Registration number: 02230563

# Caparo Holdings (US) Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2017

# Caparo Holdings (US) Limited

## Contents


| | |
|---|---|
| Company Information | 1 |
| Strategic Report | 2 to 4 |
| Directors Report | 5 to 7 |
| Statement of Directors' Responsibilities | 8 |
| Independent Auditor's Report | 9 to 11 |
| Consolidated Profit and Loss Account | 12 |
| Consolidated Statement of Comprehensive Income | 13 |
| Consolidated Balance Sheet | 14 |
| Company Balance Sheet | 15 |
| Consolidated Statement of Changes in Equity | 16 |
| Company Statement of Changes in Equity | 17 |
| Consolidated Statement of Cash Flows | 18 |
| Notes to the Financial Statements | 19 to 44 |

# Caparo Holdings (US) Limited

## Company Information

| | |
|---|---|
| **Directors** | The Right Honourable The Lord Swraj Paul of Marylebone PC<br>D P Dancaster |
| **Company secretary** | Goodwille Limited |
| **Registered office** | Caparo House<br>103 Baker Street<br>London<br>W1U 6LN<br>United Kingdom |
| **Auditor** | Deloitte LLP<br>Statutory Auditor<br>Birmingham<br>United Kingdom |

# Caparo Holdings (US) Limited

## Strategic Report for the Year Ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

**Principal activity**
The group has business interests predominately in steel tube, transportation products and property in North America held through Caparo Bull Moose, Inc (formerly Bull Moose Industries Inc).

Bull Moose Tube Company and its subsidiaries and Bull Moose Tube Limited (together "Bull Moose Tube") produces and sells welded steel tubing comprised of cold formed hollow structural sections, as-welded mechanical tube and fire protection sprinkler pipe. Bull Moose Tube has US production facilities located in Gerald, Missouri; Trenton, Georgia; Chicago Heights, Illinois; Masury, Ohio; Elkhart, Indiana; Casa Grande, Arizona; and a Canadian production facility located in Burlington, Ontario. Principal markets for Bull Moose Tube include distribution, construction, fire protection, agriculture, transportation, furniture, recreation and lawn and garden equipment.

Bull Moose Heavy Haul Inc acquired the business of XL Specialised Trailers, based in Manchester, Iowa, in February 2016. XL is a leading manufacturer of customised heavy-haul trailers for the commercial, construction and agricultural markets.

Caparo Bull Moose, Inc is also a partner with The Lawrence Group in projects to redevelop a vacant historic building into a hotel, office and mixed retail complex, as well as a historic foundry into a food court and mixed use office and retail destination, both located in central St Louis, Missouri.

**Fair review of the business**
The company considers Bull Moose Tube's key KPI's to include sales value, the tonnage of steel sold, the price of steel and the operating profit.

The group's activities at Bull Moose Tube contributed $506.1m to sales in 2017 (2016: $465.7m). This rise in sales value reflects an increase in selling prices for tubular products from 2016 driven by both an increase in steel costs, the key raw material and a change in the product mix. Steel costs rose in 2017 from $586/ton at the beginning of the year to $625/ton at December 31, 2017. Although Bull Moose Tube's sales volume fell in 2017 to 532,700 tons compared to 576,300 tons in 2016, the change in product mix yielded higher margins. This focus on product mix resulted in improved earnings in 2017 and this has continued in 2018. Steel prices have also continued to rise in 2018, with market prices in the first half of 2018 increasing more than 50%, as the US announced tariffs and quotas on imported steel and steel products, including steel pipe and tubular products. Tube demand has remained stable in 2018, despite increasing steel prices, and Bull Moose has been able to increase the price of tubular products as steel prices have risen.

At XL Specialised Trailers, the business made a 2017 contribution of $37.1m (2016: $34.4m) in sales, in what was a cyclically weak market for much of the year for the sector. Towards the end of 2017 orders started to recover, and 2018 has seen a continuation of this trend.

The St Louis property projects were both very active in 2017. In August 2017, the historic building being redeveloped was renamed as the Angad Paul building, incorporating the Angad Arts Hotel, after the late son of Lord Paul who initiated the project, and, following completion of financing in September 2017, construction has commenced with completion scheduled for autumn 2018. The Angad Arts hotel is a small luxury boutique hotel which will offer 146 rooms and suites, including extended stay suites, full service restaurants, and various bars along with a variety of banquet venues. The other St Louis property project, City Foundry, started environmental clean-up work which has continued into 2018, with a target completion in late 2019. Financing and construction of this project are anticipated to start in Q3 2018 and be completed in Q3 2019.

Distribution and administrative expenses of the group for 2017 amounted to $42.2m (2016: $40.0m).

The operating profit of the group for 2017 was $72.7m (2016: $67.0m). After deducting interest and taxes the profit for the year amounted to $52.3m (2016: $43.3m). The group achieved an operating profit as a percentage of sales of 13.4 % (2016: 13.4%).

**Principal risks and uncertainties**
There are a number of potential risks and uncertainties which could have an impact on the financial performance of the group.

*Global, political and economic conditions*
The group operates in the US and Canada and is exposed to the economic, political and business risks associated with such international operations, including currency fluctuations, changing legal, regulatory, taxation and environmental requirements, operational and competitive matters.

Management monitors such risks and conditions, amending business procedures as appropriate to mitigate any exposure while remaining in compliance with local and group requirements.

*Steel prices*
Steel is the principal raw material for the group's products. The pricing of steel is largely determined by domestic and international factors beyond the control or influence of the group.

*Foreign exchange*
The group operates in the US and Canada, with a substantial portion of the group's operations located in the US. Steel prices, sales import threats, export opportunities and purchasing import opportunities are exposed to movements in the North American exchange rates against other world currencies, which could adversely or positively impact results.

*Financial risk management objectives and policies*
The activities of the group expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives to manage these risks. The group does not use derivative financial instruments for speculative purposes.

Bull Moose Tube was in compliance with all bank covenants during 2017. In September 2017, Bull Moose Tube amended and extended its bank debt structure as more fully described in Note 18. At 31 December 2017 Bull Moose Heavy Haul Inc was in non-compliance of certain of the covenants in its banking facilities. As a result, all balances due by Bull Moose Heavy Haul Inc. under it's bank facilities as at 31 December 2017 have been disclosed as due in less than one year. Subsequent to year end, Bull Moose Heavy Haul Inc executed an amendment to its loan agreement, including a waiver of the non-compliance with covenants at 31 December 2017. Based on the 2018 forecasts, the company expects compliance with bank covenants for all group companies to continue for the foreseeable future.

*Litigation*
As with any business, the group is subject to the risk of litigation from third parties. The group seeks to address such claims proactively. In accordance with accounting requirements, provision is made where necessary to address such litigation and the consequent costs of defence.

