

Caparo Wire Limited

Directors' Report and Financial Statements

For the year ended 31 December 1994

A Caparo Group Company

Company Number 955587



Caparo Wire Limited

Directors' report and financial statements

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Directors:

Akash Paul (Chairman)
H. Lister
R. H. Carling
P. R. Earl
S. B. Leyland
P. F. Lormor

Secretary and Registered Office

S. B. Leyland
Caparo House, 103 Baker Street, London, W1M 2LN

Company number

955587

Auditors

**KPMG, 2 Cornwall Street,
Birmingham, B3 2DL**

Caparo Wire Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1994.

Principal activity

The principal activity of the company is the manufacture of specialised steel wire.

Change of name

On 27 May 1994 the company changed its name from Wrexham Wire Company Limited to Caparo Wire Limited.

Business review

The results for the year are shown in the profit and loss account on page 4. The profit after taxation for the year was £595,000 (1993: £1,211,000).

Proposed dividend and transfer to reserves

The directors recommend that an ordinary dividend of £318,000 (1993: £485,000) be paid.

After deducting the ordinary dividend the profit for the year retained in the company is £277,000. (1993: £726,000)

Significant changes in fixed assets

Changes in fixed assets are shown in note 9.

Directors and directors' interests

The directors who held office during the year were as follows:-

Akash Paul	
J. A. Leek	(resigned 9 February 1995)
H. Lister	
R. H. Carling	
P. R. Earl	
A. R. N. Sharman	(resigned 31 May 1995)
S. B. Leyland	(appointed 1 June 1995)
P. F. Lormor	(appointed 14 June 1995)

The interests of Akash Paul in the share capital of the ultimate parent company are disclosed in the directors' report of that company.

None of the other directors who held office at the end of the financial year had any disclosable interest in the shares of the ultimate parent company. No director had any interest in the share or loan capital of any subsidiary company of the ultimate parent company.

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £101,000 (1993: £101,000).

Caparo Wire Limited

Liability insurance

During the year the company maintained liability insurance for its officers.

Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and accordingly have signed their report in their new name.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the board



S B Leyland
Secretary

16 June 1995

Report of the auditors KPMG to the members of Caparo Wire Limited

We have audited the financial statements on pages 4 to 17.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

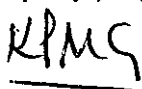
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31st December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants
Registered Auditors
2 Cornwall Street
Birmingham
B3 2DL

16 June 1995

Caparo Wire Limited

Profit and loss account

for the year ended 31 December 1994

	Note	1994 £000	1993 £000
Turnover	2	21,394	18,606
Cost of sales		(17,404)	(14,240)
Gross profit		3,990	4,366
Distribution costs		(1,713)	(1,419)
Administrative expenses		(778)	(722)
Operating profit		1,499	2,225
Other interest receivable and similar income		5	79
Interest payable and similar charges	6	(509)	(488)
Profit on ordinary activities before taxation	3	995	1,816
Tax on profit on ordinary activities	7	(400)	(605)
Profit on ordinary activities after taxation		595	1,211
Dividends	8	(318)	(485)
Retained profit for the financial year		277	726

All amounts relate to continuing activities.

A statement of movements in reserves is given in note 17.

The company has no recognised gains or losses other than the profit for the year as shown above.

Historical cost profit and losses

There is no material difference between the profit before taxation and the retained profit for the year, as shown in the company's profit and loss account, and their historical cost equivalent.

Caparo Wire Limited

Balance sheet at 31 December 1994

	Note	1994		1993	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		3,823		2,553
Current assets					
Stocks	10	1,741		1,297	
Debtors	11	6,019		5,771	
Cash at bank and in hand		2		1	
Creditors					
Amounts falling due within one year	12	(6,191)		(5,926)	
		<u>1,571</u>		<u>1,143</u>	
Net Current Assets					
Due within one year		444		(301)	
Debtors due after one year	11	1,127		1,444	
		<u>1,571</u>		<u>1,143</u>	
Total assets less current liabilities			<u>5,394</u>		<u>3,696</u>
Creditors					
Amounts falling due after more than one year	13		(1,887)		(490)
Provisions for liabilities and charges	14		(378)		(354)
Net assets			<u>3,129</u>		<u>2,852</u>
Capital and reserves					
Called up share capital	16		226		226
Revaluation reserve	17		103		115
Profit and loss account	17		2,800		2,511
			<u>3,129</u>		<u>2,852</u>
Shareholders' funds					
Equity			<u>2,924</u>		<u>2,647</u>
Non-equity			<u>205</u>		<u>205</u>
			<u>3,129</u>		<u>2,852</u>

