

Company Registration No. 5172071

Caparo Precision Tubes Limited

Report and Financial Statements

31 December 2012



Caparo Precision Tubes Limited

Report and financial statements 2012

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Caparo Precision Tubes Limited

Report and financial statements 2012

Officers and professional advisers

Directors

The Honourable Angad Paul
D P Dancaaster
J C Pay
D M O'Reilly

Secretary

J C Pay

Registered Office

Caparo House
103 Baker Street
London
W1U 6LN

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, UK

Caparo Precision Tubes Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2012. The company is a wholly owned subsidiary of Caparo Steel Products Limited, a company registered in England and Wales.

Principal activities

The company has business interests predominantly in the manufacture of steel tubes.

The ultimate holding company is Caparo Group Limited.

The principal activities, products and services of the operational entities of the company, comprise

- the manufacture of ERW precision steel tubes, sections and conduit,
- the manufacture of precision cold drawn welded and seamless tube to close dimensional accuracy, and
- the leading UK stockist and distributor of precision steel tube in the UK supplying both welded and seamless products.

Review of the business and future developments

The company's profit and loss account is set out on page 8 and shows turnover for the year of £59.6m (2011 £63.8m). Further details of turnover by geographical area and market are given in note 2 to the financial statements.

Despite continual difficult conditions the company was still able to produce a gross profit of £11.4m (2011 £9.6m).

The operating profit for the year was £2.8m (2011 £0.6m). After deducting tax and interest, the company's results for the year amounted to a profit of £2.5m (2011 £0.5m).

No interim dividend was paid during the year (2011 £nil). The directors do not recommend a final dividend for the year (2011 £nil).

The balance sheet as at 31 December 2012 shows 'total assets less current liabilities' of £14.1m (2011 £13.8m) and shareholders' funds of £11.3m (2011 £8.8m).

The outlook for 2013 is cautiously positive with some stability and slight recovery in volumes and prices evident. Whilst profitability is expected to improve in 2013, the company continues to manage its cost base tightly, with an emphasis on cash. The company is expected to trade within available facilities therefore the accounts have been prepared on the going concern basis.

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have an impact on the company's financial performance.

Global, political and economic conditions

The company has either sales or sourcing arrangements with various countries throughout the world. Whilst the company benefits from the growth opportunities in these countries, it is similarly exposed to the economic, political and business risks associated with such international operations. Throughout its operations the company encounters different legal and regulatory requirements, including those for taxation, exchange control, environmental, operational and competitive matters.

Management monitor such risks and conditions, maintaining insurance cover and amending business procedures as appropriate to attempt to mitigate any exposure whilst remaining in compliance with local and group requirements.

Caparo Precision Tubes Limited

Directors' report (continued)

Principal risks and uncertainties (continued)

Foreign exchange

The company makes sales to many countries, with a proportion of the company's operating profit earned outside the UK. As such the company is exposed to movements in exchange rates between sterling and other world currencies, particularly the US dollar and the Euro, which could adversely or positively impact results.

Raw material and energy prices

The company's products and services utilise a range of raw materials, most notably steel. Company operations also require substantial quantities of electricity and natural gas. The pricing for these raw material inputs is largely determined by international or national factors beyond the company's control or influence. Short term volatility in the pricing of such inputs and any decrease in availability can significantly impact the company's financial performance.

The Caparo Group, of which the company is a subsidiary, has developed strong relationships with its suppliers and uses contractual means where possible to minimise the risk.

Pensions

The Caparo 1988 Pension Scheme ('the Caparo Scheme'), a UK defined benefit plan of which the company is a participating employer, is accounted for as a multi-employer scheme. Under the methodology of Financial Reporting Standard 17 'Retirement Benefits', the Caparo Scheme had a deficit, net of deferred tax, of £1.3m at 31 December 2012 (2011 surplus of £3.1m), with the Caparo Scheme's assets totalling £114.3m and its liabilities totalling £115.9m (2011 assets of £112.5m and liabilities of £108.2m).

The financial position of the Caparo Scheme is exposed to a number of financial and demographic risks. The major risks are adverse changes in interest rates, the market value of investments, inflation and changes in the expected longevity of its members. The Caparo Scheme and the company are also exposed to changes in UK laws and regulations with regard to pension plans.

