The company has no items of other comprehensive income other than the profit or loss above and therefore no separate statement of comprehensive income has been presented.

The notes on pages 14 to 32 form part of these financial statements

# GRUNDFOS SERVICE LIMITED

## BALANCE SHEET

As at 31 December 2016

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
<b>FIXED ASSETS</b>					
Intangible assets	9		202		237
Tangible assets	10		37		21
			<u>239</u>		<u>258</u>
<b>CURRENT ASSETS</b>					
Stocks	11	113		98	
Debtors	12	1,334		1,417	
		<u>1,447</u>		<u>1,515</u>	
<b>CREDITORS: amounts falling due within one year</b>	13	(1,041)		(1,120)	
<b>NET CURRENT ASSETS</b>			<u>406</u>	<u>395</u>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>645</u>	<u>653</u>	
<b>CREDITORS: amounts falling due after more than one year</b>	14		(865)	(865)	
<b>PROVISIONS FOR LIABILITIES</b>	15		(135)	(109)	
<b>NET LIABILITIES</b>			<u>(355)</u>	<u>(321)</u>	
<b>CAPITAL AND RESERVES</b>					
Called-up share capital	16		2,310		2,310
Profit and loss account	16		(2,665)		(2,631)
<b>TOTAL SHAREHOLDERS' DEFICIT</b>			<u>(355)</u>	<u>(321)</u>	

## **GRUNDFOS SERVICE LIMITED**

### **BALANCE SHEET (CONTINUED)**

**As at 31 December 2016**

The notes on pages 14 to 32 form part of these financial statements

The financial statements of Grundfos Service Limited (registered number 02028784) were approved by the Board of Directors on and authorised for issue on 29 September 2017. They were signed on its behalf by:

Signed on behalf of the Board of Directors

A handwritten signature in black ink, appearing to read 'A Davies', with a large circular flourish at the end.

A Davies  
Director

29 September 2017

# GRUNDFOS SERVICE LIMITED

## STATEMENT OF CHANGES IN EQUITY

For the year ended December 2016

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total £000</b>
At 1 January 2015	2,310	(2,435)	(125)
Loss for the financial year		(196)	(196)
At 31 December 2015	2,310	(2,631)	(321)
Loss for the financial year	-	(34)	(34)
At 31 December 2016	2,310	(2,665)	(355)

**NOTES TO THE FINANCIAL STATEMENTS**

**For the end ended 31 December 2016**

**1. ACCOUNTING POLICIES**

The principal accounting policies adopted by the company are described below and have been applied consistently in both the current and the prior year.

**General information and basis of accounting**

The Company is a private Company, limited by shares, incorporated in England and Wales under the Companies Act 2006.

The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 4. The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 102 'Reduced Disclosure Framework'.

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 Grundfos Service Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Grundfos Service Limited is consolidated in the financial statements of its parent, Poul Due Jensen's Foundation, which may be obtained from them. Exemptions have been taken in these separate company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the end ended 31 December 2016**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Liquidity and going concern**

The Company's activities are described in the strategic report. The directors believe the Company is able to successfully manage and control the business risks it faces as an integral part of the broader Grundfos group, despite the current economic uncertainty.

In accordance with their responsibilities, the Directors have considered the appropriateness of the going concern basis for the preparation of the Financial Statements. It is the intention of the Directors of the Company to cease trading within a period of less than 12 months from the signing date of the Financial Statements. As a consequence of the intention of the Company to cease trading, the Directors have determined that the Financial Statements should be prepared on a basis other than that of a going concern.

In the meanwhile the Company can continue to manage liquidity needs through a combination of cash balances, access to group UK overdraft facilities which are guaranteed by the ultimate parent company and immediate access to cash balances held by the Group for any longer-term requirements.

The Company had net current assets of £406k at 31 December 2016 (2015: £395k) before preference shares of £865k which are repayable after more than one year due to Grundfos Pumps Limited, who have confirmed their ongoing support of Grundfos Service Ltd for a period of not less than 12 months from the date of signing these Financial Statements. Net liabilities increased to £355k at 31 December 2016 (2015: £321k) largely due to the revised strategy implemented in 2014 as referenced in the business review.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the end ended 31 December 2016**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on the historical cost of all tangible fixed assets at rates calculated to write off the cost less estimated residual value by equal instalments over their estimated useful economic life.

*Plant and machinery – 3 years*

*Furniture – 8 years*

**Intangible assets – software development costs**

Software licenses are included at cost and amortised in equal annual instalments over the period of their estimated useful economic life.

