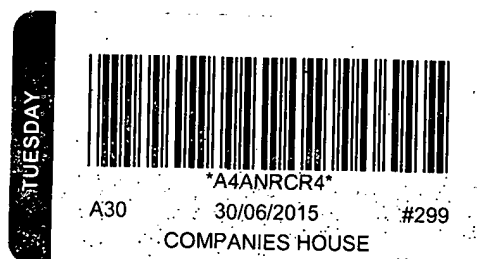


**Company Registration No. 2942875**

**Caparo India Limited**

**Report and Financial Statements**

**31 December 2014**



# **Caparo India Limited**

## **Report and financial statements 2014**

| <b>Contents</b>                              | <b>Page</b> |
|--|-------------|
| <b>Officers and professional advisers</b>    | <b>1</b>    |
| <b>Directors' report</b>                     | <b>2</b>    |
| <b>Directors' responsibilities statement</b> | <b>4</b>    |
| <b>Independent auditor's report</b>          | <b>5</b>    |
| <b>Profit and loss account</b>               | <b>6</b>    |
| <b>Balance sheet</b>                         | <b>7</b>    |
| <b>Notes to the financial statements</b>     | <b>8</b>    |

# **Caparo India Limited**

## **Report and financial statements 2014**

### **Officers and professional advisers**

#### **Directors**

The Honourable Ambar Paul  
The Honourable Angad Paul  
D P Dancaster

#### **Registered Office**

Caparo House  
103 Baker Street  
London  
W1U 6LN

#### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Birmingham, UK

# Caparo India Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014. The company is a wholly owned subsidiary of Caparo Industries Plc, a company registered in England and Wales.

### Principal activities, trading review and future developments

The principal activity of the company is to act as an intermediate holding company. The company has a 75% holding in Caparo Maruti Limited (note 9), which is incorporated in India and has been established to produce sheet metal components for the automotive industry. At 31 December 2014 the company also directly owned 17% of Caparo Engineering India Limited, a manufacturer of sheet metal and other engineered components primarily for the automotive industry.

During the year, Caparo India Limited (registered in the UK) disposed of its entire 42% interest in Caparo India Limited (registered in India) to Blue Elephant Finance Limited, a company in which Lord Paul and his family are indirectly interested. The profit on disposal was £0.2m.

The performance of Caparo Engineering India Limited and its subsidiaries, in which Caparo holds a 17% minority interest, continued to be depressed in 2014, with the business continuing to make losses. Subsequent to the year-end, Caparo disposed of its entire interest in Caparo Engineering India Limited to Blue Elephant Finance Limited, a company in which Lord Paul and his family are indirectly interested. The profit on disposal is £nil.

As a holding company the directors do not measure key performance indicators as a matter of course and hence no measures have been reported.

### Results and dividends

The profit and loss account is set out on page 6 and shows the loss for the year.

The directors continue to have confidence in the successful development of the company's remaining Indian investments. The directors have assessed the carrying value of the investments of the company at the year end. The directors consider a further provision of £6.1m against the cost of investments to be appropriate in the year (2013: £nil).

No interim dividend was paid during the year (2013: £nil). The directors do not recommend a final dividend for the year (2013: £nil).

### Directors

The directors of the company during the year, and to the date of this report were:

The Honourable Ambar Paul  
The Honourable Angad Paul  
D P Dancaester

### Indemnity cover

Third party indemnity cover for the directors was in force during the financial year and at the year end.

### Financial instruments

Details of the financial risk management objectives and policies and details of the use of financial instruments by the company are provided in note 18 to the financial statements.

## **Caparo India Limited**

### **Directors' report (continued)**

#### **Auditor**

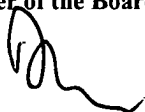
All of the current directors have taken all the steps that they ought to have taken to make themselves aware of the information needed by the company's auditor for the purposes of their audit and to establish that the auditor is aware of that information.

The directors are not aware of any relevant audit information of which the auditor is unaware. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

In preparing the Directors' report, advantage has been taken of the small companies' exemption under the Companies Act 2006. As a result of the small companies' exemption, the company is not required to prepare a Strategic Report.

#### **By order of the Board**



D P Dancaaster  
**Director**

Date 29 JUNE 2015

# **Caparo India Limited**

## **Directors' responsibilities statement**

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). 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 judgments and accounting estimates that are reasonable and prudent; 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.

