

Company Registration No. 04839607 (England and Wales)

**SPP Pumps Limited**

**Annual report and  
group financial statements  
for the year ended 31 December 2019**

**Saffery Champness**  
CHARTERED ACCOUNTANTS



## **SPP Pumps Limited**

### **Company information**

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

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## **SPP Pumps Limited**

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The directors present the strategic report for the year ended 31 December 2019 for SPP Pumps Limited ("the Company") and its subsidiaries ("the Group").

**Fair review of the business**

The Group has delivered on expectation achieving a significant milestone with turnover at £101.1m for the year and returning to profitability. Gross margin has increased from 17.7% to 19.8% and the signs are encouraging for 2020, with a strong order book and contracts that will deliver good levels of profit. Overheads and distribution costs have been tightly controlled.

The improvement of the Group results was underpinned by recovery in the Oil and Gas market which has recovered with the oil price now trading above \$60 a barrel. The Group has focused on the visibility of costs and margin around the key contracts ensuring that the contracts are well controlled and delivered to schedule. We continue to develop markets including Central and Eastern Europe and the Middle East region.

The balance sheet remains strong with Net Current Assets up 50% to £12.5m and cash of £2.6m at year end. Shareholder funds stand at £15.4m at year end. The Group took on additional funding loans of £4.0m during the year as it rebuilt the contract pipeline and delivered on this year's milestone turnover. In 2020 that investment, built up in debtors at the year end, and will convert to cash which will reduce debt levels in the coming year.

The outlook for the Group is very encouraging. The strong order book, good control of costs and focus on customer service and delivery affords the Board confidence for the coming year.

**Principal risks and uncertainties**

**Commodity risk**

With the price of oil now trading around \$60 a barrel, the Oil & Gas marketplace is a more stable platform and there is optimism that this will translate to improved orders for the Group.

**Currency risk**

Approximately 84% 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.

**Credit risk**

The challenges in the global economy have inevitably increased the credit risk to the Group. SPP controls its credit exposures carefully and does not anticipate any material impact on its financial performance as a result. The majority of customers in the sectors in which the Group operates are financially robust and this, together with the Group's own credit risk controls, have meant that the Group has not suffered any significant issues.

**Liquidity risk**

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

**Development and performance**

The Group continues to evaluate alternatives for global expansion and partnering opportunities. The Group also continues to support and strengthen its brand image and reputation for product quality through industry accreditations, adherence to quality standards as well as marketing and exhibition activities.

Health and safety is a key priority.

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

Kirloskar Brothers Limited ("KBL"), the group's ultimate parent company continues to offer strong support. This will also allow SPP to take better advantage of its global strength. The Group continues to benefit from its close association with KBL, and other companies within the KBL group.

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

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

**Overview of how the board performed its duties**

Fundamentally, SPP is a manufacturer of pumps / 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 long term future of the company. This is underpinned by some key fundamental relationships:

**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 an honest feedback, which helps SPP improve its products and services.

**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 programs.

**SPP Pumps Limited**

**Strategic report (continued)**

**For the year ended 31 December 2019**

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**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 06/02/2020 and signed on its behalf by:



**Amit Naniwadekar**  
**Company Secretary**  
6 February 2020

## **SPP Pumps Limited**

### **Directors' report**

**For the year ended 31 December 2019**

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The directors present their annual report and financial statements for the year ended 31 December 2019.

#### **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

#### **Results and dividends**

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

The directors do not recommend the payment of a dividend.

#### **Disabled persons**

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

#### **Employee involvement**

It is Group policy that there should be effective communication with all employees who, subject to practical and commercial considerations, should be consulted on and involved in decisions that affect their current jobs and future prospects.

The achievement of this policy has to be treated flexibly in accordance with the varying circumstances and needs of companies in the group but, in all cases, the emphasis is on communication at the local level.

The Group actively encourages the promotion of safe working conditions and the procedures and the development of practices which secure and enhance the health and welfare of employees at work.

Applications for employment by disabled persons are fully and fairly considered having regard to the abilities of each applicant. Efforts are made to enable any employee who becomes disabled during employment to continue their career with the Group. Training, career development and promotion of disabled persons are, as far as reasonably practicle, identical to that of other employees who are not disabled.