In January, 2018, the city of Gerald filed suit against Bull Moose Tube related to a long-term lease on the building and property at its Gerald, MO location. The suit requests renegotiation of the 1967 and 1970 leases. Bull Moose Tube is actively defending its position as the leases are in full force and are not open for renegotiation at this time. A hearing was set for 9 July which resulted in the parties heading to non-binding mediation, which is ongoing. While the directors are confident of Bull Moose's position, the outcome of these proceedings cannot be forseen at this time. An adverse outcome would result in a significant increase of the rent payable on the Gerald property. However, in that event, the directors do not consider that the business of Bull Moose would be materially affected.

*Self-insured health care claims*
The US operations of the group self-insure for health care claims. Under the self-insured programs, accrued health care claims are recorded based on management's estimate of the aggregate liability for claims incurred.

Approved by the Board on 31/10/18 and signed on its behalf by:

.........................................

D P Dancaster
Director

# Caparo Holdings (US) Limited

## Directors Report for the Year Ended 31 December 2017

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2017.

**Directors of the group**
The directors who held office during the year and to the date of this report were as follows:

The Right Honourable The Lord Swraj Paul of Marylebone PC

D P Dancaster

**Dividends**
An interim dividend of $91,176 per ordinary share was paid during the year (2016: $94,118 per ordinary share). The directors do not recommend the payment of a final dividend.

**Financial risk management policies and objectives**

*Objectives and policies*

The company holds or issues financial instruments to finance its operations and enters into contracts to manage risks arising from those operations and its sources of finance in accordance with its accounting policies and as referred to in the strategic report.

**Charitable and political contributions**
During the year the group made charitable donations of $49,743 (2016: $73,824), principally to local charities serving the communities in which the group operates. There were no political contributions made by the group during 2017 (2016: $nil).

**Supplier payment policy**
It is the policy of the group to settle all trade creditors within the normal commercial terms of trade agreed with each supplier. As at December 2017, the group trade creditor days period represented approximately 20 days' (2016: 42 days') purchases. The reduction was caused by Bull Moose Tube taking advantage of supplier payment terms.

**Future developments**
The directors expect the company to continue as a holding company for the foreseeable future. The group is expected to continue to develop it's steel processing and trailer manufacturing businesses across North America during 2018.

**Going concern**
As at the 31 December 2017, the group had net assets of $107.9m (2016 of $64.3m). On 29 September 2017 Bull Moose Tube entered into an agreement with its principal bankers providing renewed facilities expiring on 28 September 2022 and is subject to comply with covenants as part of this agreement. At the end of 2017 Bull Moose Heavy Haul Inc was in breach of it's banking covenants and classified all of the bank amounts as due within one year. On 20 March 2018 Bull Moose Heavy Haul Inc entered into an amendment and extension of its loan agreements, which are subject to covenant compliance, which expire in 2021. The directors have reviewed cash flow forecasts for the period to October 2019 which indicate that the group and company are expected to trade within their facilities.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

**Environmental liabilities**
The group conducts its operations in such a manner and performs periodic assessments of its operations as to ensure compliance with environmental laws and regulations. If events occur where actions are necessary to maintain compliance, the group will devote suitable resources to the issue in order to remedy the situation. The group will accrue environmental remediation costs when an assessment has been made that remediation costs are probable and the related costs can be reasonably estimated.

**Employee unions**
There were no organised work force interruptions in business activities during 2017. Production labour at each plant other than Casa Grande, Arizona is subject to collective bargaining arrangements. In June 2017, the Burlington Canada United Steel Workers contract expired and was renewed for four years.

**Employment of disabled persons**
The group is an equal opportunity employer and makes every effort to ensure disabled people are not discriminated against on the grounds of their disabilities. In the event of staff becoming disabled, every effort is made to ensure that their employment continues and that appropriate training is arranged.

**Employee involvement**
The group recognises the importance of its employees and is committed to effective two-way communication and consultation.

**Directors liabilities**
The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

**Disclosure of information to the auditor**
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

This confirmation is given and should be interpreted with provission of S418 of the Companies Act 2006.

# Caparo Holdings (US) Limited

## Directors Report for the Year Ended 31 December 2017

**Reappointment of auditors**
In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Deloitte LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 31/10/18 and signed on its behalf by:

.........................................

D P Dancaster
Director

# Caparo Holdings (US) Limited

## Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 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 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; 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 adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Caparo Holdings (US) Limited

## Independent Auditor's Report to the Members of Caparo Holdings (US) Limited

**Report on the audit of the financial statements**

**Opinion on the financial statements**

In our opinion the financial statements of Caparo Holdings (US) Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Caparo Holdings (US) Limited (the 'parent compay'), and its subsidiaries (the 'group') which comprises:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdon Generally Accepted Accounting Practice).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## Independent Auditor's Report to the Members of Caparo Holdings (US) Limited

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**Responsibilities of directors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

# Independent Auditor's Report to the Members of Caparo Holdings (US) Limited

## Report on other legal and regulatory requirements

### Opinion on other matter 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 the financial statements; and

• the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 parent company 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.

We have nothing to report in respect of these matters.

### Use of our report

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.

.........................................

Jane Whitlock (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor

Birmingham
United Kingdom

Date: 31 October 2018

# Caparo Holdings (US) Limited

## Consolidated Profit and Loss Account for the Year Ended 31 December 2017

| | Note | 2017 $ 000 | 2016 $ 000 |
|---|---|---|---|
| Turnover | 3 | 543,200 | 500,100 |
| Cost of sales | | (428,900) | (393,000) |
| Gross profit | | 114,300 | 107,100 |
| Distribution costs | | (7,700) | (7,400) |
| Administrative expenses | | (34,500) | (32,600) |
| Other operating (expense)/income | 4 | 600 | (100) |
| Operating profit | 5 | 72,700 | 67,000 |
| Other interest receivable and similar income | | 600 | - |
| Interest payable and similar charges | 6 | (2,500) | (2,300) |
| Profit before tax | | 70,800 | 64,700 |
| Tax on profit | 10 | (18,500) | (21,400) |
| Profit for the financial year | | 52,300 | 43,300 |
| **Profit attributable to:** | | | |
| Owners of the company | | 52,300 | 43,300 |

The above results were derived from continuing operations.

# Caparo Holdings (US) Limited

## Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2017

| | 2017<br>$ 000 | 2016<br>$ 000 |
|---|---|---|
| Profit for the year | 52,300 | 43,300 |
| Currency translation difference on foreign currency net investments | 600 | 400 |
| Total comprehensive income for the year | 52,900 | 43,700 |
| **Total comprehensive income attributable to:** | | |
| Owners of the company | 52,900 | 43,700 |

The notes on pages 19 to 44 form an integral part of these financial statements.