## **Independent auditor's report to the members of Caparo India Limited**

We have audited the financial statements of Caparo India Limited for the year ended 31 December 2014, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### **Respective responsibilities of directors and auditor**

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.


### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report or in preparing the Directors' report.

  
Jane Whitlock (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Birmingham, UK

30 June 2015

## Caparo India Limited

### Profit and loss account Year ended 31 December 2014

|   | Note | 2014<br>£'000  | 2013<br>£'000 |
|---|------|----------------|---------------|
| Administrative expenses                                 |      | (6,067)        | -             |
| <b>Operating loss</b>                                   | 4    | <b>(6,067)</b> | -             |
| Income from shares in group undertaking                 | 5    | 152            | 83            |
| Profit on disposal                                      | 6    | 229            | -             |
| <b>Loss on ordinary activities before interest</b>      |      | <b>(5,686)</b> | 83            |
| Interest payable and similar charges                    | 7    | (2,432)        | (2,657)       |
| <b>Loss on ordinary activities before taxation</b>      |      | <b>(8,118)</b> | (2,574)       |
| Taxation charge/(credit) on loss on ordinary activities | 8    | -              | -             |
| <b>Loss for the financial year</b>                      | 15   | <b>(8,118)</b> | (2,574)       |

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account for the current and prior year.

The notes on pages 8 to 14 form part of these financial statements.



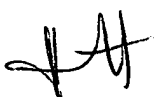
# Caparo India Limited

## Balance sheet 31 December 2014

| <i>Company number 2942875</i>                                  | <b>Note</b> | <b>2014<br/>£'000</b> | <b>2014<br/>£'000</b> | <b>2013<br/>£'000</b> | <b>2013<br/>£'000</b> |
|--|-------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Fixed assets</b>  |             |                       |                       |                       |                       |
| Investments  | 9           |                       | 2,812                 |                       | 8,879                 |
| <b>Current assets</b>  |             |                       |                       |                       |                       |
| Debtors  | 10          | 882                   |                       | 482                   |                       |
|  |             | <u>882</u>            |                       | <u>482</u>            |                       |
| <b>Creditors: amounts falling due within one year</b>          | 11          | (21)                  |                       | (20)                  |                       |
| <b>Net current assets</b>                                      |             |                       | <u>861</u>            |                       | <u>462</u>            |
| <b>Total assets less current liabilities</b>                   |             |                       | <u>3,673</u>          |                       | <u>9,341</u>          |
| <b>Creditors: amounts falling due after more than one year</b> | 12          |                       | (89,304)              |                       | (86,854)              |
| <b>Net liabilities</b>   |             |                       | <u>(85,631)</u>       |                       | <u>(77,513)</u>       |
| <b>Capital and reserves</b>                                    |             |                       |                       |                       |                       |
| Called up share capital  | 14          |                       | 10                    |                       | 10                    |
| Profit and loss account  | 15          |                       | (85,641)              |                       | (77,523)              |
| <b>Total equity shareholders' deficit</b>                      | 15          |                       | <u>(85,631)</u>       |                       | <u>(77,513)</u>       |

The financial statements were approved by the Board of Directors and authorised for issue on

29 JUNE 2015



The Honourable Angad Paul  
Director



D P Dancaaster  
Director

The notes on pages 8 to 14 form part of these financial statements.

# Caparo India Limited

## Notes to the financial statements Year ended 31 December 2014

### 1. Accounting policies

The financial statements have been prepared under the historical cost convention, and in accordance with United Kingdom Accounting Standards.

The following principal accounting policies have been applied:

#### *Basis of preparation*

The company has net liabilities of £85,631,000 (2013: (£77,513,000)). The company has entered into arrangements during the year with certain group undertakings whereby the amounts owed to those subsidiaries will not be repayable for a period of three years. Given this, the directors consider that the company will continue to operate within the facilities available to it and have therefore prepared the accounts on a going concern basis.

#### *Consolidated financial statements*

The company is exempt under section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent. These financial statements therefore present information about the company as an individual undertaking and not about its group.

#### *Taxation*

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 or substantively 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 the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis.

#### *Fixed asset investments*

Fixed asset investments are stated at cost less provision for impairment.

#### *Foreign currencies*

Foreign currency transactions are translated at the rates ruling when they occurred. Other monetary assets and liabilities denominated in foreign currencies are translated at year end rates, the exchange differences arising being taken to the profit and loss account.

