

Registration number: 02230563

Caparo Holdings (US) Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2022



Caparo Holdings (US) Limited

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Caparo Holdings (US) Limited

Company Information

Directors The Honourable Ambar Paul (Chairman)

D P Dancaster

T A Modrowski

Company secretary Goodwill Limited

Registered office Caparo House
103 Baker Street
London
W1U 6LN
United Kingdom

Auditor Deloitte LLP
Statutory Auditor
1 New Street Square
London
United Kingdom

Caparo Holdings (US) Limited

Strategic Report for the Year Ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022.

Principal activity

The principal activity of the group is holding 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; Sinton, Texas; 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 minority partner with The Lawrence Group in projects to redevelop, own and operate a vacant historic building into a hotel, office and mixed retail complex, as well as a historic foundry site into a food court and mixed use office and retail destination, both located in central St Louis, Missouri.

Fair review and KPI's of the business

Bull Moose Tube

The Company considers Bull Moose Tube's KPI's to include sales value, tonnage of steel sold, the price of steel, operating profit and EBITDA.

The Group's activities at Bull Moose Tube contributed sales of \$984m in 2022, compared to \$1,119m in 2021. Sales volume decreased in 2022 to 561,000 tons from 586,000 tons in 2021. The cost of steel represents a significant proportion of the selling price of the tubular products that Bull Moose Tube manufactures. Steel costs as measured by the Commodities Research Unit index of hot rolled coil steel prices (the CRU) fell from \$1,650 per ton at 31 December 2021 to \$957 per ton in March 2022, as the initial recovery of the US economy from the impact of the Covid-19 pandemic slowed. Supply shortages arising from the start of the Russian/Ukrainian War caused steel prices to rise in April 2022 to \$1,473 per ton before falling each month over the rest of the year to \$667 per ton at 31 December 2022, as demand for steel fell with the return of inflation and a slowing of the global economy.

The steel market recovered through the spring of 2023, with prices reaching a high of \$1,203 per ton in April 2023 as some confidence in demand returned in the US, while steel production capacity was restricted through operational issues, before prices started to fall again in May, as rising interest rates saw the demand for tubing products soften in certain sectors.

In June 2021 Bull Moose Tube announced plans to build a 350,000 ton per year HSS and sprinkler pipe mill on the Steel Dynamics new Sinton, Texas flat-rolled steel campus. This will expand Bull Moose Tube's geographical footprint, allowing the company to better serve customers across the Southwest, West Coast and Mexico markets. It is also expected to increase Bull Moose Tube's market share in large HSS sizes and support the company's leadership position in the sprinkler pipe market. Construction continued throughout 2022, and production commenced in May 2023.

Caparo Holdings (US) Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Fair review of the business (continued)

XL Specialised Trailers

At XL Specialised Trailers, the business made a 2022 sales contribution of \$63M (2021 - \$48M). The increase in revenue was driven by continuing economic recovery from the Covid-19 pandemic, infrastructure spending legislation and additional plant capacity coming online. Pent-up market demand continued to drive XL's order book as well as a focus on managing manufacturing lead times as competitors struggled to deliver.

During 2022, the company saw continued strong activity in its order book with the addition of several new distributors and new custom-designed hauling solutions for its national dealer accounts. XL had a distinct advantage over its competitors in that it was able to offer better lead times for delivery of its products. XL believes that its customer-base considers availability of products a top priority. Material availability and rises in input costs stabilized somewhat in 2022, and where possible multiple sourcing of critical components was established.

XL operated at improved profitability as inflation stabilized and pricing mechanisms tied to cost inflation metrics protected operating margins, helping to drive growth in net income to \$5.2m (2021: \$1.2m), and an increase in net cash to \$7.4m (2021: \$3.1m) with over \$4.0m invested in property and equipment. In 2022 XL met all bank covenants and expects to continue to do so for the foreseeable future.

XL completed the majority of additional capacity construction by the end of 2022. This project added 55,000sqft to the existing 107,000sqft production area and enhanced the existing fabrication, blast cleaning and spray painting facilities.

XL has enjoyed continued strong demand through the first half of 2023. Following completion of the factory expansion in 2022, XL is undertaking a program of upgrade and enhancement of its plant and equipment.

Group results

Turnover for the Group decreased to \$1,047m in 2022 from \$1,166m in 2021.

Distribution and administrative expenses of the group for 2022 fell to \$101.0m (2021 - \$115.5m), mainly due to decreased freight costs due to volume plus decreased salaried bonus earnings at Bull Moose Tube.

The operating profit of the group for 2022 was \$59.3m (2021 - \$130.0m). After deducting interest and taxes, the profit for the year amounted to \$46.3m (2021 - \$102.0m). The decreased profit after tax resulted from the decrease in gross profit of Bull Moose Tube to \$147.2m (2021 - \$236.4m) largely as a result of reduced margins with falling steel prices and the related decrease in selling price of tubular products. In 2022, the group recorded impairment losses in its investment in the Angad Arts Hotel of \$2.2m (2021 - \$1.0m). The group also had its share of losses in the City Foundry project of \$1.1m (2021 - \$300k). The group achieved an operating profit as a percentage of sales of 5.7% (2021 - 11.1%). At the period end net assets for the group were \$336.3m (2021 - \$292.1m) with net debt of \$13.2m (2021 - \$4.0m).

The company's profit after tax for 2022 amounted to \$8.4m (2021 - \$nil). The company's only income is interest and dividends received from its North American subsidiaries. In 2022, the company received \$8.55m in (2021 - \$nil) dividends from subsidiaries owning its Canadian assets, and which it reinvested in its US asset-owning subsidiaries.

Caparo Holdings (US) Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Principal risks and uncertainties

There are a number of potential risks and uncertainties that 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.

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.

All subsidiaries within the group were in compliance with their respective bank facility covenants during 2022 and, based on trading for 2023 and forecasts until 2024, 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 tubular 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. Total claims paid were \$5.1m in 2022 and \$5.2m in 2021. These are for medical, dental and prescription costs for employees and covered spouses and dependents. The accrual for claims incurred but not yet reported was \$0.2m for 2022 and \$0.4m in 2021.