The Caparo Scheme remains significant in relation to the net assets of the Caparo Group.

The Caparo Group and the Trustee of the Caparo Scheme are advised by experts in the field and pursue an investment strategy which aims to align the investments held with the liabilities in the long term.

Litigation

As with any business, the company is subject to the risk of litigation from third parties. The company seeks to address such claims proactively.

In accordance with accounting requirements, a provision is made where required to address such litigation and the consequent costs of defence.

Environmental liabilities

The company conducts its operations in such a manner as to ensure compliance with environmental laws and regulations. If events occur where actions are necessary to maintain compliance, the company will devote suitable resources to the issue in order to remedy the situation. As part of ongoing reviews of compliance the environmental provisions as detailed in note 17 have been reviewed and adjusted to reflect the Company's obligations as at the balance sheet date.

Employees

The company's operations are based on small sites and are geographically disparate. The management teams employed are small and as such the company has a reliance on the management teams employed. The company recognises the importance of this resource and as such reviews its remuneration policy together with its recruitment policy on a regular basis in order to ensure the company continues to retain and attract the best possible management teams.

Caparo Precision Tubes Limited

Directors' report (continued)

Principal risks and uncertainties (continued)

Future trading and liquidity risk

The directors regularly prepare profit and cash flow forecasts based on the likely levels of demand from key customers and suppliers

Key performance indicators

Given the varied range of businesses within the company, key performance indicators are generally specific to the nature of the operations of each business. These key performance indicators include such metrics as sales volumes, net, gross and material margin, creditor days, stock days, debtor days and ageing of overdue debtors, measured against the parameters expected for each business. This data is reported to divisional and Caparo Group senior management on a monthly basis. Given the spread of types of business within the company it is not possible to meaningfully aggregate such data. Consequently this data, which includes gross profit percentage, operating profit percentage, working capital and return on capital employed, is compiled at a business unit level only.

With regard to health and safety, the company employs lost time and reportable accident metrics. This data is reported to divisional and Caparo Group senior management on a monthly basis, together with commentary regarding remedial, corrective and continuous improvement actions.

In terms of environmental compliance, the company employs key performance indicators through its varied businesses capturing performance against pre-defined benchmarks or targets for items including waste product tonnes per tonne of finalised product, energy use per tonne and overall compliance measures. The company adopts alternate uses to recycle its waste streams where possible. Similar to the health and safety measures described above, it is not possible to provide meaningful data as the challenges and opportunities in relation to environmental compliance are largely driven by local directives.

Directors

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

The Honourable Angad Paul

D P Dancaaster

A L Jarvis (resigned 1 February 2013)

J C Pay

D M O'Reilly (appointed 2 May 2013)

Employment of disabled persons

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

Indemnity cover

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

Employee involvement

Employees are kept informed regarding the company's affairs and are consulted on a regular basis wherever feasible and appropriate.

Policy on payment of creditors

It is the company's policy to settle all trade creditors within the normal commercial terms of trade agreed with each supplier. As at 31 December 2012, the company's trade creditors represented 69 days (2011: 72 days) purchases.

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 24 to the financial statements.

Caparo Precision Tubes 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.

By order of the Board



J C Pay
Secretary

Date 27 June 2013

Caparo Precision Tubes 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 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.

Independent auditor's report to the members of Caparo Precision Tubes Limited

We have audited the financial statements of Caparo Precision Tubes Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet and 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 (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. 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 2012 and of its profit 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.

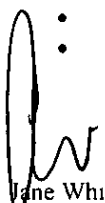
Opinion on other matter prescribed by the Companies Act 2006

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.



Jane Whitlock (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, UK
Date 28 June 2013

Caparo Precision Tubes Limited

Profit and loss account Year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Turnover	2	59,574	63,835
Cost of sales		(48,151)	(54,242)
Gross profit		11,423	9,593
Distribution costs		(6,201)	(6,397)
Administrative expenses		(2,411)	(2,579)
Operating profit	5	2,811	617
Interest payable and similar charges	6	(404)	(471)
Profit on ordinary activities before taxation		2,407	146
Taxation credit on profit on ordinary activities	7	52	356
Profit for the financial year	19	2,459	502

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 10 to 23 form part of these financial statements

