

**ELECTROSTEEL CASTINGS (UK) LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2021**



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**ELECTROSTEEL CASTINGS (UK) LIMITED**

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**COMPANY INFORMATION**

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**Directors**

Mr M K Jalan  
Mr P Lohia  
Mr S Bailie  
Mr S N Agarwal  
Mr G Wheeler

**Registered number**

04057880

**Registered office**

Ambrose House  
Broombank Road  
Chesterfield  
Derbyshire  
S41 9QJ

**Independent auditor**

Grant Thornton UK LLP  
Chartered Accountants & Statutory Auditor  
1 Holly Street  
Sheffield  
South Yorkshire  
S1 2GT

**Bankers**

Barclays Bank Plc  
121 Norfolk Street  
Sheffield  
South Yorkshire  
S1 2JW

**Solicitors**

Keeble Hawson LLP  
Commercial House  
14 Commercial Street  
Sheffield  
South Yorkshire  
S1 2AT

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**ELECTROSTEEL CASTINGS (UK) LIMITED**

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## **ELECTROSTEEL CASTINGS (UK) LIMITED**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021**

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#### **Introduction**

The business continues to concentrate the majority of its activities in the UK whilst retaining some long term relationships with a small number of European clients.

#### **Business review**

New processes and procedures for EU sales post Brexit were carefully prepared well in advance and the integration of the same into our Quality Management System ensured a smooth and trouble free implementation.

We continue to generate the majority of our sales and profits via our involvement in the supply of our Ductile Iron Pipes and Fittings into the UK Water and Waste Water Industry.

The majority of our sales are secured under long term (varying from 3 -12 years) Framework Contracts, which are negotiated directly with the Water and Sewage Companies (WASC) or Water only Companies (WOC) and are governed by the European Public Contracts Directive.

16.05% of sales were generated via contracts in Europe.

The risks and opportunities for the business lie in existing long term Framework Contracts coming up for renewal, and Frameworks not currently held coming out for negotiation. However, this is very much mitigated for 21/22 as the vast majority of Utility Framework negotiations were completed during previous years.

Our sales predictions for 2021/22 are projected to be 56.90% higher than the previous year, predominantly due the improving picture as the country and our sector exit restrictions and confidence returns as a result of the vaccination programme.

Overheads and cost of sales remain under tight control by way of a rigorous suite of KPI's, and our IMPROVEMENT initiative continues to provide the platform for the whole team (UK and India) to come up with the ideas we use to improve how efficiently and effectively we run our business.

Having secured long term Frameworks, the key future development for us all, is to deliver continued improvements in world class service to our customers in the most effective and efficient way possible.

#### **Principal risks and uncertainties**

##### **Covid-19**

From a financial and ongoing operational perspective and compared to many other UK sectors, WATER is extremely fortunate in that being a critical infrastructure, its operations must continue.

Within the Water sector, Electrosteel Castings (UK) Limited have a significantly enhanced level of good fortune, in that we are a Framework contracted sole materials provider directly to the water companies.

This good fortune is further enhanced by the fact that the goods we are contracted to supply are essential for the critical repairs and maintenance required to keep all our taps flowing with drinking water and sewage removed from our homes.

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**ELECTROSTEEL CASTINGS (UK) LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2021**

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However, we are confident that the negative impacts of Covid are beginning to abate, which is seen in our most recent monthly results, improvements in scheme activity and significant increase in order book.

**Competition**

Continued global competition and a global over capacity compared to current demand pressurises price levels, but we seek to mitigate this by way of the long term Framework Contracts and differentiating ourselves through the service our people provide to our customers.

**Raw materials and shipping**

Volatility in global raw material pricing and shipping costs and availability of containers are a challenge to all. We continue to control these risks through close interaction with our strong and long established supply chain relationships.

**Financial risk management objectives and policies**

The company uses financial instruments, including, 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, bank loans 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, collection history and limits advised by its trade debtor insurers.

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**ELECTROSTEEL CASTINGS (UK) LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2021**

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**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.

**Key performance indicators**

Key performance indicators used to monitor the company performance in the years as follow:

	2021	2020
Sales per employee	<b>£264,926</b>	£349,567
PBT per employee	<b>(£4,525)</b>	£5,075
General overheads	<b>11.15%</b>	8.46%
Delivered in full and on time	<b>99%</b>	97%

This report was approved by the board on 4 May 2021 and signed on its behalf.