# Caparo India Limited

## Notes to the financial statements (continued) Year ended 31 December 2014

### 1. Accounting policies (continued)

#### *Financial risk management*

Exposure to movements in rates of foreign exchange in relation to trading transactions between the date that a contractual obligation is entered into and the date of completion of the contract is hedged through the use of currency asset and liability matching, forward exchange contracts and other financial instruments.

Exposure to movements in rates of foreign exchange in relation to the company's investments in overseas assets is reduced through the assumption of related liabilities in matching currencies where possible, and otherwise through the use of financial instruments where in the opinion of the directors to do so would be in the best interests of the company.

Gains and losses arising on derivative instruments to hedge the company's exposure to transactions in foreign currencies are recognised in the profit and loss account when the hedged transaction is completed.

Exposure to movements in interest rates is reviewed regularly by the directors. The company utilises financial instruments to limit the company's exposure to movements in interest rates where in the opinion of the directors the expected benefits of such arrangements exceed the expected costs or at the request of the company's lenders.

Further information is provided in note 18 to the financial statements.

#### *Cash flow statement*

Under Financial Reporting Standard 1 'Cash Flow Statements' (FRS 1), the company is exempt from the requirement to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Caparo Group Limited and the company is included in the consolidated financial statements of Caparo Group Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1.

### 2. Employees

The company does not employ any personnel. The activities of the company are managed by employees of Caparo Industries Plc, the immediate parent company.

### 3. Directors' remuneration

No director received any remuneration during the current or prior year in relation to services provided to this company. The directors are remunerated by fellow subsidiary companies of Caparo Group Limited, the ultimate parent company.

### 4. Operating loss

| 2014  | 2013  |
|-------|-------|
| £'000 | £'000 |

This has been arrived at after charging:

|   |         |   |
|---|---------|---|
| Exceptional provision against carrying value of investments | (6,067) | - |
|---|---------|---|

The directors have assessed the carrying value of the investments of the company at the year end (note 9). An amount of £6.1m (2013: £nil) has been provided in the year against the cost of these investments.

No audit fee or non-audit fee was borne by this company in either period, these fees were borne by fellow subsidiary companies of Caparo Group Limited, the ultimate parent company, and not recharged.

## Caparo India Limited

### Notes to the financial statements (continued) Year ended 31 December 2014

#### 5. Income from shares in group undertaking

|                                    | 2014<br>£'000 | 2013<br>£'000 |
|------------------------------------|---------------|---------------|
| Income from subsidiary undertaking | <u>152</u>    | <u>83</u>     |

#### 6. Profit on disposal

On the 26 March 2014 Caparo India Limited disposed of its entire 42% investment in Caparo India Limited (registered in India) to Blue Elephant Finance Limited for a consideration of £229,000.

#### 7. Interest payable and similar charges

|                | 2014<br>£'000 | 2013<br>£'000 |
|----------------|---------------|---------------|
| Group interest | <u>2,432</u>  | <u>2,657</u>  |

#### 8. Taxation on loss on ordinary activities

|  | 2014<br>£'000 | 2013<br>£'000 |
|--|---------------|---------------|
| <i>Current tax</i>                             |               |               |
| Total current tax charge                       | -             | -             |
| <i>Deferred tax (note 13)</i>                  |               |               |
| Movement in deferred tax provision             | <u>-</u>      | <u>-</u>      |
| Taxation charge on loss on ordinary activities | <u>-</u>      | <u>-</u>      |

The current tax on ordinary activities for the year is different from the standard rate of corporation tax in the UK. The differences are explained below:

|  | 2014<br>£'000  | 2013<br>£'000  |
|--|----------------|----------------|
| Loss on ordinary activities before tax   | <u>(8,118)</u> | <u>(2,574)</u> |
| Loss on ordinary activities at the standard rate of corporation tax in the UK of 21.50% (2013: 23.25%) | (1,745)        | (599)          |
| Effect of:   |                |                |
| Permanent differences  | 1,778          | 618            |
| Non-taxable dividend income  | <u>(33)</u>    | <u>(19)</u>    |
| Current tax charge for the year  | <u>-</u>       | <u>-</u>       |

#### *Factors that may affect future tax charges*

The company has tax losses of £37,000 (2013: £37,000) to carry forward at the end of the year, which will reduce tax payments in future years. In the 2013 Budget, issued on 20 March 2013, the Chancellor announced that the main rate of corporation tax would be reduced to 20% with effect from 1 April 2015. As this rate was enacted in the 2013 Finance Act, the deferred tax rate has been recognised at 20%.