Caparo Precision Tubes Limited

Balance sheet 31 December 2012

<i>Company number 5172071</i>	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Fixed assets					
Negative goodwill	8		(6,299)		(6,592)
Tangible assets	9		13,522		14,887
Investments	10		-		-
			<u>7,223</u>		<u>8,295</u>
Current assets					
Stocks	11	7,025		7,165	
Debtors due within one year	12	8,071		9,995	
Debtors due after more than one year	12	729		471	
Cash at bank and in hand		<u>7,585</u>		<u>6,638</u>	
		<u>23,410</u>		<u>24,269</u>	
Creditors amounts falling due within one year	13	<u>(16,498)</u>		<u>(18,804)</u>	
Net current assets			<u>6,912</u>		<u>5,465</u>
Total assets less current liabilities			<u>14,135</u>		<u>13,760</u>
Creditors: amounts falling due after more than one year	14		(2,225)		(1,285)
Provisions for liabilities and charges	17		<u>(604)</u>		<u>(3,628)</u>
Net assets			<u><u>11,306</u></u>		<u><u>8,847</u></u>
Capital and reserves					
Called up share capital	18		2,000		2,000
Profit and loss account	19		<u>9,306</u>		<u>6,847</u>
Shareholders' funds	19		<u><u>11,306</u></u>		<u><u>8,847</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 27 June 2013



J C Pay
Director

The notes on pages 10 to 23 form part of these financial statements

Caparo Precision Tubes Limited

Notes to the financial statements Year ended 31 December 2012

1. Accounting policies

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

The following principal accounting policies have been applied

Basis of preparation

The directors have prepared the accounts on the going concern basis. In preparing the accounts on this basis the directors have taken account of the following factors

The overall cash requirements of the group are managed centrally and the company is party to cross guarantees as detailed in note 20. The directors have prepared profit and loss and cash flow forecasts for the period to June 2014 which indicate that the group and company are expected to trade within available facilities during the forecast period

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 undertaking 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

Turnover

Turnover, stated net of value added tax, represents amounts invoiced to third parties. Turnover is recognised when the risks and rewards of owning the goods have passed to the customer which is generally on delivery

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

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to shareholders, this is when paid by the company. In the case of final dividends, this is when approved by the shareholders

Caparo Precision Tubes Limited

Notes to the financial statements (continued) Year ended 31 December 2012

1 Accounting policies (continued)

Goodwill

Where the fair value of the separable net assets exceeds the fair value of the consideration for an acquired undertaking the difference is treated as negative goodwill and is recognised on the balance sheet and released through the profit and loss account in the period in which the non-monetary assets acquired are recovered. In the case of fixed assets this is the period over which they are depreciated or sold and in the case of current assets, the period over which they are sold or otherwise realised. Negative goodwill is allocated to the non-monetary assets for the purpose of its release on the basis of the most appropriate allocation as indicated by the circumstance of the purchase.

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of tangible fixed assets by equal instalments over their expected useful economic lives, as follows

Freehold buildings	-	2% per annum
Leasehold land and buildings	-	over the term of the lease
Plant and machinery	-	5 - 20% per annum
Rolls	-	25% per annum
Fixtures and fittings	-	20% per annum
Computer equipment	-	20 - 33% per annum
Computer software	-	33% per annum
Vehicles and mobile plant	-	15 - 25% per annum

Freehold land is not depreciated. All other assets are depreciated from the date of commissioning.

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of the value in use and net realisable value.

Investments

Investments in subsidiary and associated undertakings are stated at cost less provision for impairment.

Leasing

Assets acquired under finance leases are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element is charged to the profit and loss account over the term of the agreement.

Rentals in respect of operating leases are charged to the profit and loss account over the term of the agreement.

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Net realisable value is based on estimated selling price less further costs to completion and sale.

Foreign currencies

Foreign currency transactions are translated at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at year end exchange rates except where they are covered by forward contracts, when the forward rate is used. Any gains or losses on translation are included in the profit and loss account.

