Cos House.

Financial Statements Electrosteel Castings (UK) Limited

For the Year Ended 31 March 2015

Registered number: 04057880

Company Information

Directors	Mr M K Jalan Mr P Lohia Mr S Bailie
Registered number	04057880
Registered office	Ambrose Yard Broombank Road Trading Estate Broombank Road Chesterfield Derbyshire S41 9QL
Independent auditor	Grant Thornton UK LLP Statutory Auditor 2 Broadfield Court Sheffield South Yorkshire S8 0XF
Bankers	Barclays Bank Plc 121 Norfolk Street Sheffield South Yorkshire S1 2JW
Solicitors	Irwin Mitchell LLP 2 Wellington Place Leeds West Yorkshire LS14BZ

Electrosteel Castings (UK) Limited

Contents

Directors' Report
For the Year Ended 31 March 2015

The directors present their report and the financial statements for the year ended 31 March 2015.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' 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 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;
- 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.

Principal activities

The company's main activity is the distribution of ductile iron pipework and accessories.

Results

The profit for the year, after taxation, amounted to £356,000 (2014 - loss £680,000).

Directors

The directors who served during the year were:

Mr M K Jalan
Mr P Lohia
Mr S Bailie

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' Report
For the Year Ended 31 March 2015

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Financial risk management objectives and policies

The company uses financial instruments, other than derivatives, third party borrowings, inter-company borrowings, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The main risks arising from the company financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous periods.

Interest rate risk

The company finances its operations through a mixture of retained profits, third party borrowings and inter-company borrowings. The company's exposure to interest rate fluctuations on its borrowings is managed on a group basis by the use of both fixed and floating facilities.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through inter-company accounts and bank loans and overdraft facilities and similar financing.

Credit risk

The company's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from the company's trade debtors. In order to manage credit risk management set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by management on a regular basis in conjunction with debt ageing and collection history.

Foreign currency risk

The company is exposed to transaction and translation foreign exchange risk. At this time no formal hedging of any foreign exchange risk is undertaken in the UK, but this position is reviewed on a regular basis.

Going concern basis

The directors consider the going concern basis is appropriate given that they have reviewed forecasts for not less than 12 months from the date of the approval of the financial statements. The forecasts show that the company requires the confirmed support from the parent company to continue as a going concern for that period, and the directors have received a letter of support from the parent company covering the same period.

This report was approved by the board on 17 April 2015 and signed on its behalf.

Mr S Bailie
Director

Strategic Report
For the Year Ended 31 March 2015

Introduction

During the year the company resolved to concentrate its activity on the UK market and move away from Eastern Europe so as to enhance and develop the stability of supply to the UK water companies.

Business review

Electrosteel Castings (UK) Limited continues to generate the majority of its sales and profits (82.5%) via its involvement in the supply of its Ductile Iron Pipes, Fittings and Ancillaries into the UK Water and Waste Water Industry.

The majority of UK Sales are secured under long term Framework Contracts, which are negotiated directly with the Water and Sewage Companies (WASC) or Water only Companies (WOC) and governed by The European Public Contracts Directive 2004/17/EC. All existing Frameworks were retained during 2014/15 and no new ones added, as none were up for renewal.

17.5% of sales were generated via contracts in Europe. These contracts remain in place for 2015/16 and sales are expected to be similar to 2014/15.

The risks and opportunities for the business during 2015/16 mainly lie in existing long term Framework contracts up for renewal (risk), and Frameworks not currently held also being out for negotiation (opportunity). We are positioning the business to retain all existing Frameworks and secure new ones during 2015/16.

Our sales predictions for 2015/16 are similar to 2014/15 as the slow period of the UK Water Industry regulated (OFWAT) spending cycle progresses from AMP5 into AMP6. Significant increases are projected for 2016/17 as the industry moves into the busier period of the spending cycle.