*Stewart Bailie*

**Mr S Bailie**  
Director

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## ELECTROSTEEL CASTINGS (UK) LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

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

#### **Going Concern**

#### **Operational**

All our Directors, Senior Managers, office based Supervisors, Sales, Technical, Finance and Central Services functions were moved to home working prior to the Governments official lockdown and were fully operational from day one.

We are suppliers of materials critical to the ongoing operations of Water Companies who provide drinking water and sewage treatment to circa 50% of the UK population, and as such our "Key Worker" status was confirmed by all of the Water Companies we are in Framework contract with.

Stock grounds and production facility remain operational with all of the Governments hygiene and social distancing guidelines fully implemented.

#### **Sales activities**

Sales activities on critical repairs and maintenance have continued right through the pandemic and activity on major schemes has begun to improve during the last quarter of 20/21, resulting in encouraging increases in our order book for 21/22.

#### **Cash flow**

Our sales and cash flow projections for 21/22 take the view that activity levels will continue to return to expected levels at this stage of the AMP cycle and are suitable for our on-going operations. A sensitivity projection based on a hypothetical worst case scenario was completed.

The company has committed funding arrangements from its bank and has the support of its parent company together with good relationships with its customers and suppliers. As a result of the above and having reviewed the forecasts to June 2022, the directors do not believe that there are any material uncertainties which may cast significant doubt on the ability of the company to continue as a going concern.

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**ELECTROSTEEL CASTINGS (UK) LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2021**

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**Results and dividends**

The loss for the year, after taxation, amounted to £131,000 (2020 - profit £140,000).

**Directors**

The directors who served during the year were:

Mr M K Jalan  
Mr P Lohia  
Mr S Bailie  
Mr S N Agarwal  
Mr G Wheeler

**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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the balance sheet 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 judgements 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Post balance sheet events**

There have been no significant events affecting the company since the year end.



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**ELECTROSTEEL CASTINGS (UK) LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2021**

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**Disclosure of information to auditor**

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Auditor**

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

This report was approved by the board on 4 May 2021 and signed on its behalf.

*Stewart Bailie*

**Mr S Bailie**  
Director



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELECTROSTEEL CASTINGS (UK) LIMITED

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### Opinion

We have audited the financial statements of Electrosteel Castings (UK) Limited (the 'company') for the year ended 31 March 2021, which comprise the Statement of Income and Retained Earnings, the Balance Sheet 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

### 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 are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELECTROSTEEL CASTINGS (UK) LIMITED (CONTINUED)

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

- In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
- The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

### 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 the audit:

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



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELECTROSTEEL CASTINGS (UK) LIMITED (CONTINUED)

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### **Matter on which we are required to report under the Companies Act 2006**

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

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

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

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

### **Responsibilities of directors for the financial statements**

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 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 company or to cease operations, or have no realistic alternative but to do so.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELECTROSTEEL CASTINGS (UK) LIMITED (CONTINUED)

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### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- The company is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified the following laws and regulations as the most likely to have a material effect if non-compliance were to occur; financial reporting legislation related to reporting frameworks (FRS102 and Companies Act 2006), distributable profits legislation, tax legislation, anti-bribery and corruption legislation, health and safety, data protection, import duty and employment law and British standards regulations.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

- We obtained an understanding of how the company is complying with those legal and regulatory frameworks by making enquiries of management. We corroborated our enquiries through our review of board minutes, and correspondence received from regulatory bodies.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by discussions with management to understand where management considered there is a susceptibility to fraud.

Audit procedures performed by the engagement team included:

- evaluation of the controls established to address the risks related to irregularities and fraud;
- testing manual journal entries, and entries determined to be large or relating to unusual transactions based on our understanding of the business;
- identifying and testing related party transactions;
- completion of audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.



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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELECTROSTEEL CASTINGS (UK) LIMITED  
(CONTINUED)**

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- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the industry in which the client operates
  - understanding of the legal and regulatory requirements (FRS102 and Companies Act 2006 and the relevant tax compliance regulations) specific to the entity including:
    - the provisions of the applicable legislation
    - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules
    - the applicable statutory provisions

We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.