Caparo Precision Tubes Limited

Notes to the financial statements (continued) Year ended 31 December 2012

1 Accounting policies (continued)

Pension costs

The pension costs for defined contribution schemes are the contributions payable in the year

As the company is a member of a group defined benefit scheme, and is unable to identify its share of the underlying assets and liabilities of the scheme, the pension costs for the defined benefit scheme are taken as the contributions payable in the year

Government grants

Capital based government grants are included within accruals and deferred income and credited to trading profit over the estimated useful economic lives of the assets to which they relate

Provisions

Provisions are created where the company has a present legal or constructive obligation to third parties as a result of a past event and it is probable that it will result in an outflow of economic benefits. The amount recognised as the provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date. If the effect of discounting is material, provisions are discounted to the expected present value of their cash flows. The nature of these provisions are

- a) Property provisions: Provisions made in respect of individual properties where there are obligations for onerous contracts and dilapidations
- b) Restructuring provisions: Provisions are established for announced and ongoing restructuring programmes. The provision includes costs of severance, costs of property closure, and other direct expenditures
- c) Environmental provisions: The group is exposed to environmental liabilities arising from its current operations

The unwinding of the discount is included within the profit and loss statement as a financing charge

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 any investments in overseas assets by the company 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 24 to the financial statements

Exceptional items

Items that the directors consider are material in size or unusual or infrequent in nature are presented as exceptional items in the operating profit note. The directors are of the opinion that the separate presentation of exceptional items provides helpful information about the companies underlying business performance. Examples of events that, inter alia, may give rise to the classification of items as exceptional are the restructuring of existing businesses and write-downs or impairments of current and non-current assets

Caparo Precision Tubes Limited

Notes to the financial statements (continued) Year ended 31 December 2012

1. Accounting policies (continued)

Cash flow statement

Under Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' (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. Turnover

The company's turnover is derived from its principal activity, an analysis by geographical market is as follows

	2012 £'000	2011 £'000
United Kingdom	50,770	53,033
Rest of Europe	4,448	6,445
Rest of the World	4,356	4,357
	<u>59,574</u>	<u>63,835</u>

3. Employees

	2012 £'000	2011 £'000
Staff costs, including directors, consist of		
Wages and salaries	6,996	7,697
Social security costs	716	805
Pension costs (note 22)	414	375
	<u>8,126</u>	<u>8,877</u>

	2012 Number	2011 Number
The average number of employees during the year was		
Production and sales	266	295
Administration	25	30
	<u>291</u>	<u>325</u>

4. 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, in relation to services not related to this company.

Caparo Precision Tubes Limited

Notes to the financial statements (continued) Year ended 31 December 2012

5. Operating profit

	2012 £'000	2011 £'000
This has been arrived at after (crediting)/charging		
Negative goodwill released	(293)	(293)
Depreciation of owned assets	833	787
Depreciation of finance leased assets	32	66
Operating lease rentals		
- plant	215	234
- other	445	440
Exchange losses	2	34
Profit/(loss) on disposal of fixed assets	292	(11)
Exceptional restructuring costs	716	227
Environmental and dilapidations provision credit	(3,024)	-

Exceptional restructuring costs are comprised of redundancy costs of £716,000 (2011 £227,000)

The analysis of auditor's remuneration is as follows

	2012 £'000	2011 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	20	22
Non-audit fees	-	-

6 Interest payable and similar charges

	2012 £'000	2011 £'000
Bank loan, overdraft and similar finance	402	468
Finance lease interest	2	3
	<u>404</u>	<u>471</u>

Caparo Precision Tubes Limited

Notes to the financial statements (continued) Year ended 31 December 2012

7 Taxation on profit on ordinary activities

	2012 £'000	2011 £'000
The taxation on profit on ordinary activities comprises		
<i>Current tax</i>		
Corporation tax on results for the year	(9)	(44)
Adjustment in respect of previous years	223	151
Total current tax charge	214	107
<i>Deferred tax</i>		
Movement in deferred tax provision (note 17)	(266)	(463)
Taxation (credit) on profit on ordinary activities	(52)	(356)

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

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	2,407	146
Profit on ordinary activities at the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	590	39
Effect of		
Permanent differences	(659)	76
Capital allowances for year less than/(in excess of) depreciation	13	(132)
Other timing differences	47	(27)
Adjustment to current tax charge in respect of previous years	223	151
Current tax charge for year	214	107

Caparo Precision Tubes Limited

Notes to the financial statements (continued) Year ended 31 December 2012

7 Taxation on profit on ordinary activities (continued)

Factors that may affect future tax charges

The company has tax losses of £434,000 (2011 £456,000) to carry forward at the end of the year, which will reduce tax payments in future years

Based on current investment plans, the company expects depreciation to exceed capital allowances in future years

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief or to offset the gain against tax losses brought forward in the Caparo Group. The total amount unprovided is disclosed in note 17. At present, it is not envisaged that any tax will become payable in the foreseeable future.

