

Registration number: 02230563

Caparo Holdings (US) Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2019



Caparo Holdings (US) Limited

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Caparo Holdings (US) Limited

Company Information

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

Caparo Holdings (US) Limited

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Principal activity

The group has business interests predominately in steel tube, transportation products and property in North America held through Caparo Bull Moose, 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 is based in Manchester, Iowa and operates as XL Specialised Trailers. 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

Bull Moose Tube

The Company considers Bull Moose Tube's 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 \$485m to sales in 2019 (2018 - \$537m). This fall in sales value reflects a decrease in selling prices for tubular products from 2018 driven by a decrease in steel costs, the key raw material. Steel costs (as measured by the industry index CRU) fell from \$758/ton at 31 December 2018 to a low of \$493/ton in November 2019 before settling the year at \$557/ton at 31 December 2019. This prolonged and steep market decline, coupled with continuing uncertainty during the year as to the direction of markets, caused significant pressure on margins, reducing gross profit even though sales volume rose slightly in 2019 to 464,400 tonnes from 458,400 tonnes in 2018. Despite the weaker trading environment, during the year Bull Moose Tube initiated a significant long-term investment program across all of its facilities to enhance its product quality and range.

Steel prices rose in the first quarter of 2020 to \$584/ton as markets recovered, before falling in the second quarter to a low of \$464/ton with the advent of the coronavirus pandemic, ending the quarter at \$507/ton. However, with reduced availability of liquid steel in the US and increasing demand, prices rose throughout the rest of 2020 to around \$1,000/ton. During this period demand for Bull Moose Tube products continued, the company expects to report an improved performance for 2020 compared to 2019 and the company has progressed its investment in new plant and equipment. The prospects for 2021 remain uncertain, dependent on the future duration of the coronavirus pandemic, its economic impact in North America, and on the markets which Bull Moose serves. However, during the first quarter of 2021 steel prices have continued to rise and demand for Bull Moose products remains strong.

Caparo Holdings (US) Limited

Strategic Report for the Year Ended 31 December 2019

Fair review of the business (continued)

XL Specialised Trailers

At XL Specialised Trailers, the business made a 2019 sales contribution of \$54m (2018 – \$46m), as demand for the company's specialist trailers remained buoyant. Increased earnings were driven by improved business processes and efficiencies, continued cost-reduction efforts, and a higher proportion of more specialist higher-margin custom trailers. Prior to the emergence of the coronavirus pandemic, sector demand in 2020 had been projected to be flat to slightly down against 2019. However, despite a reduction in new orders, a strong backlog allowed XL to continue producing throughout 2020, with profits expected to be ahead of 2019, despite reduced economic activity across much of the United States. The company has been proactively managing its cash position and expects all bank covenant requirements to continue to be met. For 2021 the company's order book remains strong, and XL has traded ahead of budget during January and February.

St Louis Property Projects

The St. Louis property projects continue to progress. The \$6.6m loan to TLG 634 N Grand LLC was repaid in full during 2019 and reinvested in the Angad Arts Hotel property development project. Following its opening in 2018, the Angad Arts Hotel was recognized as one of the leading new boutique hotels in the USA in 2019. Bookings and revenue increased throughout the year as it progressed towards stabilisation, and the hotel was well placed for further growth during 2020. However, as with all hotels in the USA, the impact of the coronavirus has been severe, with only limited activity recommencing in the summer months, and curtailed trading activity during the remainder of 2020 and early 2021. The City Foundry project was under construction throughout 2019, and despite bad weather entered 2020 ahead of schedule, below budget and substantially pre-let. In 2020, construction continued through the coronavirus pandemic, and the first commercial office tenants took up occupation as scheduled in June. However, as a result of the pandemic, including the delayed opening of the food hall, levels of future occupancy and rental income remain uncertain.

Group Results

Distribution and administrative expenses of the group for 2019 amounted to \$80.3m (2018 - \$74.1m).

The operating loss of the group for 2019 was \$3.6m (2018 - profit of \$72.1m). After deducting interest and taxes, the loss for the year amounted to \$7.4m (2018 - profit of \$62.2m). The decreased profit after tax resulted from the reduction in gross profit of Bull Moose Tube to \$77.3m in 2019 (2018 - \$114.3m) largely as a result of the steep decline in steel prices, and the related fall in the selling price of tubular products. The group incurred a \$5.1m share of trading losses in its investment in the Angad Arts Hotel project in 2019. Additionally, the group recorded \$6.6m of impairment losses on the hotel property following a re-assessment of the value of the Group's investment by the Company's directors. The group achieved an operating loss as a percentage of sales of 0.7% (2018 – profit of 11.8%). At the period end net assets for the group were \$153.4m (2018 - \$169m) with decreased stocks of \$54.3m (2018 - \$95.8m) and reduced loans and borrowings of \$29.3m (2018 – \$71.2m).

The company's profit after tax for 2019 amounted to \$4.4m (2018 - \$4.3m). The company's only income is interest and dividends received from its North American subsidiaries. In 2019 and 2018, the company received no dividends from its subsidiaries.

Caparo Holdings (US) Limited

Strategic Report for the Year Ended 31 December 2019

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. At all times the group seeks to match movements in the cost of steel with adjustments to the selling price of its products.

Foreign exchange

The group operates in the US and Canada, with substantially all 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. The group utilises credit insurance against balances due from customers.

Other than Bull Moose Heavy Haul during the first quarter of 2019, all subsidiaries within the group were in compliance with their respective bank facility covenants during 2019 and, based on trading for 2020 and forecasts for 2021, the directors expect compliance with bank covenants for all group companies to continue for the foreseeable future.

Litigation

As with any business, members of the group are subject to the risk of litigation from third parties. Members of the group seek 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.

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.

Caparo Holdings (US) Limited

Strategic Report for the Year Ended 31 December 2019

Impact of Covid-19

On 30 January 2020 the World Health Organisation declared the outbreak of the Coronavirus (Covid-19) pandemic to be a public health emergency of international concern. This is a non-adjusting subsequent event, as it does not impact the valuation of assets as at the year end date.

Since the year-end, due to the global impact of the Coronavirus (Covid-19) pandemic, the value of investments, assets and liabilities have been impacted. It is not possible, at this time, to quantify the change in market value in a meaningful way, due to ongoing volatility as the situation is fluid and unpredictable. The board are reviewing the impact of the pandemic on the operations of the company on a regular basis and are taking measures to ensure the risks faced are mitigated, which includes utilising US State and Federal Government support measures.

Caparo Holdings (US) Limited

Strategic Report for the Year Ended 31 December 2019

Statement by the Directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

The Board of directors of the Company consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole in the decisions taken during the year ended 31 December 2019.

The Company is the UK holding company of the investments in North America of the Sedik Trust, of which Lord Paul of Marylebone and members of his family are the sole beneficiaries. All of the subsidiaries in which the Company are invested have extensive engagement with their own unique stakeholders, as well as other businesses.

The Board are not involved in the day-to-day management of the businesses in which the Company's subsidiaries are invested. The governance structure of the group is such that authority for relevant decision making is set at subsidiary level. This allows individual management teams to engage in transparent and open dialogue with their own key stakeholders.