Caparo Holdings (US) Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Future developments

Details of future developments can be found in the Directors' Report on page 7 and form part of this report by cross-reference.

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 2022.

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's 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. During 2021, BMT initiated a project to build a new facility to house a new mill that will expand the product offerings of BMT. The project in Sinton, Texas, went into service in Spring 2023. XL Trailer also commenced a project to upgrade the production capability of the increased manufacturing facilities completed in 2022.

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 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. Other than T Modrowski, the directors are employed by companies outside of the Group owned by the interests of The Lord Paul of Marylebone and his family.

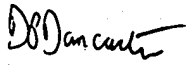
Caparo Holdings (US) Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Customers and suppliers

The Company does not have any customers. The Company's suppliers are limited to the provision of professional and banking 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 and authorised by the Board on 19.12.23 and signed on its behalf by:



.....
D P Dancaester
Director

Caparo Holdings (US) Limited

Directors' Report for the Year Ended 31 December 2022

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2022.

Directors of the group

The directors who held office during the year and to the date of this report was as follows:

The Right Honourable Lord Swraj Paul of Marylebone PC (resigned 5 May 2022)

The Honourable Ambar Paul (Chairman) (appointed 23 February 2022)

D P Dancaster

T A Modrowski (appointed 10 March 2022)

Dividends

In 2022, no dividends (\$Nil) per ordinary share was declared and paid (2021: \$Nil per ordinary share). No dividends have been paid or contemplated during 2023 or to date.

Financial risk management policies and objectives

Objectives and policies

The Company may hold or issues financial instruments to finance its operations and enter into contracts to manage risks arising from those operations and its sources of finance in accordance with its accounting policies. No such arrangements were entered into during the year, or were outstanding at the year end. Further details of the Company's risk management policies are set out in the Strategic Report on page 4 of these financial statements.

Charitable and political contributions

During the year the group made charitable donations of \$66,647 (2021 - \$24,582), principally to local charities serving the communities in which the group operates. There were no political contributions made by the group during 2022 (2021 - \$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 2022, the group trade creditor days period represented approximately 10 days' (2021 - 10 days') purchases. Further details of the Company's Engagement with suppliers, customers and others are set out in the Strategic Report on page 4 of these financial statements.

Future developments

The directors expect the company to continue as a holding company for the foreseeable future. The group has continued to develop its steel processing, trailer manufacturing and property businesses during 2023 and expects to continue to do so across North America in 2024.

Caparo Holdings (US) Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Going Concern

As at 31 December 2022, the group had net assets of \$336.3m (2021 - \$292.1m) and net current assets of \$186.1 (2021 - \$202.9m). In 2022 the group generated net cashflow from operating activities of \$141.2m (2021: \$13.0m) due to the reduction in working capital requirements as a result of the steel market.

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.

In May 2021 Bull Moose Tube repaid its prior bank facilities and entered into new facility agreements with U.S. Bank and JP Morgan Chase for \$140m of facilities, expandable to \$190m. The facilities, which are secured against the assets of Bull Moose Tube (but without recourse to other group companies) are subject to certain covenants, will bear interest at SOFR plus between 1.25% and 1.5% and are repayable in full in May 2026. The facilities will be used in part to finance the construction of the new mill at Sinton, Texas. The company has continued to trade profitably during 2023.

Following a year of successful trading in 2022, the Bull Moose Heavy Haul held in excess of \$7m of cash at the end of 2022. Throughout 2023, and to the date of these financial statements, 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 throughout 2023 for both the Bull Moose Tube and 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. There is no absolute direct correlation between movements in steel purchasing costs, selling prices of tubular products and profitability. However, for tubular products selling prices will commonly follow the underlying direction in price of steel purchases. As the availability of steel increases, causing steel purchase prices to decline, steel delivery lead times generally shorten from up to eight weeks to under four weeks, providing management with the ability to reduce inventory purchases and more closely match the overall cost of inventory to the then current market price. Steel supplier price reduction announcements frequently result in lower selling prices over the following three month period. As selling prices decrease, steel inventory is generally being replaced at lower purchasing prices within 30 days.

The directors have also taken into consideration the cash currently available to the group of \$92.2m as of December 2022, 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.

Caparo Holdings (US) Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Engagement of employees, suppliers, customers and others

Details of engagement of employees, suppliers, customers and others can be found in the Strategic report on page 5-6 and form part of this report by cross-reference.

Streamlined Energy and Carbon Reporting

In view of the groups's lack of activities or employees in the UK, it is not required to disclose emissions in the UK, which are nil and therefore below the Streamlined Energy and Carbon Reporting threshold.

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. No environmental remediation accruals were made during 2022.

Employee unions

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

During 2022, the Trenton plant ratified a new five year agreement and the Burlington plant ratified a new four year agreement.

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.

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.

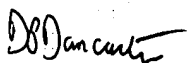
Caparo Holdings (US) Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

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 and authorised by the Board on ...19.12.23... and signed on its behalf by:



.....
D P Dancaister
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.

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 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Caparo Holdings (US) Limited

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

Caparo Holdings (US) Limited

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included Bribery Act, employment law and GDPR.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, valuations, and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Caparo Holdings (US) Limited

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

Report on other legal and regulatory requirements

Opinion on other matters 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.