In the 2012 Budget, issued on 21 March 2012, the Chancellor announced that the main rate of corporation tax would be reduced to 24% with effect from 1 April 2012, with a further annual 1% rate reduction down to 23% by 1 April 2013. As these rates were enacted in the 2012 Finance Act, the deferred tax rate has been recognised at 23.25%.

In that Budget he also announced a reduction to 22% by 1 April 2014 however, in the Autumn Statement issued on 5 December 2012, he announced a further reduction to 21%. As this future rate has not been substantially enacted at the balance sheet date, it has not been reflected in these financial statements. The effect of this tax rate reduction will be accounted for in the period in which it is substantively enacted.

8. Intangible fixed assets

	Negative goodwill £
Cost	
At 1 January and 31 December 2012	16,045
Amortisation	
At 1 January 2012	9,453
Amortised in the year	293
At 31 December 2012	9,746
Net book value	
At 31 December 2012	6,299
At 31 December 2011	6,592

The remaining negative goodwill is attributed to fixed assets and released as these assets are depreciated, impaired or disposed of.

Caparo Precision Tubes Limited

Notes to the financial statements (continued) Year ended 31 December 2012

9. Tangible fixed assets

	Freehold land and buildings £'000	Plant machinery, fixtures and fittings £'000	Vehicles and mobile plant £'000	Total £'000
Cost				
At 1 January 2012	11,879	8,240	448	20,567
Disposals	-	(926)	(261)	(1,187)
At 31 December 2012	11,879	7,314	187	19,380
Depreciation				
At 1 January 2012	433	4,870	377	5,680
Charge for the year	58	775	32	865
Disposals	-	(439)	(248)	(687)
At 31 December 2012	491	5,206	161	5,858
Net book value	11,388	2,108	26	13,522
At 31 December 2012				
At 31 December 2011	11,446	3,370	71	14,887

Included in vehicles and mobile plant are assets held under finance leases with a net book value of £26,000 (2011 £71,000)

10 Fixed asset investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January and 31 December 2012	2,083
Provision	
At 1 January and 31 December 2012	2,083
Net book value	
At 31 December 2011 and 2012	-

The company holds 100% of the share capital of Hayes Tubes Limited which did not trade in this or the preceding year

At 31 December 2012 Hayes Tubes Limited had aggregated share capital and reserves of £77,000 (2011 £77,000)

The results of the company are included within the consolidated results of Caparo Steel Products Limited

Caparo Precision Tubes Limited

Notes to the financial statements (continued) Year ended 31 December 2012

11. Stocks

	2012 £'000	2011 £'000
Raw materials and consumables	1,011	1,234
Work in progress	1,192	1,387
Finished goods and goods for resale	4,822	4,544
	<u>7,025</u>	<u>7,165</u>

There is no material difference between the balance sheet value of stocks and their replacement cost

12. Debtors

	2012 £'000	2011 £'000
Amount falling due within one year.		
Trade debtors	6,791	8,356
Amounts owed by group undertakings	824	995
Prepayments and accrued income	456	410
Corporation tax	-	234
	<u>8,071</u>	<u>9,995</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	-	8
Deferred tax (note 17)	729	463
	<u>729</u>	<u>471</u>
Total debtors	<u>8,800</u>	<u>10,466</u>

The amounts owed by group undertakings have no fixed repayment date and are non-interest bearing

13 Creditors' amounts falling due within one year

	2012 £'000	2011 £'000
Bank loans, overdrafts and similar finance (note 15)	5,577	6,292
Trade creditors	9,123	10,776
Amounts owed to group undertakings	25	36
Other taxation and social security	567	630
Finance lease obligations (note 16)	5	32
Accruals and deferred income	1,009	1,038
Corporation tax	192	-
	<u>16,498</u>	<u>18,804</u>

The bank loans, overdrafts and similar finance are secured by a charge over certain assets of the company and of certain group companies, with interest being charged at commercial rates

Caparo Precision Tubes Limited

Notes to the financial statements (continued) Year ended 31 December 2012

14 Creditors: amounts falling due after more than one year

	2012 £'000	2011 £'000
Bank loans and similar finance (note 15)	672	840
Amounts owed to group undertakings	1,514	397
Finance lease obligations (note 16)	33	38
Accruals and deferred income	6	10
	<u>2,225</u>	<u>1,285</u>

The amounts owed to group undertakings have no fixed repayment date and are non-interest bearing. The company has received assurances from the counterparties that the repayment of the loans will not be demanded within twelve months of the date of approval of the financial statements.