**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.

*Grant Thornton UK LLP*

Peter Edwards BA FCA  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Sheffield

4 May 2021

## ELECTROSTEEL CASTINGS (UK) LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £000	2020 £000
Turnover	4	10,597	14,682
Cost of sales		(8,358)	(11,306)
<b>Gross profit</b>		<b>2,239</b>	<b>3,376</b>
Distribution costs		(728)	(1,119)
Administrative expenses		(1,705)	(1,875)
Other operating income		177	-
<b>Operating (loss)/profit</b>	6	<b>(17)</b>	<b>382</b>
Interest payable and expenses	10	(164)	(179)
<b>(Loss)/profit before tax</b>		<b>(181)</b>	<b>203</b>
Tax on (loss)/profit	11	50	(63)
<b>(Loss)/profit after tax</b>		<b>(131)</b>	<b>140</b>
Retained earnings at the beginning of the year		1,102	962
		1,102	962
(Loss)/profit for the year		(131)	140
<b>Retained earnings at the end of the year</b>		<b>971</b>	<b>1,102</b>
The notes on pages 14 to 29 form part of these financial statements.			

**ELECTROSTEEL CASTINGS (UK) LIMITED**  
**REGISTERED NUMBER:04057880**

**BALANCE SHEET**  
**AS AT 31 MARCH 2021**

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Tangible assets	12	336	296
		<u>336</u>	<u>296</u>
<b>Current assets</b>			
Stocks	13	9,339	8,871
Debtors: amounts falling due within one year	14	3,567	4,725
Cash at bank and in hand	15	63	444
		<u>12,969</u>	<u>14,040</u>
Creditors: amounts falling due within one year	16	(11,167)	(12,092)
<b>Net current assets</b>		<u>1,802</u>	<u>1,948</u>
<b>Total assets less current liabilities</b>		<u>2,138</u>	<u>2,244</u>
Creditors: amounts falling due after more than one year	17	(41)	(26)
<b>Provisions for liabilities</b>			
Deferred tax	20	(26)	(16)
		<u>(26)</u>	<u>(16)</u>
<b>Net assets</b>		<u><u>2,071</u></u>	<u><u>2,202</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	1,100	1,100
Profit and loss account	21	971	1,102
		<u><u>2,071</u></u>	<u><u>2,202</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 May 2021.

*Stewart Bailie*

**Mr S Bailie**  
 Director

The notes on pages 14 to 29 form part of these financial statements.



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**ELECTROSTEEL CASTINGS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**1. General information**

Electrosteel Castings (UK) Limited is a private company limited by shares and incorporated in England and Wales. Registered number 04057880. Its registered head office is located at Ambrose House, Broombank Road, Chesterfield, Derbyshire, S41 9QJ.

The company is principally engaged in the supply of ductile iron pipes, fittings and ancillaries into the UK water and waste water industry.

**2. Accounting policies****2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

**2.2 Financial reporting standard 102 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Electrosteel Castings Limited as at 31 March 2021 and these financial statements may be obtained from the parent company's website at [www.electrosteel.com](http://www.electrosteel.com).

**2.3 Going concern****Operational**

All our Directors, Senior Managers, office based Supervisors, Sales, Technical, Finance and Central Services functions were moved to home working prior to the Governments official lockdown and were fully operational from day one.

We are suppliers of materials critical to the ongoing operations of Water Companies who provide drinking water and sewage treatment to circa 50% of the UK population, and as such our "Key Worker" status was confirmed by all of the Water Companies we are in Framework contract with.

Stock grounds and production facility remain operational with all of the Governments hygiene and social distancing guidelines fully implemented.

**Sales activities**

Sales activities on critical repairs and maintenance have continued right through the pandemic and

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**ELECTROSTEEL CASTINGS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**2. Accounting policies (continued)****2.3 Going concern (continued)**

activity on major schemes has begun to improve during the last quarter of 20/21, resulting in encouraging increases in our order book for 21/22.

**Cash flow**

Our sales and cash flow projections for 21/22 take the view that activity levels will continue to return to expected levels at this stage of the AMP cycle and are suitable for our on-going operations. A sensitivity projection based on a hypothetical worst case scenario was completed.

The company has committed funding arrangements from its bank and has the support of its parent company together with good relationships with its customers and suppliers. As a result of the above and having reviewed the forecasts to June 2022, the directors do not believe that there are any material uncertainties which may cast significant doubt on the ability of the company to continue as a going concern.

**2.4 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**2.5 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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## ELECTROSTEEL CASTINGS (UK) LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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## 2. Accounting policies (continued)

### 2.5 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using a straight-line method. The estimated useful lives .

Depreciation is provided on the following basis:

Freehold property	-	10%
Plant, machinery & motor vehicles	-	15% to 35%
Fixtures & fittings	-	15% to 35%
Computer equipment	-	20% to 33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Income and Retained Earnings.