#### **Overseas branches**

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

**Auditor**

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

**Statement of disclosure to auditor**

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

**Going Concern**

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on pages 1 and 2. The group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue 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



Amit Naniwadekar  
**Company Secretary**  
6 February 2020



**Directors' responsibilities statement  
For the year ended 31 December 2019**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company, and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Opinion**

We have audited the financial statements of SPP Pumps Limited and its subsidiaries for the year ended 31 December 2019 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2019 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

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

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

**Independent auditor's report (continued)**

**To the members of SPP Pumps Limited**

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**Other information**

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

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

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

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

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

**Use of our report**

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



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

6 February 2020

**Chartered Accountants**  
**Statutory Auditors**

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

**SPP Pumps Limited**

**Group statement of comprehensive income  
For the year ended 31 December 2019**

	Notes	2019 £	2018 £
<b>Turnover</b>	<b>3</b>	101,143,476	77,188,511
Cost of sales		(81,141,855)	(63,522,962)
<b>Gross profit</b>		20,001,621	13,665,549
Distribution costs		(7,322,008)	(8,301,033)
Administrative expenses		(11,479,138)	(11,474,532)
Other operating income		1,033,328	1,871,111
<b>Operating profit/(loss)</b>	<b>7</b>	2,233,803	(4,238,905)
Interest receivable and similar income		2,435	8,772
Interest payable and similar expenses	<b>8</b>	(670,398)	(485,531)
Other gains and losses	<b>9</b>	326,497	(809,071)
<b>Profit/(loss) before taxation</b>		1,892,337	(5,524,735)
Tax on profit/(loss)	<b>10</b>	(291,906)	642,490
<b>Profit/(loss) for the financial year</b>		1,600,431	(4,882,245)
<b>Other comprehensive income</b>			
Currency translation differences		(158,514)	211,706
<b>Total comprehensive income/(loss) for the year</b>		1,441,917	(4,670,539)

Profit/(loss) 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 2019**

		<b>2019</b>		<b>2018</b>	
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>					
Goodwill	<b>11</b>		92,246		118,915
Other intangible assets	<b>11</b>		253,861		327,278
Total intangible assets			346,107		446,193
Tangible assets	<b>12</b>		8,728,175		9,805,903
			9,074,282		10,252,096
<b>Current assets</b>					
Stocks	<b>15</b>	12,956,079		23,347,730	
Debtors	<b>16</b>	33,087,632		28,577,070	
Cash at bank and in hand		2,579,128		795,450	
		48,622,839		52,720,250	
<b>Creditors: amounts falling due within one year</b>	<b>17</b>	(36,092,851)		(44,334,704)	
<b>Net current assets</b>			12,529,988		8,385,546
<b>Total assets less current liabilities</b>			21,604,270		18,637,642
<b>Creditors: amounts falling due after more than one year</b>	<b>18</b>		(4,733,902)		(2,668,855)
<b>Provisions for liabilities</b>	<b>21</b>		(1,431,590)		(1,971,926)
<b>Net assets</b>			15,438,778		13,996,861
<b>Capital and reserves</b>					
Called up share capital	<b>23</b>		3,000,000		3,000,000
Capital redemption reserve			50,000		50,000
Profit and loss reserves			12,388,778		10,946,861
<b>Total equity</b>			15,438,778		13,996,861

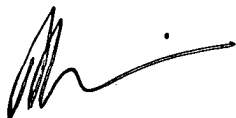
**SPP Pumps Limited**

**Group statement of financial position (continued)**

**As at 31 December 2019**

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The financial statements were approved by the board of directors and authorised for issue on 6 February 2020 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 2019**