15. Bank loans, overdrafts and similar finance

	2012 £'000	2011 £'000
Bank loans, overdrafts and similar finance are repayable as follows		
In one year or less	5,577	6,292
In one to two years	168	168
In two to five years	504	504
In more than five years	-	168
	<u>6,249</u>	<u>7,132</u>

The bank loans, overdrafts and similar finance are secured by a charge over certain assets of the company and of certain group companies, with interest being charged at commercial rates.

The term loan bears interest at commercial margins over bank base lending rates.

Subsequent to the year end discussions were concluded satisfactorily with the bankers to the principle UK companies of the Caparo Industries group, and agreements were entered into during June 2013 providing three year UK banking facilities to Caparo Industries Plc. As part of this agreement the outstanding bank loans have been repaid in full.

Caparo Precision Tubes Limited

Notes to the financial statements (continued) Year ended 31 December 2012

16 Leasing

The company was committed to the following net obligations under non-cancellable finance leases as follows

	2012 £'000	2011 £'000
Finance leases are repayable as follows		
In one year or less	5	32
In one to two years	9	22
In two to five years	24	16
	<u>38</u>	<u>70</u>

Finance leases are secured on the assets to which they relate and are repayable within five years

17. Provisions for liabilities and charges

	Environmental provisions £'000	Dilapidation provisions £'000	Total £'000
At 1 January 2012	2,721	907	3,628
Credit to the profit and loss account	(2,721)	(303)	(3,024)
At 31 December 2012	<u>-</u>	<u>604</u>	<u>604</u>

Environmental provisions are based on external consultants' estimates of the likely cost of clean up of contaminated sites, and are released in line with expenditure on the related liability. Dilapidation provisions relate to obligations under various property leases to ensure that, at the end of the leases, the buildings are in the condition agreed with the landlords.

	Deferred tax asset (note 12) £'000
At 1 January 2012	(463)
Credit to the profit and loss account	(266)
At 31 December 2012	<u>(729)</u>

Deferred tax is included within 'Debtors' in the balance sheet (note 12)

Deferred tax comprised the following liabilities/(assets)

	2012 Provided £'000	2012 Unprovided £'000	2011 Provided £'000	2011 Unprovided £'000
Accelerated capital allowances	(615)	-	(339)	-
Short term timing differences	(13)	-	(9)	-
On revaluation of assets	-	1,866	-	1,665
Unutilised losses	(101)	-	(115)	-
	<u>(729)</u>	<u>1,866</u>	<u>(463)</u>	<u>1,665</u>

Caparo Precision Tubes Limited

Notes to the financial statements (continued) Year ended 31 December 2012

18 Called up share capital

	2012 £'000	2011 £'000
Called up, allotted and fully paid		
2,000,000 ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

19. (a) Reserves

	Profit and loss account £'000
At 1 January 2012	6,847
Profit for the financial year	<u>2,459</u>
At 31 December 2012	<u>9,306</u>

(b) Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Opening shareholders' funds	8,847	8,345
Profit for the financial year	<u>2,459</u>	<u>502</u>
Closing shareholders' funds	<u>11,306</u>	<u>8,847</u>

Caparo Precision Tubes Limited

Notes to the financial statements (continued) Year ended 31 December 2012

20 Commitments and contingent liabilities

- (i) As at 31 December 2012, the company had no capital commitments which were contracted but not provided for (2011 £nil)
- (ii) Annual commitments under non-cancellable operating leases are as follows

	Land and buildings 2012 £'000	Other 2012 £'000	Land and buildings 2011 £'000	Other 2011 £'000
Operating leases which expire				
Within one year	-	-	-	23
Within two to five years	-	269	63	228
Over five years	380	-	317	-
	<u>380</u>	<u>269</u>	<u>380</u>	<u>251</u>

- (iii) The company is liable under cross guarantee arrangements, together with other group companies, for bank and certain loan facilities entered into by the companies. At 31 December 2012, this liability amounted to £35,864,000 (2011 £35,600,000)

21. Pension schemes

Caparo Industries Plc and its UK subsidiaries ('the CI Group') operate a defined benefit UK pension scheme providing benefits based on final pensionable pay, the Caparo 1988 Pension Scheme ('the Caparo Scheme'), of which the company is a participating member. The assets of the Caparo Scheme are held by a Trustee separate from those of the CI Group.

