

Welspun UK Limited  
Annual report and financial statements  
for the year ended 31 March 2015

Unaudited

# **Welspun UK Limited**

## **Annual report and financial statements for the year ended 31 March 2015**

### **Contents**

Directors and advisors for the year ended 31 March 2015 .....	3
Strategic report for the year ended 31 March 2015 .....	4
Directors' report for the year ended 31 March 2015 .....	5
Independent auditors' report to the members of Welspun UK Limited .....	6
Profit and loss account for the year ended 31 March 2015 .....	9
Balance sheet as at 31 March 2015 .....	8
Statement of accounting policies .....	9
Notes to the financial statements for the year ended 31 March 2015 .....	11

# **Welspun UK Limited**

## **Directors and advisors for the year ended 31 March 2015**

### **Directors**

Mr M Bansal

Mr C R Jones (appointed on 3<sup>rd</sup> August, 2015)

Mr R R Mandawewala

Mr G M Naismith

Mr

### **Secretary**

Mr M Bansal

### **Registered Office**

Park Square

Bird Hall Lane

Stockport

Cheshire

SK3 0XN

### **Independent Auditors**

PricewaterhouseCoopers LLP

101 Barbirolli Square

Lower Mosley Street

Manchester

M2 3PW

### **Solicitors**

Walker Morris

Kings Court

12 King Street

Leeds

LS1 2HL

### **Bankers**

Bank of India

79 Newton Street

Manchester

M1 1EX

Bank of Baroda

50 Swan Street

Manchester

M4 5JU

Barclays Bank Plc

Birmingham Team

PO Box 3333

Snow Hill

Queensway

Birmingham

B3 2WN

# Welspun UK Limited

## Strategic report for the year ended 31 March 2015

### Principal activities

The principal activities of the company are the sourcing, distribution and retailing of terry towels, robes and associated bathroom products, along with the distribution and retailing of branded bed linen and bathroom accessories.

### Review of business and future developments

The Christy Brand is a premier UK towel brand and the business was originally established in 1850 by members of the Christy family. The company was acquired by Welspun India Limited in June 2006.

The Company's profit and loss account is shown on page 9 and the balance sheet on page 10. Sales for the year amounted to £28.50m compared with £26.97m in the previous year. FOB commissions received from the parent company increased to £2.52m (£2.27m in the previous year). The additional commissions received contributed to a profit on ordinary activities before taxation of £0.90m compared with a profit in the prior year of £0.69m. The Directors are satisfied with the future prospects for the business.

During the year ended 31 March 2015 a dividend of £nil was paid (2014: £nil).

### Comment on key performance indicators

The company has moved from a profit before taxation position of £0.69m to a profit before tax of £0.90m, mainly due to increased FOB commissions. Inventory has been reduced against the previous year, with a small reduction in gross margin accepted to allow clearance of old inventory.

### Financial risk management

The company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, interest rate risk and foreign exchange risk. Given the size of the company, the directors have not established a sub-committee of the Board to monitor financial risk management.

### Credit risk

Where appropriate, relevant credit checks are performed on potential customers before sales are made. The amount of exposure to any individual customer is controlled by means of a credit limit that is monitored regularly by management and, in the case of a financially material value, by the executive directors of CHT Holdings Limited.

### Liquidity and interest rate risk

The company's working capital requirements are funded by its intermediate parent, CHT Holdings Limited. These risks are therefore managed and monitored at that level.

### Foreign exchange risk

Foreign exchange risk is managed upon a group-wide basis by the executive directors of CHT Holdings Limited. There is a written foreign exchange policy with the principal aim of minimising fluctuations in business performance arising from exchange rate movements. The company's main trading currencies are Sterling, US Dollar and the Euro. As a result of the company's fellow overseas trading subsidiaries, Christy USA LLC and Christy Europe GmbH as well as the company's sourcing routes, transactional hedges are maintained, supplemented as necessary by forward foreign exchange contracts.