### 2.6 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the lease term.

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Income and Retained Earnings so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

### 2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weight average basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

### 2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

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**ELECTROSTEEL CASTINGS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**2. Accounting policies (continued)****2.9 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.10 Financial instruments**

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Income and Retained Earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an 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.

**2.11 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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**ELECTROSTEEL CASTINGS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**2. Accounting policies (continued)****2.12 Foreign currency translation****Functional and presentation currency**

The company's financial statements are presented in £'000.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in Statement of Income and Retained Earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Income and Retained Earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in Statement of Income and Retained Earnings within 'other operating income'.

**2.13 Government grants**

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Income and Retained Earnings in the same period as the related expenditure.

**2.14 Finance costs**

Finance costs are charged to the Statement of Income and Retained Earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

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**ELECTROSTEEL CASTINGS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**2. Accounting policies (continued)****2.15 Pensions****Defined contribution pension plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

**2.16 Borrowing costs**

All borrowing costs are recognised in the Statement of Income and Retained Earnings in the year in which they are incurred.

**2.17 Provisions for liabilities**

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Income and Retained Earnings in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

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**ELECTROSTEEL CASTINGS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**2. Accounting policies (continued)****2.18 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance. The following are the key estimates made in preparing these financial statements:

**Stock provisioning**

The company is engaged in the supply of ductile iron pipes, fittings and ancillaries, as a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability. See note 13 for the net carrying amount of the inventory and associated provision.

**Useful economic lives of tangible assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the property, plant and equipment and note 2.5 for the useful economic lives for each class of assets.

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**ELECTROSTEEL CASTINGS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**4. Turnover**

Analysis of turnover by country of destination:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
United Kingdom	8,898	11,360
Rest of Europe	1,699	3,309
Rest of the world	-	13
	<u>10,597</u>	<u>14,682</u>

**5. Other operating income**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Government grants receivable	<u>177</u>	<u>-</u>

The company received a grant in respect to the job retention scheme.

**6. Operating (loss)/profit**

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

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Depreciation of tangible fixed assets	110	75
Exchange differences	(73)	72
Other operating lease rentals	<u>112</u>	<u>111</u>

**7. Auditor's remuneration**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	<u>22</u>	<u>20</u>
<b>Fees payable to the company's auditor and its associates in respect of:</b>		
Taxation compliance services	<u>2</u>	<u>2</u>



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**ELECTROSTEEL CASTINGS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**8. Employees**

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

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	1,189	1,249
Social security costs	137	145
Cost of defined contribution scheme	68	74
	<u>1,394</u>	<u>1,468</u>

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

	<b>2021</b>	<b>2020</b>
	<b>No.</b>	<b>No.</b>
Manufacturing	13	13
Selling and administration staff	27	27
	<u>40</u>	<u>40</u>

**9. Directors' remuneration**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Directors' emoluments	187	257
Company contributions to defined contribution pension schemes	25	24
	<u>212</u>	<u>281</u>

During the year retirement benefits were accruing to 2 directors (2020 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £129,000 (2020 - £128,000).

Key management personnel are the same as the directors therefore no additional disclosures required.

## ELECTROSTEEL CASTINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021

## 10. Interest payable and similar expenses

	2021 £000	2020 £000
Bank interest payable	144	179
Other loan interest payable	20	-
	<u>164</u>	<u>179</u>

## 11. Taxation

	2021 £000	2020 £000
<b>Corporation tax</b>		
Current tax on profits for the year	(60)	64
<b>Total current tax</b>	<u>(60)</u>	<u>64</u>
Deferred tax	10	(1)
<b>Taxation on (loss)/profit on ordinary activities</b>	<u>(50)</u>	<u>63</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
(Loss)/profit on ordinary activities before tax	<u>(181)</u>	<u>203</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(34)	39
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	24
Fixed asset differences	4	-
Losses carried back	41	-
Adjustments to tax charge in respect of prior periods	(61)	-
<b>Total tax charge for the year</b>	<u>(50)</u>	<u>63</u>

## ELECTROSTEEL CASTINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
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## 12. Tangible fixed assets

	Freehold property £000	Plant, machinery & motor vehicles £000	Fixtures & fittings £000	Computer equipment £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2020	311	635	159	249	1,354
Additions	2	69	-	79	150
At 31 March 2021	313	704	159	328	1,504
<b>Depreciation</b>					
At 1 April 2020	120	542	150	246	1,058
Charge for the year on owned assets	20	20	2	68	110
At 31 March 2021	140	562	152	314	1,168
<b>Net book value</b>					
At 31 March 2021	173	142	7	14	336
At 31 March 2020	191	93	9	3	296

The net book value of assets held under finance or hire purchase contracts, included above, are £92,000 (2020: £20,000). Included within the depreciation above are £64,000 (2020: £17,000) relating to depreciation on finance or hire purchase contracts.