## Caparo Holdings (US) Limited

## (Registration number: 02230563)
## Consolidated Balance Sheet as at 31 December 2017

| | Note | 2017 $ 000 | 2016 $ 000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 11 | 9,500 | 10,900 |
| Goodwill | 11 | 5,900 | 6,400 |
| Tangible assets | 12 | 50,200 | 43,200 |
| Investments in associates | 13 | 5,600 | 3,800 |
| | | 71,200 | 64,300 |
| **Current assets** | | | |
| Stocks | 14 | 73,700 | 55,200 |
| Debtors due less than one year | 15 | 52,600 | 47,200 |
| Debtors due more than one year | 15 | 19,400 | 7,000 |
| Cash at bank and in hand | 16 | 26,700 | 30,300 |
| | | 172,400 | 139,700 |
| Creditors: Amounts falling due within one year | 17 | (59,900) | (132,400) |
| Net current assets | | 112,500 | 7,300 |
| Total assets less current liabilities | | 183,700 | 71,600 |
| Creditors: Amounts falling due after more than one year | 17 | (65,500) | (100) |
| Provisions for liabilities | 19 | (10,300) | (7,200) |
| Net assets | | 107,900 | 64,300 |
| **Capital and reserves** | | | |
| Called up share capital | 20 | - | - |
| Share premium account | | 17,300 | 17,300 |
| Profit and loss account | | 90,600 | 47,000 |
| Equity attributable to owners of the company | | 107,900 | 64,300 |
| Total equity | | 107,900 | 64,300 |

Approved and authorised by the Board on 31/10/18 and signed on its behalf by:

.............................................

D P Dancaster

Director

The notes on pages 19 to 44 form an integral part of these financial statements.

# Caparo Holdings (US) Limited

## (Registration number: 02230563)
## Company Balance Sheet as at 31 December 2017

| | Note | 2017<br>$ 000 | 2016<br>$ 000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 13 | 52,200 | 38,200 |
| **Current assets** | | | |
| Debtors due less than one year | 15 | 600 | 3,900 |
| Debtors due more than one year | 15 | 89,500 | 82,500 |
| Cash at bank and in hand | | 100 | 1,500 |
| | | 90,200 | 87,900 |
| Total assets less current liabilities | | 142,400 | 126,100 |
| Creditors: Amounts falling due after more than one year | 17 | (200) | (100) |
| Net assets | | 142,200 | 126,000 |
| **Capital and reserves** | | | |
| Called up share capital | 20 | - | - |
| Share premium reserve | | 17,300 | 17,300 |
| Retained earnings | | 124,900 | 108,700 |
| Total equity | | 142,200 | 126,000 |

In accordance with section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented. The parent company's profit after tax for the financial year amounted to $25,500,000 (2016: profit of $13,500,000).

Approved and authorised by the Board on 31/10/18 and signed on its behalf by:

.........................................

D P Dancaster

Director

## Caparo Holdings (US) Limited

## Consolidated Statement of Changes in Equity for the Year Ended 31 December 2017

| | Share capital<br>$ 000 | Share premium<br>$ 000 | Retained earnings<br>$ 000 | Total equity<br>$ 000 |
|---|---|---|---|---|
| At 1 January 2017 | - | 17,300 | 47,000 | 64,300 |
| Profit for the year | - | - | 52,300 | 52,300 |
| Other comprehensive income | - | - | 600 | 600 |
| Total comprehensive income | - | - | 52,900 | 52,900 |
| Dividends (Note 21) | - | - | (9,300) | (9,300) |
| At 31 December 2017 | - | 17,300 | 90,600 | 107,900 |

| | Share capital<br>$ 000 | Share premium<br>$ 000 | Retained earnings<br>$ 000 | Total equity<br>$ 000 |
|---|---|---|---|---|
| At 1 January 2016 | - | 17,300 | 12,900 | 30,200 |
| Profit for the year | - | - | 43,300 | 43,300 |
| Other comprehensive income | - | - | 400 | 400 |
| Total comprehensive income | - | - | 43,700 | 43,700 |
| Dividends | - | - | (9,600) | (9,600) |
| At 31 December 2016 | - | 17,300 | 47,000 | 64,300 |

The notes on pages 19 to 44 form an integral part of these financial statements.

## Caparo Holdings (US) Limited

## Company Statement of Changes in Equity for the Year Ended 31 December 2017

| | Share capital $ 000 | Share premium $ 000 | Retained earnings $ 000 | Total $ 000 |
|---|---|---|---|---|
| At 1 January 2017 | - | 17,300 | 108,700 | 126,000 |
| Profit for the year | - | - | 25,500 | 25,500 |
| Total comprehensive income | - | - | 25,500 | 25,500 |
| Dividends | - | - | (9,300) | (9,300) |
| At 31 December 2017 | - | 17,300 | 124,900 | 142,200 |

| | Share capital $ 000 | Share premium $ 000 | Retained earnings $ 000 | Total $ 000 |
|---|---|---|---|---|
| At 1 January 2016 | - | 17,300 | 104,800 | 122,100 |
| Profit for the year | - | - | 13,500 | 13,500 |
| Total comprehensive income | - | - | 13,500 | 13,500 |
| Dividends | - | - | (9,600) | (9,600) |
| At 31 December 2016 | - | 17,300 | 108,700 | 126,000 |

# Caparo Holdings (US) Limited

## Consolidated Statement of Cash Flows for the Year Ended 31 December 2017

| | Note | 2017 $ 000 | 2016 $ 000 |
|---|---|---|---|
| **Cash flows from/(used in) operating activities** | | | |
| Profit for the year | | 52,300 | 43,300 |
| Adjustments to cash flows from non-cash items | | | |
| Depreciation and amortisation | 5 | 10,600 | 10,200 |
| Finance income | | (600) | - |
| Finance costs | 6 | 2,500 | 2,300 |
| Income tax expense | 10 | 18,500 | 21,400 |
| Movement in provisions | | 700 | - |
| | | 84,000 | 77,200 |
| Working capital adjustments | | | |
| (Increase)/decrease in inventories | | (18,500) | 1,800 |
| Increase in trade and other receivables | | (15,300) | (8,000) |
| (Decrease)/increase in trade and other payables | | (17,700) | 18,300 |
| Cash generated from operations | | 32,500 | 89,300 |
| Income taxes paid | | (19,100) | (15,300) |
| Net cash flow from operating activities | | 13,400 | 74,000 |
| **Cash flows from/(used in) investing activities** | | | |
| Acquisitions of property plant and equipment | | (15,400) | (10,600) |
| Acquisition of investments in associates | 13 | (1,800) | - |
| Acquisition of trade and assets of an undertaking in the year | | - | (23,300) |
| Net cash flows used in investing activities | | (17,200) | (33,900) |
| **Cash flows from/(used in) financing activities** | | | |
| Interest received | | 600 | - |
| Interest paid | 6 | (2,500) | (2,300) |
| Proceeds from bank borrowing draw downs | | 125,600 | 10,000 |
| Repayment of bank borrowing | | (114,200) | (10,500) |
| Dividends paid | | (9,300) | (9,600) |
| Net cash flows from financing activities | | 200 | (12,400) |
| Net (decrease)/increase in cash and cash equivalents | | (3,600) | 27,700 |
| Cash and cash equivalents at 1 January | | 30,300 | 2,600 |
| Cash and cash equivalents at 31 December | | 26,700 | 30,300 |

The notes on pages 19 to 44 form an integral part of these financial statements.