**Mr Manish Bansal**  
Finance Director

# Welspun UK Limited

## Directors' report for the year ended 31 March 2015

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

### Directors and their interests

The directors who held office during the year and up to the date of signing the financial statements are given below:

Mr M Bansal

Mr C R Jones (appointed on 3<sup>rd</sup> August, 2015)

Mr R R Mandawewala

Mr G M Naismith

Mr R J T Walker (resigned on 30<sup>th</sup> May, 2015)

### Charitable donations

The company gave £3,664 (2014: £3,489) for charitable purposes during the year ended 31 March 2015. No political donations were made.

### Health and safety

It is the company's policy to ensure that as far as it is reasonably practicable, there is a working environment which will minimise the risk to health and safety of its employees or persons in its premises.

### Employment policies – disabled persons

It is the company's policy to give full and fair consideration to applications from disabled persons for those vacancies which, in the opinion of the directors, they are able to fill. The company is committed to continuing employment and appropriate training for existing employees who become disabled, having regard to their continued ability to fulfil the duties of the role. The company has an ongoing commitment to provide training, career development and promotion to disabled persons, in common with its commitment to the balance of its employees.

### Employment policies – employee involvement

It is the company's policy to provide information to its employees, which both aid their understanding of their personal contribution to the success of the company and allow them to monitor progress towards profit based incentive schemes that cover the entire company. Employees receive regular monthly "Team Briefs" and the company produces a quarterly newsletter. Bi-annually, detailed briefings are undertaken explaining progress against plan and details of the current year's targets.

### Qualifying third party indemnity

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

### Policy and practice on payment of creditors

The company agrees terms and conditions for its business transactions when orders for goods and services are placed, ensuring that suppliers are aware of the terms of payment and including the relevant terms in contracts where appropriate. These arrangements are adhered to when making payments, subject always to the terms and conditions being met by the supplier. The company's agreed payment terms are largely 60 days from receipt of goods and the average creditor days (excluding intercompany transactions) in the year represented 60 days (2014: 60 days).

### Contracts

There were no contracts of significance in which a director or shareholder is or was materially interested either during or at the end of the financial year.

Refer to Strategic report for a review of the business and future developments

# Welspun UK Limited

## Directors' report for the year ended 31 March 2015 (continued)

### Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 prepared 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

### Disclosure of information to auditors

In accordance with Section 418 of the Companies' Act 2006, each director in office at the date the directors' report is approved confirms that:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Independent Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

Report approved by the directors on ..... and signed on their behalf by:

Mr Manish Bansal  
Finance Director

## Welspun UK Limited

### Profit and loss account for the year ended 31 March 2015

	Notes	2015 £'000	2014 £'000
<b>Turnover</b>	1	<b>28,507</b>	26,974
Cost of sales	2	<b>(30,040)</b>	(28,345)
Other operating income		<b>2,519</b>	2,267
<b>Operating profit</b>	3	<b>986</b>	896
Interest payable and similar charges	7	<b>(89)</b>	(202)
<b>Profit on ordinary activities before taxation</b>		<b>897</b>	694
Tax on profit on ordinary activities	8	<b>(118)</b>	(101)
<b>Profit for the financial year</b>	18	<b>779</b>	593

All results were generated from continuing operations.

The company has no recognised gains or losses other than those recognised above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

# Welspun UK Limited

## Balance sheet as at 31 March 2015

	Notes	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Investments	10	10,957	10,957
Tangible assets	11	646	1,066
Intangible assets	12	75	80
		<b>11,678</b>	12,103
<b>Current assets</b>			
Stocks	13	4,595	6,134
Debtors	14	19,043	15,028
Cash at bank and in hand		1,720	939
		<b>25,359</b>	22,101
Creditors: amounts falling due within one year	15	(33,026)	(31,066)
<b>Net current liabilities</b>		<b>(7,668)</b>	(8,965)
<b>Net assets</b>		<b>4010</b>	3,138
<b>Capital and reserves</b>			
Called up share capital	16	1,594	1
Other reserves	16		1,500
Profit and loss account	17	2,416	1,637
<b>Total shareholders' funds</b>	18	<b>4,010</b>	3,138

The financial statements on pages 7 to 19 were approved by the Board of Directors on ..... and signed on their behalf by:

**Mr Manish Bansal**  
Finance Director

The accounting policies and notes on pages 9 to 19 form an integral part of these financial statements.