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**ELECTROSTEEL CASTINGS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**13. Stocks**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Finished goods and goods for resale	<b>9,339</b>	<b>8,871</b>

Stocks are stated after provision for impairment of £19,000 (2020: £19,000).

Stock recognised in cost of sales in the year as an expense was £7,000,000 (2020: £10,000,000).

**14. Debtors**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	<b>3,166</b>	<b>3,778</b>
Amounts owed by group undertakings	<b>69</b>	<b>172</b>
Other debtors	<b>102</b>	<b>554</b>
Prepayments and accrued income	<b>230</b>	<b>221</b>
	<b>3,567</b>	<b>4,725</b>

Trade debtors are stated after provision for impairment of £Nil (2020: £Nil).

**15. Cash and cash equivalents**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	<b>63</b>	<b>444</b>
Less: Loans and similar financing	<b>(6,562)</b>	<b>(5,560)</b>
	<b>(6,499)</b>	<b>(5,116)</b>

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**ELECTROSTEEL CASTINGS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**16. Creditors: Amounts falling due within one year**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Bank loans and similar financing	6,562	5,560
Trade creditors	400	488
Amounts owed to group undertakings	3,794	5,159
Corporation tax	-	64
Other taxation and social security	184	21
Obligations under finance lease and hire purchase contracts	54	9
Other creditors	12	129
Accruals	161	662
	<u>11,167</u>	<u>12,092</u>

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Similar financing includes an invoice financing facility secured by way of a fixed and floating charge over the assets of the company.

A bank loan was taken out with ICICI Bank UK Plc for £3,250,000 dated 28 March 2015. Interest is charged at a rate of 2.84%. The loan was reduced to £1,854,545 in March 2021 and due for repayment on March 2022.

**17. Creditors: Amounts falling due after more than one year**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Net obligations under finance leases and hire purchase contracts	<u>41</u>	<u>26</u>

**18. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Within one year	27	9
Between 1-5 years	13	26
	<u>40</u>	<u>35</u>

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**ELECTROSTEEL CASTINGS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**19. Financial instruments**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Financial assets</b>		
Trade debtors	<b>3,166</b>	3,778
Other debtors	<b>103</b>	554
Cash	<b>63</b>	444
	<u><b>3,332</b></u>	<u>4,776</u>
<b>Financial liabilities</b>		
Bank loans and similar financing	<b>(6,562)</b>	(5,560)
Trade creditors	<b>(400)</b>	(488)
Amounts owed to group undertakings	<b>(3,794)</b>	(5,159)
Other creditors	<b>(26)</b>	(129)
Accruals	<b>(161)</b>	(662)
	<u><b>(10,943)</b></u>	<u>(11,998)</u>

**20. Deferred taxation**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
At beginning of year	<b>(16)</b>	(17)
Charged to the profit or loss	<b>(10)</b>	1
<b>At end of year</b>	<u><b>(26)</b></u>	<u>(16)</u>

The provision for deferred taxation is made up as follows:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Accelerated capital allowances	<u><b>(26)</b></u>	<u>(16)</u>

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**ELECTROSTEEL CASTINGS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**21. Reserves**

**Profit & loss account**

Includes all current and prior period retained profits and losses.

**22. Share capital**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Authorised, allotted, called up and fully paid</b>		
1,100,000 (2020 - 1,100,000) Ordinary shares of £1.00 each	<b>1,100</b>	<b>1,100</b>
	<hr/>	<hr/>

**23. Capital commitments**

There were no capital commitments at 31 March 2021 or 31 March 2020.

**24. 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 £68,000 for the year (2020: £74,000).

**25. Commitments under operating leases**

At 31 March 2021 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Not later than 1 year	<b>76</b>	<b>85</b>
Later than 1 year and not later than 5 years	<b>7</b>	<b>74</b>
	<hr/>	<hr/>
	<b>83</b>	<b>159</b>
	<hr/>	<hr/>

**26. Related party transactions**

As a wholly owned subsidiary of Electrosteel Castings Limited, the company is exempt from the requirements of FRS 102 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](http://www.electrosteel.com).

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**ELECTROSTEEL CASTINGS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

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**27. 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.