

**Caparo Holdings (US) Limited**

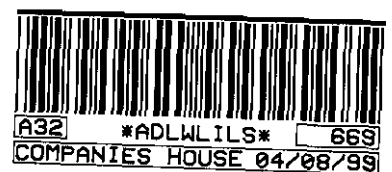
***Directors' report and  
financial statements***

**For the year ended  
31 December 1998**

**Registered number: 2230563**

**BDO**

**BDO Stoy Hayward  
Chartered Accountants**



## **CAPARO HOLDINGS (US) LIMITED**

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

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<i><b>Contents</b></i>	<i><b>Page</b></i>
Directors' report	1-2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes	6-9

## **CAPARO HOLDINGS (US) LIMITED**

### **Directors' report**

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

#### **Principal activity**

The principal activity of the company is that of a holding company.

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

The results for the year are shown in the profit and loss account on page 4. The profit after taxation for the year was £Nil (1997: £36,000).

The directors are satisfied with the results of the company and are confident of future prospects.

#### **Proposed dividend**

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

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

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

The Honourable Ambar Paul  
The Honourable Akash Paul  
The Honourable Angad Paul

The interests of The Honourable Ambar Paul, The Honourable Akash Paul and The Honourable Angad Paul in the share capital of Caparo Group Limited, the ultimate parent company, are disclosed in the financial statements of that company.

No director had any interest in the share or loan capital of any subsidiary company of the ultimate parent company.

#### **Directors' responsibilities**

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

## **CAPARO HOLDINGS (US) LIMITED**

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

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#### **Directors' responsibilities (*Continued*)**

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

#### **Year 2000**

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

#### **EMU Impact**

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

#### **Auditors**

Pursuant to a shareholders' resolution, the company is not obliged to re-appoint its auditors annually and BDO Stoy Hayward will, therefore, continue in office.

By order of the board



**JG Smith**  
Secretary

24 June 1999

Caparo House  
103 Baker Street  
London  
W1M 2LN



**BDO Stoy Hayward**  
Chartered Accountants  
Corporate Advisory Services

Foxhall Lodge  
Gregory Boulevard  
Nottingham NG7 6LH  
East Midlands

## **Auditors' report to the members of Caparo Holdings (US) Limited**

We have audited the financial statements on pages 4 to 9 which have been prepared under the accounting policies set out on page 6.

### **Respective responsibilities of directors and auditors**

As described on pages 1 and 2, the directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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

24 June 1999

**CAPARO HOLDINGS (US) LIMITED**

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

	Note	1998 £'000	1997 £'000
Administrative expenses		-	36
<b>Profit on ordinary activities before and after taxation</b>	2	<u>-</u>	<u>36</u>
		<u><u>-</u></u>	<u><u>36</u></u>

The results reported above all relate to continuing activities.

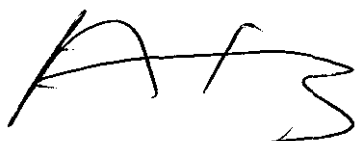
There are no recognised gains or losses other than the result for the year as shown above.

# **CAPARO HOLDINGS (US) LIMITED**

## **Balance sheet at 31 December 1998**

	Note	1998 £'000	1997 £'000
<b>Fixed assets</b>			
Investments	4	43,595	44,485
<b>Creditors: amounts falling due within one year</b>	5	-	(1)
<b>Net current liabilities</b>		-	(1)
<b>Debtors: amounts falling due after more than one year</b>	6	15,930	18,737
<b>Total assets less current liabilities</b>		59,525	63,221
<b>Creditors: amounts falling due after more than one year</b>	7	(41,333)	(44,913)
<b>Net assets</b>		18,192	18,308
<b>Capital and reserves</b>			
Called up share capital	8	-	-
Share premium account	9	10,297	10,297
Profit and loss account	9	7,895	8,011
<b>Equity shareholders' funds</b>	10	18,192	18,308

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



**The Honourable Ambar Paul**  
Director

## CAPARO HOLDINGS (US) LIMITED

### Notes forming part of the financial statements

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#### 1 Accounting policies

##### *Basis of preparation*

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost accounting convention.

