

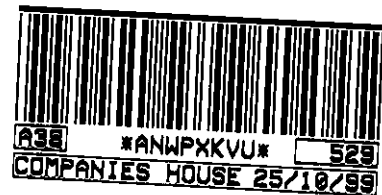
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**Caparo Wire Limited**

**Directors' report and  
financial statements**

**For the year ended  
31 December 1998**

**Registered number: 955587**



**BDO**

**BDO Stoy Hayward**  
Chartered Accountants

## **CAPARO WIRE LIMITED**

### **Directors' report and financial statements**

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## **CAPARO WIRE LIMITED**

### **Directors' report**

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The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

#### **Principal activity**

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

#### **Business review and future developments**

The results for the year are shown in the profit and loss account set out on page 5. The (loss)/profit on ordinary activities after taxation was £(96,000) (1997: £130,000).

Given the difficult market conditions the directors are satisfied with the results of the company and are confident of future prospects.

#### **Dividends**

The directors do not recommend the payment of an ordinary dividend for the year (1997: £Nil).

#### **Fixed assets**

Tangible fixed assets are included in the balance sheet at cost or valuation. The directors consider that their market value is not materially different from book value.

#### **Directors and directors' interests**

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

CG Steele (appointed 16 July 1998)  
The Honourable Akash Paul (resigned 16 July 1998)  
PF Lormor  
E Wilkinson  
RG Hickman  
MR Turner  
L Robinson  
B Gleave (appointed 24 November 1998)  
AL Riley (resigned 24 November 1998)

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

None of the directors who held office at the end of the financial year had any disclosable interest in the share capital of either the company or the ultimate parent company. No director had any interest in the share 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 (1997: £101,000).

## **CAPARO WIRE LIMITED**

### **Directors' report (*Continued*)**

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#### **Policy on payment of creditors**

It is the company's policy to settle all trade creditors within the normal commercial terms of trade agreed with each supplier.

As at 31 December 1998 the company's trade creditors represented 93 days purchases.

#### **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; and
- 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 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.

#### **Year 2000**

The company has reviewed the effect of the Year 2000 on its operations. Recent capital and revenue expenditure has been incurred which is aimed at ensuring that the information systems of the company are substantially Year 2000 compliant. Further plans are in place to progress the compliance process, the costs of which are not expected to be of a material nature. A continuing process of review is also in place to identify those areas of the business infrastructure where Year 2000 compliance may be in doubt. Where such instances are identified then appropriate corrective action is being taken.

#### **EMU impact**

Having reviewed its commercial and accounting transactions, the company is ready to manage the impact of the single currency.

**CAPARO WIRE LIMITED**

***Directors' report (Continued)***

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**Auditors**

In accordance with Section 384 of the Companies Act 1985 a resolution for the re-appointment of BDO Stoy Hayward as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board



**MR Turner**  
Secretary

24 June 1999

Caparo House  
103 Baker Street  
London  
W1M 2LN

**Auditors' report to the members of Caparo Wire Limited**

We have audited the financial statements on pages 5 to 18 which have been prepared under the accounting policies set out on pages 7 and 8.

**Respective responsibilities of directors and auditors**

As described on page 2, the directors are responsible for the preparation of the 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 an 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 the company's affairs as at 31 December 1998 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**BDO STOY HAYWARD**  
*Chartered Accountants  
and Registered Auditor*  
Nottingham

24 June 1999

**CAPARO WIRE LIMITED****Profit and loss account for the year ended 31 December 1998**

	Note	1998 £'000	1997 £'000
<b>Turnover</b>	2	19,407	21,471
Cost of sales		(17,113)	(18,673)
<b>Gross profit</b>		<u>2,294</u>	<u>2,798</u>
Distribution costs		(1,513)	(1,460)
Administrative expenses		(957)	(974)
Other operating income		50	-
<b>Operating (loss)/profit</b>		<u>(126)</u>	<u>364</u>
Other interest receivable and similar income		-	1
Interest payable and similar charges	6	(72)	(69)
<b>(Loss)/profit on ordinary activities before taxation</b>	3	<u>(198)</u>	<u>296</u>
Tax on profit on ordinary activities	7	102	(166)
<b>(Sustained deficit)/retained profit for the financial year</b>	16	<u>(96)</u>	<u>130</u>

The results reported above all relate to continuing activities.