Overheads and cost of sales have been brought under tighter control during 14/15 with a more rigorous suite of monthly KPI's implemented. These KPI's, along with an IMPROVEMENT initiative also implemented across the whole business during 2014/15, have driven significant reductions in overheads and are projected to improve gross margin percentages during 2015/16.

The IMPROVEMENT initiative also delivered a new product, which complements our existing products and is expected to deliver reasonable sales during 2015/16.

Significant focus during 2014/15 was also placed on reinforcing the businesses use of International Standards to drive IMPROVEMENTS in Health and Safety, Environment and Carbon Reduction. This focus delivered OHSAS18001, ISO14001, and ISO14064 certification. These initiatives will also be used in future years to help drive operational and profitability improvements and improve returns to stakeholders.

Principal risks and uncertainties

The UK water industry continues on the investment plan AMP5 which has seen an increased level of activity in the current year and which will continue over the next 12 months. During this period we envisage that the nature of the work will continue to be focused towards treatment and process activities thereby creating good opportunities for fittings, flanged pipe and steel in particular.

With this increasing level of activity however, has come an increase in the amount of competition globally with a number of new pipe manufacturing facilities having been established and slowly this additional capacity has been seen in the UK with other pipe suppliers entering the market. With the extra competition this has added price pressures however we continue to try and reduce this impact with positive differentiation in our own service and product offering.

Strategic Report (continued)

For the Year Ended 31 March 2015

This report was approved by the board on 17 April 2015 and signed on its behalf.

Mr S Bailie
Director

GrantThornton

Independent Auditor's Report to the Members of Electrosteel Castings (UK) Limited

We have audited the financial statements of Electrosteel Castings (UK) Limited for the year ended 31 March 2015, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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).

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 set out on page 1, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 March 2015 and of its 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Grant Thornton

Independent Auditor's Report to the Members of Electrosteel Castings (UK) Limited

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.

Grant Thornton UK LLP.

Peter Edwards (Senior Statutory Auditor)
for and on behalf of
Grant Thornton UK LLP

Sheffield

17 April 2015

Profit and Loss Account

For the Year Ended 31 March 2015

	Note	2015 £000	2014 £000
Turnover	1,2	**15,948**	17,024
Cost of sales		**(12,435)**	(14,243)
Gross profit		**3,513**	2,781
Distribution costs		**(1,143)**	(1,555)
Administrative expenses		**(1,800)**	(1,861)
Other operating income	3	**1**	4
Operating profit/(loss)	4	**571**	(631)
Interest payable and similar charges	7	**(158)**	(157)
Profit/(loss) on ordinary activities before taxation		**413**	(788)
Tax on profit/(loss) on ordinary activities	8	**(57)**	108
Profit/(loss) for the financial year	15	**356**	(680)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2015 or 2014 other than those included in the Profit and Loss Account.

The notes on pages 9 to 18 form part of these financial statements.

Balance Sheet
As at 31 March 2015

	Note	£000	2015 £000	£000	2014 £000
Fixed assets					
Tangible assets	9		**202**		264
Current assets					
Stocks	10	**8,155**		8,522	
Debtors	11	**3,416**		3,502	
Cash at bank		**436**		473	
		12,007		12,497	
Creditors: amounts falling due within one year	12	**(11,350)**		(12,258)	
Net current assets			**657**		239
Net assets			**859**		503
Capital and reserves					
Called up share capital	14		**1,100**		1,100
Profit and loss account	15		**(241)**		(597)
Shareholders' funds	16		**859**		503

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 April 2015.

Mr S Bailie
Director

The notes on pages 9 to 18 form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 31 March 2015

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The policies have remained unchanged from the previous year.

The directors consider the going concern basis is appropriate given that they have reviewed forecasts for not less than 12 months from the date of the approval of the financial statements. The forecasts show that the company requires the confirmed support from the parent company to continue as a going concern for that period, and the directors have received a letter of support from the parent company covering the same period.

The company has taken advantage of the exemption from preparing a cash flow statement as conferred by Financial Reporting Standard No. 1 (Revised 1996), as it is a wholly owned subsidiary and the accounts of the parent company are publicly available.