These financial statements were approved by the board of directors on 16 June 1995 and were signed on its behalf by:


P F Lornor
Director

Caparo Wire Limited

Cashflow statement at 31 December 1994

	Note	1994 £000	1993 £000
Net cash inflow from operating profit activities	23	1,546	1,982
Returns on investments and servicing of finance			
Interest received	5	79	
Interest paid	(509)	(488)	
Dividends paid	(488)	(1,205)	
Net cash outflow from returns on investment and servicing of finance		(992)	(1,614)
Taxation			
Corporation tax paid		(527)	(73)
Investing activities			
Payments to acquire tangible fixed assets		(309)	(242)
Net Cash (outflow)/inflow before financing		(282)	53
Financing			
Loans received	350	-	
Loans repaid	(37)	-	
Grants received	140	6	
Capital element of finance lease rental payments	(170)	(60)	
Net Cash inflow/(outflow) from financing		283	(54)
Increase/(Decrease)in cash and cash equivalents	24	1	(1)

1 **Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain assets.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	-	up to 20 years
Mobile plant and vehicles	-	4 years
Computer equipment	-	5 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date except where they are covered by forward contracts when the forward rate is used. Any gains or losses on translation are included in the profit and loss account.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to trading profit over the estimated useful economic lives of the assets to which they relate.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease

Financial Reporting Standard 5 - Reporting the substance of transactions

The 31 December 1993 Balance Sheet has been restated in order to comply with the Financial Reporting Standard 5 : Reporting the substance of transactions. As a result the company has recognised as finance leases agreements that were previously held to be operating leases.

The effect of this change on the 31 December 1993 Balance Sheet is that tangible fixed assets have increased by £55,000, creditors falling due within one year have increased by £20,000 and creditors falling due after more than one year have increased by £35,000.

The effect on the profit and loss account is to increase interest costs by £7,000 and to reduce administrative costs by £7,000.

There is no material effect on the results of the current year.

1 Accounting policies (continued)

Pension costs

The company is a member of a group operated defined benefit pension scheme.

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme which is fully funded are based on pension costs across the group as a whole. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the profit for the year.

Provision is made for deferred taxation using the liability method on all material timing differences which, in the opinion of the directors, may reverse in the foreseeable future.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

2 Analysis of turnover and profit on ordinary activities before taxation

All of the company's turnover and profits are derived from its principal activity and an analysis of turnover by geographical market is:

	1994	1993
	£000	£000
UK	14,904	13,697
Rest of Europe	5,400	4,395
North America	35	231
Australasia	18	85
Asia	32	172
Africa	1,005	26
	<u>21,394</u>	<u>18,606</u>

Notes (forming part of the financial statements for the year ended 31st December 1994)

3 Profit on ordinary activities before taxation

	1994	1993
	£000	£000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration	10	9
Depreciation and other amounts written off tangible fixed assets:		
Owned	199	199
Leased	93	43
Hire of plant and machinery	57	12
Rentals payable under operating lease		
Plant and machinery	9	-
Other	183	215
Research and development expenditure	8	5
	<hr/>	<hr/>

Auditors remuneration for non-audit services during the year amounted to £2,000 (1993: £2,000).

4 Remuneration of directors

	1994	1993
	£000	£000
Directors' emoluments:		
Remuneration as executives	269	204
Pension Contributions	23	21
	<hr/>	<hr/>
	292	225
	<hr/>	<hr/>

The emoluments, excluding pension contributions, of the chairman were £Nil (1993:£ Nil) and those of the highest paid director were £88,000 (1993: £66,000).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

		Number of directors	
		1994	1993
£0	- £ 5,000	2	2
£40,001	- £45,000	-	1
£45,001	- £50,000	-	2
£55,001	- £60,000	1	-
£60,001	- £65,000	2	-
£65,001	- £70,000	-	1
£85,001	- £90,000	1	-
		<hr/>	<hr/>

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	1994	1993
Production	104	85
Administration	11	9
	<u>115</u>	<u>94</u>

The aggregate payroll costs of these persons were as follows:

	1994	1993
	£000	£000
Wages and salaries	2,097	1,838
Social security and other pension costs	282	248
	<u>2,379</u>	<u>2,086</u>

6 Interest payable and similar charges

	1994	1993
	£000	£000
Payable to group undertakings	452	471
Finance charges payable in respect of finance leases	57	17
	<u>509</u>	<u>488</u>