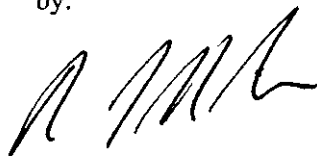
There were no recognised gains or losses in the year other than the result for the year as shown above.

# CAPARO WIRE LIMITED

## Balance sheet at 31 December 1998

	Note	1998 £'000	1997 £'000
<b>Fixed assets</b>			
Tangible assets	8	4,867	5,231
<b>Current assets</b>			
Stocks	9	1,191	1,206
Debtors	10	4,913	3,249
Cash at bank and in hand		1	13,537
		<u>6,105</u>	<u>17,992</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(5,372)</u>	<u>(5,966)</u>
<b>Net current assets</b>		733	12,026
<b>Total assets less current liabilities</b>		<u>5,600</u>	<u>17,257</u>
<b>Creditors: amounts falling due after more than one year</b>	12	(1,053)	(12,525)
<b>Provisions for liabilities and charges</b>	14	(295)	(384)
<b>Net assets</b>		<u>4,252</u>	<u>4,348</u>
<b>Capital and reserves</b>			
Called up share capital	15	226	226
Revaluation reserve	16	68	76
Profit and loss account	16	3,958	4,046
<b>Shareholders' funds (including non-equity interests)</b>	17	<u>4,252</u>	<u>4,348</u>

These financial statements were approved by the board of directors on 24 June 1999 and were signed on its behalf by:



**RG Hickman**  
Director



**MR Turner**  
Director

# CAPARO WIRE LIMITED

## Notes forming part of the financial statements

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### 1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

#### *Turnover*

Turnover, stated net of value added tax, represents amounts invoiced to third parties.

#### *Deferred tax*

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that liabilities will crystallise.

#### *Fixed assets and depreciation*

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

Freehold buildings	- 2% per annum
Plant and machinery	- 5% per annum
Mobile plant and vehicles	- 25% per annum
Computer equipment	- 20% per annum

Freehold land is not depreciated. All other assets are depreciated from the date of commissioning.

#### *Stocks and work in progress*

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.

#### *Leasing*

Assets acquired under finance leases are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element is charged to the profit and loss account over the term of the agreement.

Rentals in respect of operating leases are charged to the profit and loss account over the term of the agreement.

#### *Foreign currencies*

Foreign currency transactions are translated at the rates ruling when they occurred.

Other monetary assets and liabilities denominated in foreign currencies are translated at year end rates, the exchange differences arising being taken to the profit and loss account.

# CAPARO WIRE LIMITED

## Notes forming part of the financial statements (*Continued*)

### 1 Accounting policies (*Continued*)

#### *Pension costs*

The pension costs for defined contribution schemes are the contributions payable in the year.

For defined benefit schemes the costs are the amounts which, based on current actuarial assumptions, will provide for expected pension costs over the service lives of the members at a level percentage of the pensionable payroll.

#### *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.

#### *Research and development*

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

#### *Cashflow statement*

Under FRS1 (revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

### 2 Turnover

All the company's turnover is derived from its principal activity and an analysis by geographical market is as follows:

	1998 £'000	1997 £'000
United Kingdom	11,473	14,524
Rest of Europe	6,908	5,870
North America	3	16
Asia	13	87
Africa	1,010	974
	<u>19,407</u>	<u>21,471</u>

# CAPARO WIRE LIMITED

## Notes forming part of the financial statements (Continued)

### 3 (Loss)/profit on ordinary activities before taxation

	1998 £'000	1997 £'000
<i>(Loss)/profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration	9	9
Depreciation of tangible fixed assets:		
- Owned	258	262
- Leased	175	175
Rentals payable under operating leases:		
- Plant and machinery	45	40
Research and development expenditure	-	2
	<u>          </u>	<u>          </u>

Auditors' remuneration for non-audit services during the year amounted to £2,130 (1997: £1,050).