Matters on which we are required to report by exception

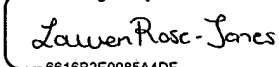
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

DocuSigned by:

.....8616B2E0985A4DF.....
Lauren Rose-Jones (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor

London
United Kingdom

Date: 19 December 2023 | 18:50:43 GMT

Caparo Holdings (US) Limited

Consolidated Profit and Loss Account for the Year Ended 31 December 2022

	Note	2022 \$ 000	2021 \$ 000
Turnover	3	1,047,300	1,166,000
Cost of sales		<u>(883,600)</u>	<u>(920,600)</u>
Gross profit		163,700	245,400
Distribution costs		(54,900)	(53,400)
Administrative expenses		(46,100)	(62,100)
Other operating expense		<u>(3,400)</u>	-
Operating profit	4	59,300	129,900
Other interest receivable and similar income		400	100
Income from other fixed asset investments		1,100	1,100
Interest payable and similar expenses	5	<u>(1,700)</u>	<u>(700)</u>
Profit before taxation		59,100	130,400
Tax on Profit	9	<u>(12,800)</u>	<u>(28,400)</u>
Profit for the financial year		<u>46,300</u>	<u>102,000</u>
Profit for the financial year attributable to:			
Equity shareholders of the Company		<u>46,300</u>	<u>102,000</u>

The above results were derived from continuing operations.

Caparo Holdings (US) Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2022

	2022 \$ 000	2021 \$ 000
Profit for the year	46,300	102,000
Currency translation difference on foreign currency net investments	<u>(2,100)</u>	<u>(100)</u>
Total comprehensive income for the year	<u>44,200</u>	<u>101,900</u>
Total comprehensive income attributable to:		
Equity shareholders of the Company	<u>44,200</u>	<u>101,900</u>

The notes on pages 23 to 54 form an integral part of these financial statements.

Caparo Holdings (US) Limited

(Registration number: 02230563)

Consolidated Balance Sheet as at 31 December 2022

	Note	2022 \$ 000	2021 \$ 000
Fixed assets			
Intangible assets	10	4,400	5,800
Goodwill	10	2,200	2,900
Tangible assets	11	151,400	79,900
Investments in associates	12	2,600	3,700
		<u>160,600</u>	<u>92,300</u>
Current assets			
Stocks	13	78,700	165,800
Debtors due in less than one year	14	57,400	74,400
Debtors due after more than one year	14	27,400	23,400
Cash at bank and in hand	15	92,200	26,600
		<u>255,700</u>	<u>290,200</u>
Creditors: Amounts falling due within one year	16	<u>(69,600)</u>	<u>(87,300)</u>
Net current assets		<u>186,100</u>	<u>202,900</u>
Total assets less current liabilities		346,700	295,200
Creditors: Amounts falling due after more than one year	16	(10,100)	(2,700)
Provisions for liabilities	18	<u>(300)</u>	<u>(400)</u>
Net assets		<u>336,300</u>	<u>292,100</u>
Capital and reserves			
Called up share capital	19	-	-
Share premium account	19	17,300	17,300
Profit and Loss account		<u>319,000</u>	<u>274,800</u>
Equity attributable to equity shareholders of the Company		<u>336,300</u>	<u>292,100</u>
Total equity		<u>336,300</u>	<u>292,100</u>

Approved and authorised by the Board on 19.12.23 and signed on its behalf by:



.....
D P Dancaster
Director

The notes on pages 23 to 54 form an integral part of these financial statements.

Caparo Holdings (US) Limited

(Registration number: 02230563)

Company Balance Sheet as at 31 December 2022

	Note	2022 \$ 000	2021 \$ 000
Fixed assets			
Investments	12	146,300	137,700
Current assets			
Debtors due after more than one year	14	5,000	4,000
Cash at bank and in hand	15	500	1,700
		5,500	5,700
Creditors: Amounts falling due within one year	16	(300)	(100)
Net current assets		5,200	5,600
Total assets less current liabilities		151,500	143,300
Creditors: Amounts falling due after more than one year	16	-	(200)
Net assets		151,500	143,100
Capital and reserves			
Called up share capital	19	-	-
Share premium reserve	19	17,300	17,300
Profit and Loss account		134,200	125,800
Total equity		151,500	143,100

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 \$8.4m (2021 - \$nil).

Approved and authorised by the Board on ...19.12.23... and signed on its behalf by:



.....
D P Dancaaster
Director

Caparo Holdings (US) Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022 Equity attributable to equity shareholders of the Company

	Called Up Share capital \$ 000	Share premium \$ 000	Profit and loss account \$ 000	Total equity \$ 000
At 1 January 2021	-	17,300	172,900	190,200
Profit for the year	-	-	102,000	102,000
Currency translation difference on foreign currency net investments	-	-	(100)	(100)
Total comprehensive income	-	-	101,900	101,900
At 31 December 2021	-	17,300	274,800	292,100
	Called Up Share capital \$ 000	Share premium \$ 000	Profit and loss account \$ 000	Total equity \$ 000
At 1 January 2022	-	17,300	274,800	292,100
Profit for the year	-	-	46,300	46,300
Currency translation difference on foreign currency net investments	-	-	(2,100)	(2,100)
Total comprehensive income	-	-	44,200	44,200
At 31 December 2022	-	17,300	319,000	336,300

Caparo Holdings (US) Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2022

	Called Up Share capital \$ 000	Share premium \$ 000	Profit and loss account \$ 000	Total \$ 000
At 1 January 2021	-	17,300	125,800	143,100
Profit/(loss) for the year	-	-	-	-
Total comprehensive expense	-	-	-	-
At 31 December 2021	-	17,300	125,800	143,100
	Called Up Share capital \$ 000	Share premium \$ 000	Profit and loss account \$ 000	Total \$ 000
At 1 January 2022	-	17,300	125,800	143,100
Profit for the year	-	-	8,400	8,400
Total comprehensive income	-	-	8,400	8,400
At 31 December 2022	-	17,300	134,200	151,500

The notes on pages 23 to 54 form an integral part of these financial statements.