The long-term strategy of the Board is for the Company to support continuing investment by its wholly-owned US and Canadian holding companies in businesses that are expected to be profitable over the longer term. In considering investments which the Company's North American subsidiaries are contemplating, the Board will take note of the environmental, social and governance factors affecting these businesses. No material new investments were considered during 2019.

The directors periodically review the performance of the existing portfolio of businesses in which the Company's subsidiaries are invested, and enquire of their management teams as to their performance against expectations, the future prospects for those businesses and the markets in which they operate, the impact of their businesses on their communities and the environment, and the status of relations with employees, customers and suppliers. These reviews include consideration of monthly reports and annual business plans, through video meetings with senior operating management, and bi-annual visits to North American operational sites.

Shareholder

The directors ensure that any long-term decisions are consistent with the objectives of the Sedik Trust and its Trustees, through engagement with the Trustees around any such proposals.

Employees

The Company does not have any employees of its own. The directors are employed by companies outside of the Group owned by the interests of Lord Paul and his family.

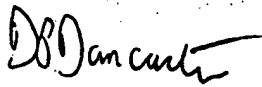
Caparo Holdings (US) Limited

Strategic Report for the Year Ended 31 December 2019

Customers and suppliers

The Company does not have any customers. The Company's suppliers are limited to the provision of professional services to the Company, and substantially all of the administrative operations of the company are outsourced to third parties. The directors seek to foster high standards at economic cost in the Company's suppliers, and work to maintain relationships with a number of alternative service providers in order to continue to obtain high quality services on the most favourable terms for the Company.

Approved by the Board on 18 May 2021 and signed on its behalf by:



D P Dancaaster
Director

Caparo Holdings (US) Limited

Directors' Report for the Year Ended 31 December 2019

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2019.

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

A dividend of \$86,863 per ordinary share was declared and paid, which was settled through a repayment of the loan to Jalia (2018: \$nil).

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. This includes the use of credit insurance against balances due from customers.

Charitable and political contributions

During the year the group made charitable donations of \$27,998 (2018 - \$24,086), principally to local charities serving the communities in which the group operates. There were no political contributions made by the group during 2019 (2018 - \$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 2019, the group trade creditor days period represented approximately 12 days' (2018 - 12 days') purchases.

Future developments

The directors expect the company to continue as a holding company for the foreseeable future. The group continued to develop its steel processing, trailer manufacturing and property businesses during 2020 and expects to continue to do so across North America in 2021. Brexit is not expected to have a significant impact on the group, as all of its trading is undertaken in North America.

Caparo Holdings (US) Limited

Directors' Report for the Year Ended 31 December 2019

Going concern

As at the 31 December 2019, the group had net assets of \$153.4m (2018 - \$169.0m) and net current assets of \$119.8m (2018 - \$179.9m). In 2019 the group generated net cashflow from operating activities of \$56.9m (2018: \$44.3m).

Each of the group's two trading subsidiary groupings, Bull Moose Tube and Bull Moose Heavy Haul, have separate banking facilities. Neither of these facilities has recourse to any company outside of its subsidiary grouping, including to the parent company, Caparo Holdings (US) Limited.

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. Following the generation of significant surplus cash, Bull Moose Tube was able to prepay \$33.1m of the term loan element of its facility in the first quarter of 2019, in addition to the scheduled annual repayment of \$7,500. As a result, Bull Moose Tube was able to reduce its annual term loan repayment commitment for 2020 and 2021 from \$7.5m to \$2.5m. The company has continued to trade profitably and generate significant cash, and held approximately \$38m at end March 2021.

In the first quarter of 2019, Bull Moose Heavy Haul breached its bank Total Debt to EBITDA covenant. In June 2019, Bull Moose Heavy Haul refinanced its debt with a new bank loan repayable in December 2024. Following a year of successful trading in 2020, the company held approximately \$7m of cash at end March 2021.

Subsequent to the first quarter of 2019, throughout the remainder of that year and 2020, and to the date of these financial statements in 2021, all companies within the group have remained in full compliance with their banking facility covenants.

The directors have reviewed cash flow forecasts for the twelve months subsequent to the date of these financial statements, 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 group have adequate resources to continue in operational existence for the foreseeable future. In undertaking their review, the directors have adopted assumptions for trading during the forecast period consistent with actual trading experience across the course of the Covid-19 pandemic during 2020 and the first quarter of 2021 for both the Bull Moose Tube and XL Bull Moose Mobility businesses. The group's manufacturing businesses are mainly involved in steel processing and conversion, where the steel raw material cost represents a substantial proportion of the selling price of the finished product. The cost of steel can be subject to significant movements on a daily basis, reflecting demand and supply issues specific to the sector, and both local and global economic conditions. Similarly, the prices which the group can obtain for its products, while materially influenced by the price of steel, may be affected by other factors specific to those products. As a result both gross margins and the volume of product that the group is able to sell may vary from day to day for reasons outside of the group's control, with a material effect on the cashflows and profitability of these businesses. The group seeks to minimise these risks through constant monitoring of factors affecting its supply chains and customers, anticipation and rapid response to actual or expected change in these factors, and close control of working capital to match market conditions. In the forecasts steel prices and the selling prices of the group's products have been assumed to remain at the same level as at the time of preparation of the group's forecasts. While there is no direct correlation between movements in steel purchase costs, selling prices of tubular products and profitability, in considering their forecasts the management has reviewed a number of scenarios. The management estimate that, in certain circumstances, an announcement of a 10% reduction in the cost of steel by suppliers would result in a reduction by Bull Moose in selling prices by 5.4% of that amount per ton within one month, a further 2.5% within two months, and 2.2% in three months. Management would, however, also expect to see that as a result of the steel price reduction, steel would be purchased at lower cost from 30 days after the date of announcement of the price reduction.

Caparo Holdings (US) Limited

Directors' Report for the Year Ended 31 December 2019

Going concern (continued)

The directors have also taken into consideration the cash currently available to the group of c. \$45m, and available headroom on the group's banking facilities. Accordingly, the directors have concluded that there is no material uncertainty regarding the ability of the group to continue as a going concern. The directors therefore 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

Production labour at each plant other than Casa Grande, Arizona is subject to collective bargaining arrangements.

During 2019, the Elkhart plant has ratified a new four year employment contract.

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.

The group will reasonably accommodate qualified individuals with a temporary or long-term disability so that they can perform the essential functions of their job. Employees must request reasonable accommodations by contacting their supervisor and/or site manager. The group will evaluate each request and will strive to make all accommodations that are reasonable and do not create an undue hardship. The type of accommodation, if provided, will be decided upon by the group.

Employee involvement

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

Caparo Holdings (US) Limited

Directors' Report for the Year Ended 31 December 2019

Important non adjusting events after the financial period

Impact of Covid-19

On 30 January 2020 the World Health Organisation declared the outbreak of the Coronavirus (Covid-19) pandemic to be a public health emergency of international concern. This is a non-adjusting subsequent event, as it does not impact the valuation of assets as at the year end date.

Since the year-end, due to the global impact of the Coronavirus (Covid-19) pandemic, the value of investments, assets and liabilities have been impacted. It is not possible, at this time, to quantify the change in market value in a meaningful way, due to ongoing volatility as the situation is fluid and unpredictable. The board are reviewing the impact of the pandemic on the operations of the company on a regular basis and are taking measures to ensure the risks faced, are mitigated, which includes utilising US State and Federal Government support measures. While the Coronavirus pandemic has had a significant adverse impact on the group's hotel and property investments, the Bull Moose Tube and Bull Moose Heavy Haul manufacturing businesses have both traded strongly during 2020 and the first quarter of 2021.