*Software licenses – 8 years*

**Stocks**

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes transport and handling costs. Provision is made where necessary for obsolete, slow moving and defective stocks.

**Turnover**

Turnover represents the amounts (excluding value added tax) receivable for goods and services provided to customers from the company's principal activity. Turnover is recognised at the point of delivery of goods or provision of services. Revenue from service contracts is recognised over the life of the contract in accordance with its terms.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the end ended 31 December 2016**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Taxation**

The tax currently receivable/payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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 Company's asset/liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Tax is recognised in the profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax is recognised on all timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible timing differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. Deferred tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

**Leased assets**

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the end ended 31 December 2016**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Pension costs**

The Company contributes to the Grundfos Pumps Limited and its Subsidiary Companies Retirement and Death Benefit Scheme, a defined benefit group pension scheme, the assets of which are held in a separate trustee administered fund. The Company accounts for the scheme as if it were a defined contribution scheme. Contributions to the scheme are charged to the profit and loss account or capitalised as appropriate.

The Company also contributes to a defined contribution pension scheme which is independent of the Company's finances. Contributions are fixed by the fund managers and are charged against profits in the period they are made. The pension charge for the year is shown in note 4 to the financial statements.

**Preference shares**

The unsecured preference shares, issued by the Company on 1<sup>st</sup> June 2000, are redeemable, have full rights ranking pari passu with ordinary shares, carry a vote, and holders have a right to receive dividends, such dividends being at the sole discretion of the directors of the issuer.

Given the preference share terms, the fair value of the liability component represents substantially all of the fair value of the instrument and therefore the equity component was determined to have a value of £nil. The liability component was initially recognised at fair value and subsequently measured in accordance with the measurement requirements of IAS 39 at amortised cost using the effective interest method.

**2. CRITICAL ACCOUNTING JUDGEMENTS & KEY SOURCE OF ESTIMATION UNCERTAINTY**

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

In the opinion of the directors, the critical accounting judgements and key sources of estimation uncertainty for Grundfos Service Limited are the various provision calculations. These include the jubilee provision, bad debt provision and slow moving stock provision which are calculated based on Group rules to ensure there is a consistent approach across all companies.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the end ended 31 December 2016**

**3. TURNOVER**

Turnover is wholly attributable to the Company's principal activity.  
An analysis by geographical location is set out below.

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Geographical analysis of turnover by location:</b>		
United Kingdom	7,131	7,298
Rest of the World	9	12
	<u>7,140</u>	<u>7,310</u>
	<u><u>7,140</u></u>	<u><u>7,310</u></u>

**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

No directors' emoluments have been paid during the year (as the directors have been remunerated by other group companies). The directors consider that it is not practical to split out the remuneration relating to Grundfos Service Limited.

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Employee costs during the year:</b>		
Wages and salaries	1,994	1,935
Social security costs	288	285
Pension costs	208	195
	<u>2,490</u>	<u>2,415</u>
	<u><u>2,490</u></u>	<u><u>2,415</u></u>
	<b>No.</b>	<b>No.</b>
<b>Average number of persons employed</b>		
Production	44	42
Administration	22	23
	<u>66</u>	<u>65</u>
	<u><u>66</u></u>	<u><u>65</u></u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the end ended 31 December 2016**

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2016 £'000</b>	<b>2015 £'000</b>
Interest on bank loans, overdrafts and other loans repayable within five years	14	14
	<u>14</u>	<u>14</u>

**6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<b>2016 £'000</b>	<b>2015 £'000</b>
Profit on ordinary activities before taxation is after charging:		
Rentals under operating leases		
Vehicles	307	290
Other	23	25
Depreciation and other amounts written off tangible and intangible fixed assets:		
Owned assets	43	41
Stock recognised as expenditure	21	(6)
	<u>43</u>	<u>60</u>

**7. AUDITOR'S REMUNERATION**

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual Financial Statements were £12k (2015: £14k). Fees payable to Deloitte LLP and their associates for tax services to the Company were £8k (2015: £13k).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the end ended 31 December 2016**

**8. TAX ON LOSS ON ORDINARY ACTIVITIES**

i) Analysis of tax (charge)/credit on ordinary activities

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
United Kingdom corporation tax at 20% (2015: 20.25%) based on loss (2015: loss) for the year	12	32
<b>Deferred tax</b>		
Decrease in estimate of recoverable deferred tax asset	-	(50)
<b>Tax credit/(charge) on profit on ordinary activities</b>	<u>12</u>	<u>(18)</u>
	<u><u>12</u></u>	<u><u>(18)</u></u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the end ended 31 December 2016