# Welspun UK Limited

## Statement of accounting policies

### Basis of accounting

These financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently, are set out below.

### Basis of preparation

The company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its intermediate parent, Welspun Home Textiles UK Limited.

### Turnover

Turnover represents the amounts received or receivable for goods and services provided to customers less returns and allowances, excluding VAT. Turnover is recognised on despatch of the goods or completion of the services provided.

### Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes direct materials, labour and manufacturing overheads incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less further costs to completion and selling costs.

### Tangible fixed assets

Tangible fixed assets are stated at cost. Depreciation is provided on the straight line method over the following expected useful economic lives of each class of tangible fixed assets:

Fixtures and fittings	up to 10 years
Computer equipment	up to 4 years

Interest is not capitalised.

### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

### Operating leases

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

## Statement of accounting policies (continued)

### Transactions in foreign currencies

Profit and loss account transactions in foreign currencies are translated into sterling at the exchange rate in operation on the date of the transaction or at contracted forward rates of exchange. Assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates or at contracted forward rates of exchange. All revaluation differences and realised foreign exchange differences are taken to the profit and loss account.

### Pensions

The company operates a defined contribution pension scheme. Contributions payable for the period are charged in the profit and loss account.

### Cash flow statement and related party disclosures

The company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) as a consolidated cash flow is included in the financial statements of the ultimate parent undertaking.

The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Welspun Home Textiles UK Limited Group.

### Investments

Investments in subsidiaries are shown at cost, unless their value has been impaired in which case they are valued at the lower of their realisable value or value in use.

### Dividends

Interim dividends are recognised when paid and final dividends are booked as a liability when they are approved by the members passing a written resolution. Dividends paid are not disclosed on the face of the profit and loss account but as a distribution out of profit and loss reserves.

### Other Income

This represents commissions earned on certain intercompany sales and is recognised on despatch of goods to third parties.

### Financial instruments

Debtors and creditors are non-derivative financial assets or liabilities with fixed or determinable payments that are not quoted on an active market. They are included within assets or liabilities at book value depending on when they fall due.

### Goodwill

Purchased goodwill is capitalised and is amortised on a straight line basis over its estimated useful economic life which, in the view of the directors, is 20 years.

# Welspun UK Limited

## Notes to the financial statements for the year ended 31 March 2015

### 1 Turnover

The company's turnover and operating profit relate entirely to its principal activity. The geographical analysis of turnover is:

	2015 £'000	2014 £'000
United Kingdom	24,689	24,859
Rest of Europe	1,629	1,033
Rest of the World	2,189	1,082
	28,507	26,974

### 2 Cost of sales

	2015 £'000	2014 £'000
Raw materials and consumables	18,276	17,199
Staff costs (see Note 6)	3,914	3,894
Depreciation of tangible assets (see Note 11)	520	397
Other operating charges	7330	6,855
	30,040	28,345

### 3 Operating profit

	2015 £'000	2014 £'000
Operating profit is stated after charging:		
Auditors' remuneration for:		
Audit work	41	24
Non-audit work	15	11
Operating lease rentals:		
Other	882	965
Plant and Machinery	118	124

## Welspun UK Limited

### Notes to the financial statements for the year ended 31 March 2015 (continued)

#### 4 Directors' emoluments

Remuneration in respect of directors was as follows:

	2015 £'000	2014 £'000
Aggregate emoluments	271	274
Payments to a defined contribution pension scheme	33	18

Retirement benefits are accruing to two (2014: two) directors under defined contribution pension schemes at 31 March 2015.

Remuneration in respect of the highest paid director is shown in the table below:

	2015 £'000	2014 £'000
Emoluments	117	96
Payments to a defined contribution pension scheme	18	10

#### 5 Employee information

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

By activity	2015 Number	2014 Number
Sales, distribution and marketing	175	205
Administration	47	56
	222	261

#### 6 Staff costs

	2015 £'000	2014 £'000
Wages and salaries	3,548	3,535
Social security costs	264	269
Other pension costs	102	89
<b>Total staff costs</b>	<b>3,914</b>	<b>3,893</b>

At year end there were no amounts prepaid or outstanding in relation to defined contribution schemes.