1.2 Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax. Turnover is recognised when goods are dispatched to customers.

1.3 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost is computed on a weighted average basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

1.4 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are discounted.

1.5 Foreign currencies

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the Balance Sheet date. Exchange gains and losses are recognised in the Profit and Loss Account.

1.6 Retirement benefits

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

Notes to the Financial Statements
For the Year Ended 31 March 2015

1. Accounting Policies (continued)

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	10%
Plant & machinery and fixtures & fittings	-	15% to 35%
Computer equipment	-	20% to 33%

1.8 Financial instruments

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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Balance Sheet. Finance costs and gains or losses relating to financial liabilities are included in the Profit and Loss Account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

2. Turnover

Turnover is derived from the distribution of ductile iron pipework and accessories.

A geographical analysis of turnover is as follows:

	2015	2014
	£000	£000
United Kingdom	**13,157**	14,910
Rest of Europe	**2,791**	2,114
	15,948	17,024

3. Other operating income

	2015	2014
	£000	£000
Rental income	**1**	4

Notes to the Financial Statements
For the Year Ended 31 March 2015

4. Operating profit/(loss)

The operating profit/(loss) is stated after charging/(crediting):

	2015	2014
	£000	£000
Depreciation of tangible fixed assets:		
- owned by the company	81	118
- held under finance leases	5	2
Auditor's remuneration	12	13
Auditor's remuneration - non-audit	2	2
Operating lease rentals:		
- plant and machinery	111	121
Difference on foreign exchange	85	24
Vehicle leases	-	25
(Profit)/loss on sale of tangible assets	-	(2)

5. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2015	2014
	£000	£000
Wages and salaries	984	994
Social security costs	107	103
Other pension costs	32	27
	1,123	1,124

The average monthly number of employees, including the directors, during the year was as follows:

	2015	2014
	No.	No.
Manufacturing	11	11
Selling and administration staff	28	35
	39	46

Notes to the Financial Statements

For the Year Ended 31 March 2015

6. Directors' remuneration

	2015	2014
	£000	£000
Remuneration	**137**	63
Company pension contributions to defined contribution pension schemes	**12**	7

During the year retirement benefits were accruing to 1 director (2014 - 1) in respect of defined contribution pension schemes.

7. Interest payable

	2015	2014
	£000	£000
On bank loans and overdrafts	**158**	157

8. Taxation

	2015	2014
	£000	£000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit/loss for the year/period	**-**	-
Deferred tax (see note 13)		
Origination and reversal of timing differences	**57**	(108)
Tax on profit/loss on ordinary activities	**57**	(108)

Notes to the Financial Statements
For the Year Ended 31 March 2015

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2014 - lower than) the standard rate of corporation tax in the UK of 20% (2014 - 20%). The differences are explained below:

	2015 £000	2014 £000
Profit/loss on ordinary activities before tax	**413**	(788)
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2014 - 20%)	**83**	(158)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**3**	3
Capital allowances for year differs from depreciation	**11**	3
Losses utilised/ Unrelieved tax losses	**(97)**	152
Current tax charge for the year (see note above)	**-**	-

Notes to the Financial Statements

For the Year Ended 31 March 2015

9. Tangible fixed assets

	Freehold property £000	Plant & machinery £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost					
At 1 April 2014	63	511	150	194	918
Additions	-	-	-	24	24
At 31 March 2015	63	511	150	218	942
Depreciation					
At 1 April 2014	14	377	101	162	654
Charge for the year	7	45	13	21	86
At 31 March 2015	21	422	114	183	740
Net book value					
At 31 March 2015	42	89	36	35	202
At 31 March 2014	49	134	49	32	264

The net book value of assets held under finance leases or hire purchase contracts, included above is £nil (2014: £nil)