Caparo Holdings (US) Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2022

	Note	2022 \$ 000	2021 \$ 000
Cash flows from operating activities			
Profit for the year		46,300	102,000
Adjustments for:			
Depreciation and amortisation	4	14,300	12,600
Finance income		(1,500)	(1,200)
Finance costs	5	1,700	700
Income tax expense	9	12,800	28,400
Loss on disposal of property plant and equipment		300	1,400
Share of loss of associates		1,100	300
Impairment of associates		2,200	1,000
		<u>77,200</u>	<u>145,200</u>
Working capital adjustments			
Decrease/(increase) in inventories		87,100	(107,900)
Decrease/(Increase) in trade and other receivables		13,100	(21,300)
Decrease/(increase) in convertible bonds		(1,000)	1,300
Changes in group undertakings		600	100
(Decrease)/increase in trade and other payables		<u>(5,300)</u>	<u>25,200</u>
Cash generated from operations		171,700	42,600
Income taxes paid		<u>(30,600)</u>	<u>(29,600)</u>
Net cash flow from operating activities		<u>141,100</u>	<u>13,000</u>
Cash flows used in investing activities			
Acquisitions of property plant and equipment		(75,900)	(38,000)
Acquisition of investments in associates	12	(2,200)	(1,000)
Proceeds from sale of property plant and equipment		<u>300</u>	<u>100</u>
Net cash flows used in investing activities		<u>(77,800)</u>	<u>(38,900)</u>
Cash flows from financing activities			
Interest received		300	500
Interest paid		(1,400)	(800)
Proceeds from bank borrowing draw downs		398,900	343,000
Repayment of bank borrowing		(391,700)	(364,500)
Repayments of obligations under finance lease		(1,700)	-
Financing costs paid		<u>-</u>	<u>(1,000)</u>
Net cash flows generated from/used in financing activities		<u>4,400</u>	<u>(22,800)</u>
Net increase/(decrease) in cash and cash equivalents		67,700	(48,700)
Cash and cash equivalents at 1 January		26,600	75,400
Effect of foreign exchange rate changes		<u>(2,100)</u>	<u>(100)</u>
Cash and cash equivalents at 31 December		<u>92,200</u>	<u>26,600</u>

The notes on pages 23 to 54 form an integral part of these financial statements.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

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

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
United Kingdom

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.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2022.

No Profit and Loss Account is presented for the company as permitted by section 408 of the Companies Act of 2006. The company made a profit after tax for the financial year of \$8.4m (2021 - \$nil).

A subsidiary is an entity controlled by the Company.

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

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

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

Going concern

As at 31 December 2022, the group had net assets of \$336.3m (2021 - \$292.1m) and net current assets of \$186.1 (2021 - \$202.9m). In 2022 the group generated net cashflow from operating activities of \$141.2m (2021: \$13.0m) due to the reduction in working capital requirements as a result of the steel market.

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.

In May 2021 Bull Moose Tube repaid its prior bank facilities and entered into new facility agreements with U.S. Bank and JP Morgan Chase for \$140m of facilities, expandable to \$190m. The facilities, which are secured against the assets of Bull Moose Tube (but without recourse to other group companies) are subject to certain covenants, will bear interest at SOFR plus between 1.25% and 1.5% and are repayable in full in May 2026. The facilities will be used in part to finance the construction of the new mill at Sinton, Texas. The company has continued to trade profitably during 2023.

Following a year of successful trading in 2022, the Bull Moose Heavy Haul held in excess of \$7m of cash at the end of 2022. Throughout 2023, and to the date of these financial statements, all companies within the group have remained in full compliance with their banking facility covenants.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Going concern (continued)

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 throughout 2023 for both the Bull Moose Tube and 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. There is no absolute direct correlation between movements in steel purchasing costs, selling prices of tubular products and profitability. However, for tubular products selling prices will commonly follow the underlying direction in price of steel purchases. As the availability of steel increases, causing steel purchase prices to decline, steel delivery lead times generally shorten from up to eight weeks to under four weeks, providing management with the ability to reduce inventory purchases and more closely match the overall cost of inventory to the then current market price. Steel supplier price reduction announcements frequently result in lower selling prices over the following three month period. As selling prices decrease, steel inventory is generally being replaced at lower purchasing prices within 30 days.

The directors have also taken into consideration the cash currently available to the group of c. \$92.2m as of December 2022, 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.

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 for both the Group and the Company. 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 or key sources of estimation uncertainty made during the period.

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 2022 (continued)

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.

Bull Moose Tube Limited maintains its books and records in Canadian dollars; its functional currency. The assets and liabilities of Bull MooseTube Limited are translated in to U.S. dollars at the year-end exchange rate, and revenue and expense items are translated at the average rate in the month incurred. Resulting translation adjustments are reported in accumulated other comprehensive earnings without any tax effect.

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.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

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.

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.

Tangible assets

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.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

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
Bank debt fees	5 Years Straight Line

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. In the Company balance sheet, investments in subsidiaries are measured at cost less impairment.

Dividend and interest revenue

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Financial instruments (continued)

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).

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 2022 (continued)

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.

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.

Non-financial assets

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

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.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

3 Revenue

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

	2022 \$ 000	2021 \$ 000
Turnover	<u>1,047,300</u>	<u>1,166,000</u>

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

	2022 \$ 000	2021 \$ 000
Steel and Transportation products	<u>1,047,300</u>	<u>1,166,000</u>

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

	2022 \$ 000	2021 \$ 000
North America	1,047,300	1,165,900
Rest of world	<u>-</u>	<u>100</u>
	<u>1,047,300</u>	<u>1,166,000</u>

4 Operating profit

Arrived at after charging:

	2022 \$ 000	2021 \$ 000
Depreciation expense	12,200	10,300
Amortisation expense	2,100	2,300
Impairment of investment in associates	(2,200)	(1,000)
Share of losses of associates	(1,100)	(300)
Operating lease expense - plant and machinery	1,100	2,200
Operating lease expense - other	900	700
Loss on disposal of property, plant and equipment	300	1,400
Cost of stock recognised as an expense	888,300	757,000
Debtors provision	<u>(200)</u>	<u>700</u>

The impairment of investment in associates in 2022 and 2021 arose as a result of the continuing impact of the Covid-19 pandemic on the hospitality industry. This has decreased the expected fair value of proceeds on disposal to less than their original carrying value.

