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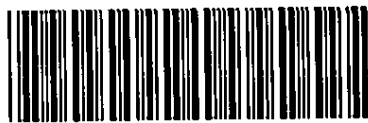
Caparo Hotels Limited

Report and Financial Statements

Year Ended

31 December 2007

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BDO Stoy Hayward
Chartered Accountants

Caparo Hotels Limited

Annual report and financial statements for the year ended 31 December 2007

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Directors and advisors

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Directors

The Honourable Ambar Paul
The Honourable Angad Paul
I Davies
J G Smith

Secretary and registered office

S G Bailey, Caparo House, 103 Baker Street, London, W1U 6LN

Company number

149618

Auditors

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU.

Caparo Hotels Limited

Report of the directors for the year ended 31 December 2007

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

Principal activities

The company is engaged in the operation of, and trading in, hotel properties. There have been no changes in the company's activities in the year under review.

Review of business and future developments

The profit and loss account is set out on page 7 and shows turnover for the year of £1,930,000 (2006 - £1,902,000). All turnover is generated from Hotels in the United Kingdom.

Despite difficult conditions Caparo Hotels delivered a good performance in the year. Turnover increased in the face of the adverse weather conditions experienced in the UK, particularly during the summer months. Additionally income from the new function marquee at the Bignell Park Hotel was below forecast as set-up delays resulted in it only being fully operational at the end of the year.

An operating profit of £22,000 (2006 loss of £59,000) was achieved, largely through the careful management of costs and the redeployment of resources in the business. This has resulted in cost of sales and administrative expense savings of over £60,000.

As a result of the increased turnover and overheads savings the net loss for the year before taxation has been significantly reduced by £72,000, an improvement of 45.3%.

Whilst 2008 shows signs of a slowdown in the leisure industry, the company is well placed to build on the foundations of 2007 of a lower cost base and increased sales opportunities.

There have been no events since the balance sheet date which materially affect the position of the company.

Principal risks and uncertainties

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

National, Political and Economic conditions

The company's properties, located in different areas of the country, face very different challenges in their operations. The clientele at Bignell Park Hotel in Oxfordshire is predominantly corporate based. Accordingly the business is greatly dependant upon the local economy as well as that of the country as a whole. The Osborne Hotel in Torquay, conversely, competes largely in the leisure market and is surrounded by substantial competition. The weather also is an important part in the hotel's profitability. Torbay has its own micro-climate, often experiencing warmer and sunnier days than anywhere else in the UK. However, the availability of guaranteed good weather abroad with low cost holidays makes it essential that the Torbay weather remains fair. Poor summer weather will inevitably have a detrimental effect on the profitability.

Throughout its operations the company encounters different legal and regulatory requirements, including those for taxation, environmental, operational and competitive matters.

Caparo Hotels Limited

Report of the directors for the year ended 31 December 2007 (*Continued*)

Principal risks and uncertainties (*Continued*)

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

Raw material and energy prices

The company's services utilise a range of raw materials. The company also consumes electricity and gas in its business. 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 impact the company's financial performance.

The company has developed strong relationships with its suppliers and uses contractual means where possible to minimise the risk.

Litigation and investigations

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.

Employees

The company has a reliance on its employees. The company recognises the importance of this resource and as such reviews its employment policy together with its recruitment policy on a regular basis in order to ensure that it continues to retain and attract the most effective resource.

Key performance indicators

Key performance indicators within the Caparo Group are specific to the nature of the operations of each business. This data is reported to divisional and Group senior management on a monthly basis.

The key financial performance indicators of the company include

- Gross profit percentage at 84.2% (2006: 82.8%)
- Operating profit percentage at 1.1% (2006: -3.1%)
- Working capital -£245,000 (2006: -£151,000)

Caparo Hotels Limited

Report of the directors for the year ended 31 December 2007 (*Continued*)

Principal risks and uncertainties (*Continued*)

As at 31 December 2007, the reported key performance indicators were in line with expectations and the prior year. In addition to the above key performance indicators the Company monitors other financial performance indicators on a monthly basis against forecasts and budgets including, but not limited to, room occupancy, average room rate, room yield and cash flows.