Non-voting common stock

In April 2020, Caparo Holdings (US) Limited consented to Caparo Bull Moose, Inc., amending its Articles of Incorporation to authorize a new class of non-voting common stock. As part of the consent, Caparo Holdings (US) Limited contributed its \$85.5m of notes receivable due from Bull Moose Tube Company to Caparo Bull Moose, Inc., in exchange for shares of the new class of non-voting common stock.

Departing senior executives

Subsequent to the year-end, the group's Bull Moose Tube Company subsidiary terminated the employment of a number of senior executives. In connection with such terminations, Bull Moose Tube Company became aware of certain agreements entered into by Bull Moose Tube Company's former President and a number of senior executives that had not been disclosed to, or authorized by, the Board of Directors or Compensation Committee. The validity and enforceability of these unauthorized agreements with the senior executives, as well as the Separation Agreement entered into with Bull Moose Tube Company's former President, is the subject of a lawsuit pending in the Circuit Court of the City of St. Louis, Missouri. Bull Moose Tube Company is seeking a declaration that the unauthorized agreements are invalid and to recover any severance payments and other benefits paid to its former senior executives, including approximately \$2.5m paid to the former President. Bull Moose Tube Company's former senior executives are seeking to enforce the terms of the unauthorized agreements. If successful, the Company estimates the amount of compensation and benefits payable to the former senior executives would exceed approximately \$7.3 million. The directors of Bull Moose Tube Company are confident of the Company's claims and defenses in the pending litigation but cannot be certain of the outcome, and have therefore provided in full against the claim in 2020.

The Company is continuing to monitor the ongoing litigation and the likelihood of the exposed amounts being paid out. Following these events, Bull Moose Tube Company has appointed new Chief Executive and Chief Financial Officers, and a number of other senior executives.

Directors liabilities

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

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

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

Caparo Holdings (US) Limited

Directors' Report for the Year Ended 31 December 2019

Reappointment of auditor

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

Approved by the Board on 18 May 2021 and signed on its behalf by:



.....
D P Lancaster
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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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 2019 and of the group's loss 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 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 26.

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 Kingdom 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 Financial Reporting Council's (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.

Caparo Holdings (US) Limited

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 have 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.

Caparo Holdings (US) Limited

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

Matters on which we are required to report by exception

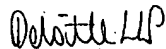
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, 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: 18 May 2021

Caparo Holdings (US) Limited

Consolidated Profit and Loss Account for the Year Ended 31 December 2019

	Note.	2019 \$ 000	As restated 2018 \$ 000
Turnover	3	539,700	610,700
Cost of sales		<u>(451,900)</u>	<u>(462,500)</u>
Gross profit		87,800	148,200
Distribution costs		(39,200)	(33,800)
Administrative expenses		(41,100)	(40,300)
Other operating (expense)/income		<u>(11,100)</u>	<u>(2,000)</u>
Operating (loss)/profit	4	(3,600)	72,100
Other interest receivable and similar income		2,400	1,900
Interest payable and similar expenses	5	<u>(2,400)</u>	<u>(3,300)</u>
(Loss)/profit before taxation		(3,600)	70,700
Tax on profit	9	<u>(3,800)</u>	<u>(8,500)</u>
(Loss)/profit for the financial year		<u><u>(7,400)</u></u>	<u><u>62,200</u></u>
(Loss)/Profit attributable to:			
Owners of the company		<u><u>(7,400)</u></u>	<u><u>62,200</u></u>

The above results were derived from continuing operations.

Caparo Holdings (US) Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2019

	2019 \$ 000	2018 \$ 000
(Loss)/profit for the year	(7,400)	62,200
Currency translation difference on foreign currency net investments	<u>700</u>	<u>(1,100)</u>
Total comprehensive (expense)/income for the year	<u>(6,700)</u>	<u>61,100</u>
Total comprehensive (expense)/income attributable to:		
Owners of the company	<u>(6,700)</u>	<u>61,100</u>

The notes on pages 24 to 55 form an integral part of these financial statements.

Caparo Holdings (US) Limited

(Registration number: 02230563)

Consolidated Balance Sheet as at 31 December 2019

	Note	2019 \$ 000	2018 \$ 000
Fixed assets			
Intangible assets	10	7,200	8,300
Goodwill	10	4,500	5,200
Tangible assets	11	52,300	50,300
Investments in associates	12	4,000	4,100
		<u>68,000</u>	<u>67,900</u>
Current assets			
Stocks	13	54,300	95,800
Debtors due in less than one year	14	47,400	57,500
Debtors due after more than one year	14	26,000	22,100
Cash at bank and in hand	15	42,800	49,200
		<u>170,500</u>	<u>224,600</u>
Creditors: Amounts falling due within one year	16	<u>(50,700)</u>	<u>(44,700)</u>
Net current assets		<u>119,800</u>	<u>179,900</u>
Total assets less current liabilities		<u>187,800</u>	<u>247,800</u>
Creditors: Amounts falling due after more than one year	16	(20,800)	(61,900)
Provisions for liabilities	18	<u>(13,600)</u>	<u>(16,900)</u>
Net assets		<u>153,400</u>	<u>169,000</u>
Capital and reserves			
Called up share capital	19	-	-
Share premium account	19	17,300	17,300
Retained earnings		<u>136,100</u>	<u>151,700</u>
Equity attributable to owners of the company		<u>153,400</u>	<u>169,000</u>
Total equity		<u>153,400</u>	<u>169,000</u>

Approved and authorised by the Board on 18 May 2021, and signed on its behalf by:



D P Dancaster
Director

The notes on pages 24 to 55 form an integral part of these financial statements.

Caparo Holdings (US) Limited

(Registration number: 02230563)

Company Balance Sheet as at 31 December 2019

	Note	2019 \$ 000	2018 \$ 000
Fixed assets			
Investments	12	52,200	52,200
Current assets			
Debtors due in less than one year	14	1,300	3,900
Debtors due after more than one year	14	89,500	89,600
Cash at bank and in hand		100	1,400
		<u>90,900</u>	<u>94,900</u>
Creditors: Amounts falling due within one year	16	<u>(1,100)</u>	<u>(400)</u>
Net current assets		<u>89,800</u>	<u>94,500</u>
Total assets less current liabilities		142,000	146,700
Creditors: Amounts falling due after more than one year	16	<u>-</u>	<u>(200)</u>
Net assets		<u>142,000</u>	<u>146,500</u>
Capital and reserves			
Called up share capital	19	-	-
Share premium reserve	19	17,300	17,300
Retained earnings		<u>124,700</u>	<u>129,200</u>
Total equity		<u>142,000</u>	<u>146,500</u>

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 \$4,400,000 (2018 - \$4,300,000).