5 Interest payable and similar expenses

	2022 \$000	2021 \$000
Interest on bank overdrafts and borrowings	<u>1,700</u>	<u>700</u>

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

6 Staff costs

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

	2022 \$ 000	2021 \$ 000
Wages and salaries	64,700	76,200
Social security costs	14,700	15,100
Pension costs, defined contribution scheme	2,000	1,900
	<u>81,400</u>	<u>93,200</u>

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

	2022 No.	2021 No.
Production	578	546
Administration and support	157	164
	<u>735</u>	<u>710</u>

The Company has no employees in the current year or prior year.

7 Directors' remuneration

Director's remuneration including remuneration in respect of single and highest paid Director is as follows:

	2022 \$ 000	2021 \$ 000
Emoluments	2,226	-
Amounts receivable (other than shares and share options) under long-term incentive schemes	608	-
Company contributions to money purchase pension schemes	18	-
	<u>2,852</u>	<u>-</u>

The highest paid director received \$2.85m remuneration in the current year (2021: \$nil) in relation to services provided to the group for their period of office.

Other than highest paid director above, other directors are separately remunerated by Caparo Ltd, a company outside of the Group.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

8 Auditor's remuneration

	2022	2021
	\$ 000	\$ 000
Other fees to auditor		
Fees payable to the company's auditor for the audit of the company's annual consolidated financial statements	128	101
Fees payable to the company's auditor for the audit of the subsidiary company's annual financial statements	273	304
Taxation services (all in relation to tax compliance)	250	392
	<u>651</u>	<u>797</u>

9 Income tax

Tax charged in the Profit and loss account

	2022	2021
	\$ 000	\$ 000
Current taxation		
Overseas corporation tax	9,800	36,400
Overseas corporation tax adjustment to prior periods	<u>700</u>	<u>600</u>
	<u>10,500</u>	<u>37,000</u>
Deferred taxation		
Arising from origination and reversal of timing differences	2,500	(8,400)
Adjustment in respect of previous periods	<u>(200)</u>	<u>(200)</u>
Total deferred taxation	<u>2,300</u>	<u>(8,600)</u>
Tax expense in the Profit and loss account	<u>12,800</u>	<u>28,400</u>

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

9 Income tax (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 \$000	2021 \$000
Profit before tax	59,100	130,400
Corporation tax at standard rate	11,300	24,800
Effect of foreign tax rates	2,100	5,200
Increase in UK and foreign current and deferred tax from adjustment for prior periods	400	400
Expenses not deductible for tax purposes	(100)	-
Tax credits	(900)	(1,100)
Deferred tax credit relating to changes in tax rates or laws	-	(900)
Total tax charge	12,800	28,400

During the year beginning 1 January 2023, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge for the year by \$700k. This is primarily due to book tax differences in depreciation, accrued expenses and inventory reserves.

The Finance Act 2021 included an increase in the main rate of UK corporation tax from 19% to 25% from 1 April 2023. This change was substantively enacted on 24 May 2021, which is by the balance sheet date. As such, deferred tax balances as at 31 December 2022 have been measured at the 25% rate where they relate to the UK.

The Group's overseas 2022 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 \$1.7m (2021 - \$2.00m) which have not been recognized due to the uncertainty as to when or whether they will crystallise in the future. The company has unrecognized deferred tax assets of \$nil (2021 - \$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 2022 (continued)

9 Income tax (continued)

Deferred tax

Group

	Provided 2022 \$000	Unprovided 2022 \$000	Provided 2021 \$000	Unprovided 2021 \$000
Group - asset				
Other timing differences	15,100	1,700	17,200	2,000
	<u>15,100</u>	<u>1,700</u>	<u>17,200</u>	<u>2,000</u>
Group - provision				
Accelerated capital allowances	(7,600)	-	(8,100)	-
Other timing differences	(5,300)	-	(4,500)	-
	<u>(12,900)</u>	<u>-</u>	<u>(12,600)</u>	<u>-</u>
Company - asset				
Losses	-	-	-	-

	Deferred tax assets included in debtors \$000	Deferred tax liabilities included in provisions \$000	Total \$000
Group			
At 1 January 2022	5,000	(400)	4,600
Roundings	(100)	-	(100)
(Charged)/credited to the profit and loss account	(2,400)	100	(2,300)
At 31 December 2022	<u>2,500</u>	<u>(300)</u>	<u>2,200</u>
Company			
At 1 January 2022	-	-	-
(Charged)/credited to the profit and loss account	-	-	-
At 31 December 2022	<u>-</u>	<u>-</u>	<u>-</u>

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Group.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

10 Intangible assets

Group

	Goodwill \$ 000	Trademarks, patents and licenses \$ 000	Bank debt fees \$ 000	Total \$ 000
Cost or valuation				
At 1 January 2022	7,400	12,000	1,000	20,400
At 31 December 2022	7,400	12,000	1,000	20,400
Amortisation				
At 1 January 2022	4,500	7,100	100	11,700
Amortisation charge	700	1,200	200	2,100
At 31 December 2022	5,200	8,300	300	13,800
Carrying amount				
At 31 December 2022	2,200	3,700	700	6,600
At 31 December 2021	2,900	4,900	900	8,700

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

Intangible assets with a carrying amount as of 31 December 2022 of \$0.7m (31 December 2021 - \$0.9m) have been pledged to secure borrowings of Bull Moose Tube. Bull Moose Tube is not allowed to pledge these assets as security for other borrowings or to sell them to another entity. These assets related to deferred loan acquisition costs and are not netted into the debt balance as Bull Moose Tube had no outstanding debt at 31 December 2022 or 2021.