Directors

The directors of the company during the year were

The Honourable Ambar Paul
The Honourable Angad Paul
I Davies
J G Smith

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 of the company for that year. 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.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Employment of disabled persons

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

Caparo Hotels Limited

Report of the directors for the year ended 31 December 2007 (*Continued*)

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

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 22 to the financial statements

Auditors

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 auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the annual general meeting.

By order of the Board



S G Bailey
Secretary

Date 24 June 2008

Caparo Hotels Limited

Report of the independent auditors

To the shareholders of Caparo Hotels Limited

We have audited the financial statements of Caparo Hotels Limited for the year ended 31 December 2007 which comprise the profit and loss account, statement of total recognised gains and losses, note on historical cost profits and losses, reconciliation of movements in shareholders' funds, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes 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.

Caparo Hotels Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



BDO STOY HAYWARD LLP

Chartered Accountants

and Registered Auditors

London

Date 30th June 2008

Caparo Hotels Limited**Profit and loss account for the year ended 31 December 2007**

	Note	2007 £'000	2006 £'000
Turnover	2	1,930	1,902
Cost of sales		(305)	(328)
Gross profit		1,625	1,574
Administrative expenses		(1,724)	(1,763)
Other operating income	5	121	130
Operating profit/(loss)	6	22	(59)
Interest payable and similar charges	7	(109)	(100)
Loss on ordinary activities before taxation		(87)	(159)
Taxation on loss on ordinary activities	8	72	(10)
Loss for the financial year	18	(15)	(169)

All amounts relate to continuing activities

The notes on pages 10 to 20 form part of these financial statements

Caparo Hotels Limited**Statement of total recognised gains and losses, note of historical cost profits and losses and reconciliation of movements in shareholders' funds for the year ended 31 December 2007**

	2007 £'000	2006 £'000
Statement of total recognised gains and losses		
Loss for the financial year	(15)	(169)
Revaluation reserve movement	-	1,226
	<hr/>	<hr/>
Total recognised gains and losses for the financial year	(15)	1,057
	<hr/>	<hr/>
Note on historical cost profits and losses		
Reported loss on ordinary activities before taxation	(87)	(159)
Difference between actual and historical cost depreciation	2	11
	<hr/>	<hr/>
Historical cost loss on ordinary activities before taxation	(85)	(148)
	<hr/>	<hr/>
Historical cost loss for the year after taxation	(13)	(158)
	<hr/>	<hr/>
Reconciliation of movements in shareholders' funds		
	2007 £'000	2006 £'000
Opening shareholders' funds	1,175	118
Loss for the financial year	(15)	(169)
Revaluation	-	1,226
	<hr/>	<hr/>
Closing shareholders' funds	1,160	1,175
	<hr/>	<hr/>

The notes on pages 10 to 20 form part of these financial statements

Caparo Hotels Limited

Balance sheet at 31 December 2007

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Fixed assets					
Tangible assets	9		4,852		4,819
Current assets					
Stocks	10	23		21	
Debtors	11	139		152	
Cash at bank and in hand		3		76	
		165		249	
Creditors: amounts falling due within one year	12	(707)		(1,092)	
Net current liabilities			(542)		(843)
Total assets less current liabilities			4,310		3,976
Creditors: amounts falling due after more than one year	13	(3,150)		(2,694)	
Provisions for liabilities	16	-		(107)	
			(3,150)		(2,801)
Net assets			1,160		1,175
Capital and reserves					
Called up share capital	17		17		17
Revaluation reserve	18		2,187		2,189
Profit and loss account	18		(1,044)		(1,031)
Shareholders' funds			1,160		1,175

The financial statements were approved by the Board of Directors and authorised for issue on 24 June 2008

I Davies
Director

J G Smith
Director

The notes on pages 10 to 20 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

Turnover

Turnover, stated net of value added tax, represents amounts invoiced to third parties. Turnover is recognised as the goods or services are provided.