			2019	2018
	Notes	£	£	£
<b>Fixed assets</b>				
Tangible assets	12		4,370,738	4,996,825
Investments	13		382,688	382,688
			<u>4,753,426</u>	<u>5,379,513</u>
<b>Current assets</b>				
Stocks	15	7,995,012	16,175,096	
Debtors	16	27,448,944	22,460,682	
Cash at bank and in hand		2,128,786	591,695	
		<u>37,572,742</u>	<u>39,227,473</u>	
<b>Creditors: amounts falling due within one year</b>	17	(29,990,060)	(32,258,869)	
<b>Net current assets</b>			<u>7,582,682</u>	<u>6,968,604</u>
<b>Total assets less current liabilities</b>			<u>12,336,108</u>	<u>12,348,117</u>
<b>Provisions for liabilities</b>	21		(949,291)	(1,451,291)
<b>Net assets</b>			<u><u>11,386,817</u></u>	<u><u>10,896,826</u></u>
<b>Capital and reserves</b>				
Called up share capital	23		3,000,000	3,000,000
Capital redemption reserve			50,000	50,000
Profit and loss reserves			8,336,817	7,846,826
<b>Total equity</b>			<u><u>11,386,817</u></u>	<u><u>10,896,826</u></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 £489,991 (2018 - £4,969,554 loss).

The financial statements were approved by the board of directors and authorised for issue on 6 February 2020 and are signed on its behalf by:



Alok Kirloskar  
Director

**Company Registration No. 04839607**



**SPP Pumps Limited**

**Group statement of changes in equity  
For the year ended 31 December 2019**

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2018</b>		1,950,000	50,000	15,617,400	17,617,400
<b>Year ended 31 December 2018:</b>					
Loss for the year		-	-	(4,882,245)	(4,882,245)
Other comprehensive income:					
Currency translation differences on overseas subsidiaries		-	-	211,706	211,706
<b>Total comprehensive loss for the year</b>		-	-	(4,670,539)	(4,670,539)
Issue of share capital	23	1,050,000	-	-	1,050,000
<b>Balance at 31 December 2018</b>		3,000,000	50,000	10,946,861	13,996,861
<b>Year ended 31 December 2019:</b>					
Profit for the year		-	-	1,600,431	1,600,431
Other comprehensive income:					
Currency translation differences on overseas subsidiaries		-	-	(158,514)	(158,514)
<b>Total comprehensive income for the year</b>		-	-	1,441,917	1,441,917
<b>Balance at 31 December 2019</b>		3,000,000	50,000	12,388,778	15,438,778

**SPP Pumps Limited**

**Company statement of changes in equity  
For the year ended 31 December 2019**

	Notes	Share capital £	redemption reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2018</b>		1,950,000	50,000	12,816,380	14,816,380
<b>Year ended 31 December 2018:</b>					
Loss and total comprehensive income for the year		-	-	(4,969,554)	(4,969,554)
Issue of share capital	23	1,050,000	-	-	1,050,000
<b>Balance at 31 December 2018</b>		3,000,000	50,000	7,846,826	10,896,826
<b>Year ended 31 December 2019:</b>					
Profit and total comprehensive income for the year		-	-	489,991	489,991
<b>Balance at 31 December 2019</b>		3,000,000	50,000	8,336,817	11,386,817

**SPP Pumps Limited**

**Group statement of cash flows**  
**For the year ended 31 December 2019**

	Notes	£	2019 £	£	2018 £
<b>Cash flows from operating activities</b>					
Cash absorbed by operations	28		(2,455,648)		(1,770,366)
Interest paid			(670,398)		(485,531)
Corporation tax paid			(239,604)		-
<b>Net cash outflow from operating activities</b>			<b>(3,365,650)</b>		<b>(2,255,897)</b>
<b>Investing activities</b>					
Purchase of tangible fixed assets		(208,243)		(375,678)	
Interest received		2,435		8,772	
<b>Net cash used in investing activities</b>			<b>(205,808)</b>		<b>(366,906)</b>
<b>Financing activities</b>					
Proceeds from issue of shares		-		1,050,000	
Proceeds of new bank loans		17,200,000		1,000,000	
Repayment of bank loans		(9,043,237)		(65,865)	
Payment of finance leases obligations		(91,360)		(183,152)	
Dividends paid to equity shareholders		-		(600,000)	
<b>Net cash generated from financing activities</b>			<b>8,065,403</b>		<b>1,200,983</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			<b>4,493,945</b>		<b>(1,421,820)</b>
Cash and cash equivalents at beginning of year			(4,482,434)		(3,296,823)
Effect of foreign exchange rates			43,144		236,209
<b>Cash and cash equivalents at end of year</b>			<b>54,655</b>		<b>(4,482,434)</b>
<b>Relating to:</b>					
Cash at bank and in hand			2,579,128		795,450
Bank overdrafts included in creditors payable within one year			(2,524,473)		(5,277,884)

**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 2019. 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 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.