Intangible assets with a carrying amount as of 31 December 2022 of \$5.9m (31 December 2021 - \$7.8m) 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 2022 (continued)

11 Tangible assets

Group

	Land and buildings \$ 000	Land and Building Short Leasehold \$ 000	Motor vehicles \$ 000	Plant and Machinery \$ 000	Total \$ 000
Cost					
At 1 January 2022	48,700	-	200	207,100	256,000
Additions	6,900	8,400	100	69,100	84,500
Disposals	(100)	(300)	(100)	(2,000)	(2,500)
Transfers	35,800	-	-	(35,800)	-
Foreign exchange movements	(100)	-	-	(900)	(1,000)
At 31 December 2022	91,200	8,100	200	237,500	337,000
Depreciation					
At 1 January 2022	37,900	-	100	138,100	176,100
Charge for the year	2,200	1,000	-	9,000	12,200
Disposals	(100)	(300)	-	(1,500)	(1,900)
Transfers	300	-	-	(300)	-
Foreign exchange movements	(100)	-	-	(700)	(800)
At 31 December 2022	40,200	700	100	144,600	185,600
Carrying amount					
At 31 December 2022	51,000	7,400	100	92,900	151,400
At 31 December 2021	10,800	-	100	69,000	79,900

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 Tangible assets (continued)

Included within the net book value of land and buildings above is \$51.0m (2021 - \$10.8m) in respect of freehold land and buildings. Included within the net book value of land and buildings above is \$7.4m (2021 - \$0) in respect of short leasehold properties.

The Group has leased land and buildings under three separate leases for the XL business which are considered to meet the definition of finance leases and are accounted for accordingly. Each lease is a fixed cost, five year agreement, with a terminal purchase option.

	2022 Liability	Purchase Option
	\$ 000	\$ 000
Building 1	4,100	1,500
Plant 2	2,100	1,500
Building 3	500	100
	<u>6,700</u>	<u>3,100</u>

Included with the net book value of plant and machinery above is \$56.1m (2021 - \$26.7m) in respect of assets under construction.

Tangible fixed assets with a carrying amount of \$151.4m (2021 - \$79.9m) 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.

During 2021, BMT commenced construction of a new plant in Sinton, TX. This plant is expected to have annual production capacity of approximately 350,000 tons of tubing. As of 31 December 2022, BMT has issued cumulative purchase orders related to the construction project of \$112.6m and has incurred \$87.2m of expenses with the remaining outstanding purchase commitments of \$25.4m expected to be incurred in 2023. As of 31 October 2023, BMT has issued cumulative purchase orders for the construction project amounting to \$122.3m and has incurred \$117.2m of expenses with the remaining outstanding purchase commitments of \$5.1m to be incurred in 2023 or 2024.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

12 Investments

Group

Details of undertakings

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

In 2015, a subsidiary of Caparo Bull Moose, Inc. commenced investment in a St. Louis, Missouri building redevelopment project, known as the Angad Arts Hotel ("AAH"). The project has converted an empty historic building into a small luxury hotel, office space and retail accommodation. The renovations were completed and the hotel began operations in late 2018. Prior to 1 January 2022 the group had invested \$3.2m in a 40% membership interest of TLG 634 Managing Member, LLC. It had also invested a further \$9.5m in 634 N. Grand Master Tenant, LLC that entitled the use by the Group of \$10.5m in historic tax credits due to the conversion of a City of St Louis historic building.

Also prior to 1 January 2022, the AAH project made distributions of \$300k and suffered trading losses of \$5,800k. As a result of the adverse economic impact of the Covid-19 pandemic and its aftermath on the hotel sector, by 1 January 2022 the Group had impaired the residual net book value of \$7,600 in full.

During 2022 a further \$2.2m was invested in TLG 634 Managing Member, LLC to allow the AAH project to fund operations and service debt, and to enable the Group to utilise \$0.6m of tax credits in 2022. With the continued underperformance of the hotel sector, the Group has provided in full against the \$2.2m invested in 2022. At 31 December 2022 the carrying value of the AAH project after impairment provisions was \$nil (2021 - \$nil).

In 2019, a subsidiary of Caparo Bull Moose, Inc. converted a \$4.0m loan into a 40% membership interest of FoPa MM, LLC, the managing member of the City Foundry project, a mixed use commercial, retail and food hall redevelopment of a former industrial site in central St Louis. The project has secured increasing levels of tenancy occupancy and high levels of trading since opening. Prior to 1 January 2022 the Group reduced the carrying value of its initial investment by its \$300k share of start-up trading losses, to \$3.7m, and in 2022 further start-up trading losses of \$1.4m reduced the carrying value of the project investment to \$2.6m.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

12 Investments (continued)

	Investment in associates	
	\$ 000	
Cost		
At 1 January 2022		11,300
Investment additions		2,200
Share of losses		(1,100)
At 31 December 2022		<u>12,400</u>
Provisions for impairment		
At 1 January 2022		7,600
Impairment charge		2,200
At 31 December 2022		<u>9,800</u>
Carrying Value		<u>2,600</u>
Company		
	2022	2021
	\$ 000	\$ 000
Investments in subsidiaries	<u>146,300</u>	<u>137,700</u>
Subsidiaries		\$ 000
Cost		
At 1 January 2022		137,700
Additions		<u>8,600</u>
At 31 December 2022		<u>146,300</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:

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

12 Investments (continued)

Subsidiary undertakings	Principal activity	Percentage of ordinary shares held		Country of incorporation or principal business address	Registered office address
		2022	2021		
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
Bull Moose Tube LSP, LLC	Tubing manufacturer	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 Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

12 Investments (continued)

Caparo Funding, LLC	Real estate investment	100%	100%	USA	1819 Clarkson Road, Suite 100, Chesterfield, MO 63017
Caparo Componentes Vehiculares de Mexico 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

Investment in Associates and joint ventures

Investment	Principal Activity	Economic Interest		Country of Incorporation	Registered Office Address
		2022	2021		
634 N. Grand Master Tenant, LLC	Real Estate	40%	40%	USA	319 N 4th Street, Suite 1000, St. Louis, MO 63102
TLG 634 Managing Member, LLC	Real Estate	40%	40%	USA	319 N 4th Street, Suite 1000, St. Louis, MO 63102
FOPA MM, LLC	Real Estate	40%	40%	USA	3101 Washington, St. Louis, MO 63103

In 2022 the Company received a dividend of \$8.55m net of taxes (2021 - \$nil) from subsidiaries owning the Group's Canadian assets. The Company reinvested this dividend in the subsidiaries owning the Group's US assets.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

13 Stocks

	Group	
	2022 \$ 000	2021 \$ 000
Raw materials and consumables	32,800	68,900
Work in progress	13,400	24,300
Finished goods and goods for resale	32,500	72,600
	78,700	165,800

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 \$78.7m (2021 - \$165.8m) of stock was pledged as security for borrowings of the group. Further details are set out in Note 17.