# Caparo Holdings (US) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 1 General information

The company is incorporated and registered in England and Wales under the Companies Act, 2006. It is a private company limited by shares.

The group has business interests predominately in steel tube manufacture, automotive products and property in North America trading under the names of Bull Moose Tube and XL Specialised Trailers.

The functional currency of the company is considered to be US dollars because that is the primary economic environment in which the company operates.

The address of its registered office is:
Caparo House
103 Baker Street
London
W1U 6LN

### 2 Accounting policies

**Summary of significant accounting policies and key accounting estimates**
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Statement of compliance and basis of preparation**
The financial statements have been prepared under the historic cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

**Summary of disclosure exemptions**
Caparo Holdings (US) Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available in respect of its own financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel. Exemption has also been taken under section 33.1A of FRS 102 not to disclose related party transactions between wholly-owned companies within the group.

**Basis of consolidation**
The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2017.

No Profit and Loss Account is presented for the company as permitted by section 408 of the companies Act 2006. The company made a profit after tax for the financial year of $25.5m (2016 - profit of $13.5m).

The seperate financial statements of the parent company have been included.

## 2 Accounting policies (continued)

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

**Going concern**
As at the 31 December 2017, the group had net assets of $107.9m (2016 of $64.3m). On 29 September 2017 Bull Moose Tube entered into an agreement with its principal bankers providing renewed facilities expiring on 28 September 2022 and is subject to comply with covenants as part of this agreement. At the end of 2017 Bull Moose Heavy Haul Inc was in breach of it's banking covenants and classified all of the bank amounts as due within one year. On 20 March 2018 Bull Moose Heavy Haul Inc entered into an amendment and extension of its loan agreements, which are subject to covenant compliance, which expire in 2021. The directors have reviewed cash flow forecasts for the period to October 2019 which indicate that the group and company are expected to trade within their facilities.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

**Revenue recognition**
Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating intercompany sales.

The group recognises revenue when:
The amount of revenue can be reliably measured;
it is probable that future economic benefits will flow to the entity;
and specific criteria have been met for each of the group's activities.

**2 Accounting policies (continued)**

**Foreign currency transactions and balances**
Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

**Tax**
Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the balance sheet date.

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. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## 2 Accounting policies (continued)

**Property, plant and equipment**
Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

**Depreciation**
Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

| Asset class | Depreciation method and rate |
|---|---|
| Freehold buildings | 18 years |
| Plant and machinery | 2-10 years |
| Motor Vehicles | 3-5 years |

**Goodwill**
Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

**Intangible assets**
Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Separately acquired trademarks and licences are shown at historical cost.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost or valuation less accumulated amortisation and any accumulated impairment losses.

**Amortisation**
Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

| Asset class | Amortisation method and rate |
|---|---|
| Customer relationships | 10 Years Straight Line |
| Patents | 10 Years Straight Line |
| Trade names | 10 Years Straight Line |
| Goodwill | 10 Years Straight Line |

## 2 Accounting policies (continued)

**Investments**

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

**Trade debtors**

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

**Inventories**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are 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.

**Trade creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

## 2 Accounting policies (continued)

**Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

**Provisions**

Provisions are recognised when the group has an obligation at the reporting date as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

**Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Company Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

**2 Accounting policies (continued)**

**Financial instruments**
Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

**Share capital**
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

**Dividends**
Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are approved.

**Defined contribution pension obligation**
Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

**Impairment**
Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

### 2 Accounting policies (continued)

**Non-financial assets**

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

**Investments in associates**

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate. When the group's share of losses of an associate exceeds the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

**Critical accounting judgements**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The estimates and associated assumptions are based on historical assumptions and other factors that are considered to be relevant.

*Deferred Tax Asset*

The full value of the tax losses carried forward has been treated as a deferred tax asset as in the opinion of the directors taxable income in excess of this value is likely to be received by the company in the foreseeable future that could be relieved against allowable losses.

*Fair value on acquisition*

The assets and liabilities of XL Specialised Trailers were remeasured to fair value at the date of their acquisition (3 February 2016). The key inputs into these fair value adjustments which contain both judgements and estimates are cash flow projections, the discount rate and royalty rates. Other than as recorded in these financial statements, there has been no material change to the fair value of these assets since their acquisition by the group.

## 2 Accounting policies (continued)

**Key sources of estimation uncertainty**

*Debtors provision*

The doubtful debt provision reflects the directors view of the probable credit risk within the customer portfolio. The company does not provide for a general credit risk provision but looks at customers on a case-by-case basis. The customer base of the company is very broad. Not all of the company's customers are well capitalised and the competitive and seasonal nature of the steel and trailer markets can put pressure on customers' ability to pay. The directors monitor aged debt closely and have an ongoing dialogue with customers who are behind on payments or where there is perceived to be increased risk of default. The bad debt provision is derived based on the directors assessment of likely losses. The level of actual losses depends on the outturn of uncertain events on a customer by customer basis and on the overall health of the economy and specifically the steel/construction sectors. Debtors provisions as at the year end amount to $1,068,761 (2016: $1,521,696).

*Stock provisioning*

Due to the nature of stock, there is an obsolescence risk relating to stocks. Therefore in light of this risk, management are responsible for reviewing the stock holding for slow moving or obsolete stock and for assessing the required provision to take account of products which may need to be disposed of at a net realisable value which is below cost or which may not be capable of sale. The actual level of stock losses is affected by overall future demand from end customers and changes in technology. The level of the stock provision is determined by the management's opinion of what net proceeds may be recoverable from any slow moving or obsolete stock. Stock provisions at the year end amount to $5,847,865 (2016: $8,242,077).