- In respect of sale of goods, when the risks and rewards of ownership of the goods have passed to the buyer;
- In respect of in house service work, on shipment of completed and repaired product to the customer; and
- In respect of field service work, to the extent that the company has obtained the right to consideration through its performance.

**1.5 Research and development expenditure**

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

**1.6 Intangible fixed assets - goodwill**

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

**1.7 Intangible fixed assets other than goodwill**

Intangible assets - patents and trademarks

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

Intangible assets - research and development

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

**1.8 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 2019**

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**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

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, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

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

Notes to the financial statements (continued)  
For the year ended 31 December 2019

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**1 Accounting policies (continued)**

***Other financial liabilities***

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

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

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

**1.13 Equity instruments**

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

**1.14 Taxation**

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

***Current tax***

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

***Deferred tax***

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

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income. Deferred tax assets and liabilities are offset when the 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 Accounting policies (continued)**

**1.19 Foreign exchange**

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

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

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

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

**2 Critical accounting judgements and key sources of estimation uncertainty**

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

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

**Key sources of estimation uncertainty**

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

***Deferred tax asset***

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

## Notes to the financial statements (continued)

For the year ended 31 December 2019

**3 Turnover and other revenue**

	2019	2018
	£	£
<b>Turnover analysed by class of business</b>		
Engineered Products	42,970,692	29,113,753
Standard Products	41,649,674	34,108,374
Spares and Servicing	16,523,110	13,966,384
	<u>101,143,476</u>	<u>77,188,511</u>
	<u><u>101,143,476</u></u>	<u><u>77,188,511</u></u>
	2019	2018
	£	£
<b>Turnover analysed by geographical market</b>		
United Kingdom	16,554,124	16,285,815
North America	27,281,764	22,574,526
South East Asia and Australia	13,429,102	6,222,199
Europe	9,056,954	7,779,537
Middle East	14,255,369	11,606,377
Rest of World	20,566,163	12,720,057
	<u>101,143,476</u>	<u>77,188,511</u>
	<u><u>101,143,476</u></u>	<u><u>77,188,511</u></u>

**4 Auditor's remuneration**

	2019	2018
	£	£
<b>Fees payable to the Company's auditor and associates:</b>		
<b>For audit services</b>		
Audit of the financial statements of the Group and Company	35,000	35,000
<b>For other services</b>		
Interim assurance reviews	15,000	-
Taxation compliance services	9,500	9,500
Accounts preparation services	7,500	7,500
	<u>32,000</u>	<u>17,000</u>
	<u><u>32,000</u></u>	<u><u>17,000</u></u>

Fees payable to non associates for the audit of the financial statements of the company's subsidiaries amounted to £98,409 (2018: £92,828).

Other non-audit services for the year amounted to £26,000 (2018:£nil).

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

**5 Employees**

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

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
Mangement and administration	59	58
Manufacturing	270	252
Sales and distribution	104	117
	<u>433</u>	<u>427</u>

Their aggregate remuneration comprised:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Wages and salaries	17,310,319	18,149,094
Social security costs	1,528,393	1,480,684
Pension costs	822,672	776,514
	<u>19,661,384</u>	<u>20,406,292</u>

**6 Directors' remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Remuneration for qualifying services	371,181	300,279
Company pension contributions to defined contribution schemes	8,471	6,925
	<u>379,652</u>	<u>307,204</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2018 - 1).

## Notes to the financial statements (continued)

For the year ended 31 December 2019

**6 Directors' remuneration (continued)**

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

	2019	2018
	£	£
Remuneration for qualifying services	165,120	249,360
Company pension contributions to defined contribution schemes	8,471	6,925
	<u>173,591</u>	<u>256,285</u>

There are no key management personnel other than the directors.