The Caparo Scheme is treated as a multi-employer scheme, as the company is unable to identify its share of the underlying assets and liabilities of the Caparo Scheme on a consistent and reasonable basis given the changes in the composition of the group members over the years. Therefore contributions to the Caparo Scheme by the company are based upon pension costs across the participating companies as a whole and the Caparo Scheme is accounted for as if it were a defined contribution scheme in the accounts of the company, although the Caparo Scheme has been accounted for as a defined benefit scheme in the group accounts of Caparo Industries Plc.

Contributions are agreed by the Scheme Trustee and the company sponsoring the Caparo Scheme, acting on the advice of the Scheme Actuary, on the basis of triennial valuations and formal updates using the projected unit method. At the year end, the CI Group has agreed employer contribution rates of between 17.6% and 21.2% of salary (18.6% on average) for the accrual of future benefits. Subsequent to the year end with effect from 1 April 2013 these rates have changed to a range of 21.8% to 25.0% (23.4% on average). These rates are subject to periodic review. As the Caparo Scheme is closed to new entrants, the service cost will be expected to rise in future years as the membership ages.

The full actuarial valuation carried out as at 31 March 2009 was updated to 31 December 2012 on a FRS 17 basis by a qualified independent actuary. The actuarial valuations of the Caparo Scheme at 31 December 2012 and 31 December 2011 on a FRS 17 basis showed a net pension deficit of £1.3m and a surplus of £3.1m respectively. Further details of the valuation on a FRS 17 basis are disclosed in the accounts of Caparo Group Limited and Caparo Industries Plc.

Caparo Precision Tubes Limited

Notes to the financial statements (continued) Year ended 31 December 2012

22. Pension schemes (continued)

The pension charge for the year in respect of the Caparo Scheme was £6,000 (2011 £6,000) At 31 December 2012 employee contributions of £2,000 (2011 £2,000) were payable to the Caparo Scheme and are included in creditors

The company also contributes to the Caparo Stakeholder Pension Plan, a UK defined contribution scheme invested through Investment Solutions Limited The pension charge for the year in respect of these arrangements was £408,000 (2011 £369,000) At 31 December 2012, employee contributions of £32,000 (2011 £31,000) were payable to the Caparo Stakeholder Pension Plan

23. 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

During the year, the company made sales to Caparo (GCC) a wholly owned branch of Caparo SA, an entity owned by the ultimate controlling parties as disclosed in note 25, totalling £4.3m of which £5,000 was outstanding at the year end (2011 £3.1m and £2,000 respectively) All transactions were on normal commercial terms

24. 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 Various financial instruments such as trade debtors and trade creditors arise directly from the company's operations

The company performs rigorous credit checks for all customers, and credit insurance is obtained, where available, to minimise bad debt risk Where credit insurance is not available, the company undertakes detailed credit evaluations of prospective customers, which are subject to group review and approval before supplies can be made

Operations are financed by a mixture of retained profits, short term bank borrowings and term loans Acquisitions, in general, and working capital requirements are funded principally out of short and longer term banking facilities and retained profits

25. Post balance sheet event

Subsequent to the year end discussions were concluded satisfactorily with the bankers to the principal UK companies of the Caparo Industries group, together with the UK Pension Scheme Trustee, and agreements were entered into during June 2013 providing facilities for three years

26. Ultimate parent company and controlling parties

The company is a subsidiary undertaking of Caparo Steel Products Limited 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 Steel Products Limited Copies of the consolidated accounts of Caparo Group Limited and Caparo Steel Products Limited are available from Companies House, Cardiff

The Right Honourable The Lord Paul of Marylebone, The Honourable Ms Anjali 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