## 8. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

## ii) Factors affecting the tax (charge)/credit for the year

The tax charge assessed for the year is £12k (2015: tax credit of £18k) resulting from applying the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	2016 £'000	2015 £'000
(Loss)/Profit on ordinary activities before tax	(46)	(178)
Tax at 20% (2015: 20.25%) thereon	(9)	(36)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	2	1
Change in recognised deferred tax assets	-	50
Change in unrecognised deferred tax assets	5	3
Total Tax (credit)/charge for the year	(12)	18

- iii) At 31 December 2016, the Company has losses of £484k (2015: £484k) available to set against future profits from the Company's trade. A deferred tax asset of £20k (2015: £20k) has been recognised in respect of losses of £111k (2015: £111k) of these losses. No deferred tax asset has been recognised in respect of the remainder of the losses of £372k (2015: £372k) or accelerated capital allowances and other timing differences as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £93k (2015: £104k). There is no expiry date on timing differences, unused tax losses or tax credit

The standard rate of tax applied to reported profit on ordinary activities is 20% (2015: 20.25%). The applicable tax rate has changed following substantive enactment of the Finance Act 2013. The Finance Act 2013 reduced the main rate of corporation tax to 20% effective from 1 April 2015 and this rate was used when calculating deferred tax assets and liabilities. Finance No 2 Act which was substantively enacted on 26 October 2015 includes provisions to further reduce the corporation tax rate to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020. Accordingly, deferred tax assets and liabilities have been calculated at the rates which will be in force when the timing differences are projected to reverse.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the end ended 31 December 2016**

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)**

The Finance Act 2016 contains provisions to further reduce the rate of corporation tax to 17% with effect from 1 April 2020. The Finance Act 2016 was substantively enacted on 6 September 2016. As substantive enactment of Finance Act 2016 was after the balance sheet date the reduction to 17% has been disregarded in calculating the deferred tax position at 31 December 2015. During the year beginning 1 January 2016 the net reversal of deferred tax assets and liabilities is expected to reduce the corporation tax charge by £11,300 as a result of the projected reversal of accelerated capital allowances and short term timing differences.

**9. INTANGIBLE ASSETS**

	<b>Software licenses £'000</b>
<b>Cost</b>	
At 1 January 2016 and At 31 December 2016	313
<b>Amortisation</b>	
At 1 January 2016	76
Charge for the year	35
	<hr/>
At 31 December 2016	111
	<hr/>
<b>Net book value</b>	
At 31 December 2016	202
	<hr/>
At 31 December 2015	237
	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the end ended 31 December 2016**

**10. TANGIBLE ASSETS**

	<b>Plant and machinery £'000</b>	<b>Office equipment and furniture £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2016	17	37	54
Additions	-	24	24
Reclassification	1	(1)	-
Disposals	-	(6)	(6)
At 31 December 2016	<u>18</u>	<u>54</u>	<u>72</u>
<b>Depreciation</b>			
At 1 January 2016	(6)	(27)	(33)
Disposals	-	6	6
Charge for the year	(6)	(2)	(8)
At 31 December 2016	<u>(12)</u>	<u>(23)</u>	<u>(35)</u>
<b>Net book value</b>			
At 31 December 2016	6	31	37
At 31 December 2015	<u>11</u>	<u>10</u>	<u>21</u>

**11. STOCKS**

	<b>2016 £'000</b>	<b>2015 £'000</b>
Finished goods and goods for resale	113	98

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the end ended 31 December 2016**

**12. DEBTORS**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:		
Trade debtors	1,082	1,143
Other debtors	2	2
Deferred tax asset (see note 8)	20	20
Amounts owed by group undertakings	162	140
Prepayments and accrued income	68	112
	<u>1,334</u>	<u>1,417</u>
	<u><u>1,334</u></u>	<u><u>1,417</u></u>

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Bank overdraft	276	260
Trade creditors	130	2
Amounts owed to group undertakings	190	372
Other taxation and social security	104	88
Accruals and deferred income	341	398
	<u>1,041</u>	<u>1,120</u>
	<u><u>1,041</u></u>	<u><u>1,120</u></u>

The bank overdraft is secured by charges on the assets of the Company. Grundfos Service Ltd has an overdraft agreement of £600,000.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the end ended 31 December 2016**

**14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2016 £'000</b>	<b>2015 £'000</b>
8% cumulative preference shares of £1	865	865
	<u>          </u>	<u>          </u>

The Company has authorised 900,000 non-equity cumulative preference shares of £1 each as at 31 December 2016 and 31 December 2015. As at 31 December 2016 and 31 December 2015, 865,000 were called up, allotted and fully paid.