**7 Operating profit/(loss)**

	2019	2018
	£	£
Operating profit/(loss) for the year is stated after charging:		
Research and development costs	174,550	200,322
Depreciation of owned tangible fixed assets	914,353	987,438
Depreciation of tangible fixed assets held under finance leases	188,067	200,546
Amortisation of intangible assets	83,077	86,369
Operating lease charges	823,190	830,532
	<u>2,083,177</u>	<u>2,305,207</u>

**8 Interest payable and similar expenses**

	2019	2018
	£	£
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	613,193	413,264
Interest on finance leases and hire purchase contracts	2,195	10,903
Interest payable to group undertakings	39,813	48,242
Other interest on financial liabilities	15,197	13,122
	<u>670,398</u>	<u>485,531</u>

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019****9 Other gains and losses**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Fair value gains/(losses) on financial instruments</b>		
Gain/(loss) on hedge item in a fair value hedge	326,497	(809,071)
	<u>          </u>	<u>          </u>

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

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

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

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

**SPP Pumps Limited****Notes to the financial statements (continued)****For the year ended 31 December 2019****10 Taxation**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
UK corporation tax on profits for the current period	24,347	-
Adjustments in respect of prior periods	(11,580)	-
	<u>12,767</u>	<u>-</u>
Total UK current tax	12,767	-
Foreign current tax on profits for the current period	396,003	88,660
Adjustments in respect of prior periods	(146,210)	2,799
	<u>262,560</u>	<u>91,459</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	29,346	(738,132)
Adjustment in respect of prior periods	-	4,183
	<u>29,346</u>	<u>(733,949)</u>
Total deferred tax	29,346	(733,949)
Total tax charge/(credit)	<u>291,906</u>	<u>(642,490)</u>

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

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**10 Taxation (continued)**

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

	2019 £	2018 £
Profit/(loss) before taxation	1,892,337	(5,524,735)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	359,544	(1,049,700)
Tax effect of expenses that are not deductible in determining taxable profit	67,408	39,487
Adjustments in respect of prior years	(177,918)	(14,918)
Research and development tax credit	(17,209)	-
Deferred tax adjustments in respect of prior years	(24,459)	250,970
Effect of overseas branch exemption	24,347	93,330
Other	45,109	24,629
Difference in tax rates	15,084	13,712
Taxation charge/(credit)	291,906	(642,490)

The Groups overseas tax rates are higher than those in the UK. The US main federal tax rate was 21% (2018: 21%).



**11 Intangible fixed assets**

<b>Group</b>	<b>Goodwill</b>	<b>Patents and trademarks</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 January 2019	230,146	762,429	992,575
Exchange adjustments	(8,773)	(29,468)	(38,241)
At 31 December 2019	221,373	732,961	954,334
<b>Amortisation and impairment</b>			
At 1 January 2019	111,231	435,151	546,382
Amortisation charged for the year	22,136	60,941	83,077
Exchange adjustments	(4,240)	(16,992)	(21,232)
At 31 December 2019	129,127	479,100	608,227
<b>Carrying amount</b>			
At 31 December 2019	92,246	253,861	346,107
At 31 December 2018	118,915	327,278	446,193

The company had no intangible fixed assets at 31 December 2019 or 31 December 2018.

**SPP Pumps Limited**

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

**12 Tangible fixed assets**

Group	Freehold land and buildings	Leasehold improvements	Plant and equipment	Tooling and patterns	Motor vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 January 2019	8,163,635	536,263	12,067,233	1,486,626	74,435	22,328,192
Additions	4,097	-	148,371	55,775	-	208,243
Disposals	-	-	(11,108)	(1,008)	(8,296)	(20,412)
Exchange adjustments	(179,161)	(3,533)	(95,353)	(1,467)	(2,580)	(282,094)
At 31 December 2019	7,988,571	532,730	12,109,143	1,539,926	63,559	22,233,929
<b>Depreciation and impairment</b>						
At 1 January 2019	1,904,684	239,313	9,053,588	1,260,397	64,308	12,522,290
Depreciation charged in the year	215,128	34,960	751,772	94,274	6,286	1,102,420
Eliminated in respect of disposals	-	-	(11,108)	(1,008)	(8,296)	(20,412)
Exchange adjustments	(27,723)	(1,781)	(65,660)	(1,393)	(1,987)	(98,544)
At 31 December 2019	2,092,089	272,492	9,728,592	1,352,270	60,311	13,505,754
<b>Carrying amount</b>						
At 31 December 2019	5,896,482	260,238	2,380,551	187,656	3,248	8,728,175
At 31 December 2018	6,258,951	296,950	3,013,645	226,230	10,127	9,805,903