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.

Pension costs

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

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief or capital losses, and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on hotel buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Caparo Hotels Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

1 Accounting policies (*Continued*)

Fixed assets and depreciation - hotel properties

Hotel properties are held at current valuation, less accumulated depreciation. Hotel assets are subject to a full valuation at least every five years.

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

Freehold building	-	2% per annum
Building surfaces and finishes	-	2% to 20% per annum
Plant and machinery	-	10% to 20% per annum
Furniture, equipment and soft furnishings	-	10% to 20% per annum
Computers	-	20% per annum

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

Any permanent diminution in value is charged to the profit and loss account on recognition.

Fixed assets and depreciation - other tangible fixed assets

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

Motor vehicles - 20% to 25% per annum

Stocks

Stocks are stated at the lower of cost and net realisable value.

Financial risk management

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 22 to the financial statements.

Caparo Hotels Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

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

All of the company's turnover is generated within the United Kingdom, and relates to the principal activity.

3 Employees

	2007 £'000	2006 £'000
Staff costs consist of		
Wages and salaries	859	862
Social security costs	69	70
Pension costs	11	11
	<hr/>	<hr/>
	939	943
	<hr/>	<hr/>

The average number of employees, including directors, during the year were

	2007 Number	2006 Number
Production and sales	53	52
Administration	6	6
	<hr/>	<hr/>
	59	58
	<hr/>	<hr/>

Caparo Hotels Limited**Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)****4 Directors' remuneration**

	2007 £'000	2006 £'000
Directors' remuneration consists of payments to 1 director		
Emoluments	70	67
Company contributions to defined contribution pension schemes	7	7
	77	74

Payments were made to the Group defined contribution scheme on behalf of 1 director (2006 - 1). The cost for the other directors is borne by fellow subsidiary undertakings of Caparo Group Limited, the ultimate parent company.

5 Other operating income

	2007 £'000	2006 £'000
Management fees	121	130

6 Operating profit/(loss)

	2007 £'000	2006 £'000
This is stated after charging		
Depreciation of owned assets	151	193
Depreciation of finance lease assets	3	4
Operating lease rentals - plant	2	2
Auditors' remuneration for audit services	13	12

7 Interest payable and similar charges

	2007 £'000	2006 £'000
Bank loans and overdrafts	108	99
Finance lease interest	1	1
	109	100

Caparo Hotels Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

8 Taxation on loss on ordinary activities

	2007 £'000	2007 £'000	2006 £'000	2006 £'000
<i>Current tax</i>				
Corporation tax on loss for the year	44		(6)	
Adjustment in respect of prior year	(9)		15	
Total current tax		35		9
<i>Deferred tax</i>				
Origination and reversal of timing differences	(110)		(5)	
Adjustment in respect of prior year	3		6	
Movement in deferred tax provision (note 16)		(107)		1
Taxation on loss on ordinary activities		(72)		10

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

	2007 £'000	2006 £'000
Loss on ordinary activities before tax	(87)	(159)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 - 30%)	(26)	(48)
Effect of		
Permanent differences	11	37
Capital allowances for year less than depreciation	25	5
Other timing differences	34	-
Adjustment to current tax charge in respect of previous years	(9)	15
Current tax charge for year	35	9

Factors that may affect future tax charges

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

No provision has been made for deferred tax arising 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 capital losses brought forward in the Caparo Group. The total amount unprovided is disclosed in note 16. At present it is not envisaged that any tax will become payable in the foreseeable future.