Approved and authorised by the Board on 18 May 2021 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 2019

	Called Up Share capital \$ 000	Share premium \$ 000	Retained earnings \$ 000	Total equity \$ 000
At 1 January 2019	-	17,300	151,700	169,000
Loss for the year	-	-	(7,400)	(7,400)
Currency translation difference on foreign currency net investments	-	-	700	700
Total comprehensive expense	-	-	(6,700)	(6,700)
Dividends (Note 20)	-	-	(8,900)	(8,900)
At 31 December 2019	-	17,300	136,100	153,400
	Called Up Share capital \$ 000	Share premium \$ 000	Retained earnings \$ 000	Total equity \$ 000
At 1 January 2018	-	17,300	90,600	107,900
Profit for the year	-	-	62,200	62,200
Currency translation difference on foreign currency net investments	-	-	(1,100)	(1,100)
Total comprehensive income	-	-	61,100	61,100
At 31 December 2018	-	17,300	151,700	169,000

The notes on pages 24 to 55 form an integral part of these financial statements.

Caparo Holdings (US) Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2019

	Called Up Share capital \$ 000	Share premium \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2019	-	17,300	129,200	146,500
Profit for the year	-	-	4,400	4,400
Total comprehensive income	-	-	4,400	4,400
Dividends (Note 20)	-	-	(8,900)	(8,900)
At 31 December 2019	-	17,300	124,700	142,000
	Called Up Share capital \$ 000	Share premium \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2018	-	17,300	124,900	142,200
Profit for the year	-	-	4,300	4,300
Total comprehensive income	-	-	4,300	4,300
At 31 December 2018	-	17,300	129,200	146,500

The notes on pages 24 to 55 form an integral part of these financial statements.

Caparo Holdings (US) Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2019

	Note	2019 \$ 000	2018 \$ 000
Cash flows from/(used in) operating activities			
(Loss)/profit for the year		(7,400)	62,200
Adjustments for:			
Depreciation and amortisation	4	11,100	11,100
Loss on disposal of property plant and equipment		200	-
Finance income		(2,400)	(1,900)
Finance costs	5	2,400	3,300
Income tax expense	9	3,800	8,500
Share of losses of associates		5,100	1,500
Impairment of investments		6,600	-
		<u>19,400</u>	<u>84,700</u>
Working capital adjustments			
Decrease/(increase) in inventories		41,500	(22,100)
Increase in trade and other receivables		(2,100)	(1,600)
Increase/(decrease) in trade and other payables		5,400	(9,200)
		<u>64,200</u>	<u>51,800</u>
Cash generated from operations		64,200	51,800
Income taxes paid		(7,300)	(7,500)
Net cash flow from operating activities		<u>56,900</u>	<u>44,300</u>
Cash flows from/(used in) investing activities			
Acquisitions of property plant and equipment		(11,300)	(9,400)
Acquisition of investments in associates	12	(800)	-
Net cash flows used in investing activities		<u>(12,100)</u>	<u>(9,400)</u>
Cash flows from/(used in) financing activities			
Interest received		1,300	1,900
Interest paid		(2,400)	(3,300)
Proceeds from bank borrowing draw downs		5,100	100
Repayment of bank borrowing		(47,000)	(9,800)
Dividends paid		(8,900)	-
Net cash flows from financing activities		<u>(51,900)</u>	<u>(11,100)</u>
Net (decrease)/increase in cash and cash equivalents		(7,100)	23,800
Cash and cash equivalents at 1 January		49,200	26,700
Currency translation differences		700	(1,300)
Cash and cash equivalents at 31 December		<u>42,800</u>	<u>49,200</u>

The notes on pages 24 to 55 form an integral part of these financial statements.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

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 (Company) 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 2019.

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 \$4.4m (2018 - profit of \$4.3m).

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.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

2 Accounting policies (continued)

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.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

2 Accounting policies (continued)

Going concern

As at the 31 December 2019, the group had net assets of \$153.4m (2018 - \$169.0m) and net current assets of \$119.8m (2018 - \$179.9m). In 2019 the group generated net cashflow from operating activities of \$56.9m (2018: \$44.3m).

Each of the group's two trading subsidiary groupings, Bull Moose Tube and Bull Moose Heavy Haul, have separate banking facilities. Neither of these facilities has recourse to any company outside of its subsidiary grouping, including to the parent company, Caparo Holdings (US) Limited.

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. Following the generation of significant surplus cash, Bull Moose Tube was able to prepay \$33.1m of the term loan element of its facility in the first quarter of 2019, in addition to the scheduled annual repayment of \$7,500. As a result, Bull Moose Tube was able to reduce its annual term loan repayment commitment for 2020 and 2021 from \$7.5m to \$2.5m. The company has continued to trade profitably and generate significant cash, and held approximately \$38m at end March 2021.

In the first quarter of 2019, Bull Moose Heavy Haul breached its bank Total Debt to EBITDA covenant. In June 2019, Bull Moose Heavy Haul refinanced its debt with a new bank loan. Following a year of successful trading in 2020, the company held approximately \$7m of cash at end March 2021.

Subsequent to the first quarter of 2019, throughout the remainder of that year and 2020, and to the date of these financial statements in 2021, all companies within the group have remained in full compliance with their banking facility covenants.

The directors have reviewed cash flow forecasts for the twelve months subsequent to the date of these financial statements, 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 group have adequate resources to continue in operational existence for the foreseeable future. In undertaking their review, the directors have adopted assumptions for trading during the forecast period consistent with actual trading experience across the course of the Covid-19 pandemic during 2020 and the first quarter of 2021 for both the Bull Moose Tube and XL Bull Moose Mobility businesses. The group's manufacturing businesses are mainly involved in steel processing and conversion, where the steel raw material cost represents a substantial proportion of the selling price of the finished product. The cost of steel can be subject to significant movements on a daily basis, reflecting demand and supply issues specific to the sector, and both local and global economic conditions. Similarly, the prices which the group can obtain for its products, while materially influenced by the price of steel, may be affected by other factors specific to those products. As a result both gross margins and the volume of product that the group is able to sell may vary from day to day for reasons outside of the group's control, with a material effect on the cashflows and profitability of these businesses. The group seeks to minimise these risks through constant monitoring of factors affecting its supply chains and customers, anticipation and rapid response to actual or expected change in these factors, and close control of working capital to match market conditions. In the forecasts steel prices and the selling prices of the group's products have been assumed to remain at the same level as at the time of preparation of the group's forecasts. While there is no direct correlation between movements in steel purchase costs, selling prices of tubular products and profitability, in considering their forecasts the management has reviewed a number of scenarios. The management estimate that, in certain circumstances, an announcement of a 10% reduction in the cost of steel by suppliers would result in a reduction by Bull Moose in selling prices by 5.4% of that amount per ton within one month, a further 2.5% within two months, and 2.2% in three months. Management would, however, also expect to see that as a result of the steel price reduction, steel would be purchased at lower cost from 30 days after the date of announcement of the price reduction.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

2 Accounting policies (continued)

Going concern (continued)

The directors have also taken into consideration the cash currently available to the group of c. \$45m, and available headroom on the group's banking facilities. Accordingly, the directors have concluded that there is no material uncertainty regarding the ability of the group to continue as a going concern. The directors therefore continue to adopt the going concern basis in preparing the financial statements.

Prior period error

In previous sets of financial statements, freight expenses under Bull Moose Tube's contracts with customers were netted off against income within turnover. However, following a review of the Group's accounting policies, the directors have concluded that revenue should be stated gross with freight expenses being shown separately as a component within distribution costs.

