Grant Thornton

Financial Statements Electrosteel Castings (UK) Limited

For the year ended 31 March 2012

Registered number: 04057880

Contents

Company Information

Directors	Mr A J Radford Mr P Lohia Mr M K Jalan
Company secretary	Mr R J Ashworth
Company number	04057880
Registered office	Ambrose Yard Broombank Road Trading Estate Broombank Road Chesterfield Derbyshire S41 9QL
Auditor	Grant Thornton UK LLP Statutory Auditor 2 Broadfield Court Sheffield South Yorkshire S8 0XF

Directors' Report

For the year ended 31 March 2012

The directors present their report and the financial statements for the year ended 31 March 2012

Principal activities

The company's main activity is the distribution of Ductile Iron Pipework and Accessories

Business review

Electrosteel Castings (UK) Limited is a wholly owned subsidiary of Electrosteel Castings Limited, Kolkata, India The company is a manufacturer and distributor of Ductile Iron and Steel Fabricated Pipes and Fittings to the UK Water and Sewerage industry

2011/12, as forecast, saw a major upturn in the investment activities of the UK water industry Whilst the 2010-11 year had been extremely difficult in respect of volumes, turnover and profitability the successful activities undertaken to secure long term supply 'Framework' agreements with the Water Plc's started to yield the dividends anticipated when they were secured in 2011/12 However as our position in the market strengthened competitor activity has intensified during the year in either trying to recover lost ground or make in-roads as a newcomer The net impact of this has been to keep market prices deflated and restrict the scope for real margin growth

As per the previous years commentary we approached 2011-12 "with a positive outlook in respect of both turnover and profitability" This expectation has been realised with a 46% growth in turnover in the year and a profit before tax of £229,000 for the year This growth primarily coming from the 'Framework' agreements secured in the previous year combined with further success in the Eastern European markets

2012-13 is expected to be a year similar to the last with investment activity continuing at the same pace in the UK Our focus will be to strengthen our relationships with the Water Plc's through an increased emphasis on service improvements In addition a number of our Frameworks are approaching the point where they may either be re-tendered or extended Our clear objective will be to extend these in order for us to capitalise on the rest of the AMP5 programme

On export our emphasis will be to strengthen our market position in the Eastern European markets with the appointment of an 'in market' sales team focussed on developing the specification of our product and building relationships directly with the customer base As a result we are targeting significant growth in these markets and with the major investment of European funding in infrastructure we are confident we can achieve success

Over and above our sales activity we will be focussing strongly in the next year on increasing the efficiencies of our Operational activities in order to reduce our 'cost of service' Therefore whilst selling prices may be 'flat' in the period our objective will be to increase profit margins by working 'smarter' and reducing costs

Going concern basis

The directors consider the going concern basis as appropriate given that they have reviewed forecasts for not less than 12 months from the date of the audit report 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

Results

The profit for the year, after taxation, amounted to £229,000 (2011 - loss £400,000)

Directors' Report
For the year ended 31 March 2012

Directors

The directors who served during the year were

Mr A J Radford
Mr P Lohia
Mr M K Jalan

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 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

Currency risk

The company is exposed to transaction and translation foreign exchange risk

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 2 years During this period we envisage that the nature of the work will be focussed towards treatment and process activities thereby creating good opportunities for fittings, flanged pipe and steel in particular Unfortunately the nature of the water industry is that the visibility of detail in respect of future workload is not great and this has resulted in our having to carry high levels of stock in order to ensure service levels are maintained

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 being established and slowly this additional capacity being seen in the UK and Europe with other pipe suppliers entering the market With extra competition may also come added price pressures however we continue to try and reduce this impact with positive differentiation in our own service and product offering

From a manufacturing perspective we anticipate that manufacturing costs will increase however to what extent remains unclear in the current economic climate In addition with the current uncertainty in oil prices this could in the next year have significant impact on our shipping and freight costs

Directors' Report
For the year ended 31 March 2012

Directors' responsibilities statement

The directors are responsible for preparing 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 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

Provision of information to auditor

In so far as each of the directors is aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

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

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier

This report was approved by the board on 17 April 2012 and signed on its behalf

Mr A J Radford
Director

Grant Thornton

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 2012, 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 3, 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 Auditing Practices Board's website at www frc org uk/apb/scope/private cfm

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 2012 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 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
Statutory Auditor
Sheffield