7 Tax on profit on ordinary activities

	1994	1993
	£000	£000
Corporation tax charge at 33% (1993 - 33%) on profit on ordinary activities	389	566
Deferred taxation charge	10	37
Adjustment to prior years		
Corporation tax	(13)	46
Deferred taxation	14	(44)
	<u>400</u>	<u>605</u>

8 Dividends

	1994	1993
	£000	£000
Final proposed dividend on equity shares	318	485

9 Tangible fixed assets

	Plant and machinery £000	Plant in construction £000	Vehicles and mobile plant £000	Total £000
<i>Cost or valuation</i>				
At beginning of year	3,825	156	75	4,056
Adjustments	-	-	95	95
As restated	3,825	156	170	4,151
Additions	1,541	-	23	1,564
Transfers	156	(156)	-	-
Disposals	(92)	-	(63)	(155)
At end of year	5,430	-	130	5,560
<i>Depreciation</i>				
At beginning of year	1,487	-	71	1,558
Adjustments	-	-	40	40
As restated	1,487	-	111	1,598
Charges for year	267	-	25	292
Disposals	(92)	-	(61)	(153)
At end of year	1,662	-	75	1,737
<i>Net book value</i>				
At 31 December 1994	3,768	-	55	3,823
At 31 December 1993	2,338	156	59	2,553
<i>Analysis of cost or valuation</i>				
At cost	4,281	-	130	4,411
At valuation 1988	1,149	-	-	1,149
	5,430	-	130	5,560

As in accordance with FRS 5, leased motor vehicles have been included as fixed assets for accounting purposes and the balances at the beginning of the year restated accordingly.

Notes (forming part of the financial statements for the year ended 31st December 1994)

9 Tangible fixed assets (continued)

If the assets had not been revalued they would have been included at the following values:-

	Plant and machinery £000	Plant in construction £000	Vehicles and mobile plant £000	Total £000
As at 31st December 1994				
Historical cost	5,151	-	130	5,281
Aggregate depreciation based on historical cost	(1,486)	-	(75)	(1,561)
Net book value	<u>3,665</u>	<u>-</u>	<u>55</u>	<u>3,720</u>
As at 31st December 1993				
Historical cost	3,546	156	170	3,872
Aggregate depreciation based on historical cost	(1,323)	-	(111)	(1,434)
Net book value	<u>2,223</u>	<u>156</u>	<u>59</u>	<u>2,438</u>

Included in the total net book value of Plant, Machinery and Vehicles is £1,534,000 (1993: £373,000) in respect of assets held under finances leases. Depreciation for the year on these assets was £93,000 (1993: £43,000)

10 Stocks

	1994 £000	1993 £000
Raw materials and consumables	1,022	630
Work in progress	79	118
Finished goods and goods for resale	<u>640</u>	<u>549</u>
	<u>1,741</u>	<u>1,297</u>

Notes (forming part of the financial statements for the year ended 31st December 1994)

11 Debtors

	1994	1993
	£000	£000
Amounts falling due within one year		
Trade debtors	3,857	3,178
Amounts owed by parent and fellow subsidiary undertakings	353	465
Other debtors	382	539
Taxation and Social Security	61	12
Prepayments and accrued income	239	133
	<u>4,892</u>	<u>4,327</u>
Amounts falling due after more than one year		
Amounts owed by parent and fellow subsidiary undertakings	1,127	1,444
	<u>6,019</u>	<u>5,771</u>

12 Creditors: amounts falling due within one year

	1994	1993
	£000	£000
Obligations under finance leases (see note 13)	141	71
Trade creditors	4,819	4,302
Amounts owed to parent and fellow subsidiary undertakings	5	13
Corporation tax	388	539
Other taxes and social security	71	91
Other creditors	2	24
Accruals and deferred income	370	359
Dividend payable	320	490
ECSC Loan: Payable within 1 year	75	37
	<u>6,191</u>	<u>5,926</u>

Notes (forming part of the financial statements for the year ended 31st December 1994)

13 Creditors: amounts falling due after more than one year

	1994	1993
	£000	£000
Obligations under finance leases	1,065	50
ECSC Loan : Payable in 1 to 5 years	538	263
Accruals and deferred income	284	177
	<u>1,887</u>	<u>490</u>

The maturity of obligations under finance leases is as follows:

	1994	1993
	£000	£000
Within one year	141	71
In the second to fifth years	520	50
Over five years	545	-
	<u>1,206</u>	<u>121</u>

The liabilities under these finance leases are secured against the assets to which they relate.