This ensures that the Group includes in revenue the gross inflows of economic benefits such that revenue is measured at the fair value of the consideration received or receivable in accordance with sections 23.4 and 23.3 of FRS102 respectively. As a result the Group has reclassified for 2018 \$27.2m of prior year freight expenses relating to Bull Moose Tube from turnover to distribution costs.

The Group has treated this as a prior period error under FRS102, and has restated the 2018 results accordingly.

This is demonstrated for the restated 2018 consolidated results in the table below:

	Revised \$ 000	Original \$ 000
Turnover	610,700	583,500
Cost of sales	462,500	462,500
Gross Profit	148,200	121,000
Distribution costs	33,800	6,600
Operating profit before administrative and other operating expenses	114,400	114,400

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.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

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.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

2 Accounting policies (continued)

The group is entitled to certain Federal Historic Tax Credits arising from its development partnership to re-develop a former commercial building in central St Louis, Missouri as the Angad Arts Hotel. While development of the hotel was completed in 2018, full entitlement to the Federal Historic Tax Credits does not arise until certain pre-conditions are met. It is the group's policy to only recognise the value of the Federal Historic Tax Credits as a deferred tax asset to the extent that such preconditions have been met.

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. Assets under construction include these directly attributable incremental costs for assets not yet placed into service and are recorded at cost.

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 on a straight line basis, 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

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

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.

Investment income

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.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

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 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.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

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 balance sheet 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.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

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 and key sources of estimation uncertainty

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. The directors do not consider that there were any material critical accounting judgements made during the period.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

2 Accounting policies (continued)

Key sources of estimation uncertainty

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. The directors have also recognised as a deferred tax asset the value of \$5m attributable to certain Federal Historic Tax Credits associated with the group's US property development activities. In recognising these balances, there is judgement involved with regards to the recognition and recoverability of the tax credits. The directors consider that the available tax credits will be deductible against the future tax liabilities of the group's US subsidiaries which are forecast to remain profitable for the foreseeable future. The directors have also assumed that those subsidiaries involved in property development will continue to remain members of the associated partnership with at least a 40% share of rental receipts until the group's share of rental receipts equals 50% of the qualified expenses on which the credit is calculated.

Impairment of investments

The company's investments in its subsidiaries are held at cost less impairment. The investments in associates are held under the equity method of accounting. In assessing whether the value of these investments has been impaired, the directors take into account the trading performance of these businesses and publicly available information on the valuation of similar businesses, such as market value and enterprise value. Having considered the value of the company's subsidiaries and associates on this basis, the directors have made an impairment provision of \$6.6m against the cost of investment in associates of \$10.6m during the year (2018: \$nil)

Debtors provision

The doubtful debt provision reflects the directors view of the probable credit risk within the customer portfolio. The Group does not provide for a general credit risk provision but looks at customers on a case-by-case basis. The customer base of the Group is very broad. Not all of the Group'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. Management 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 Management's assessment of likely losses. The level of actual losses depends on the outcome of uncertain events on a customer by customer basis and on the overall health of the economy and specifically the steel/construction sectors. The debtors balances considered to be at risk amounted to \$36.5m (2018 - \$33.7m), against which the group held provisions of \$965,000 (2018 - \$820,000).

Other receivables

Other receivables of \$18.3m (2018 - \$15.6m) substantially comprise loans to a number of property investment activities, as detailed in note 14. The recoverability of these loans is dependent on the successful completion of these projects, substantially in accordance with their budgets, their initial trading, and their ultimate refinancing or sale. The outcome of these events is dependent on many factors on which there can be no certainty, such as contractors performance, weather conditions during construction, levels of rental income achieved or trading performance of the businesses underlying the property investments (such as the Angad Arts Hotel), future market conditions, the macro-economic outlook and the availability of finance or purchasers at the point of refinancing or sale.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

2 Accounting policies (continued)

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. The value of the stock considered to be at risk amounted to \$55.5m (2018 - \$98.2m), against which the group held provisions of \$1.2m (2018 - \$2.4m).

3 Revenue

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

	2019 \$ 000	As restated 2018 \$ 000
Turnover	<u>539,700</u>	<u>610,700</u>

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

	2019 \$ 000	As restated 2018 \$ 000
Steel and Transportation products	<u>539,700</u>	<u>610,700</u>

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

	2019 \$ 000	As restated 2018 \$ 000
North America	539,500	610,600
Rest of world	<u>200</u>	<u>100</u>
	<u>539,700</u>	<u>610,700</u>

4 Operating profit

Arrived at after charging/(crediting):

	2019 \$ 000	2018 \$ 000
Depreciation expense	9,300	9,200
Amortisation expense	1,800	1,900
Impairment costs	6,600	-
Operating lease expense - plant and machinery	2,000	1,300
Operating lease expense - other	500	400
Loss on disposal of property, plant and equipment	200	-
Cost of stock recognised as an expense	355,000	376,900
Debtors provision	<u>200</u>	<u>(300)</u>

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

5 Interest payable and similar charges

	2019 \$ 000	2018 \$ 000
Interest on bank overdrafts and borrowings	<u>2,400</u>	<u>3,300</u>

6 Staff costs

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

	2019 \$ 000	2018 \$ 000
Wages and salaries	59,100	51,900
Social security costs	12,400	12,100
Pension costs, defined contribution scheme	<u>1,700</u>	<u>1,700</u>
	<u>73,200</u>	<u>65,700</u>

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

	2019 No.	2018 No.
Production	<u>557</u>	<u>557</u>
Administration and support	<u>165</u>	<u>166</u>
	<u>722</u>	<u>723</u>

7 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.

Key management are defined as those persons having authority and responsibility for planning, directing and controlling the activities of this entity. Compensation paid to key management amounted to \$5,723,715 (2018 - \$5,279,127).

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

8 Auditor's remuneration

	2019	2018
	\$ 000	\$ 000
Other fees to auditor		
Fees payable to the company's auditor for the audit of the company's annual consolidated financial statements	62	23
Fees payable to the company's auditor for the audit of the subsidiary company's annual financial statements	212	210
Taxation services (all in relation to tax compliance)	243	348
	<u>517</u>	<u>581</u>

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

9 Income tax

Tax charged in the Profit and loss account

	2019 \$ 000	2018 \$ 000
Current taxation		
Overseas corporation tax	2,300	8,400
Overseas corporation tax adjustment to prior periods	2,500	(800)
	<u>4,800</u>	<u>7,600</u>
Domestic corporation tax	1,000	400
Total current income tax	<u>5,800</u>	<u>8,000</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(4,100)	7,500
Adjustment in respect of previous periods	2,100	(7,000)
Total deferred taxation	<u>(2,000)</u>	<u>500</u>
Tax expense in the Profit and loss account	<u>3,800</u>	<u>8,500</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 \$ 000	2018 \$ 000
(Loss)/profit before tax	<u>(3,600)</u>	<u>70,700</u>
Corporation tax at standard rate	(700)	13,300
Expenses not deductible/(income not taxable) for tax purposes	2,300	(200)
Effect of foreign tax rates	(600)	2,700
Increase/(decrease) in UK and foreign current and deferred tax from adjustment for prior periods	4,600	(500)
Movement in other short-term timing differences	200	800
Tax credits	(1,000)	-
Historic tax credit	-	(7,600)
Movement in uncertain tax positions	(1,100)	-
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>100</u>	<u>-</u>
Total tax charge	<u>3,800</u>	<u>8,500</u>