## Caparo India Limited

### Notes to the financial statements (continued) Year ended 31 December 2014

#### 9. Fixed asset investments

|                            | Shares in subsidiary<br>undertakings<br>£'000 | Shares in<br>associates<br>£'000 | Total<br>£'000 |
|----------------------------|---|----------------------------------|----------------|
| <b>Cost</b>                |   |                                  |                |
| At 1 January 2014          | 1,512   | 60,577                           | 62,089         |
| Disposals                  | -   | (5,175)                          | (5,175)        |
| <b>At 31 December 2014</b> | <b>1,512</b>                                  | <b>(55,402)</b>                  | <b>56,914</b>  |
| <b>Provisions</b>          |   |                                  |                |
| At 1 January 2014          | -   | 53,210                           | 53,210         |
| Charge for the year        | -   | 6,067                            | 6,067          |
| Disposals                  | -   | (5,175)                          | (5,175)        |
| <b>At 31 December 2014</b> | <b>-</b>                                      | <b>54,102</b>                    | <b>54,102</b>  |
| <b>Net book value</b>      |   |                                  |                |
| At 31 December 2014        | 1,512   | 1,300                            | 2,812          |
| At 31 December 2013        | 1,512   | 7,367                            | 8,879          |

| Undertaking                                  | Country of<br>incorporation | Percentage of<br>ordinary shares held<br>by immediate parent | Principal activity  |
|--|-----------------------------|--|---|
| <i>Directly held</i>                         |                             |  |   |
| Caparo Maruti Limited                        | India                       | 75%*   | Manufacture of sheet metal<br>components for vehicles         |
| Caparo Engineering<br>India Limited          | India                       | 17%  | Manufacture of sheet metal<br>and other engineered components |
| <i>Indirectly held</i>                       |                             |  |   |
| Caparo MI Steel<br>Processing PVT Limited    | India                       | 70%**  | Manufacture of tailored<br>welded blanks                      |
| Caparo Vehicle Products<br>India Limited     | India                       | 100%**   | Development of vehicle<br>products businesses                 |
| Caparo Power Limited                         | India                       | 81%**  | Gas-based, environmentally-friendly<br>power generation       |
| Caparo Engineering<br>& Construction Limited | India                       | 100%**   | Execution of civil construction<br>contracts                  |

\*Caparo Maruti Limited has cancelled 20% of its original share capital and attempted to return the subscription monies to the original third party subscribers. Caparo Maruti Limited is in legal dispute with the subscribers for 20% of original share capital over its right to cancel the shares. The holding of the company in Caparo Maruti Limited was 60% before cancellation of shares (note 17).

## Caparo India Limited

### Notes to the financial statements (continued) Year ended 31 December 2014

#### 9. Fixed asset investments (continued)

\*\*Caparo India Limited's effective shareholding in Caparo MI Steel Processing PVT Limited is 16%, in Caparo Vehicle Products India Limited is 23%, in Caparo Power Limited is 19%, and in Caparo Engineering & Construction Limited is 23%.

At 31 December 2014 Caparo Maruti Limited, Caparo Engineering India Limited, Caparo MI Steel Processing PVT Limited, Caparo Vehicle Products India Limited, Caparo Power Limited and Caparo Engineering & Construction Limited had net assets of £11.6m, £6.0m, £2.0m, £4.7m, £5.9m and £nil respectively (2013: £11.0m, £15.5m, £1.7m, £4.5m, £4.8m and £0.1m respectively).

Profit/(loss) for the year then ended for Caparo Maruti Limited, Caparo Engineering India Limited, Caparo MI Steel Processing PVT Limited, Caparo Vehicle Products India Limited, Caparo Power Limited and Caparo Engineering & Construction Limited were stated at £0.8m, £(10.2m), £0.3m, £(0.5m), £0.9m, £(0.1m) respectively (2013: £(1.5m), £(9.3m), £0.1m, £0.3m, £2.4m and £nil respectively).

The results of the companies are included within the consolidated results of Caparo Industries Plc as appropriate reflecting their status as subsidiaries or associates.

#### 10. Debtors

|                                    | 2014<br>£'000 | 2013<br>£'000 |
|------------------------------------|---------------|---------------|
| Amounts owed by group undertakings | 861           | 461           |
| Other debtors                      | 21            | 21            |
|                                    | <u>882</u>    | <u>482</u>    |

All debtors fall due for payment after more than one year.