# Welspun UK Limited

## Notes to the financial statements for the year ended 31 March 2015 (continued)

### 7 Interest payable and similar charges

	2015 £'000	2014 £'000
Bank overdrafts repayable within five years not by instalments	116	208
Net Interest paid on group borrowings	-	-
Interest receivable	(120)	(6)
<b>Interest payable and similar charges</b>	<b>(4)</b>	<b>202</b>

### 8 Tax on profit/loss on ordinary activities

#### (a) Analysis of credit in year

	2015 £'000	2014 £'000
<b>Current tax</b>		
UK corporation tax on loss for the year	150	-
Adjustments in respect of prior years	-	-
Adjustments in respect of prior period group relief	-	-
<b>Total current tax credit (Note 8 (b))</b>	<b>150</b>	<b>-</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(16)	39
Impact of rate changes	1	44
Adjustments in respect of prior years	(17)	18
<b>Total deferred tax credit</b>	<b>(32)</b>	<b>101</b>
<b>Tax charge on profit on ordinary activities</b>	<b>118</b>	<b>101</b>

#### (b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK of 21% (2014: 23%). A reconciliation is provided below:

	£'000	£'000
Profit/(Loss) on ordinary activities before tax	897	694
Profit/(Loss) on ordinary activities multiplied by the standard rate of corporation tax of 21% (2014: 23%)	188	160
Effects of:		
Movement in short term timing differences	22	2
Expenses not deductible for taxation purposes	1	8
Capital Allowances in excess of depreciation	(6)	(41)
Loss relief not claimed	-	-
Utilisation of brought forward losses	-	-
Group relief not paid for	(56)	(129)
<b>Current tax credit for the year</b>	<b>150</b>	<b>-</b>

## Welspun UK Limited

### Notes to the financial statements for the year ended 31 March 2015 (continued)

#### 8 Tax on profit/loss on ordinary activities (continued)

##### (c) Factors which may affect future tax charges

The main rate of corporation tax will reduce to 21% from 1 April 2014, as announced in the March 2013 Budget. A further reduction to the main rate is proposed to reduce the rate to 20% from 1 April 2015. These further changes have been substantively enacted at the balance sheet date and, therefore, are included in these financial statements.

#### 9 Dividends

	2015 £'000	2014 £'000
<b>Payable to holding company</b>		
Declared and approved	-	-

No dividends were paid or recommended

#### 10 Investments

	2015 £'000	2014 £'000
Investment in subsidiary undertaking	10,957	10,957

The company has the following subsidiary undertakings:

Name	Class of share	Holdings	Nature of business
Christy 2004 Limited <sup>1</sup>	Ordinary	100%	Service company
Christy Lifestyle LLC <sup>2</sup>	Ordinary	100%	Sales & distribution for USA
Christy Europe Gmbh <sup>3</sup>	Ordinary	100%	Sales & distribution for Europe

<sup>1</sup> Incorporated in England and Wales

<sup>2</sup> Incorporated in Germany

<sup>3</sup> Incorporated in USA

The directors believe that the carrying value of investment is supported by their underlying net assets.

## Welspun UK Limited

### Notes to the financial statements for the year ended 31 March 2015 (continued)

#### 11 Tangible assets

	£'000
<b>Cost</b>	
As at 1 April 2014	4,555
Additions in the year	103
Disposals in the year	(470)
<b>At 31 March 2015</b>	<b>4,188</b>
<b>Accumulated depreciation</b>	
As at 1 April 2014	3,489
Charged in the year	520
Disposals in the year	(467)
<b>At 31 March 2015</b>	<b>3,542</b>
<b>Net book value</b>	
<b>At 31 March 2015</b>	<b>646</b>
At 31 March 2014	1,066

#### 12 Intangible assets

<b>Goodwill</b>	<b>£'000</b>
<b>Cost</b>	
<b>At 1 April 2014 &amp; 31 March 2015</b>	<b>100</b>
<b>Accumulated amortisation</b>	
At 1 April 2014	20
Charge for the year	5
<b>At 31 March 2015</b>	<b>25</b>
<b>Net book value</b>	
<b>At 31 March 2015</b>	<b>75</b>
At 31 March 2014	80