17 April 2012

Profit and Loss Account

For the year ended 31 March 2012

	Note	2012 £000	2011 £000
Turnover	1,2	**19,652**	13,428
Cost of sales		**(16,444)**	(11,410)
Gross profit		**3,208**	2,018
Distribution costs		**(1,554)**	(1,303)
Administrative expenses		**(1,318)**	(1,108)
Operating profit/(loss)	3	**336**	(393)
Interest payable and similar charges	6	**(107)**	(44)
Profit/(loss) on ordinary activities before taxation		**229**	(437)
Tax on profit/(loss) on ordinary activities	7	**-**	37
Profit/(loss) for the financial year	15	**229**	(400)

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss account

The notes on pages 8 to 16 form part of these financial statements

Balance Sheet
As at 31 March 2012

	Note	£000	2012 £000	£000	2011 £000
Fixed assets					
Tangible assets	8		**354**		243
Current assets					
Stocks	9	**11,600**		7,019	
Debtors	10	**5,904**		6,495	
Cash at bank		**35**		105	
		17,539		13,619	
Creditors: amounts falling due within one year	11	**(16,648)**		(12,839)	
Net current assets			**891**		780
Total assets less current liabilities			**1,245**		1,023
Creditors: amounts falling due after more than one year	12		**(2)**		(9)
Net assets			**1,243**		1,014
Capital and reserves					
Called up share capital	14		**1,100**		1,100
Profit and loss account	15		**143**		(86)
Shareholders' funds	16		**1,243**		1,014

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 April 2012

Mr A J Radford
Director

The notes on pages 8 to 16 form part of these financial statements

Notes to the Financial Statements

For the year ended 31 March 2012

1. Accounting Policies

1.1 Basis of preparation of financial statements

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

The directors consider the going concern basis as appropriate given that they have reviewed forecasts for not less than 12 months from the date of the audit report 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 Leases

Assets held under finance leases, where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

1.4 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 5 Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date Deferred tax assets are recognised when it is more likely than not that they will be recovered Deferred tax is measured using rates of tax which have been enacted or substantively enacted by the balance sheet date Deferred taxation assets and pensions are not discounted

Notes to the Financial Statements
For the year ended 31 March 2012

1. Accounting Policies (continued)

1.6 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 Exchange gains and losses are recognised in the Profit and loss account

1.7 Retirement benefits
Defined contribution pension scheme

The company makes contributions to various personal pension schemes The pension cost charge represents amounts payable by the company to the schemes in respect of the year

1.8 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%

1.9 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

Notes to the Financial Statements

For the year ended 31 March 2012

2. Turnover

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

A geographical analysis of turnover is as follows

	2012 £000	2011 £000
United Kingdom	**17,404**	11,802
Rest of Europe	**2,248**	1,626
	19,652	13,428

3. Operating profit/(loss)

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

	2012 £000	2011 £000
Depreciation of tangible fixed assets		
- owned by the company	**98**	49
- held under finance leases	**9**	11
Auditor's remuneration	**8**	7
Auditor's remuneration - non-audit	**2**	2
Operating lease rentals		
- plant and machinery	**63**	51
Difference on foreign exchange	**24**	(2)
Vehicle leases	**18**	18

Notes to the Financial Statements

For the year ended 31 March 2012

4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2012 £000	2011 £000
Wages and salaries	835	698
Social security costs	93	68
Other pension costs	31	27
	959	793

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

	2012 No.	2011 No
Manufacturing	12	9
Selling and administration staff	26	21
	38	30

5. Directors' remuneration

	2012 £000	2011 £000
Emoluments	93	92
Company pension contributions to defined contribution pension schemes	8	8

During the year retirement benefits were accruing to 1 director (2011 - 1) in respect of defined contribution pension schemes

6. Interest payable

	2012 £000	2011 £000
On bank loans and overdrafts	107	44

Notes to the Financial Statements

For the year ended 31 March 2012

7. Taxation

	2012 £000	2011 £000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit/loss for the year	-	-
Deferred tax		
Origination and reversal of timing differences	-	(36)
Effect of increased tax rate on opening liability	-	(1)
Total deferred tax (see note 13)	-	(37)
Tax on profit/loss on ordinary activities	-	(37)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 26% (2011 - 28%) The differences are explained below