## 3 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

| | 2017<br>$ 000 | 2016<br>$ 000 |
|---|---|---|
| Turnover | 543,200 | 500,100 |

The analysis of the group's revenue for the year by class of business is as follows:

| | 2017<br>$ 000 | 2016<br>$ 000 |
|---|---|---|
| Steel and Transportation products | 543,200 | 500,100 |

The analysis of the group's revenue for the year by market is as follows:

| | 2017<br>$ 000 | 2016<br>$ 000 |
|---|---|---|
| North America | 542,800 | 499,200 |
| Rest of world | 400 | 900 |
| | 543,200 | 500,100 |

## 4 Other operating (expense)/income

The analysis of the group's other operating (expense)/income for the year is as follows:

## 4 Other operating (expense)/income (continued)

| | 2017 $ 000 | 2016 $ 000 |
|---|---|---|
| Other operating expense | - | (100) |
| Other operating income | 600 | - |
| | 600 | (100) |

## 5 Operating profit

Arrived at after charging/(crediting):

| | 2017 $ 000 | 2016 $ 000 |
|---|---|---|
| Depreciation expense | 8,400 | 8,400 |
| Amortisation expense | 2,200 | 1,800 |
| Impairment of stock | (2,400) | 7,700 |
| Operating lease expense - plant and machinery | 1,100 | 600 |
| Operating lease expense - other | 500 | 400 |
| Cost of stock recognised as an expense | 346,000 | 294,000 |
| Debtors provision | (500) | 1,100 |

## 6 Interest payable and similar charges

| | 2017 $ 000 | 2016 $ 000 |
|---|---|---|
| Interest expense on other finance liabilities | 2,500 | 2,300 |

## 7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

| | 2017 $ 000 | 2016 $ 000 |
|---|---|---|
| Wages and salaries | 54,900 | 45,200 |
| Social security costs | 12,800 | 11,400 |
| Pension costs, defined contribution scheme | 1,700 | 1,500 |
| | 69,400 | 58,100 |

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

| | 2017 No. | 2016 No. |
|---|---|---|
| Production | 535 | 455 |
| Administration and support | 168 | 143 |
| | 703 | 598 |

## 8 Directors' remuneration and key management

No director received any remuneration in the current year or prior year in relation to services provided to this company.

Compensation paid to key management amounted to $6,818,339 (2016: $6,304,977).

## 9 Auditor's remuneration

| | 2017<br>$ 000 | 2016<br>$ 000 |
|---|---|---|
| **Other fees to auditors** | | |
| Fees payable to the company's auditors for the audit of the company's annual consolidated financial statements | 188 | 180 |
| Taxation services (all in relation to tax compliance) | 340 | 122 |
| | 528 | 302 |

## 10 Income tax

Tax charged/(credited) in the Profit and loss account

| | 2017<br>$ 000 | 2016<br>$ 000 |
|---|---|---|
| **Current taxation** | | |
| Overseas corporation tax | 15,300 | 19,100 |
| Overseas corporation tax adjustment to prior periods | 200 | 500 |
| | 15,500 | 19,600 |
| **Deferred taxation** | | |
| Arising from origination and reversal of timing differences | (600) | 700 |
| Arising from changes in tax rates and laws | - | 1,100 |
| Adjustment in respect of previous periods | 3,600 | - |
| Total deferred taxation | 3,000 | 1,800 |
| Tax expense in the Profit and loss account | 18,500 | 21,400 |

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2016 - higher than the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%).

The differences are reconciled below:

**10 Income tax (continued)**

| | 2017<br>$ 000 | 2016<br>$ 000 |
|---|---|---|
| Profit before tax | 70,800 | 64,700 |
| Corporation tax at standard rate | 13,600 | 13,000 |
| Effect of revenues exempt from taxation | (2,800) | (3,300) |
| Effect of foreign tax rates | 6,000 | 8,400 |
| Deferred tax result/expense relating to changes in tax rates | - | 1,100 |
| Increase in UK and foreign current tax from adjustment for prior periods | 3,800 | 500 |
| Tax (decrease) / increase from effect of capital allowances and depreciation | (1,500) | 100 |
| Tax (decrease) / increase from other short-term timing differences | (600) | 1,600 |
| Total tax charge | 18,500 | 21,400 |

Prior year tax reconciliation items have been regrouped to conform to current year groupings.

**10 Income tax (continued)**

**Deferred tax**

| | Provided 2017 $000 | Unprovided 2017 $000 | Provided 2016 $000 | Unprovided 2016 $000 |
|---|---|---|---|---|
| **Group - asset** | | | | |
| Losses | 2,400 | - | 3,000 | - |
| | 2,400 | - | 3,000 | - |
| **Group - provision** | | | | |
| Accelerated capital allowances | (5,200) | - | (4,000) | - |
| Other timing differences | (4,000) | - | (2,800) | - |
| | (9,200) | - | (6,800) | - |
| **Company - asset** | | | | |
| Losses | 600 | - | 1,700 | - |

| | Included in debtors $000 | Included in Provisions $000 | Total $000 |
|---|---|---|---|
| **Group** | | | |
| At 1 January 2017 | (3,000) | 6,800 | 3,800 |
| Charged to the profit and loss account | 600 | 2,400 | 3,000 |
| At 31 December 2017 | (2,400) | 9,200 | 6,800 |
| **Company** | | | |
| At 1 January 2017 | (1,700) | - | (1,700) |
| Charged to the profit and loss account | 1,100 | - | 1,100 |
| At 31 December 2017 | (600) | - | (600) |

In the 2015 Budget, the Chancellor announced that the main rate of UK corporation tax would be reduced to 19% with effect from 1 April 2017. In the 2016 Budget, the Chancellor announced that the main rate of UK corporation tax would be reduced to 17% with effect from 1 April 2020. The UK deferred tax rate has been recognised at 19%.

The group's overseas 2017 current tax rates are higher than those in the UK, primarily because the profits earned in the United States are taxed at Federal rates of up to 35%. Federal tax rates in the US changed in 2018 and will be taxed at a rate of 21%.

The group has unprovided deferred tax assets of $nil (2016: $nil). The company has unprovided deferred tax assets of $nil (2016: $nil).

## 11 Intangible assets

### Group

| | Trademarks, patents and licenses $ 000 | Goodwill $ 000 | Total $ 000 |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 January 2017 | 12,000 | 7,100 | 19,100 |
| Adjustment to goodwill | - | 300 | 300 |
| At 31 December 2017 | 12,000 | 7,400 | 19,400 |
| **Amortisation** | | | |
| At 1 January 2017 | 1,100 | 700 | 1,800 |
| Amortisation charge | 1,400 | 800 | 2,200 |
| At 31 December 2017 | 2,500 | 1,500 | 4,000 |
| **Carrying amount** | | | |
| At 31 December 2017 | 9,500 | 5,900 | 15,400 |
| At 31 December 2016 | 10,900 | 6,400 | 17,300 |

The aggregate amount of research and development expenditure recognised as an expense during the period is $Nil (2016 - $Nil).

Amortisation of intangible assets is included within the administrative expenses line of the profit and loss account.