14 Provisions for liabilities and charges

	Deferred taxation £000
At beginning of year	354
Charge for the year in the profit and loss account	24
At end of year	<u>378</u>

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1994		1993	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	523	-	386	-
Other timing differences	(145)	-	(32)	-
	<u>378</u>	<u>-</u>	<u>354</u>	<u>-</u>

Notes (forming part of the financial statements for the year ended 31st December 1994)

15 Government Grants

Government grants are included within accruals and deferred income as follows:

	1994	1993
	£000	£000
At beginning of year	201	219
Receivable during year	140	6
	<u>341</u>	<u>225</u>
Credited to trading profit	(28)	(24)
At end of year	<u>313</u>	<u>201</u>

16 Called up share capital

	1994	1993
	£000	£000
<i>Authorised</i>		
84,000 Ordinary shares of 25p each	21	21
820,000 Deferred shares of 25p each	205	205
	<u>226</u>	<u>226</u>
	<u>1994</u>	<u>1993</u>
	£000	£000
<i>Allotted, called up and fully paid</i>		
82,000 Ordinary shares of 25p each	21	21
820,000 Deferred shares of 25p each	205	205
	<u>226</u>	<u>226</u>

The 820,000 deferred shares of 25p each are classified as non-equity shareholder funds. These shares have no rights to participate in any dividend declared by the company and to receive only the amounts paid up on such shares but after the holders of the ordinary shares in the capital of the company have received the amounts paid up on their shares.

17 Reserves

	Revaluation Reserves	Profit and loss account
	1994	1994
	£000	£000
At beginning of year	115	2,511
Transfer to profit and loss account	(12)	12
Profit retained for the year for equity shareholders	-	277
At end of year	<u>103</u>	<u>2,800</u>

Notes (forming part of the financial statements for the year ended 31st December 1994)

18. Reconciliation of movement in shareholders' funds

	1994	1993
	£000	£000
Profit for the financial year	595	1,211
Dividends	(318)	(485)
Net additions to shareholders' funds	277	726
Shareholders' funds brought forward	2,852	2,126
Shareholders' funds carried forward	3,129	2,852

19. Contingent liabilities

The company is liable together with other group companies under cross guarantee arrangements for bank overdrafts relating to group companies. At 31 December 1994, this liability amounted to £28,480,000 (1993: £12,436,000).

The company has entered into forward foreign currency contracts in the normal course of business totalling £1,162,000 at 31 December 1994 (1993: £506,000).

20. Commitments

Annual commitments under non-cancellable operating leases are as follows:

	1994		1993	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	-	5	-	4
In the second to fifth years inclusive	-	27	-	18
Over five years	286	-	183	-
	286	32	183	22

21. Pension scheme

The company is a member of the Caparo (1988) Pension Scheme which provides benefits based on pensionable pay. The most recent valuation was at 31 March 1994 and the significant assumptions which affect the results of the valuation are disclosed in the results of the ultimate parent company. The pension charge for the period was £80,000 (1993: £70,000).

Contributions amounting to £8,000 (1993 : £9,000) were unpaid at the end of the year and are included in creditors.

Notes (forming part of the financial statements for the year ended 31st December 1994)

22 Capital Commitments

	1994	1993
	£000	£000
Contracted but not provided in the financial statements	-	789
Authorised but not contracted for	9	906
	<u>9</u>	<u>1,695</u>

23 Reconciliation of operating profit to net cash inflow from operating activities

	1994	1993
	£000	£000
Profit on operating activities	1,499	2,225
Depreciation charge	292	242
Loss on disposal	2	-
Increase in stocks	(444)	(220)
Increase in debtors	(677)	(600)
Increase in creditors	453	780
Decrease/(increase) in group indebtedness	421	(445)
	<u>1,546</u>	<u>1,982</u>

24 Analysis of changes in cash and cash equivalents

	Cash and short term deposits
	£000
Balance at 31 December 1993	1
Net cash inflow	<u>1</u>
Balance at 31 December 1994	<u>2</u>

25 Analysis of changes in financing during the year

	Loans and finance lease obligations
	£000
Balance at 31 December 1993	1,849
Cash inflows from financing	<u>283</u>
Balance at 31 December 1994	<u>2,132</u>

26 Ultimate parent company

The company is a subsidiary undertaking of Caparo Industries Plc registered in England and Wales. The ultimate parent company is Caparo Group Limited.

The largest group in which the results of the company are consolidated is that headed by Caparo Group Limited registered in England and Wales. The smallest group in which they are consolidated is that headed by Caparo Industries Plc.