#### 13 Stocks

	2015 £'000	2014 £'000
Finished goods and goods for resale	4,595	6,134

## Welspun UK Limited

### Notes to the financial statements for the year ended 31 March 2015 (continued)

#### 14 Debtors

	2015 £'000	2014 £'000
Trade debtors	5,664	4,826
Amounts owed by group undertakings	13,079	9,662
Amounts owed by subsidiary undertakings	-	-
Deferred tax asset (note 20)	265	296
Prepayments and accrued income	36	244
	<b>19,043</b>	<b>15,028</b>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

#### 15 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Bank loans and overdrafts	2,488	2,153
Trade creditors	3,912	3,129
Amounts owed to group undertakings	25,956	25,166
Taxation and social security	396	355
Other creditors	275	263
	<b>33,027</b>	<b>31,066</b>

All amounts owed to group undertakings are unsecured and repayable on demand.

The bank loans and overdrafts are secured by a guarantee from the intermediate parent company, CHT Holdings Limited.



## Welspun UK Limited

### Notes to the financial statements for the year ended 31 March 2015 (continued)

#### 16 Called up share capital

	2015 £'000	2014 £'000
<b>Authorised</b>		
1593750 (2014 : 1000) ordinary shares of £1 each	1594	1
<b>Allotted, called up and fully paid</b>		
1593750 (2014 : 1000) ordinary shares of £1 each	1,594	1
<b>Other reserves</b>		
Investment from parent company	-	1,500

#### 17 Profit and loss account

	Profit and loss account £'000
At 1 April 2014	1,637
Profit for the financial year	860
<b>At 31 March 2015</b>	<b>2,497</b>

#### 18 Reconciliation of movement in shareholders' funds

	2015 £'000	2014 £'000
Opening shareholders' funds	3,138	2,545
Capital contribution from parent company	94	-
Profit/(Loss) for the financial year	860	593
<b>Closing shareholders' funds</b>	<b>4,010</b>	<b>3,138</b>

## Welspun UK Limited

### Notes to the financial statements for the year ended 31 March 2015 (continued)

#### 19 Deferred taxation

Deferred taxation is fully provided for and is set out below, along with the movement during the year:

	2015 £'000	2014 £'000
Decelerated capital allowances and trading losses	296	296
1 April	296	397
Effect of rate change	-	-
Deferred tax charge in Profit & Loss for the year	(31)	(83)
Prior year adjustment		(18)
<b>At 31 March</b>	<b>265</b>	<b>296</b>

#### 20 Operating lease commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the next financial year.

	Land and buildings 2015 £'000	Land and buildings 2014 £'000	Other 2015 £'000	Other 2014 £'000
Operating leases expiring:				
Within one year	23	253	20	37
Between two and five years	315	107	29	44
In excess of five years	451	437	-	-
	<b>789</b>	<b>797</b>	<b>49</b>	<b>81</b>

#### 21 Related party transactions

The company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" in not disclosing transactions with entities that are part of the group and wholly-owned by a member of that group.

## **Welspun UK Limited**

### **Notes to the financial statements for the year ended 31 March 2015 (continued)**

#### **22 Ultimate parent undertaking**

The immediate parent company is Christy Home Textiles Limited, a company incorporated in Great Britain and registered in England and Wales. The intermediate parent undertaking is Welspun Home Textiles UK Limited, a company incorporated in Great Britain and registered in England and Wales. This is the parent undertaking of the smallest group to consolidate these financial statements. Copies of the Welspun Home Textiles UK Limited consolidated financial statements can be obtained, upon payment of the appropriate fee, from Companies House, Crown Way, Cardiff, CF14 3UZ.

At 31 March 2015, the ultimate parent undertaking and controlling party, by virtue of its 100% shareholding in Welspun Home Textiles UK Limited, is Welspun India Limited, a company incorporated in India and quoted on the Mumbai (India) Stock Exchange. The Mumbai (India) Stock Exchange address is Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001, India. This is the parent undertaking of the largest group to consolidate these financial statements.