14 Debtors

		Group		Company	
	Note	2022 \$ 000	2021 \$ 000	2022 \$ 000	2021 \$ 000
Trade debtors		44,100	62,200	-	-
Amounts owed by group undertakings		1,000	-	5,000	4,000
Other receivables		21,500	22,700	-	-
Convertible loan notes and similar instruments		2,500	1,400	-	-
Prepayments		5,500	5,300	-	-
Deferred tax assets	9	2,500	5,000	-	-
Other taxation		100	100	-	-
Income tax asset		7,600	1,100	-	-
Total trade and other receivables		84,800	97,800	5,000	4,000

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

14 Debtors (continued)

Amounts owed to Company

During the year the Company lent \$1m to Jalia Holding S.A., the Company's immediate parent. The loan is non-interest bearing and repayable within one year.

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 28 December 2024, and the rate of interest payable was reduced to 4.82% from 30 September 2020. The Company was owed \$4.0m by Caparo Bull Moose, Inc at both 31 December 2022 and 31 December 2021.

Other receivables, including amounts due from associates

As at the balance sheet date \$44.1m (2021 - \$62.2m) of trade debtors was pledged as security for borrowings of the group. Other receivables includes \$1.6m of scrap and similar materials (2021 - \$5.7m); \$0.8m of defined benefit pension plan assets (2021 - \$0.9m) and the following loans (including accrued interest) totalling \$19.1m (2021 - \$16.1m) made 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 (and accrued interest of \$1.7m - 2021: \$1.4m) 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 (and accrued interest of \$2.5m - 2021:\$2.1m) to TLG 634 Nth Grand LLC, the master landlord of the property in which the group holds a minority interest, to fund the project. The effective interest rate of the loan has been changed from 19% to 6.75% as of January 1, 2021. The loan matures on November 1, 2025 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 (and accrued interest of \$0.9m - 2021:\$0.6m) to 634 HTC Partners LLC, as a bridge loan, for certain Federal Historic Tax Credits. The effective

interest rate of the loan has been changed from 13% to 8.25% as of January 1, 2021. The maturity date was originally extended on December 31, 2019 to December 31, 2022 and further extended on January 1, 2021 to November 1, 2025.

- \$2.0m to FOPA MM LLC to finance constructin needs. Interest is payable 8.47%. Maturity is December 31, 2025.

- \$0.2m to TLG 634 North Grand LLC to fund operating needs. Interest is payable at a floating rate of prime + 1%. Maturity is when net cash is available.

- \$0.3m to TLG 634 North Grand LLC to fund operating needs. Interest is payable at a floating rate of prime + 1%. Maturity is when net cash is available.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

14 Debtors (continued)

Convertible Loan notes and Similar Instruments of \$2.5m as at 31 December 2022 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:

\$0.8m (and accrued interest of \$0.2m) to Vande South Partners LLC for predevelopment expenses for property adjacent to City Foundry project. The loan bears interest at 9% and was amended on 1 November 2022 to extend the maturity date to 1 November 2025. It carries an option to convert into a 40% member interest in Caparo City Foundry Real Estate Holdings, LLC at maturity.

\$0.5m 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%, and was amended on 28 December 2022 to extend the maturity date to 1 November 2025. It 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.

\$1.0m to FOPA East for construction funding bearing interest at 8.47%. Maturity is June 30, 2024 or closing under Borrower's construction funding. It carries an option to convert to a 40% interest in the borrower. An additional \$2,0m was loaned in 2023 on this note.

15 Cash at bank and in hand

	Group		Company	
	2022 \$ 000	2021 \$ 000	2022 \$ 000	2021 \$ 000
Cash at bank	92,200	26,600	500	1,700

Included in the Group's cash balance is \$300k (2021: \$300k) that is restricted as a worker's compensation deposit.

Non-cash transactions

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of \$8,400 (2021: \$nil)).

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

16 Creditors

		Group		Company	
	Note	2022 \$ 000	2021 \$ 000	2022 \$ 000	2021 \$ 000
Due within one year					
Loans and borrowings	17	2,100	1,400	-	-
Trade creditors		25,100	28,000	-	-
Finance leases		1,000	-	-	-
Social security and other taxes		700	1,300	-	-
Accruals and deferred income		40,700	43,200	300	100
Income tax liability		-	13,400	-	-
		69,600	87,300	300	100
Due after more than one year					
Loans and borrowings	17	4,400	2,600	-	-
Finance Leases		5,700	-	-	-
Amounts due to related parties		-	100	-	200
		10,100	2,700	-	200

Future minimum lease payments:

	Group		Company	
	2022 \$ 000	2021 \$ 000	2022 \$ 000	2021 \$ 000
Minimum lease payments				
Within one year	1,200	-	-	-
In the second to fifth years inclusive	6,300	-	-	-
Later than five years	-	-	-	-
Less: future finance charges	(800)	-	-	-
Present value of lease obligations	<u>6,700</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Group		Company	
	2022 \$ 000	2021 \$ 000	2022 \$ 000	2021 \$ 000
Present value of minimum lease payments				
Within one year	1,000	-	-	-
In the second to fifth years inclusive	5,700	-	-	-
After five years	-	-	-	-

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

16 Creditors (continued)

Present value of lease obligations	6,700	-	-	-
	<u> </u>	=	=	=

17 Loans and borrowings

	Group		Company	
	2022 \$ 000	2021 \$ 000	2022 \$ 000	2021 \$ 000
Non-current loans and borrowings				
Bank borrowings	<u>4,400</u>	<u>2,600</u>	<u>-</u>	<u>-</u>

	Group		Company	
	2022 \$ 000	2021 \$ 000	2022 \$ 000	2021 \$ 000
Current loans and borrowings				
Bank borrowings	<u>2,100</u>	<u>1,400</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 SOFR or US Prime.

