

# Financial Statements Electrosteel Castings (UK) Limited

---

For the Year Ended 31 March 2017

FRIDAY



\*A65BX23K\*

A16

28/04/2017

#253

COMPANIES HOUSE

Registered number: 04057880

## Electrosteel Castings (UK) Limited

# Company Information

<b>Directors</b>	Mr M K Jalan Mr P Lohia Mr S Bailie
<b>Registered number</b>	04057880
<b>Registered office</b>	Ambrose Yard Broombank Road Trading Estate Broombank Road Chesterfield Derbyshire S41 9QL
<b>Independent auditor</b>	Grant Thornton UK LLP Statutory Auditor 2 Broadfield Court Sheffield South Yorkshire S8 0XF
<b>Bankers</b>	Barclays Bank Plc 121 Norfolk Street Sheffield South Yorkshire S1 2JW
<b>Solicitors</b>	Irwin Mitchell LLP 2 Wellington Place Leeds West Yorkshire LS1 4BZ

## Contents

	Page
<b>Strategic Report</b>	1 - 2
<b>Directors' Report</b>	3 - 4
<b>Independent Auditor's Report</b>	5 - 6
<b>Statement of Income and Retained Earnings</b>	7
<b>Balance Sheet</b>	8
<b>Notes to the Financial Statements</b>	9 - 21

# Strategic Report

For the Year Ended 31 March 2017

## **Introduction**

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

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 and future developments**

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 governed by the European Public Contracts Directive.

4.03% of sales were generated via contracts in Europe. These contracts remain in place for 17/18 and sales for the year are expected to be similar.

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 16/17 as the vast majority of Utility Framework negotiations were completed during 15/16.

Our sales predictions for 17/18 are similar to 16/17 as we are now in the stable mid point of the UK water industry regulated (OFWAT) spending cycle.

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. During the year direct employee numbers were increased by 9% as we continue to improve our efficiency by insourcing, where this offers financial and customer service benefits.

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.

# Strategic Report

For the Year Ended 31 March 2017

## Principal risks and uncertainties

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.

## 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 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 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.

### 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.

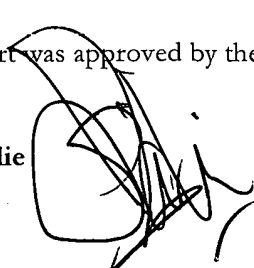
## Financial and non financial key performance indicators

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

	2017	2016
Sales per employee	£358,738	£405,222
PBT per employee	£11,476	£3,444
General overheads	10.67%	10.84%
Delivered in full and on time	95%	94%

This report was approved by the board on 27 April 2017 and signed on its behalf.

Mr S Bailie  
Director



## **Directors' Report**

**For the Year Ended 31 March 2017**

The directors present their report and the financial statements for the year ended 31 March 2017.

### **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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 satisfied that they 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 for the Company's financial statements 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.

### **Going concern**

The company uses liquid resources and working capital balances that arise directly from its operations. The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Liquidity is monitored regularly by reference to forecasts and available facilities.

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 forecasts to March 2018, the directors do not believe that there are any material uncertainties which cast significant doubt on the ability of the company to continue as a going concern.

### **Results and dividends**

The profit for the year, after taxation, amounted to £396,000 (2016 - £89,000).

### **Directors**

The directors who served during the year were:

Mr M K Jalan  
Mr P Lohia  
Mr S Bailie

## **Directors' Report (continued)**

**For the Year Ended 31 March 2017**

### **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 the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that 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.

### **Post balance sheet events**

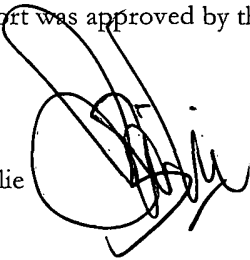
There have been no significant events affecting the company since the year end.

### **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 27 April 2017 and signed on its behalf.

Mr S Bailie  
Director

A handwritten signature in black ink, appearing to be 'S Bailie', written over a large, loopy circular flourish.

## 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 2017, which comprise the Statement of Income and Retained Earnings, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), (United Kingdom Generally Accepted Accounting Practice), including Financial reporting standard 102 'The Financial reporting standard applicable in the UK and Republic of Ireland'.

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

### **Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' Responsibilities Statement 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 Financial Reporting Council'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](http://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 2017 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.





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

### **Opinion on other matters prescribed by the Companies Act 2006**

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

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

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

In the light of our 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 and the Directors' Report.

### **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

27 April 2017

# Statement of Income and Retained Earnings

For the Year Ended 31 March 2017

	Note	2017 £000	2016 £000
Turnover	3	15,067	14,588
Cost of sales		(11,634)	(11,710)
<b>Gross profit</b>		<b>3,433</b>	<b>2,878</b>
Distribution costs		(1,153)	(996)
Administrative expenses		(1,608)	(1,581)
<b>Operating profit</b>	4	<b>672</b>	<b>301</b>
Interest payable and expenses	7	(190)	(177)
<b>Profit before tax</b>		<b>482</b>	<b>124</b>
Tax on profit	8	(86)	(35)
<b>Profit after tax</b>		<b>396</b>	<b>89</b>
Retained earnings at the beginning of the year		(152)	(241)
Profit for the year		396	89
<b>Retained earnings at the end of the year</b>		<b>244</b>	<b>(152)</b>

All of the above activities relate to continuing operations.