Caparo Hotels Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

9 Tangible fixed assets

	Hotel premises £'000	Motor vehicles £'000	Total £'000
<i>Cost or valuation</i>			
At 1 January 2007	4,800	33	4,833
Additions	187	-	187
	<hr/>	<hr/>	<hr/>
At 31 December 2007	4,987	33	5,020
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2007	-	14	14
Charge for year	146	8	154
	<hr/>	<hr/>	<hr/>
At 31 December 2007	146	22	168
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2007	4,841	11	4,852
	<hr/>	<hr/>	<hr/>
At 31 December 2006	4,800	19	4,819
	<hr/>	<hr/>	<hr/>
<i>Analysis of cost or valuation</i>			
At 2007 valuation	4,987	33	5,020
	<hr/>	<hr/>	<hr/>
At 31 December 2007	4,987	33	5,020
	<hr/>	<hr/>	<hr/>
Historical cost at 31 December 2007	4,624	33	4,657
Accumulated depreciation based on historical cost	(1,969)	(22)	(1,991)
	<hr/>	<hr/>	<hr/>
Historical cost net book value at 31 December 2007	2,655	11	2,666
	<hr/>	<hr/>	<hr/>
Historical cost at 31 December 2006	4,437	33	4,470
Accumulated depreciation based on historical cost	(1,912)	(14)	(1,926)
	<hr/>	<hr/>	<hr/>
Historical cost net book value at 31 December 2006	2,525	19	2,544
	<hr/>	<hr/>	<hr/>

Caparo Hotels Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

9 Tangible fixed assets (Continued)

Both of the company's hotel properties, inclusive of fixtures and fittings, were professionally valued in January 2007 by Christie & Co at a combined worth of £4,800,000, on the basis of open market value for existing use. These valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes. The surplus arising of £1,226,000 has been credited to the revaluation reserve. Subsequent additions to the hotel properties and other tangible assets are stated at historical cost.

In the opinion of the directors at 31 December 2007, the valuation of the hotel properties is not materially different to this.

The net book value of assets held under lease agreements at 31 December 2007 was £3,000 (2006 - £7,000).

10 Stocks

	2007 £'000	2006 £'000
Raw materials and consumables	23	21

11 Debtors

	2007 £'000	2006 £'000
Trade debtors	39	46
Corporation tax	-	6
Prepayments and accrued income	88	90
Other debtors	12	10
	139	152

All amounts shown under debtors fall due for payment within one year.

12 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Bank loans, overdrafts and similar finances (note 14)	255	172
Trade creditors	169	149
Amounts owed to group undertakings	-	600
Corporation tax	43	-
Other taxation and social security	65	72
Obligations under finance leases (note 15)	2	2
Accruals and deferred income	137	69
Other creditors	36	28
	707	1,092

Caparo Hotels Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

13 Creditors: amounts falling due after more than one year

	2007 £'000	2006 £'000
Bank loans, overdrafts and similar finances (note 14)	1,223	1,352
Amounts owed to group undertakings	1,921	1,334
Obligations under finance leases (note 15)	6	8
	<u>3,150</u>	<u>2,694</u>

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

14 Bank loan, overdraft and similar finances

Bank loans, overdrafts and similar finances are repayable	2007 £'000	2006 £'000
In less than one year	255	172
In more than one year but not more than two years	129	129
In more than two years but not more than five years	386	387
In more than five years	708	836
	<u>1,478</u>	<u>1,524</u>

The bank loan is secured by a first legal charge over the company's hotel premises and by a fixed and floating charge over all other assets of the company

Interest on the bank loan is charged at a commercial margin over LIBOR

Of the bank loans due after more than five years, £708,000 is fully repayable by 2018

15 Leasing

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

Finance leases are repayable as follows	2007 £'000	2006 £'000
In one year or less	2	2
In one to two years	6	8
	<u>8</u>	<u>10</u>

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

Caparo Hotels Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

16 Provisions for liabilities

	Deferred taxation £'000
Balance at 1 January 2007	107
Transfer from profit and loss account (note 8)	(107)
	<hr/>
Balance at 31 December 2007	-
	<hr/>