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

9 Income tax (continued)

Deferred tax

	Provided 2019 \$000	Unprovided 2019 \$000	Provided 2018 \$000	Unprovided 2018 \$000
Group - asset				
Other timing differences	8,300	3,900	8,500	-
	<u>8,300</u>	<u>3,900</u>	<u>8,500</u>	<u>-</u>
Group - provision				
Accelerated capital allowances	(6,800)	-	(5,400)	-
Other timing differences	(6,800)	-	(10,400)	-
	<u>(13,600)</u>	<u>-</u>	<u>(15,800)</u>	<u>-</u>
Company - asset				
Losses	-	-	-	-

	Included in debtors \$000	Included in Provisions \$000	Total \$000
Group			
At 1 January 2019	(8,500)	15,800	7,300
Charged/(credited) to the profit and loss account	200	(2,300)	(2,100)
Rounding	-	100	100
At 31 December 2019	<u>(8,300)</u>	<u>13,600</u>	<u>5,300</u>
Company			
At 1 January 2019	-	-	-
Charged/(credited) to the profit and loss account	-	-	-
At 31 December 2019	<u>-</u>	<u>-</u>	<u>-</u>

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

9 Income tax (continued)

The Finance Act (No 2) 2015 set the UK corporate income tax rate for financial years 2019 at 19% and 2020 at 18%, and Finance Act 2016 subsequently reduced the rate for financial year 2020 from 18% to 17%. However, it was announced at the Budget on 11 March 2020 and enacted in Finance Act 2020 that the UK corporate tax rate shall not be reduced from financial year 2020 and shall remain at 19% from 1 April 2020. This change was substantively enacted after the balance sheet date. There is no material impact of this change.

As recently announced in the 2021 Budget on 3 March 2021, the corporate income tax rate shall increase to 25% from financial year 2023. This rate change is expected to be enacted later in the year.

The group's overseas 2019 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 21%.

The group has potential deferred tax assets of \$3.9m (2018 - \$2m) which have not been recognised due to the uncertainty as to when or whether they will crystallise in the future. The company has unrecognised deferred tax assets of \$Nil (2018 - \$Nil).

There is no expiry date on timing differences, unused tax losses or tax credits.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

10 Intangible assets

Group

	Goodwill \$ 000	Trademarks, patents and licenses \$ 000	Total \$ 000
Cost or valuation			
At 1 January 2019 and 31 December 2018	7,400	12,000	19,400
Amortisation			
At 1 January 2019	2,200	3,700	5,900
Amortisation charge	700	1,100	1,800
At 31 December 2019	2,900	4,800	7,700
Carrying amount			
At 31 December 2019	4,500	7,200	11,700
At 31 December 2018	5,200	8,300	13,500

The aggregate amount of research and development expenditure recognised as an expense during the period is \$Nil (2018 - \$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 2019 of \$11.7m (31 December 2018 - \$13.5m) 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.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

11 Tangible assets

Group	Land and buildings \$ 000	Motor vehicles \$ 000	Plant and Machinery \$ 000	Total \$ 000
Cost				
At 1 January 2019	45,200	100	158,100	203,400
Additions	1,200	-	10,100	11,300
Disposals	-	-	(1,500)	(1,500)
Foreign exchange movements	100	-	500	600
At 31 December 2019	<u>46,500</u>	<u>100</u>	<u>167,200</u>	<u>213,800</u>
Depreciation				
At 1 January 2019	34,200	100	118,800	153,100
Charge for the year	1,100	-	8,200	9,300
Disposals	-	-	(1,400)	(1,400)
Foreign exchange movements	100	-	400	500
At 31 December 2019	<u>35,400</u>	<u>100</u>	<u>126,000</u>	<u>161,500</u>
Carrying amount				
At 31 December 2019	<u>11,100</u>	<u>-</u>	<u>41,200</u>	<u>52,300</u>
At 31 December 2018	<u>11,000</u>	<u>-</u>	<u>39,300</u>	<u>50,300</u>

Included within the net book value of land and buildings above is \$11.1m (2018 - \$11.0m) in respect of freehold land and buildings.

Included within the net book value of plant and machinery above is \$2.0m (2018 - \$3.6m) in respect of assets under construction.

Tangible fixed assets with a carrying amount of \$52.3m (2018 - \$50.3m) 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.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

12 Investments

Group

Details of undertakings

	Investment in associates \$ 000
Cost	
At 1 January 2019	4,100
Investment additions	11,600
Share of losses	(5,100)
At 31 December 2019	<u>10,600</u>
Provisions for impairment	
At 1 January 2019	-
Impairment charge	6,600
At 31 December 2019	<u>6,600</u>
Carrying Value	<u>4,000</u>

Investments are held at cost less impairment because their fair value cannot be measured reliably.

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) to undertake a St. Louis, Missouri building redevelopment project. The project has converted an empty historic building into a small luxury hotel, office space and retail accommodation. The renovations were completed during 2018.

Following commencement of trading in late 2018, the directors reassessed the carrying value of the group's hotel investments against expected future recoverable amounts as at the end of 2019. Following this review, the group made an impairment charge of \$6.6m.

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

During 2019, a subsidiary of Caparo Bull Moose, Inc., invested an additional \$7.6m in the federal historic tax credit originating from this same project. \$6.6m of this additional investment came as a conversion of an existing bridge loan for equity in a related company which holds the federal historic tax credit entitlement. Also, a subsidiary of Caparo Bull Moose, Inc., converted a \$4.0m loan into 40% equity of FOPA MM, LLC., the managing member of the City Foundry project.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

12 Investments (continued)

Company	2019 \$ 000	2018 \$ 000
Investments in subsidiaries	<u>52,200</u>	<u>52,200</u>
Subsidiaries		\$ 000
Cost		
At 1 January 2019 and 31 December 2019		<u>52,200</u>

At the year end the Company owned 100% of the ordinary issued share capital of Caparo Bull Moose Inc, a company registered, in the United States of America, with a registered address at 1819 Clarkson Road, Suite 100, Chesterfield, MO 63017. The principal activity of Caparo Bull Moose Inc is that of a holding company. The Company also owned 100% of the ordinary issued share capital of Caparo Holdings Canada Limited, a company registered in England and Wales, with a registered address at Caparo House, 103 Baker Street, London, W1U 6LN. The principal activity of Caparo Holdings Canada Limited is that of a holding company. Both of these companies are direct subsidiaries of Caparo Holdings (US) Limited.

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

Subsidiary undertakings	Principal activity	Percentage of ordinary shares held		Country of incorporation or principal business address	Registered office address
		2019	2018		
Vehicle Components Caparo de Mexico	Dormant	100%	100%	Mexico	1819 Clarkson Road, Suite 100, Chesterfield, MO 63017
Caparo 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
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

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

12 Investments (continued)

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
Caparo 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	Real estate investment	100%	100%	USA	1819 Clarkson Road, Suite 100, Chesterfield, MO 63017
Caparo 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
Caparo Componentes Vehiculares de México S De RL CV	Dormant	100%	100%	Mexico	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

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

13 Stocks

	Group	
	2019 \$ 000	2018 \$ 000
Raw materials and consumables	22,500	36,200
Work in progress	6,700	11,700
Finished goods and goods for resale	25,100	47,900
	<u>54,300</u>	<u>95,800</u>

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 \$54.3m (2018 - \$95.8m) of stock was pledged as security for borrowings of the group. Further details are set out in Note 17.