The notes on pages 9 to 21 form part of these financial statements.

## Balance Sheet

As at 31 March 2017

	Note	2017 £000	2016 £000
<b>Fixed assets</b>			
Tangible assets	9	152	177
		<u>152</u>	<u>177</u>
<b>Current assets</b>			
Stocks	10	8,002	8,539
Debtors: amounts falling due within one year	11	4,734	4,188
Cash at bank and in hand		261	560
		<u>12,997</u>	<u>13,287</u>
Creditors: amounts falling due within one year	12	(11,800)	(12,516)
<b>Net current assets</b>		<u>1,197</u>	<u>771</u>
<b>Total assets less current liabilities</b>		<u>1,349</u>	<u>948</u>
<b>Provisions for liabilities</b>			
Deferred tax	14	(5)	-
		<u>(5)</u>	<u>-</u>
<b>Net assets</b>		<u><u>1,344</u></u>	<u><u>948</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	1,100	1,100
Profit and loss account	15	244	(152)
		<u>1,344</u>	<u>948</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 April 2017.

**Mr S Bailie**  
 Director

The notes on pages 9 to 21 form part of these financial statements.

# Notes to the Financial Statements

For the Year Ended 31 March 2017

## **1. Accounting policies**

### **1.1 General information**

Electrosteel Castings (UK) Limited is a private company limited by shares and is incorporated in England and Wales, registration number 04057880. The registered office is Ambrose Yard, Broombank Road Trading Estate, Chesterfield, S41 9QL.

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

### **1.2 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention 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 judgment in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

### **1.3 Going concern**

The company uses liquid resources and working capital balances that arise directly from its operations. The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Liquidity is monitored regularly by reference to forecasts and available facilities.

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 forecasts to March 2018, the directors do not believe that there are any material uncertainties which cast significant doubt on the ability of the company to continue as a going concern.

### **1.4 Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders.

The company has taken advantage of the following exemptions:

- (i) from preparing a cash flow statement, on the basis that it is a qualifying entity and the consolidated statement of cashflows, included in the Group financial statements, includes the company's cash flows;
- (ii) from disclosing the company's key management personnel compensation, as required by FRS 102 paragraph 33.7.

# Notes to the Financial Statements

For the Year Ended 31 March 2017

## 1. Accounting policies (continued)

### 1.5 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.

### 1.6 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.

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.

# Notes to the Financial Statements

For the Year Ended 31 March 2017

## 1. Accounting policies (continued)

### 1.7 Operating leases

Rentals paid under operating leases are charged to the statement of income and retained earnings on a straight line basis over the period of the lease.

### 1.8 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 weighted average basis. Work in progress and finished goods include labour and attributable overheads.

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.

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 weighted average basis. Work in progress and finished goods include labour and attributable overheads.

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 the Statement of Income and Retained Earnings.

### 1.9 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.

### 1.10 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.

### 1.11 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable 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 payables or receivables, 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 financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

# Notes to the Financial Statements

For the Year Ended 31 March 2017

## 1. Accounting policies (continued)

### 1.11 Financial instruments (continued)

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 Profit and Loss Account.

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, 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.

### 1.12 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.

### 1.13 Foreign currency translation

#### Functional and presentation currency

The Company's functional and presentational currency is GBP.

#### 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 the 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 the statement of income and retained earnings within 'other operating income'.

# Notes to the Financial Statements

For the Year Ended 31 March 2017

## 1. Accounting policies (continued)

### 1.14 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.

### 1.15 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 payments 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.

### 1.16 Borrowing costs

All borrowing costs are recognised in the statement of income and retained earnings in the year in which they are incurred.

### 1.17 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.



## Notes to the Financial Statements

For the Year Ended 31 March 2017

**2. Judgments 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 10 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 9 for the carrying amount of the property, plant and equipment and note 1.6 for the useful economic lives for each class of assets.

**3. Turnover**

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom	14,459	13,466
Rest of Europe	608	1,122
	<u>15,067</u>	<u>14,588</u>

**4. Operating profit**

The operating profit is stated after charging:

	2017 £000	2016 £000
Depreciation of tangible fixed assets	65	69
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	14	15
Fees payable to the Company's auditor and its associates for tax compliance services	2	2
Exchange differences	(12)	(23)
Other operating lease rentals	110	145
Defined contribution pension cost	49	38
	<u>207</u>	<u>206</u>

# Notes to the Financial Statements

For the Year Ended 31 March 2017

## 5. Employees

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

	2017 £000	2016 £000
Wages and salaries	1,126	977
Social security costs	114	108
Cost of defined contribution scheme	49	38
	<u>1,289</u>	<u>1,123</u>

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

	2017 No.	2016 No.
Manufacturing	15	9
Selling and administration staff	27	27
	<u>42</u>	<u>36</u>

## 6. Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	139	144
Company contributions to defined contribution pension schemes	13	13
	<u>152</u>	<u>157</u>

During the year retirement benefits were accruing to 1 director (2016 - 1) in respect of defined contribution pension schemes.