**SPP Pumps Limited**

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

**12 Tangible fixed assets (continued)**

Company	Freehold land and buildings	Leasehold improvements	Plant and equipment	Tooling and patterns	Motor vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 January 2019	3,479,559	443,597	9,588,957	1,461,891	23,380	14,997,384
Additions	-	-	74,786	51,338	-	126,124
Disposals	-	-	(9,250)	-	-	(9,250)
At 31 December 2019	3,479,559	443,597	9,654,493	1,513,229	23,380	15,114,258
<b>Depreciation and impairment</b>						
At 1 January 2019	1,193,408	192,590	7,354,290	1,236,891	23,380	10,000,559
Depreciation charged in the year	99,049	23,624	536,945	92,593	-	752,211
Eliminated in respect of disposals	-	-	(9,250)	-	-	(9,250)
At 31 December 2019	1,292,457	216,214	7,881,985	1,329,484	23,380	10,743,520
<b>Carrying amount</b>						
At 31 December 2019	2,187,102	227,383	1,772,508	183,745	-	4,370,738
At 31 December 2018	2,286,151	251,007	2,234,667	225,000	-	4,996,825

Notes to the financial statements (continued)

For the year ended 31 December 2019

**12 Tangible fixed assets (continued)**

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

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Plant and equipment	-	970,586	-	942,507
Depreciation charge for the year in respect of leased assets	188,067	200,546	188,067	188,067

**13 Fixed asset investments**

		<b>Group</b>		<b>Company</b>	
		<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Investments in subsidiaries	<b>14</b>	-	-	382,688	382,688

**SPP Pumps Limited****Notes to the financial statements (continued)****For the year ended 31 December 2019****14 Subsidiaries**

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Nature of business	% Held	
			2019	2018
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 2019 £	2018 £	Company 2019 £	2018 £
Raw materials and consumables	7,374,975	13,446,823	3,268,822	8,594,631
Work in progress	5,248,355	7,080,614	4,595,380	5,827,723
Finished goods and goods for resale	332,749	2,820,293	130,810	1,752,742
	<u>12,956,079</u>	<u>23,347,730</u>	<u>7,995,012</u>	<u>16,175,096</u>

**SPP Pumps Limited**

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

**16 Debtors**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>				
Trade debtors	27,521,642	21,419,295	21,378,365	15,038,290
Deferred tax asset (note 20)	457,893	587,816	128,924	290,000
Amounts owed by group undertakings	1,222,348	3,271,228	2,494,466	4,299,082
Derivative financial instruments	463,481	-	463,481	-
Other debtors	1,689,112	1,723,020	1,426,485	1,463,142
Prepayments and accrued income	921,374	796,081	745,441	590,538
	<u>32,275,850</u>	<u>27,797,440</u>	<u>26,637,162</u>	<u>21,681,052</u>
<b>Amounts falling due after more than one year:</b>				
Deferred tax asset (note 20)	<u>811,782</u>	<u>779,630</u>	<u>811,782</u>	<u>779,630</u>
<b>Total debtors</b>	<u>33,087,632</u>	<u>28,577,070</u>	<u>27,448,944</u>	<u>22,460,682</u>

**17 Creditors: amounts falling due within one year**

		<b>Group</b>		<b>Company</b>	
		<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans and overdrafts	19	12,185,053	8,846,748	11,557,482	7,340,534
Obligations under finance leases		-	91,360	-	84,613
Payments received on account		4,265,829	4,892,467	4,265,829	4,892,467
Trade creditors		10,679,264	17,820,830	7,438,638	12,291,928
Amounts owed to group undertakings		3,113,649	6,995,701	2,627,157	4,508,985
Corporation tax payable		85,563	62,607	11,338	-
Other taxation and social security		74,276	76,828	-	-
Other creditors		94,848	125,352	91,896	109,609
Accruals and deferred income		5,594,369	5,422,811	3,997,720	3,030,733
		<u>36,092,851</u>	<u>44,334,704</u>	<u>29,990,060</u>	<u>32,258,869</u>