Intangible assets with a carrying amount as at 31 December 2017 of $15.4m (31 December 2016: $17.3m) have been pledged to secure borrowings of Bull Moose Heavy Haul Inc. Bull Moose Heavy Haul Inc. is not allowed to pledge these assets as security for other borrowings or to sell them to another entity

## 12 Property, plant and equipment

**Group**

| | Land and buildings $ 000 | Motor vehicles $ 000 | Plant and Machinery $ 000 | Total $ 000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2017 | 41,600 | 100 | 140,500 | 182,200 |
| Additions | 3,300 | - | 12,100 | 15,400 |
| Disposals | - | - | (1,500) | (1,500) |
| Foreign exchange movements | 100 | - | 700 | 800 |
| At 31 December 2017 | 45,000 | 100 | 151,800 | 196,900 |
| **Depreciation** | | | | |
| At 1 January 2017 | 32,100 | - | 106,900 | 139,000 |
| Charge for the year | 1,000 | 100 | 7,300 | 8,400 |
| Disposals | - | - | (1,500) | (1,500) |
| Foreign exchange movements | 200 | - | 600 | 800 |
| At 31 December 2017 | 33,300 | 100 | 113,300 | 146,700 |
| **Carrying amount** | | | | |
| At 31 December 2017 | 11,700 | - | 38,500 | 50,200 |
| At 31 December 2016 | 9,500 | 100 | 33,600 | 43,200 |

Included within the net book value of land and buildings above is $2.0m (2016 - $1.9m) in respect of freehold land and buildings.

Included within the net book value of land and buildings above is $3.1m (2016 - $4.6m) in respect of assets under construction.

Tangible fixed assets with a carrying amount of $50.2m (2016: $43.2m) have been pledged to secure borrowings of the group. The group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

## 13 Investments

**Group**

**Details of undertakings**

| | Investment in associates |
|---|---|
| | $ 000 |
| **Cost** | |
| At 1 January 2017 | 3,800 |
| Additions | 1,800 |
| At 31 December 2017 | 5,600 |

In 2015, a subsidiary of Caparo Bull Moose, Inc invested in 40% of the ordinary shares of TLG 634 Managing Member LLC ( Incorporated in USA, Registered Office: 319 N. 4th Street, Suite 1000, St Louis MO 63102) which is undertaking a St. Louis, Missouri building redevelopment project. The project will convert an empty historic building into a small luxury hotel, office space and retail accommodation. Completion of the renovations is forecasted for October 2018.

During 2017, a subsidiary of Caparo Bull Moose, Inc invested in federal historic tax credits originating from this same project.

**Company**

| | 2017<br>$ 000 | 2016<br>$ 000 |
|---|---|---|
| Investments in subsidiaries | 52,200 | 38,200 |

**Subsidiaries**

| | $ 000 |
|---|---|
| **Cost** | |
| At 1 January 2017 | 38,200 |
| Additions | 14,000 |
| At 31 December 2017 | 52,200 |
| **Carrying amount** | |
| At 31 December 2017 | 52,200 |
| At 31 December 2016 | 38,200 |

At the year end the company owned 100% of the issued share capital of Caparo Bull Moose, Inc (formerly Bull Moose Industries Inc), a company registered in the United States of America, and of Caparo Holdings Canada Limited, a company registered in England and Wales.

During the year the company invested a further $14,000,000 (2016 - $9,000,000) into Caparo Bull Moose, Inc.

At the year end the subsidiary undertakings held by Caparo Bull Moose, Inc were as follows:

**13 Investments (continued)**

| Subsidiary undertakings | Principal activity | Percentage of ordinary shares held | | Country of incorporation or principal business address | Registered office address |
|---|---|---|---|---|---|
| | | 2017 | 2016 | | |
| Caparo Vehicle Products Inc | Dormant | 100% | 100% | USA | 1819 Clarkson Road, Suite 100, Chesterfield, MO 63017 |
| Caparo Vehicle Components Inc | Dormant | 100% | 100% | USA | 1819 Clarkson Road, Suite 100, Chesterfield, MO 63017 |
| Vehicle Components Caparo de Mexico | Dormant | 100% | 100% | Mexico | 1819 Clarkson Road, Suite 100, Chesterfield, MO 63017 |
| Caparo Real Estate Holdings, LLC (formerly Bull Moose Industries Real Estate Holdings, LLC) | Real Estate Investment | 100% | 100% | USA | 1819 Clarkson Road, Suite 100, Chesterfield, MO 63017 |
| Bull Moose Tube Company | Tubing manufacturer | 100% | 100% | USA | 1819 Clarkson Road, Suite 100, Chesterfield, MO 63017 |
| Elkhart Metal Fabricating Inc. | Metal fabricator | 100% | 100% | USA | 1819 Clarkson Road, Suite 100, Chesterfield, MO 63017 |
| Bull Moose Tube of Casa Gande, LLC | Tubing manufacturer | 100% | 100% | USA | 1819 Clarkson Road, Suite 100, Chesterfield, MO 63017 |
| Warren Tube Company | Tubing manufacturer | 100% | 100% | USA | 1819 Clarkson Road, Suite 100, Chesterfield, MO 63017 |
| Bock Industries, Inc. | Tubing manufacturer | 100% | 100% | USA | 1819 Clarkson Road, Suite 100, Chesterfield, MO 63017 |
| BMT Holdings, Inc | Owner of property | 100% | 100% | USA | 1819 Clarkson Road, Suite 100, Chesterfield, MO 63017 |
| Steeler, LLC | Owner of property | 100% | 100% | USA | 1819 Clarkson Road, Suite 100, Chesterfield, MO 63017 |
| Bull Moose Engineering, Inc. | Metal fabricator | 100% | 100% | USA | 1819 Clarkson Road, Suite 100, Chesterfield, MO 63017 |

**13 Investments (continued)**

| | | | | | |
|---|---|---|---|---|---|
| Caparo Historic Tax Credit 634, LLC (formerly Bull Mosse Historic Tax Credit 634, LLC) | Real estate investment | 100% | 100% | USA | 1819 Clarkson Road, Suite 100, Chesterfield, MO 63017 |
| Caparo City Foundry Real Estate Holdings, LLC (formerly Bull Moose City Foundry Real Estate Holdings, LLC) | Real estate investment | 100% | 100% | USA | 1819 Clarkson Road, Suite 100, Chesterfield, MO 63017 |
| Caparo City Foundry Tax Credit, LLC (formerly Bull Moose City Foundry Tax Credit, LLC) | Real estate investment | 100% | 100% | USA | 1819 Clarkson Road, Suite 100, Chesterfield, MO 63017 |
| Caparo Parking 634, LLC (formerly Bull Moose Parking 634, LLC) | Real estate investment | 100% | 100% | USA | 1819 Clarkson Road, Suite 100, Chesterfield, MO 63017 |
| Bull Moose Mobility, Inc | Holding company | 100% | 100% | USA | 1819 Clarkson Road, Suite 100, Chesterfield, MO 63017 |
| Bull Moose Heavy Haul, Inc | Trailer manufacturer | 100% | 100% | USA | 1086 South 3rd Street, Manchester, IA 52057 |
| Caparo Funding, LLC | Real estate investment | 100% | 100% | USA | 1819 Clarkson Road, Suite 100, Chesterfield, MO 63017 |

At the year end the subsidiary undertaking of Caparo Holdings Canada Limited was:

| **Subsidiary undertakings** | **Principal activity** | **Percentage of ordinary shares held** | **Country of incorporation or principal business address** | **Registered office address** |
|---|---|---|---|---|
| Bull Moose Tube Limited | Tubing manufacturer | 100% | Canada | 1819 Clarkson Road, Chesterfield, MO 63017 |

## 14 Inventories

| | Group 2017 $ 000 | Group 2016 $ 000 |
|---|---|---|
| Raw materials and consumables | 32,500 | 24,600 |
| Work in progress | 7,400 | 5,800 |
| Finished goods and goods for resale | 33,800 | 24,800 |
| | 73,700 | 55,200 |

There is no material difference between the carrying value of stocks and their replacement cost.