14 Debtors

		Group		Company	
	Note	2019 \$ 000	2018 \$ 000	2019 \$ 000	2018 \$ 000
Trade debtors		35,500	32,500	-	-
Amounts owed by related parties		-	3,900	-	3,900
Amounts owed by group undertakings		-	-	90,800	89,600
Other receivables		18,300	15,600	-	-
Convertible loan notes and similar instruments		2,000	11,100	-	-
Prepayments		5,200	5,000	-	-
Deferred tax assets	9	8,300	8,500	-	-
Income tax asset		4,100	3,000	-	-
Total trade and other receivables		<u>73,400</u>	<u>79,600</u>	<u>90,800</u>	<u>93,500</u>

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

14 Debtors (continued)

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

	Group		Company	
	2019	2018	2019	2018
	\$ 000	\$ 000	\$ 000	\$000
Convertible loan notes and similar instruments	1,500	400	-	-
Amounts owed by group undertakings	-	-	89,500	89,600
Other receivables	14,800	11,800	-	-
Prepayments	1,400	1,400	-	-
Deferred tax assets	8,300	8,500	-	-
	<u>26,000</u>	<u>22,100</u>	<u>89,500</u>	<u>89,600</u>

Amounts owed to the Company 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 originally maturing in March 2023 and \$4m at a rate of 7% due from Caparo Bull Moose, Inc originally maturing in March 2021.

In April 2020, the Company consented to Caparo Bull Moose, Inc., amending its Articles of Incorporation to authorize a new class of non-voting common stock. As part of the consent, Caparo Holdings (US) Limited contributed its \$85.5m of notes receivable due from Bull Moose Tube Company to Caparo Bull Moose, Inc., in exchange for shares of the new class of non-voting common stock.

In September 2020, the Company consented to Caparo Bull Moose, Inc., amending the terms of its \$4m Promissory Note to the Company such that its term of maturity was extended until March 2022, and the rate of interest payable was reduced to 4.82% from 30 September 2020.

As at the balance sheet date \$35.5m (2018 - \$32.5m) of debtors was pledged as security for borrowings of the group.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

14 Debtors (continued)

Other receivables 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:

- \$3.75m 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 Caparo Funding LLC, wholly owned subsidiary of Caparo Bull Moose, Inc. 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 Caparo Funding LLC.

- \$4.9m 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.

- \$2.8m to 634 HTC Partners LLC, as a bridge loan, for certain Federal Historic Tax Credits. Interest is payable at 13%. Maturity date was extended on December 31, 2019 to December 31, 2022.

Convertible Loan notes and Similar Instruments includes the following provision of funding by group companies to various entities involved as partners with the group in the real estate activities to redevelop property in St Louis, Missouri:

- \$0.7m to Vande South Partners LLC for predevelopment expenses for property adjacent to City Foundry project. The loan bears interest at 9% with a maturity date of 31 December 2022 and carries an option to convert into a 40% member interest in Caparo City Foundry Real Estate Holdings, LLC at maturity.

- \$0.4m to Vande East Partners LLC for predevelopment expenses for property adjacent to City Foundry project. The loan bears interest at 9% with a maturity date of 31 December 2022 and carries an option to convert into a 40% member interest in Caparo City Foundry Real Estate Holdings, LLC at maturity.

- \$0.4m to Vande North Partners LLC for predevelopment expenses for property adjacent to City Foundry project. The loan bears interest at 9% with a maturity date of 31 December 2022 and carries an option to convert into a 40% member interest in Caparo City Foundry Real Estate Holdings, LLC at maturity.

- \$0.455m 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 or after 1 January 2019, and carries an option to convert to a 40% interest in the borrower, exercisable at the lenders discretion, at par. The loan has been valued at par, as the directors consider no additional value accrues on conversion to equity.

- \$6.6m to TLG 634 Nth Grand LLC, as a bridge loan until the property is accredited for certain Federal Historic Tax Credits which occurred in August 2019. In September 2019, \$6.2m in principal and in November \$0.4m in principal and \$0.2m in interest were converted into equity in a related company that leases the property and is entitled to the Federal Historic Tax Credits.

- \$4.0m to FOPA Partners, LLC, owner of the City Foundry development site in St-Louis Missouri. The loan was converted into 40% of the equity of the borrower in July 2019.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

15 Cash at bank and in hand

	Group		Company	
	2019 \$ 000	2018 \$ 000	2019 \$ 000	2018 \$ 000
Cash at bank	42,800	49,200	100	1,400

Included in the Group's cash balance is \$300k (2018: \$300k) that is restricted as a worker's compensation deposit.

16 Creditors

		Group		Company	
	Note	2019 \$ 000	2018 \$ 000	2019 \$ 000	2018 \$ 000
Due within one year					
Loans and borrowings	17	8,500	9,400	-	-
Trade creditors		14,700	15,500	-	-
Social security and other taxes		600	300	-	-
Accruals and deferred income		25,900	19,100	100	-
Income tax liability	9	1,000	400	1,000	400
		<u>50,700</u>	<u>44,700</u>	<u>1,100</u>	<u>400</u>
Due after more than one year					
Loans and borrowings	17	20,800	61,800	-	-
Accruals and deferred income		-	100	-	200
		<u>20,800</u>	<u>61,900</u>	<u>-</u>	<u>200</u>

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

17 Loans and borrowings

	Group		Company	
	2019 \$ 000	2018 \$ 000	2019 \$ 000	2018 \$ 000
Non-current loans and borrowings				
Bank borrowings	<u>20,800</u>	<u>61,800</u>	<u>-</u>	<u>-</u>
	Group		Company	
	2019 \$ 000	2018 \$ 000	2019 \$ 000	2018 \$ 000
Current loans and borrowings				
Bank borrowings	<u>8,500</u>	<u>9,400</u>	<u>-</u>	<u>-</u>

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:

	2019 \$ 000	2018 \$ 000
< 1 Year	8,500	13,500
2 - 5 Years	<u>20,800</u>	<u>57,700</u>
	<u>29,300</u>	<u>71,200</u>

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 2019 \$25,000,000 was outstanding on the term loan and \$Nil on the revolver (2018 - \$65,625,000 and \$Nil, 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 2019, \$25,000,000 was covered by a LIBOR contract at an interest rate of 3.80% maturing on 31 January 2020. At 31 December 2018, \$65,625,000 was covered by a LIBOR contract at an interest rate of 4.40% maturing on 31 January 2019.

During 2019, Bull Moose Tube Company made the scheduled quarterly principal payments totaling \$7,500,000 and made voluntary principal payments totaling \$33,125,000 over the course of the year. These voluntary payments do not affect any future scheduled principal payments other than reducing the amount due upon maturity.