**SPP Pumps Limited**

**Notes to the financial statements (continued)**

**For the year ended 31 December 2019**

**18 Creditors: amounts falling due after more than one year**

		<b>Group</b>		<b>Company</b>	
		<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans and overdrafts	<b>19</b>	4,733,902	2,668,855	-	-

**19 Loans and overdrafts**

		<b>Group</b>		<b>Company</b>	
		<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans		14,394,482	6,237,719	9,500,000	3,400,000
Bank overdrafts		2,524,473	5,277,884	2,057,482	3,940,534
		<u>16,918,955</u>	<u>11,515,603</u>	<u>11,557,482</u>	<u>7,340,534</u>
Payable within one year		12,185,053	8,846,748	11,557,482	7,340,534
Payable after one year		<u>4,733,902</u>	<u>2,668,855</u>	<u>-</u>	<u>-</u>

**Bank loans:**

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

<b>Term Loan Secured by</b>	<b>Interest rate</b>	<b>Due date</b>	<b>2019</b>	<b>2018</b>
			<b>£</b>	<b>£</b>
A Building	3.750%	27 Jun 23	-	2,496,104
B Land Improvement	4.995%	30 Aug 22	-	341,615
C Stock & Debtors - Second Charge (ICICI)	2.711%	21 Jan 20	5,500,000	3,400,000
D Corporate Guarantee from the ultimate parent company	4.89%	29 May 20	4,000,000	-
E Building	3.85%	01 Dec 29	4,894,482	-
			<u>14,394,482</u>	<u>6,237,719</u>

## SPP Pumps Limited

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 19 Loans and overdrafts (continued)

##### Bank overdrafts:

SPP Pumps Limited has an overdraft facility of £3.0 million from Barclays Bank Plc to finance working capital requirements. This is secured by a first charge over the company's assets.

Similarly, the company has a short term loan facility of £6.5 million from ICICI Bank Plc, of which £5.5 million is utilised as at 31 December 2019. The loan is secured by a second charge on the company's fixed and moveable assets and also covered by a corporate guarantee from Kirloskar Brothers Limited, the ultimate parent company.

SPP Pumps Limited has also secured a short term loan facility of £4.0 million from HDFC Bank. The facility is fully utilised as at 31 December 2019. This loan is secured 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 company's assets.

#### 20 Deferred taxation

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

	Liabilities 2019	Liabilities 2018	Assets 2019	Assets 2018
Group	£	£	£	£
Accelerated capital allowances	408,186	429,025	180,935	7,476
Tax losses	(192,612)	69,460	724,482	980,540
Revaluations	-	(158,922)	-	-
Short term timing differences	55,564	-	364,258	379,430
	<u>271,138</u>	<u>339,563</u>	<u>1,269,675</u>	<u>1,367,446</u>



**SPP Pumps Limited**

**Notes to the financial statements (continued)**

**For the year ended 31 December 2019**

**20 Deferred taxation (continued)**

	<b>Liabilities</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Assets</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Company</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Accelerated capital allowances	-	-	180,935	7,476
Tax losses	-	-	724,482	980,540
Short term timing differences	-	-	35,289	81,614
	<u>-</u>	<u>-</u>	<u>940,706</u>	<u>1,069,630</u>
	<u>-</u>	<u>-</u>	<u>940,706</u>	<u>1,069,630</u>
			<b>Group</b>	<b>Company</b>
			<b>2019</b>	<b>2019</b>
			<b>£</b>	<b>£</b>
<b>Movements in the year:</b>				
Liability/(asset) at 1 January 2019			(1,027,883)	(1,069,630)
Charge to profit or loss			29,346	128,924
			<u>(998,537)</u>	<u>(940,706)</u>
			<u>(998,537)</u>	<u>(940,706)</u>