The company holds no stock.

As at the balance sheet date $73.7m (2016: $55.2m) of stock was pledged as security for borrowings of the group.

## 15 Debtors

| | Note | Group 2017 $ 000 | Group 2016 $ 000 | Company 2017 $ 000 | Company 2016 $ 000 |
|---|---|---|---|---|---|
| Trade debtors | | 39,900 | 39,000 | - | - |
| Receivables from related parties | 23 | - | 2,200 | - | 2,200 |
| Amounts owed by group undertakings | | - | - | 89,500 | 82,500 |
| Other receivables | | 21,200 | 6,000 | - | - |
| Prepayments | | 5,400 | 4,000 | - | - |
| Deferred tax assets | 10 | 2,400 | 3,000 | 600 | 1,700 |
| Income tax asset | | 3,100 | - | - | - |
| Total current trade and other receivables | | 72,000 | 54,200 | 90,100 | 86,400 |

Prior year balances have been regrouped to conform to current year groupings.

## 15 Debtors (continued)

Included in the above are amounts falling due after more than one year:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $ 000 | $ 000 | $ 000 | $000 |
| Amounts owed by group undertakings | - | - | 89,500 | 82,500 |
| Other receivables | 15,500 | 3,000 | - | - |
| Prepayments | 1,500 | 1,000 | - | - |
| Deferred tax assets | 2,400 | 3,000 | - | - |
| | 19,400 | 7,000 | 89,500 | 82,500 |

Amounts owed by group undertakings include notes amounting to $12m at a rate of 5% and $73.5m at a rate of 6%, due from Bull Moose Tube company maturing in March 2023 and $4m at a rate of 7% due from Caparo Bull Moose, Inc maturing in March 2021.

As at the balance sheet date $39.9m (2016: $39m) of debtors was pledged as security for borrowings of the group.

Other Debtors includes the following loans by group companies to various entities involved as partners with the group in the real estate activities to redevelop property in St Louis, Missouri:

• $3.4m to FOPA Partners, LLC, owner of the City Foundry development site in St Louis Missouri. The loan bears interest at 4.5% and is convertible into 40% of the equity of the borrower at the discretion of the lender, unless repaid on or before 31 December 2018.
• $0.256m to WT Partners, LLC, the owner of the parking facility development adjacent to the 634 Nth Grand development. The loan bears interest at 4.5%, is repayable on 1 January 2019, and carries an option to convert to a 40% interest in the borrower exercisable at the lenders discretion.
• $3.75m to AAH Partners LLC, an independent investor in TLG 634 Managing Member LLC in which the group is also invested. The loan bears interest at 8.5% and is guaranteed by another partner who made an investment in this venture. The loan is expected to be repaid in the event of the sale or refinancing of the underlying property investment of TLG 634 Managing Member LLC. The repayments would be as follows:
(a) in event of sale/refinancing payments would be in order of (1) the principal and any unpaid interest will be repaid first to Bull Moose Real Estate (BMRE), wholly owned subsidiary of Bull Moose Tube Company Ltd (BMT) and then (2) to other partners in the venture.
(b) in event of non-occurrence of point (a) payments would be in order of current interest due , any overdue interest, return of capital to one of the partners in the venture who has provided the guarantee of the loan, and then to BMRE.
• $3.1m to TLG 634 Nth Grand LLC, the master landlord of the property in which the group holds a minority interest, to fund the project. The loan bears interest at rates at 19% until debt service coverage ratio of 2:1 achieved, thereafter 14%; if still outstanding after 4 years, an additional 5%. The loan matures on the seventh anniversary that the project is placed into service, and is otherwise repayable on the sale or refinancing of the underlying property investment, subordinated to the third party senior debt of the borrower. The loan is secured over all of the assets of the borrower, including a personal guarantee provided by one of the partners, behind security that has been granted to the senior lender.

**15 Debtors (continued)**

• $6.6m to TLG 634 Nth Grand LLC, as a bridge loan until the property is accredited for certain Federal Historic Tax Credits (which have been granted subject to completion of the project). Interest is payable at 4.5%. Repayment is expected once accreditation for project completion is received and no later than 31 December 2019.

**16 Cash and cash equivalents**

| | Group 2017 $ 000 | Group 2016 $ 000 | Company 2017 $ 000 | Company 2016 $ 000 |
|---|---|---|---|---|
| Cash at bank | 26,700 | 30,300 | 100 | 1,500 |

**17 Creditors**

| | Note | Group 2017 $ 000 | Group 2016 $ 000 | Company 2017 $ 000 | Company 2016 $ 000 |
|---|---|---|---|---|---|
| **Due within one year** | | | | | |
| Loans and borrowings | 18 | 15,800 | 69,700 | - | - |
| Trade creditors | | 23,500 | 41,200 | - | - |
| Social security and other taxes | | 800 | 1,100 | - | - |
| Accruals and deferred income | | 19,500 | 19,500 | - | - |
| Income tax liability | 10 | 300 | 900 | - | - |
| | | 59,900 | 132,400 | - | - |
| **Due after one year** | | | | | |
| Loans and borrowings | 18 | 65,100 | - | - | - |
| Accruals and deferred income | | 400 | 100 | 200 | 100 |
| | | 65,500 | 100 | 200 | 100 |

Prior year balances have been regrouped to conform to current year groupings.

**18 Loans and borrowings**

| | Group 2017 $ 000 | Company 2017 $ 000 |
|---|---|---|
| **Non-current loans and borrowings** | | |
| Bank borrowings | 65,100 | - |

| | Group 2017 $ 000 | Group 2016 $ 000 | Company 2017 $ 000 | Company 2016 $ 000 |
|---|---|---|---|---|
| **Current loans and borrowings** | | | | |
| Bank borrowings | 15,800 | 69,700 | - | - |

### 18 Loans and borrowings (continued)

Bank loans, overdrafts and similar finance are secured against certain assets of Bull Moose Tube Company, Bull Moose Tube Limited and/or Bull Moose Heavy Haul, Inc.

Interest on the bank loans is charged at commercial margins above US LIBOR or US Prime.