	2012 £000	2011 £000
Profit/loss on ordinary activities before tax	229	(437)
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011 - 28%)	60	(122)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	7	8
Capital allowances for year in excess of depreciation	(11)	(16)
Other timing differences leading to an increase (decrease) in taxation	3	(2)
Utilisation of tax losses and other deductions	(59)	132
Current tax charge for the year (see note above)	-	-

Notes to the Financial Statements
For the year ended 31 March 2012

8. Tangible fixed assets

	Freehold property £000	Plant & machinery £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost					
At 1 April 2011	-	399	167	-	566
Additions	63	30	34	91	218
Transfer between classes	-	-	(78)	78	-
At 31 March 2012	63	429	123	169	784
Depreciation					
At 1 April 2011	-	237	86	-	323
Charge for the year	2	57	7	41	107
Transfer between classes	-	-	(17)	17	-
At 31 March 2012	2	294	76	58	430
Net book value					
At 31 March 2012	61	135	47	111	354
At 31 March 2011	-	162	81	-	243

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	2012 £000	2011 £000
Plant and machinery	16	15

9. Stocks

	2012 £000	2011 £000
Finished goods and goods for resale	11,600	7,019

10. Debtors

	2012 £000	2011 £000
Trade debtors	5,539	6,270
Amounts owed by group undertakings	27	80
Other debtors	266	1
Prepayments and accrued income	47	119
Deferred tax asset (see note 13)	25	25
	5,904	6,495

Notes to the Financial Statements

For the year ended 31 March 2012

10. Debtors (continued)

11. Creditors: Amounts falling due within one year

	2012 £000	2011 £000
Bank loans and overdrafts	3,526	3,526
Trade creditors	2,260	1,281
Other creditors	5	3
Net obligations under finance leases and hire purchase contracts	7	8
Amounts owed to group undertakings	8,591	7,469
Social security and other taxes	23	229
Accruals and deferred income	2,236	323
	16,648	12,839

There is a fixed charge held over all assets of the company, including Freehold & Leasehold property, arising from security over the bank facility held with ING VYSYA Bank Limited dated 30 June 2011

12. Creditors: Amounts falling due after more than one year

	2012 £000	2011 £000
Net obligations under finance leases and hire purchase contracts	2	9

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	2012 £000	2011 £000
Between one and five years	2	9

13. Deferred tax asset

	2012 £000	2011 £000
At beginning of year	25	(12)
Released during year	-	37
At end of year	25	25

Notes to the Financial Statements

For the year ended 31 March 2012

13. Deferred tax asset (continued)

The deferred tax asset is made up as follows

	2012 £000	2011 £000
Accelerated capital allowances	**(28)**	(28)
Losses and other deductions	**52**	52
Other timing difference	**1**	1
	25	25

A deferred tax asset on historical trading losses of £200,000 has been recognised (2011 £200,000) Unrecognised deferred tax assets are in respect of unutilised tax losses of £50,000 (2011 £270,000)

14. Share capital

	2012 £000	2011 £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 2011	**(86)**
Profit for the year	**229**
At 31 March 2012	**143**

16. Reconciliation of movement in shareholders' funds

	2012 £000	2011 £000
Opening shareholders' funds	**1,014**	414
Profit/(loss) for the year	**229**	(400)
Shares issued during the year	**-**	1,000
Closing shareholders' funds	**1,243**	1,014

17. Derivatives

There were no derivatives held by the company at 31 March 2012 or 31 March 2011

Notes to the Financial Statements

For the year ended 31 March 2012

18. Related party transactions

As a wholly owned subsidiary of Electrosteel Castings Limited, the company is exempt from the requirements of FRS8 to disclose transactions with other members of the group headed by Electrosteel Castings Limited, 19 Camac Street, Kolkata, 700017 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

At 31 March 2012 the company had capital commitments as follows

	2012	2011
	£000	£000
Contracted for but not provided in these financial statements	**-**	22

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 £31,000 for the year (2011 £27,000)

21. Operating lease commitments

Operating lease payments amounting to £98,000 (2011 £83,000) are due within one year The leases to which these amounts relate expire as follows

	Land and buildings			**Other**
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Expiry date:				
Within 1 year	**-**	-	**9**	9
Between 2 and 5 years	**-**	-	**12**	6
After more than 5 years	**77**	68	**-**	-

22. Contingent liabilities

There were no contingent liabilities as at 31 March 2012 or 31 March 2011

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