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

**21 Provisions for liabilities**

		<b>Group</b>		<b>Company</b>	
		<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Warranties		1,160,452	622,841	949,291	441,769
Forward contract valuation		-	609,522	-	609,522
Contract losses		-	400,000	-	400,000
		<u>1,160,452</u>	<u>1,632,363</u>	<u>949,291</u>	<u>1,451,291</u>
Deferred tax liabilities	<b>20</b>	271,138	339,563	-	-
		<u>1,431,590</u>	<u>1,971,926</u>	<u>949,291</u>	<u>1,451,291</u>
		<u>1,431,590</u>	<u>1,971,926</u>	<u>949,291</u>	<u>1,451,291</u>

Notes to the financial statements (continued)  
For the year ended 31 December 2019

## 21 Provisions for liabilities (continued)

Movements on provisions apart from deferred tax liabilities:

	Warranties	Forward contract valuation	Contract losses	Total
Group	£	£	£	£
At 1 January 2019	622,841	609,522	400,000	1,632,363
Additional provisions in the year	641,813	-	-	641,813
Reversal of provision	-	-	(240,000)	(240,000)
Utilisation of provision	(95,952)	-	(160,000)	(255,952)
Exchange difference	(8,250)	-	-	(8,250)
Transfers to debtors	-	(609,522)	-	(609,522)
At 31 December 2019	1,160,452	-	-	1,160,452

	Warranties	Forward contract valuation	Contract losses	Total
Company	£	£	£	£
At 1 January 2019	441,769	609,522	400,000	1,451,291
Additional provisions in the year	507,522	-	-	507,522
Reversal of provision	-	-	(240,000)	(240,000)
Utilisation of provision	-	-	(160,000)	(160,000)
Transfers to debtors	-	(609,522)	-	(609,522)
At 31 December 2019	949,291	-	-	949,291

### Warranties

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

### Deferred tax

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

**21 Provisions for liabilities (continued)*****Forward contract valuation***

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

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

***Contract losses***

The Group has provided for expected losses on major contracts. The Group has reviewed all of the available information and where necessary sought professional advice. The Group has included a prudent provision for losses that could occur in future periods in relation to contracts in place at year end.

**22 Retirement benefit schemes**

	2019	2018
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	822,672	776,514

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 £97,229 (2018 - £82,371).

**23 Share capital**

	Group and company	
	2019	2018
	£	£
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>

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

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**23 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.

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

**24 Financial commitments, guarantees and contingent liabilities**

Performance bonds and guarantees remain outstanding at 31 December 2019. These arose in the normal course of business and amount to £10,561,758 (2018 - £11,666,391).

**25 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:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Within one year	355,383	565,023	355,383	565,023
Between two and five years	750,171	892,466	750,171	892,466
	<u>1,105,554</u>	<u>1,457,489</u>	<u>1,105,554</u>	<u>1,457,489</u>

**26 Related party transactions**

**Remuneration of key management personnel**

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 2019****27 Controlling party**

The ultimate parent company of SPP Pumps Limited is Kirloskar Brothers Limited, whose registered office is Udyog Bhavan, Tilak Road, Pune, India.

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

**28 Cash generated from group operations**

	2019	2018
	£	£
Profit/(loss) for the year after tax	1,600,431	(4,882,245)
Adjustments for:		
Taxation charged/(credited)	291,906	(642,490)
Finance costs	670,398	485,531
Investment income	(2,435)	(8,772)
Amortisation and impairment of intangible assets	83,077	86,369
Depreciation and impairment of tangible fixed assets	1,102,420	1,187,984
Foreign exchange gains on cash equivalents	(1,098)	(354,453)
Other gains and losses	(1,073,003)	1,163,524
Increase in provisions	137,611	221,376
Movements in working capital:		
Decrease/(increase) in stocks	10,391,651	(5,738,098)
(Increase)/decrease in debtors	(4,144,852)	501,638
(Decrease)/increase in creditors	(11,511,754)	6,209,270
<b>Cash absorbed by operations</b>	<b>(2,455,648)</b>	<b>(1,770,366)</b>