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

	2022 \$ 000	2021 \$ 000
< 1 Year	2,100	1,400
1 - 2 Years	2,100	1,600
2 - 5 Years	<u>2,300</u>	<u>1,000</u>
	<u>6,500</u>	<u>4,000</u>

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

17 Loans and borrowings (continued)

During May 2021, BMT refinanced the 2017 Amended and restated Loan Agreement with a new agreement containing a \$140,000,000 revolver facility with no term portion. Interest is variable at 1 month SOFR rates repriced daily plus a margin. The 2021 Revolver Debt will mature on 30 May 2026. The facility is subject to a fixed charge covenant ratio of coverage in excess of 1.10 to 1 and is secured over the assets of these companies. As of 31 December 2022 and 2021, the revolver had \$nil outstanding.

Bull Moose Heavy Haul Inc refinanced its debt during June 2019 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 \$750,000 (2021: \$1,750,000). At 31 December 2022, \$2,000,000 was outstanding on the term debt at 4.16% and \$nil was outstanding on the revolver. At 31 December 2021, \$3,000,000 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 December 2024.

During early 2020, Bull Moose Heavy Haul amended its agreement on the new bank facility to defer the term debt's first and second quarter principal payment until maturity. No covenant breach occurred as a result of this.

During 2021, Bull Moose Heavy Haul entered into an additional lending agreement with the same lender to fund a portion of its plant expansion project. The amount of this note is \$4,000,000 of which \$3,600,000 has been drawn as of 31 December 2022 at the then Prime Rate of 5.85%. At 31 December 2021, \$1,000,000 was drawn on the note at the then Prime Rate of 3.25%. The remainder of the loan balance was drawn by 30 April 2022, at which time it will convert to term for a period of 60 months, requiring monthly interest payments and quarterly principal payments of \$200,000. This loan is cross-collateralized with the existing note and subject to the same covenant restrictions as the existing note.

The company was in compliance with the covenants at 31 December 2022 and 2021 and expects that to continue.

Unamortised debt issuance costs of \$nil (2021 - \$nil) are netted against the outstanding principal amounts in the financial statements.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

18 Provisions for liabilities

Group	Deferred Tax \$ 000
At 1 January 2022	400
Credit to the profit and loss account	(100)
At 31 December 2022	<u>300</u>

19 Share capital and reserves

Allotted, called up and fully paid shares

	2022		2021	
	No. 000	\$ 000	No. 000	\$ 000
Ordinary shares of \$1.68 each	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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.

20 Dividends

During 2022 and 2021, no interim or final dividend was declared or paid by the company.

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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

	2022			2021		
	Land & Buildings	Other	Total	Land & Buildings	Other	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Not later than one year	1,120	165	1,285	3,308	484	3,792
Later than one year and not later than five years	4,370	409	4,779	8,158	508	8,666
Later than five years	758	-	758	1,896	-	1,896
	<u>6,248</u>	<u>574</u>	<u>6,822</u>	<u>13,362</u>	<u>992</u>	<u>14,354</u>

Finance leases represents an obligation whereby the leased asset is transferred to the company as part of the lease terms. The total future minimum lease payments due under finance leases are set out in Note 16.

Company

The company does not hold any leases.

22 Related party transactions

Group and Company

Summary of transactions with other related parties

Transactions between two or more members of the Group where any subsidiary undertaking party to those transactions is wholly owned by a member of the Group are not disclosed.

During 2022, there was a loan to Jalia Holding, S.A. ("Jalia"), the immediate parent of the Company, in the amount of \$1.0m. During 2021, there were no transactions between the Company and Jalia.

During 2022 the Group paid Caparo Limited, an associated company, \$3.1m for management services provided (2021: \$2.8m). No balances were outstanding at the year end (2021: Nil).

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 \$8.03m (2021 - \$7.93m).

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

23 Net debt recononciliation

Group

	At 1 January 2022	Cash Flows	Acquisition of subsidiaries / associates	Finance Leases	Foreign Exchange Movements	At 31 December 2022
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Cash and cash equivalents						
Cash	26,600	69,900	(2,200)		(2,100)	92,200
Borrowings						
Short term borrowings	(1,400)	(700)	-		-	(2,100)
Long term borrowings	(2,600)	(1,800)	-		-	(4,400)
Finance leases	-	-	-	(6,700)	-	(6,700)
	<u>22,600</u>	<u>67,400</u>	<u>(2,200)</u>	<u>(6,700)</u>	<u>(2,100)</u>	<u>79,000</u>

Caparo Holdings (US) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

24 Financial instruments

Group

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

	2022	2021
	\$000	\$000
Financial assets		
Measured at amortised cost		
• Cash at bank and in hand (note 15)	92,200	26,600
• Trade and other receivables (note 14)	65,600	84,900
• Convertible loan notes & similar instruments (note 14)	2,400	1,400
• Receivables from related parties (note 14)	1,000	-
	<u>161,200</u>	<u>112,900</u>
Financial liabilities		
Measured at amortised cost		
• Loans and borrowings payable (note 17)	6,500	4,000
• Trade creditors (note 16)	25,100	28,000
• Finance lease obligations (note 16)	6,700	-
	<u>38,300</u>	<u>32,000</u>
The group's income, expense, gains and losses in respect of financial instruments are summarised below:		
	2022	2021
	\$000	\$000
Interest income and expense		
Total interest income for financial assets at amortised cost	1,500	1,200
Total interest expense for financial liabilities at amortised cost	(1,700)	(700)
	<u>(200)</u>	<u>500</u>

25 Parent and ultimate parent undertaking

The Right Honourable The Lord Swraj Paul of Marylebone PC and his family, including The Honourable Ambar Paul, 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, a trust established in the British Virgin Islands, of which Lord Paul and his family are sole beneficiaries.

Caparo Holdings (US) Limited is the largest parent and 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 2022 (continued)

26 Non adjusting events after the financial period

There are no subsequent events which would require disclosure in the financial statements.