The 8% cumulative preference shares of £1 each entitle the holder to receive a cumulative preferential dividend of 8% on the paid-up capital. The holders of the 8% cumulative preference shares have waived their right to all dividends in the current year and prior year.

The preference shares are redeemable at the option of the Company between 1 January 2000 and 31 December 2020. On redemption, they shall be paid the amount paid up plus any arrears of fixed cumulative dividend.

On winding up, priority would be given to the preference shares in paying the paid-up amount of the shares and any arrears of dividends.

The preference shares hold no voting rights unless the fixed dividend has been outstanding for more than six months or the directors are meeting to consider the winding up of, or reduction in capital of, the company. In either of these events, the preference shares give the shareholder one vote for each share held.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the end ended 31 December 2016**

**15. PROVISIONS FOR LIABILITIES**

	<b>2016 £'000</b>	<b>2015 £'000</b>
Jubilee Provision	135	109
	<hr/>	<hr/>
		<b>£'000</b>
Balance at 1 January 2016		109
Utilised		(7)
Charge to profit and loss account		33
		<hr/>
Balance at 31 December 2016		135
		<hr/>

The Jubilee provision is recognised in respect of long service bonuses offered to employees. It is expected that the provision will continue to accrue and be utilised once employees reach the relevant milestone.

The calculations for the provision followed the same principles as in previous years, however values were impacted by a significant movement in the discount rate of 1.9% (2015: 2.9%).

# GRUNDFOS SERVICE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the end ended 31 December 2016

### 16. CALLED-UP SHARE CAPITAL AND RESERVES

	2016 No.	2016 £'000	2015 No.	2015 £'000
<b>Called-up, allotted and fully paid</b>				
Ordinary shares of £1	2,310,000	2,310	2,310,000	2,310
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
			<b>Total</b>	<b>Total</b>
	<b>Called-up</b>	<b>Profit and</b>	<b>Shareholders'</b>	<b>Shareholders'</b>
	<b>share capital</b>	<b>loss account</b>	<b>deficit</b>	<b>deficit</b>
	<b>£'000</b>	<b>£'000</b>	<b>2016</b>	<b>2015</b>
			<b>£'000</b>	<b>£'000</b>
At 1 January 2016	2,310	(2,631)	(321)	(125)
Profit for the year	-	(34)	(34)	(196)
At 31 December 2016	<u>2,310</u>	<u>(2,665)</u>	<u>(355)</u>	<u>(321)</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The ordinary shares give the shareholder one vote for each share held and are entitled to an equal share of profits which the Company chooses to distribute, or are distributed on winding up, after the rights of the 8% cumulative preference shares have been satisfied.

The profit and loss reserve represents cumulative profits or losses.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the end ended 31 December 2016**

**17. OPERATING LEASE COMMITMENTS**

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Other 2016 £'000	Other 2015 £'000
Leases which expire:		
Within one year	16	32
Within one to two years	34	68
Within two to five years	704	363
	<hr/> 754	<hr/> 463
	<hr/> <hr/>	<hr/> <hr/>

**18. PENSION COMMITMENTS**

The Company participates in the Grundfos Pumps Limited and Subsidiary Companies Retirement & Death Benefit Scheme, a defined benefit pension scheme which is closed to new members and also the Grundfos Pumps Limited and Subsidiary Companies Group Personal Pension Plan, a defined contribution scheme which is open to all employees. The assets and liabilities of both schemes are held independently of the Group in separate trustee-administered funds.

The Company is unable to identify its share of the underlying assets and liabilities of either scheme and accordingly accounts for both schemes as if they were defined contribution schemes.

The amount charged to the Company's Profit and loss account in respect of the pension costs and other post-retirement benefits is the employer's contributions payable in the year. The costs are charged to the Profit and loss account as payments are made. Timing differences between contributions payable in the year and contributions actually paid are shown in the Balance sheet.

The pension cost in The Company for the year is £208k (2015: £195k). The amounts due to any scheme from Grundfos Service at the year-end are £5k (2015: £2k).