## 7. Interest payable and similar charges

	2017 £000	2016 £000
Bank interest payable	<u>190</u>	<u>177</u>

## Notes to the Financial Statements

For the Year Ended 31 March 2017

**8. Taxation**

	2017 £000	2016 £000
<b>Corporation tax</b>		
Current tax on profits for the year	29	-
<b>Total current tax</b>	<u>29</u>	<u>-</u>
<b>Deferred tax</b>		
Deferred tax	57	35
<b>Taxation on profit on ordinary activities</b>	<u>86</u>	<u>35</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	<u>482</u>	<u>124</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	96	25
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1	8
Fixed asset differences	3	3
Adjustments to tax charge in respect of prior period	(7)	(7)
Other differences leading to an increase in the tax charge	(7)	6
<b>Total tax charge for the year</b>	<u>86</u>	<u>35</u>

**Factors that may affect future tax charges**

Following announcements in the Budget, there was a further reduction in the main rate of UK corporation tax to 19% from 1 April 2017 and to 17% from 1 April 2020.

## Notes to the Financial Statements

For the Year Ended 31 March 2017

**9. 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 2016	72	449	150	237	908
Additions	6	31	-	3	40
At 31 March 2017	78	480	150	240	948
<b>Depreciation</b>					
At 1 April 2016	27	380	125	199	731
Charge for the period	8	27	9	21	65
At 31 March 2017	35	407	134	220	796
<b>Net book value</b>					
At 31 March 2017	43	73	16	20	152
At 31 March 2016	45	69	25	38	177

**10. Stocks**

	2017 £000	2016 £000
Finished goods and goods for resale	8,002	8,539

Stocks are stated after provision for impairment of £18,879 (2016: £18,879).

Stock recognised in cost of sales in the year as an expense was £10,530,788 (2016: £11,082,665).

**11. Debtors**

	2017 £000	2016 £000
Trade debtors	4,469	3,628
Amounts owed by group undertakings	22	138
Other debtors	106	284
Prepayments and accrued income	137	86
Deferred taxation	-	52
	4,734	4,188

# Notes to the Financial Statements

For the Year Ended 31 March 2017

## 11. Debtors (continued)

Trade debtors are stated after provision for impairment of £nil (2016: £nil).

## 12. Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Bank loans and overdrafts	7,345	5,328
Trade creditors	659	641
Amounts owed to group undertakings	2,985	5,801
Corporation tax	29	-
Other taxation and social security	295	216
Other creditors	83	28
Accruals and deferred income	404	502
	<u>11,800</u>	<u>12,516</u>

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

The invoice financing facility is 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%. This is due for repayment on 15 March 2018.

## Notes to the Financial Statements

For the Year Ended 31 March 2017

**13. Financial instruments**

	2017 £000	2016 £000
<b>Financial assets measured at amortised cost</b>		
Trade debtors	4,469	3,628
Amounts owed by group undertakings	22	138
Other debtors	106	284
	<u>4,597</u>	<u>4,050</u>
<b>Financial liabilities measured at amortised cost</b>		
Bank loans and overdrafts	(7,345)	(5,328)
Trade creditors	(659)	(641)
Amounts owed to group undertakings	(3,058)	(5,801)
Other creditors	(83)	(28)
Accruals	(331)	(502)
	<u>(11,476)</u>	<u>(12,300)</u>

**14. Deferred taxation**

	2017 £000
At beginning of year	52
Charged to the profit or loss	(57)
<b>At end of year</b>	<u>(5)</u>

The deferred taxation balance is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	(5)	(10)
Losses and other deductions	-	62
	<u>(5)</u>	<u>52</u>

A deferred tax asset of £nil (2016: £62,000) on historical trading losses of approximately £nil has been recognised (2016: £342,000). There are no unrecognised deferred tax assets (2016: £nil).

# Notes to the Financial Statements

For the Year Ended 31 March 2017

## 15. Reserves

### Profit & loss account

Includes all current and prior period retained profits and losses.

## 16. Share capital

	2017 £000	2016 £000
Shares classified as equity		
Authorised, allotted, called up and fully paid		
1,100,000 Ordinary shares of £1 each	1,100	1,100

## 17. Capital commitments

There were no capital commitments at 31 March 2017 or 31 March 2016.

## 18. 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 £48,546 for the year (2016: £37,963).

## 19. Commitments under operating lease

At 31 March 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Not later than 1 year	127	131
Later than 1 year and not later than 5 years	271	278
	398	409

## 20. 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).

# Notes to the Financial Statements

For the Year Ended 31 March 2017

## **21. 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.