### 4 Directors' remuneration

	1998 £'000	1997 £'000
Directors' emoluments:		
Aggregate emoluments	274	258
Pension contributions	26	24
	<u>      300      </u>	<u>      282      </u>

The company made contributions during the year to the defined benefit pension scheme on behalf of 5 of the directors (1997: 4 directors).

The emoluments, excluding pension contributions of the highest paid director were £59,000 (1997: £57,000).

The accrued pension of the highest paid director at the year end was £2,614 (1997: £1,995). The highest paid director will have the opportunity to exchange part of his pension for a lump sum at retirement date, the amount depends on age at retirement and facts determined by the actuary at the time of retirement.

### 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:

	Number of employees	
	1998	1997
Production	104	104
Administration	14	15
	<u>      118      </u>	<u>      119      </u>

**CAPARO WIRE LIMITED****Notes forming part of the financial statements (Continued)****5 Staff numbers and costs (Continued)**

The aggregate payroll costs of these persons were as follows:

	1998 £'000	1997 £'000
Wages and salaries	2,363	2,387
Social security	205	217
Other pension costs (note 21)	183	169
	<u>2,751</u>	<u>2,773</u>

**6 Interest payable and similar charges**

Other interest	2	-
Finance lease interest	70	69
	<u>72</u>	<u>69</u>

**7 Tax on profit on ordinary activities**

UK corporation tax credit	(16)	105
Deferred taxation credit	(86)	(65)
Adjustments in respect of prior years:		
- Corporation tax	3	(10)
- Deferred taxation	(3)	136
	<u>(102)</u>	<u>166</u>

# CAPARO WIRE LIMITED

## Notes forming part of the financial statements (*Continued*)

### 8 Tangible fixed assets

	Freehold property £'000	Plant and machinery £'000	Vehicles and mobile plant £'000	Total £'000
<b><i>Cost or valuation</i></b>				
At beginning of year	2,607	5,393	145	8,145
Additions	-	65	16	81
Disposals	-	(17)	(19)	(36)
At end of year	2,607	5,441	142	8,190
<b><i>Depreciation</i></b>				
At beginning of year	217	2,644	53	2,914
Charge for year	44	368	21	433
Disposals	-	(17)	(7)	(24)
At end of year	261	2,995	67	3,323
<b><i>Net book value</i></b>				
At 31 December 1998	2,346	2,446	75	4,867
At 31 December 1997	2,390	2,749	92	5,231
<b><i>Analysis of cost or valuation</i></b>				
At cost	2,607	4,378	142	7,127
At valuation 1988	-	1,063	-	1,063
	2,607	5,441	142	8,190

## CAPARO WIRE LIMITED

### Notes forming part of the financial statements (Continued)

#### 8 Tangible fixed assets (Continued)

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

	Plant and machinery £'000
<b>At 31 December 1998</b>	
Historical cost	5,181
Aggregate depreciation based on historical cost	(2,813)
Net book value	<u>2,368</u>
<b>At 31 December 1997</b>	
Historical cost	5,133
Aggregate depreciation based on historical cost	(2,473)
Net book value	<u>2,660</u>

Included in the total net book value of plant, machinery and vehicles is £965,000 (1997: £1,106,000) in respect of assets held under finance leases.

Land included above which is not depreciated amounted to £395,000 (1997: £395,000).

#### 9 Stocks

	1998 £'000	1997 £'000
Raw materials and consumables	741	872
Work in progress	66	27
Finished goods and goods for resale	384	307
	<u>1,191</u>	<u>1,206</u>

## CAPARO WIRE LIMITED

### Notes forming part of the financial statements (Continued)

#### 10 Debtors

	1998 £'000	1997 £'000
Trade debtors	2,385	2,796
Amounts owed by fellow subsidiary undertakings	92	144
Other debtors	17	62
Taxation and social security	139	160
Prepayments and accrued income	87	87
Amount owed by parent undertaking	2,193	-
	<u>4,913</u>	<u>3,249</u>