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

|                                    | 2014<br>£'000 | 2013<br>£'000 |
|------------------------------------|---------------|---------------|
| Amounts owed to group undertakings | <u>21</u>     | <u>20</u>     |

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

|                                    | 2014<br>£'000 | 2013<br>£'000 |
|------------------------------------|---------------|---------------|
| Amounts owed to group undertakings | <u>89,304</u> | <u>86,854</u> |

The amounts owed to group undertakings have no fixed repayment date. Interest is charged at commercial rates. The company has entered into agreements during the year with certain group undertakings whereby the amounts owed to these entities will not be demanded for a period of three years.

# Caparo India Limited

## Notes to the financial statements (continued) Year ended 31 December 2014

### 13. Provisions for liabilities and charges

Deferred tax comprised the following assets:

|                       | Provided<br>2014<br>£'000 | Unprovided<br>2014<br>£'000 | Provided<br>2013<br>£'000 | Unprovided<br>2013<br>£'000 |
|-----------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| Unutilised tax losses | -                         | (7)                         | -                         | (7)                         |

### 14. Share capital

|   | 2014<br>£'000 | 2013<br>£'000 |
|---|---------------|---------------|
| Allotted, called up and fully paid<br>10,000 ordinary shares of £1 each | 10            | 10            |

### 15. (a) Reserves

|                             | Profit and<br>loss<br>account<br>£'000 |
|-----------------------------|--|
| At 1 January 2014           | (77,523)                               |
| Loss for the financial year | (8,118)                                |
| At 31 December 2014         | (85,641)                               |

### (b) Reconciliation of movements in shareholders' deficit

|                               | 2014<br>£'000 | 2013<br>£'000 |
|-------------------------------|---------------|---------------|
| Opening shareholders' deficit | (77,513)      | (74,939)      |
| Loss for the financial year   | (8,118)       | (2,574)       |
| Closing shareholders' deficit | (85,631)      | (77,513)      |

### 16. Related party transactions

The company has taken advantage of the exemptions granted under Financial Reporting Standard 8 'Related Party Transactions', from disclosing transactions entered into between two or more members of a group provided that any subsidiary undertaking which is a party to the transaction is wholly owned by a member of that group.

## Caparo India Limited

### Notes to the financial statements (continued)

Year ended 31 December 2014

**17. Contingent liabilities**

Caparo Maruti Limited ('CML'), an Indian subsidiary company of Caparo India Limited (UK), based on legal advice that approximately 20% of the original share capital had been improperly subscribed for by a third party subscriber other than Caparo, cancelled the said allotment in 2004 and attempted to refund the subscription moneys to the third party subscriber. This action has been disputed by the subscriber. Although CML and the said subscriber are in legal disputes on this issue, the cancellation of the above allotment has not been altered or interfered with by any Indian judicial authority. Following the cancellation of share capital, CML is presently a 75% subsidiary of Caparo India Limited (UK), compared to its 60% holding at the time of original subscription. The accounts of CML have provided for the liability of refunding the original subscription money payable to the subscriber, amounting to approximately £295,000. CML is advised that its actions are legally valid and that the court cases are likely to be decided in its favour.

**18. Financial instruments**

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

Operations are financed by a mixture of short and long term parent company borrowings.

**19. Post balance sheet events**

Subsequent to the year-end, Caparo disposed of its entire 17% interest in Caparo Engineering India Limited to Blue Elephant Finance Limited, a company in which Lord Paul and his family are indirectly interested. The profit on disposal is £nil.

**20. Ultimate parent company and controlling parties**

The company is a subsidiary undertaking of Caparo Industries Plc. The ultimate parent undertaking 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. Copies of the consolidated accounts of Caparo Group Limited and Caparo Industries Plc are available from Companies House, Cardiff.

The Right Honourable The Lord Paul of Marylebone, The Honourable Ms Anjli Paul, The Honourable Ambar Paul, The Honourable Akash Paul and The Honourable Angad Paul, directors of Caparo Group Limited, are jointly and indirectly interested in the whole of the issued share capital of Caparo Group Limited through shareholdings registered in the name of Caparo International Corporation, a company registered in the British Virgin Islands. Caparo International Corporation ultimately holds the issued share capital of Caparo Group Limited on behalf of a series of family trusts.