**Defined benefit pension scheme**

The Retirement & Death Benefit Scheme is a group plan and the contributions made are affected by a surplus or deficit in the scheme. However, as there is no contractual

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the end ended 31 December 2016**

**18. PENSION COMMITMENTS (CONTINUED)**

agreement or stated policy for charging the defined benefit cost of the plan to individual group companies, Grundfos Pumps Limited as the legal entity that is responsible for the plan, recognises the net defined benefit cost of the plan in its annual financial statements in accordance with paragraph 38 of section 28 of FRS102. The liability of the multi-employer scheme as a whole is as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Present value of funded obligations	(118,669)	(91,184)
Fair value of plan assets	102,044	85,962
Deficit in scheme at end of the year	<u>(16,625)</u>	<u>(5,222)</u>

The scheme is subject to triennial valuation by independent actuaries, the latest completed valuation being carried out as at 1 November 2014 using the projected unit method. At the last actuarial valuation date the market value of the assets in the scheme was sufficient to cover 81% of the liabilities.

As a result, Grundfos Pumps Limited has agreed to continue to contribute an additional £1,400,000 per annum until 2017 to eliminate the shortfall.

The disclosures set out below relate to the Grundfos Pumps Limited and its Subsidiary Companies Retirement and Death Benefit Scheme as a whole.

**The financial assumptions used to calculate the assets of the scheme under FRS102 are set out below:**

	<b>2016</b>	<b>2015</b>
Rate of increase in salaries	2.5%	2.5%
Rate of increase in pensions in payment	3.2%	3.1%
Discount rate	2.8%	3.9%
Inflation assumption (2016: CPI, 2015: RPI)	<u>2.65%</u>	<u>3.3%</u>

The underlying mortality assumption is based upon the standard table known as S2NA on a year of birth usage with CMI\_2013 future improvement factors and a long-term rate of future improvements of 1.25% p.a. (2015: the standard table known as S2NA on a year of birth usage with CMI\_2013 future improvement factors and a long-term rate of future improvements of 1.25% p.a.). This results in the following life expectancies:

*Male age 65 now has a life expectancy of 22 years (previously 22 years)*

*Female age 65 now has a life expectancy of 24 years (previously 24 years)*



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the end ended 31 December 2016**

**18. PENSION COMMITMENTS (CONTINUED)**

**Changes in the present value of defined benefit obligation**

	<b>2016 £'000</b>	<b>2015 £'000</b>
Opening defined benefit obligation	91,184	97,834
Service cost net of employee contributions	874	1,271
Interest cost	3,507	3,392
Contributions by plan participants	307	337
Actuarial gains/(losses)	25,336	(9,828)
Benefits paid	(2,539)	(1,822)
Closing defined benefit obligation	<u>118,669</u>	<u>91,184</u>

**Changes in the fair value of plan assets during the year**

	<b>2016 £'000</b>	<b>2015 £'000</b>
Opening fair value of plan assets	85,962	80,268
Expected return on plan assets	3,376	2,845
Actuarial gains	11,492	813
Contributions by employer	3,446	3,521
Contributions by plan participants	307	337
Benefits paid	(2,539)	(1,822)
Closing fair value of plan assets	<u>102,044</u>	<u>85,962</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the end ended 31 December 2016****18. PENSION COMMITMENTS (CONTINUED)**

The analysis of the scheme assets as at 31 December was as follows:

	2016 £'000	2015 £'000
Equities and property	52,674	42,382
Bonds	48,688	42,550
Cash	682	1,030
	<u>102,044</u>	<u>85,962</u>

**19. ULTIMATE HOLDING COMPANY**

The company is a subsidiary of Grundfos Pumps Limited, a company registered in England and Wales. The ultimate parent company is Poul Due Jensen's Foundation established in Denmark. This is the smallest and largest company in which the results of Grundfos Service Limited are consolidated.

Copies of the group financial statements are available at Poul Due Jensen's Foundation, Bjerringbro, Denmark.

**20. SUBSEQUENT EVENTS**

In a move to improve transparency, consistency and reduce complexity for UK customers, the Grundfos Group has decided that Grundfos Service Limited will sell its business to Grundfos Pumps Limited, to create a single UK sales and service organisation. It is believed that the new organisation will be better placed to serve the UK customer base and will allow for increased growth in product and service sales. As Grundfos move more towards total solutions sales, it will also enable customers to have one entity with which to conduct transactions, and Grundfos Pumps Limited will become the main trading entity in the UK. Integration of the two companies is anticipated for 31<sup>st</sup> December 2017.

As of 31 December 2017, all Grundfos Service Limited's business (including all existing contractual arrangements with its customers and suppliers) will be transferred to Grundfos Pumps Limited. All rights and obligations under any contracts with Grundfos Service Limited will be assumed and performed by Grundfos Pumps Limited.