Included in the loans and borrowings are the following amounts due:

| | 2017<br>$ 000 | 2016<br>$ 000 |
|---|---|---|
| < 1 Year | 15,800 | 69,700 |
| 2 - 5 Years | 65,100 | - |
| Over 5 years | - | - |
| | 80,900 | 69,700 |

Bull Moose Tube Company and Bull Moose Tube Limited and their subsidiaries (collectively BMT) have a joint banking facility. The facility was refinanced on 29 September, 2017, and includes a $75,000,000 term facility and a $50,000,000 revolver facility and will mature on 28 September, 2022. The revolver is fully available as long as BMT maintains its financial covenants. At 31 December, 2017, $73,125,000 was outstanding on the term loan and $0 on the revolver (2016: $60,637,000 and $0, respectively). The facility is secured over the assets of these companies. Interest is payable at a margin over LIBOR or US Prime Rate for any portion not covered by a LIBOR. The margin is determined based on the combined leverage ratio of BMT. At 31 December, 2017, $73,125,000 was covered by a LIBOR contract at an interest rate of 3.569% maturing on 29 January, 2018. At 31 December, 2016, $60,937,000 was covered by a LIBOR contract at an interest rate of 2.82% maturing on 28 February, 2017.

Bull Moose Heavy Haul Inc, on the acquisition of the business and assets of XL Specialised Trailers, entered into a banking facility during 2016 under which $8,985,000 was outstanding at 31 December 2016. Of this amount, $1,000,000 was repayable within one year. The balance of the facility is repayable over the period to maturity of the facility in February 2021. The facility requires Bull Moose Heavy Haul Inc to meet certain restrictive covenants. The company entered into an amendment to the facility agreement in March 2018 and May 2017, which includes a waiver from the lender for non-compliance with certain covenants as at 31 December 2017 and 2016. Due to the covenant breaches at 31 December 2017 and 2016, all of the debt due under this facility has been classified as repayable within one year in these financial statements. This facility is secured over substantially all of the assets of Bull Moose Heavy Haul Inc. Interest on this loan is payable at a margin over LIBOR. At 31 December 2017 and 2016, $8,333,000 and $9,100,000 were covered by a LIBOR contract maturing on 1 January 2018 and 2017.

## 19 Provisions

### Group

| | Other<br>$ 000 | Deferred Tax<br>$ 000 | Total<br>$ 000 |
|---|---|---|---|
| At 1 January 2017 | 400 | 6,800 | 7,200 |
| Charged to the profit and loss account | 700 | 2,400 | 3,100 |
| At 31 December 2017 | 1,100 | 9,200 | 10,300 |

The "other" provisions represents certain estimated tax liabilties as at the balance sheet date for Bull Moose Tube Company Ltd.

Prior year balances have been regrouped to conform to current year groupings.

## 20 Share capital

### Allotted, called up and fully paid shares

| | 2017<br>No. | 2017<br>$ 000 | 2016<br>No. | 2016<br>$ 000 |
|---|---|---|---|---|
| Ordinary shares of £1.00 ( $2 ) each | 102 | 0.17 | 102 | 0.17 |

### Share Premium

The share premium account represents amounts received by the company over and above the nominal value of the shares issued.

## 21 Dividends

An interim dividend of $91,176 per ordinary share was paid during the year (2016: $94,118 per ordinary share). The directors do not recommend the payment of a final dividend.

## 22 Obligations under leases and hire purchase contracts

### Group

Operating leases representing the total of future minimum lease payments due under non-cancellable operating leases

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Land & Buildings | Other | Total | Land & Buildings | Other | Total |
| | $000 | $000 | $000 | $000 | $000 | $000 |
| Not later than one year | 1,024 | 157 | 1,181 | 1,051 | 134 | 1,185 |
| Later than one year and not later than five years | 3,635 | 88 | 3,723 | 2,207 | 102 | 2,309 |
| Later than five years | 3,521 | - | 3,521 | 212 | - | 212 |
| | 8,180 | 245 | 8,425 | 3,470 | 236 | 3,706 |

The company does not have any obligations under leases and hire purchase contracts for the current or previous year.

## 23 Related party transactions

### Group and Company

**Summary of transactions with other related parties**
At 1 January 2017 the group was owed $2,184k by Jalia Holdings S.A. ("Jalia") (2016: $5,179k), the immediate parent of the company. During the year the company paid dividends to Jalia of $9,300k, lent Jalia $5,811k and was repaid by Jalia $7,995k. At 31 December 2017 the group was owed $nil by Jalia (2016: $2,184k). The loans are non-interest bearing.

## 24 Financial instruments

**Group**

The carrying values of the group's financial assets and liabilities are summarised by category below:

| | 2017 | 2016 |
|---|---|---|
| | $000 | $000 |
| **Financial assets** | | |
| Measured at amortised cost | | |
| • Cash at bank and in hand | 26,700 | 30,300 |
| • Trade and other receivables (note 15) | 61,100 | 45,000 |
| • Receivables from related parties (note 15) | - | 2,200 |
| | 87,800 | 77,500 |
| **Financial liabilities** | | |
| Measured at amortised cost | | |
| • Loans and borrowings payable (note 18) | 80,900 | 69,700 |
| • Trade creditors (note 17) | 23,400 | 41,200 |
| | 104,300 | 110,900 |

The group's income, expense, gains and losses in respect of financial instruments are summarised below:

| | 2017 | 2016 |
|---|---|---|
| | $000 | $000 |
| **Interest income and expense** | | |
| Total interest income for financial assets at amortised cost | 600 | - |
| Total interest expense for financial liabilities at amortised cost | (2,500) | (2,300) |
| | (1,900) | (2,300) |

## 24 Financial instruments (continued)

**Company**

The carrying values of the group's financial assets and liabilities are summarised by category below:

| | 2017 | 2016 |
|---|---|---|
| | $000 | $000 |
| **Financial assets** | | |
| Measured at amortised cost | | |
| • Cash at bank and in hand | 100 | 1,500 |
| • Amounts owed by group undertakings (note 15) | 89,500 | 82,500 |
| • Receivables from related parties (note 15) | - | 2,200 |
| | 89,600 | 86,200 |

The company's income, expense, gains and losses in respect of financial instruments are summarised below:

| | 2017 | 2016 |
|---|---|---|
| | $000 | $000 |
| **Interest income and expense** | | |
| Total interest income for financial assets at amortised cost | 5,700 | 4,700 |

## 25 Parent and ultimate parent undertaking

The Right Honourable The Lord Swraj Paul of Marylebone PC and his family are jointly and indirectly interested in the whole of the issued share capital of the company through shareholdings registered in the name of Jalia Holding S.A., a company registered in the British Virgin Islands, which is owned and ultimately controlled by the Sedik Trust.

Caparo Holdings (US) Limited is the only entity in the group to prepare group financial statements.