##### *Consolidated financial statements*

No group financial statements are prepared as the company, being a wholly owned subsidiary of another body corporate, is exempt under Section 228 of the Companies Act 1985.

##### *Investments*

Investments held as fixed assets are valued at cost, less any provisions for permanent diminution in value.

##### *Deferred tax*

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

##### *Foreign currencies*

Profit and loss accounts of overseas subsidiary undertakings are translated at average rates of exchange prevailing during the year. Their net assets are translated at year end rates, the difference on exchange being taken to reserves.

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

##### *Cash flow statement*

Under FRS 1 (revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

#### 2 Profit on ordinary activities before taxation

	1998 £'000	1997 £'000
<i>Profit on ordinary activities before taxation is stated after (crediting):</i>		
Foreign exchange gains on loans	-	(37)
	<hr/>	<hr/>



## CAPARO HOLDINGS (US) LIMITED

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

#### 3 Directors' remuneration and employees

No director received any emoluments during either year.

The company had no employees during either year.

#### 4 Investments

	Shares in subsidiary £'000
<i>Cost</i>	
At beginning of year	44,485
Transfer of shares	(890)
At end of year	43,595

The principal subsidiary undertakings are as follows:

Subsidiary undertaking	Percentage of ordinary shares held	Principal activity
<b>Directly held</b>		
Caparo Partners	98%	US Investment Company
<b>Indirectly held</b>		
Caparo Inc	100%	US Holding company
Bull Moose Tube Company	100%	Manufacture of steel tubing and structural sections
Caparo Steel Company	100%	Manufacture of steel plate

These companies are incorporated and operate in the United States of America.

On 31 December 1998, the company transferred 1% of its holding in Caparo Inc, cost £444,847, to Caparo US Partner One Ltd and a further 1% of its holding in Caparo Inc, cost £444,848, to Caparo US Partner Two Ltd. The total consideration for the transfer was £889,695, thereby leading to nil profit/loss on disposal.

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

	1998 £'000	1997 £'000
Accruals and deferred income	-	1

# CAPARO HOLDINGS (US) LIMITED

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

### 6 Debtors: amounts falling due after more than one year

	1998 £'000	1997 £'000
Amounts owed by immediate parent undertaking	-	5,564
Amounts owed by subsidiary undertakings	15,930	13,173
	<u>15,930</u>	<u>18,737</u>

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

Amounts owed to immediate parent undertaking	41,333	44,913
	<u>41,333</u>	<u>44,913</u>

The loan has no fixed repayment date and is non-interest bearing.

### 8 Called up share capital

	1998 £	1997 £
<i>Authorised:</i>		
1,000 ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid:</i>		
102 ordinary shares of £1 each	102	102
	<u>102</u>	<u>102</u>

### 9 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At beginning of year	10,297	8,011	18,308
Foreign exchange movements	-	(116)	(116)
At end of year	<u>10,297</u>	<u>7,895</u>	<u>18,192</u>

### 10 Reconciliation of movements in shareholders' funds

	1998 £'000	1997 £'000
Profit on ordinary activities after taxation	-	36
Foreign exchange movements	(116)	168
Shareholders' funds brought forward	18,308	18,104
Shareholders' funds carried forward	<u>18,192</u>	<u>18,308</u>

## **CAPARO HOLDINGS (US) LIMITED**

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

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#### **11 Contingent liabilities**

The company is liable together with other group companies under cross guarantee arrangements for overdrafts relating to group companies. At 31 December 1998, this liability amounted to £12,378,373 (1997: £25,721,590).

#### **12 Related party transactions**

The company has taken advantage of the exemption available under FRS8 not to disclose transactions with entities that are part of Caparo Group Limited, on the grounds that the exemption is available as the company is a wholly owned subsidiary of Caparo Group Limited.

#### **13 Ultimate parent company**

The company is a wholly owned subsidiary undertaking of Caparo Industries Plc. The ultimate parent company is Caparo Group Limited.

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