Deferred taxation

	2007 Provided £'000	2007 Unprovided £'000	2006 Provided £'000	2006 Unprovided £'000
Accelerated capital allowances	-	49	107	-
Chargeable gains arising on revaluation	-	278	-	307
	<hr/>	<hr/>	<hr/>	<hr/>
	-	327	107	307
	<hr/>	<hr/>	<hr/>	<hr/>

17 Share capital

	2007 Number	2006 Number	Authorised 2007 £'000	2006 £'000
'A' ordinary shares of 1p each	8,786	8,786	-	-
'B' ordinary shares of £1 each	13,000	13,000	13	13
Deferred shares of £1 each	6,912	6,912	7	7
	<hr/>	<hr/>	<hr/>	<hr/>
	28,698	28,698	20	20
	<hr/>	<hr/>	<hr/>	<hr/>

	2007 Number	2006 Number	Allotted, called up and fully paid 2007 £'000	2006 £'000
'A' ordinary shares of 1p each	8,400	8,400	-	-
'B' ordinary shares of £1 each	10,060	10,060	10	10
Deferred shares of £1 each	6,912	6,912	7	7
	<hr/>	<hr/>	<hr/>	<hr/>
	25,372	25,372	17	17
	<hr/>	<hr/>	<hr/>	<hr/>

Caparo Hotels Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

17 Share capital (Continued)

The 'A' ordinary shareholders are, in total, entitled to 1/50th of ordinary dividends declared and the 'B' ordinary shareholders are, in total, entitled to 49/50ths of dividends declared. The deferred shares, have no dividend entitlement.

In the event of the company being wound up, the deferred shareholders would receive the nominal value of their shares. The 'A' and 'B' ordinary shareholders would receive 1/50th and 49/50ths of the remainder, respectively.

In aggregate, the 'A' ordinary shareholders have 1/50th and the 'B' ordinary shareholders have 49/50ths of the voting rights.

18 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2007	2,189	(1,031)
Loss for the year	-	(15)
Release of revaluation reserve	(2)	2
	<hr/>	<hr/>
At 31 December 2007	2,187	(1,044)
	<hr/>	<hr/>

19 Commitments

(i) Capital commitments at 31 December are as follows

	2007 £'000	2006 £'000
Contracted but not provided for	-	22
	<hr/>	<hr/>

(ii) As at 31 December 2007, the company had annual commitments under non-cancellable operating leases as set out below

	2007 £'000	2006 £'000
Within one year	2	2
	<hr/>	<hr/>

20 Pensions

The company contributes to the Caparo Stakeholder Pension Scheme, a UK defined contribution scheme managed by Investment Solutions Limited. The pension charge in respect of these arrangements was £11,000 (2006 - £11,000). At 31 December 2007 employee contributions of £1,000 (2006 - £1,000) were payable to the Caparo Stakeholder Pension Scheme and are included in creditors.

Caparo Hotels Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

21 Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, 'Related Party Disclosures', not to disclose any transactions with entities that are included in the consolidated financial statements of Caparo Group Limited, on the grounds that at least 90% of the voting rights in the company are controlled within the group and the company is included in the consolidated financial statements of Caparo Group Limited

The Honourable Ambar Paul is a director and shareholder in Contemporary Hotels Limited. During the year, the company made management charges to Contemporary Hotels Limited of £35,000 (2006 - £53,000) of which £2,000 (2006 - £16,000) was outstanding at the year end. All transactions were made at commercial rates.

22 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.

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.

23 Ultimate parent company and controlling parties

The immediate parent company is Caparo plc and the ultimate parent company is Caparo Group Limited, a company incorporated in the United Kingdom.

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 plc. Copies of the consolidated accounts of Caparo Group Limited and Caparo plc are available from Companies House, Cardiff.

The Lord Paul of Marylebone, 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.