During April 2020, Bull Moose Tube Company further amended the 2017 Amended and Restated Loan Agreement to reduce future quarterly principal payments to \$625,000 effective with the June 2020 payment. The remaining outstanding principal balance remains due in September 2022.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

17 Loans and borrowings (continued)

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 \$5,983,000 was outstanding at 31 December 2018 on the term note and \$nil was outstanding on the revolver. During June 2019, the Company refinanced the existing debt with a new lender subject to certain restrictive covenants. Those covenants include that Bull Moose Heavy Haul maintains a ratio of minimum fixed charge coverage in excess of 1.2 to 1 and a ratio of maximum cash flow leverage not in excess of 3.0 to 1.0, both as measured on a quarterly basis. The term component was \$5,000,000 and the revolver was \$1,750,000. At 31 December 2019, \$4,500,000 was outstanding on the term debt at 4.16% and \$nil was outstanding on the revolver. This debt is secured by substantially all of the Company's assets and is repayable in full by June 2024. The Company was in compliance with the covenants at 31 December 2019.

During early 2020, Bull Moose Heavy Haul amended its agreement on the new bank to defer the term debt's first quarter principal payment until maturity. No covenant breach occurred, and the Company continues to be in compliance with the covenants.

Unamortised debt issuance costs of \$0.310m (2018 - \$0.422m) are netted against the outstanding principal amounts in the financial statements.

18 Provisions

Group	Other \$ 000	Deferred Tax \$ 000	Total \$ 000
At 1 January 2019	1,100	15,800	16,900
Charged to the profit and loss account	(1,100)	(2,300)	(3,400)
Rounding	-	100	100
At 31 December 2019	-	13,600	13,600

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

19 Share capital and reserves

Allotted, called up and fully paid shares

	2019		2018	
	No.	\$ 000	No.	\$ 000
Ordinary shares of £1.00 (\$2) each	102	0.17	102	0.17

Other reserves

The group's and company's other reserves are as follows:

The profit and loss reserve represents cumulative profits and losses, net of dividends paid and other adjustments. The share premium account represents amounts received by the company over and above the nominal value of the shares issued.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

20 Dividends

During 2019 an interim dividend of \$86,863 per ordinary share was declared and paid, which was settled through a repayment of the loan to Jalia Holding S.A (2018: \$nil).

21 Obligations under leases and hire purchase contracts

Group

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

	2019			2018		
	Land & Buildings	Other	Total	Land & Buildings	Other	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Not later than one year	2,162	191	2,353	1,968	77	2,045
Later than one year and not later than five years	4,876	602	5,478	5,458	599	6,057
Later than five years	4,109	212	4,321	5,167	-	5,167
	<u>11,147</u>	<u>1,005</u>	<u>12,152</u>	<u>12,593</u>	<u>676</u>	<u>13,269</u>

The company does not have any obligations under finance leases for the current or previous year.

22 Related party transactions

Group and Company

Summary of transactions with other related parties

During the year the Company lent Jalia Holding S.A., the immediate parent of the Company, ("Jalia") \$4,900k (2018 - \$3,900k) and received \$nil (2018 - \$nil) as repayment of borrowings. The company paid a dividend to Jalia in the year of \$8,860k (2018 - \$nil) in settlement of outstanding balances due by Jalia to the Company. At 31 December 2019 the group was owed \$nil by Jalia (2018 - \$3,900). The loans are non-interest bearing and repayable on demand.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Notes to the Financial Statements (continued)

23 Net debt reconciliation

Group

	At 1 January 201 9	Cash Flows	Acquisition of subsidiaries / associates	Foreign Exchange Movements	At 31 December 201 9
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Cash and cash equivalents					
Cash	49,200	(6,300)	(800)	700	42,800
Borrowings					
Short term borrowings	(9,400)	900	-	-	(8,500)
Long term borrowings	<u>(61,800)</u>	<u>41,000</u>	<u>-</u>	<u>-</u>	<u>(20,800)</u>
	<u>(22,000)</u>	<u>35,600</u>	<u>(800)</u>	<u>700</u>	<u>13,500</u>

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Notes to the Financial Statements (continued)

24 Financial instruments

Group

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

	2019	2018
	\$000	\$000
Financial assets		
Measured at amortised cost		
• Cash at bank and in hand (note 15)	42,800	49,200
• Trade and other receivables (note 14)	53,800	48,100
• Convertible loan notes & similar instruments (note 14)	2,000	11,100
• Receivables from related parties (note 14)	-	3,900
	<u>98,600</u>	<u>112,300</u>
Financial liabilities		
Measured at amortised cost		
• Loans and borrowings payable (note 17)	29,300	71,200
• Trade creditors (note 16)	14,700	15,500
	<u>44,000</u>	<u>86,700</u>
The group's income, expense, gains and losses in respect of financial instruments are summarised below:		
	2019	2018
	\$000	\$000
Interest income and expense		
Total interest income for financial assets at amortised cost	2,400	1,900
Total interest expense for financial liabilities at amortised cost	(2,400)	(3,300)
	<u>-</u>	<u>(1,400)</u>

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.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

Notes to the Financial Statements (continued)

26 Non adjusting events after the financial period

Impact of Covid-19

On 30 January 2020 the World Health Organisation declared the outbreak of the Coronavirus (Covid-19) pandemic to be a public health emergency of international concern. This is a non-adjusting subsequent event, as it does not impact the valuation of assets as at the year end date.

Since the year-end, due to the global impact of the Coronavirus (Covid-19) pandemic, the value of investments, assets and liabilities have been impacted. It is not possible, at this time, to quantify the change in market value in a meaningful way, due to ongoing volatility as the situation is fluid and unpredictable. The board are reviewing the impact of the pandemic on the operations of the company on a regular basis and are taking measures to ensure the risks faced are mitigated, which includes utilising US State and Federal Government support measures. While the Coronavirus pandemic has had a significant adverse impact on the group's hotel and property investments, the Bull Moose Tube and Bull Moose Heavy Haul manufacturing businesses have both traded strongly during 2020 and the first quarter of 2021.

Non-voting common stock

In April 2020, Caparo Holdings (US) Limited consented to Caparo Bull Moose, Inc., amending its Articles of Incorporation to authorize a new class of non-voting common stock. As part of the consent, Caparo Holdings (US) Limited contributed its \$85.5m of notes receivable due from Bull Moose Tube Company to Caparo Bull Moose, Inc., in exchange for shares of the new class of non-voting common stock.

Departing senior executives

Subsequent to the year-end, the group's Bull Moose Tube Company subsidiary terminated the employment of a number of senior executives. In connection with such terminations, Bull Moose Tube Company became aware of certain agreements entered into by Bull Moose Tube Company's former President and a number of senior executives that had not been disclosed to, or authorized by, the Board of Directors or Compensation Committee. The validity and enforceability of these unauthorized agreements with the senior executives, as well as the Separation Agreement entered into with Bull Moose Tube Company's former President, is the subject of a lawsuit pending in the Circuit Court of the City of St. Louis, Missouri. Bull Moose Tube Company is seeking a declaration that the unauthorized agreements are invalid and to recover any severance payments and other benefits paid to its former senior executives, including approximately \$2.5m paid to the former President. Bull Moose Tube Company's former senior executives are seeking to enforce the terms of the unauthorized agreements. If successful, the Company estimates the amount of compensation and benefits payable to the former senior executives would exceed approximately \$7.3 million. The directors of Bull Moose Tube Company are confident of the Company's claims and defenses in the pending litigation but cannot be certain of the outcome, and have therefore provided in full against the claim in 2020.

The Company is continuing to monitor the ongoing litigation and the likelihood of the exposed amounts being paid out. Following these events, Bull Moose Tube Company has appointed new Chief Executive and Chief Financial Officers, and a number of other senior executives.