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

Trade creditors	4,421	5,121
Obligations under finance leases (note 12)	165	157
Amounts owed to fellow subsidiary undertakings	12	18
Corporation tax	-	105
Other taxes and social security	97	101
Other creditors	45	95
Accruals and deferred income (note 13)	282	331
ECSC loan	350	38
	<u>5,372</u>	<u>5,966</u>

## CAPARO WIRE LIMITED

### Notes forming part of the financial statements (Continued)

#### 12 Creditors: amounts falling due after more than one year

	1998 £'000	1997 £'000
Obligations under finance leases	689	799
ECSC loan: payable in one to two years	-	350
Accruals and deferred income (note 13)	257	298
Amounts owed to parent undertaking	107	11,078
	<u>1,053</u>	<u>12,525</u>

The maturity of obligations under finance leases is as follows:

Within one year	165	157
In the second to fifth years inclusive	621	599
Over five years	68	200
	<u>854</u>	<u>956</u>

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

#### 13 Government grants

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

At beginning of year	340	382
Credited to trading profit	(42)	(42)
	<u>298</u>	<u>340</u>

# CAPARO WIRE LIMITED

## Notes forming part of the financial statements (Continued)

### 14 Provisions for liabilities and charges

	Deferred taxation £'000
At beginning of year	384
Charged to the profit and loss account	(89)
At end of year	<u>295</u>

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

	1998		1997	
	Unprovided £'000	Provided £'000	Unprovided £'000	Provided £'000
Accelerated capital allowances	219	365	206	416
Other timing differences	-	(70)	-	(32)
	<u>219</u>	<u>295</u>	<u>206</u>	<u>384</u>

### 15 Called up share capital

	1998 £'000	1997 £'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>
<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. 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 after the holders of the ordinary shares in the capital of the company have received the amounts paid up on their shares.

## CAPARO WIRE LIMITED

### Notes forming part of the financial statements (Continued)

#### 16 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
At beginning of year	76	4,046
Transfer to the profit and loss account	(8)	8
Loss for the financial year	-	(96)
At end of year	<u>68</u>	<u>3,958</u>

#### 17 Analysis of shareholders' funds

	1998 £'000	1997 £'000
Equity interests	4,047	4,143
Non-equity interests	205	205
	<u>4,252</u>	<u>4,348</u>

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

(Loss)/profit for the financial year	(96)	130
Shareholders' funds brought forward	4,348	4,218
Shareholders' funds carried forward	<u>4,252</u>	<u>4,348</u>

#### 19 Contingent liabilities

The company is liable together with other group companies under cross guarantee arrangements for overdrafts relating to group companies. At 31 December 1998, this liability amounted to £12,378,373 (1997: £39,256,539).

The company has entered into forward foreign currency contracts in the normal course of business totalling £1,062,000 at 31 December 1998 (1997: £831,000).

## CAPARO WIRE LIMITED

### Notes forming part of the financial statements (Continued)

#### 20 Commitments

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

	1998 £'000	Other 1997 £'000
Operating leases which expire:		
Within one year	16	7
In the second to fifth years inclusive	15	38
Over five years	1	1
	<u>32</u>	<u>46</u>

#### 21 Pension scheme

The company is a member of a group pension scheme, which provides benefits based on pensionable pay. Details of the latest actuarial valuation and the significant assumptions which affect the results of the valuation are disclosed in the financial statements of the ultimate parent company. The pension charge for the year was £183,000 (1997: £169,000).

Contributions amounting to £26,000 (1997: £25,000) were payable to the scheme at the end of the year and are included in creditors.

#### 22 Capital commitments

	1998 £'000	1997 £'000
Contracted but not provided in the financial statements	18	-

#### 23 Related party transactions

The company has taken advantage of the exemption available under FRS8 not to disclose transactions with entities that are part of Caparo Group Limited on the grounds that the exemption is available as the company is more than 90% owned by Caparo Group Limited.

## **CAPARO WIRE LIMITED**

### **Notes forming part of the financial statements (*Continued*)**

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#### **24 Ultimate parent company**

The company is a subsidiary undertaking of Caparo Industries Plc. 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. The smallest group in which they are consolidated is that headed by Caparo Industries Plc.