10. Stocks

	2015 £000	2014 £000
Finished goods and goods for resale	8,155	8,522

Notes to the Financial Statements

For the Year Ended 31 March 2015

11. Debtors

	2015 £000	2014 £000
Trade debtors	**2,784**	3,026
Amounts owed by group undertakings	**118**	46
Other debtors	**173**	121
Prepayments and accrued income	**254**	165
Deferred tax asset (see note 13)	**87**	144
	3,416	3,502

12. Creditors: Amounts falling due within one year

	2015 £000	2014 £000
Bank loans, overdrafts and similar financing	**4,976**	4,886
Trade creditors	**982**	1,378
Amounts owed to group undertakings	**5,030**	5,641
Other taxation and social security	**91**	80
Other creditors	**4**	4
Accruals and deferred income	**267**	269
	11,350	12,258

There is a fixed and floating charge over all assets of the company, including freehold & leasehold property, arising from security over the bank facility held with Barclays Bank Plc dated 11 April 2013.

A bank loan was taken out with ICICI Bank UK Plc for £3,250,000 dated 28 March 2015. This is due for repayment on 30 April 2016.

13. Deferred tax asset

	2015 £000	2014 £000
At beginning of year	**144**	36
(Charge for)/released during year (P&L)	**(57)**	108
At end of year	87	144

Notes to the Financial Statements

For the Year Ended 31 March 2015

13. Deferred tax asset (continued)

The deferred tax asset is made up as follows:

	2015 £000	2014 £000
Accelerated capital allowances	(13)	(20)
Losses and other deductions	99	163
Other timing differences	1	1
	87	144

A deferred tax asset of £99,000 (2014: £163,000) on historical trading losses of approximately £495,000 has been recognised (2014: £815,000). There are no unrecognised deferred tax assets (2014: £40,000) based on historical trading losses of £nil (2014: £198,000) where recovery is not considered more likely than not.

14. Share capital

	2015 £000	2014 £000
Authorised, allotted, called up and fully paid		
1,100,000 Ordinary shares of £1 each	1,100	1,100

15. Reserves

	Profit and loss account £000
At 1 April 2014	(597)
Profit for the financial year	356
At 31 March 2015	(241)

16. Reconciliation of movement in shareholders' funds

	2015 £000	2014 £000
Opening shareholders' funds	503	1,183
Profit/(loss) for the financial year/period	356	(680)
Closing shareholders' funds	859	503

17. Derivatives

There were no derivatives held by the company at 31 March 2015 or 31 March 2014.

Notes to the Financial Statements
For the Year Ended 31 March 2015

18. Related party transactions

As a wholly owned subsidiary of Electrosteel Castings Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by Electrosteel Castings Limited (registered office being 19 Camac Street, Kolkata, 700017, India) on the grounds that accounts are publicly available. The consolidated financial statements are available on the parent company's website www.electrosteel.com.

19. Capital commitments

There were no capital commitments at 31 March 2015 or 31 March 2014.

20. Pension commitments

The company participates in a money purchase pension scheme in respect of its directors, staff and employees. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the schemes and amounted to £31,845 for the year (2014: £27,000).

21. Operating lease commitments

At 31 March 2015 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Expiry date:				
Within 1 year	**-**	-	**4**	-
Between 2 and 5 years	**13**	50	**19**	22
After more than 5 years	**84**	77	**-**	-

22. Contingent liabilities

As at 31 March 2015 there were no contingent liabilities. As at 31 March 2014 an unlimited guarantee had been provided to FWB Products Limited on behalf of Metalpol UK Limited. This guarantee terminated on 10 April 2014.

23. Ultimate parent undertaking and controlling party

The ultimate parent undertaking of this company is its parent company, Electrosteel Castings Limited, a company incorporated in India, which is also the company's controlling related party by virtue of its 100% ownership of the company's share capital.

Notes to the Financial Statements
For the Year Ended 31 March 2015

24. Liability limitation agreement with the auditor

The company has entered into a liability limitation agreement with Grant Thornton UK LLP, the statutory auditors, in respect of the statutory audit for the year ended 31 March 2015. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 Guidance on Auditor Liability Agreements, and was approved by the shareholders on 20 February 2014.