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BARTON ALUMINIUM FOUNDRIES LIMITED

ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1985

A CAPARO GROUP COMPANY



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BARTON ALUMINIUM FOUNDRIES LIMITED

Annual report and financial statements for the year ended 31st December 1985.

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Directors

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Directors

W. R. Pickering
R.J. Spencer
M.V. Williams (Mrs.)

Secretary and registered office

J.I. Clark

Neville House, 42-46 Hagley Road, Birmingham.

Auditors

Peat, Marwick, Mitchell & Co.
45 Church Street, Birmingham B3 2DL

BARTON ALUMINIUM FOUNDRIES LIMITEDREPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31st December 1985.

Results and dividends

The profit and loss account is set out on page 3 and shows the profit for the year.

The directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

The principal activity of the company consists of the manufacture of aluminium castings. The company is soundly based within its industry and the directors are satisfied as to its future in the long term.

Significant changes in fixed assets

On 2nd January 1985 the company sold its freehold property to Caparo Industries Plc and other changes in fixed assets are set out in note 8 to the accounts.

Directors

The directors of the company are:

W.R. Pickering (appointed 28th February 1986)
 R.J. Spencer
 M.V. Williams (Mrs.)
 R.W. Fordham (appointed 9th September 1985 and resigned 31st January 1986)
 J.A. Moore (resigned 28th February 1986)
 J.S. Roper (resigned 30th April 1985)

The interests of R.W. Fordham in the share capital of group companies is shown in the directors' report of the intermediate holding company.

The interests of the other directors of the company in the share capital of group companies are as follows:

	8.75% £1 convertible cumulative redeemable preference shares Caparo Industries Plc:	
	31st December 1985	31st December 1984
J.A Moore	1,197	1,197

BARTON ALUMINIUM FOUNDRIES LIMITEDREPORT OF THE DIRECTORS
(continued)Directors (continued)

None of the other directors held any shares in group companies during the year.

Under the executive share option scheme of the intermediate holding company the following directors have been granted options:

	<u>Shares</u>	<u>Price</u>	<u>Exercisable date</u>
R.J. Spencer	30,000	35p	12th December 1987 - 12th December 1994
J.A. Moore	75,000	35p	12th December 1987 - 12th December 1994

Under the SAYE share option scheme of the intermediate holding company the following directors have been granted options.

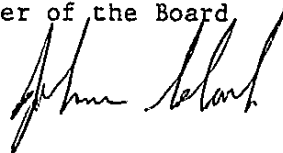
M.V. Williams	14,769	32.5p	4th July 1990 - 4th January 1991
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None of the directors have any interest in the share capital of the company.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of Peat, Marwick, Mitchell & Co. as auditors of the company is to be proposed at the forthcoming annual general meeting.

By Order of the Board



Secretary

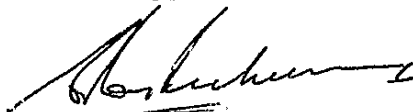

KARTON ALUMINIUM FOUNDRIES LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31st DECEMBER 1985

	<u>Note</u>	<u>1985</u>		<u>1984</u>	
		<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
TURNOVER	2		4,792,857		5,611,310
Cost of sales			(4,339,234)		(4,970,300)
GROSS PROFIT			453,623		641,010
Distribution costs		171,492		166,282	
Administrative costs		302,056		383,918	
			(473,548)		(550,200)
			(19,925)		90,810
Interest payable	4		(42,705)		(1,358)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5		(62,630)		89,452
Taxation on (loss)/profit on ordinary activities	6		61,072		(25,236)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			(1,558)		64,216
Extraordinary items	7		11,135		138,314
PROFIT FOR THE FINANCIAL YEAR			9,577		202,530
Retained deficit brought forward			(1,539,965)		(1,706,658)
Deferred taxation charge			-		(35,837)
Retained deficit carried forward			(1,530,388)		(1,539,965)

BARTON ALUMINIUM FOUNDRIES LIMITEDBALANCE SHEETAS AT 31st DECEMBER 1985

	Note	1985		1984	
		£	£	£	£
FIXED ASSETS					
Tangible assets	8		330,297		515,933
CURRENT ASSETS					
Stocks	9	500,705		424,661	
Debtors	10	842,131		909,467	
Cash at bank and in hand		631		568,961	
		<u>1,343,467</u>		<u>1,903,089</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>1,265,615</u>		<u>1,289,353</u>	
NET CURRENT ASSETS			<u>77,852</u>		<u>613,736</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			408,149		1,130,669
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12		(1,851,547)		(2,485,272)
PROVISIONS FOR LIABILITIES AND CHARGES	13		(66,700)		(165,072)
			<u>(1,510,098)</u>		<u>(1,519,675)</u>
CAPITAL AND RESERVES					
Called up share capital	14		20,290		20,290
Reserves			(1,530,388)		(1,539,965)
			<u>(1,510,098)</u>		<u>(1,519,675)</u>

The accounts were approved by the board of directors on 9th April 1986.



) DIRECTORS

BARTON ALUMINIUM FOUNDRIES LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31st DECEMBER 1985

	1985		1984	
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
SOURCE OF FUNDS				
(Loss)/profit on ordinary activities before taxation		(62,630)		89,452
Extraordinary items		11,135		138,314
Adjustment for items not involving the movement of funds:				
Depreciation and amounts written off tangible fixed assets	71,747		65,032	
Profit on sale of fixed assets	<u>(2,359)</u>		<u>(12,300)</u>	
		69,388		52,732
TOTAL (ABSORBED)/GENERATED BY OPERATIONS		<u>17,893</u>		<u>280,498</u>
FUNDS FROM OTHER SOURCES				
Proceeds on disposal of tangible fixed assets		208,152		12,300
		<u>226,045</u>		<u>292,798</u>
APPLICATION OF FUNDS				
Purchase of tangible fixed assets		(90,904)		(64,130)
Provisions utilised		<u>(98,372)</u>		<u>(91,053)</u>
		36,769		137,615
(INCREASE)/DECREASE IN WORKING CAPITAL				
Stock	(76,044)		64,031	
Debtors	67,336		420,452	
Creditors	<u>(770,150)</u>		<u>27,175</u>	
		<u>(778,858)</u>		<u>511,658</u>
(DECREASE)/INCREASE IN BANK AND CASH BALANCES		<u>(742,089)</u>		<u>649,273</u>

BARTON ALUMINIUM FOUNDRIES LIMITEDNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st DECEMBER 19851. Accounting policies

The financial statements have been prepared under the historical cost convention modified where appropriate to include the revaluation of land and buildings.

Caparo Industries Plc has supported Barton Aluminium Foundries Limited since its acquisition and has confirmed the current policy as being one of continued financial assistance. In view of these assurances the accounts have been prepared on a going concern basis.

(a) Turnover

Turnover comprises sales (exclusive of value added tax) to customers for goods and services provided.

(b) Depreciation

Depreciation is calculated to write off assets less estimated residual values, over their expected useful lives.

Plant	3 - 10 years
Mobile plant and vehicles	4 years
Tooling	3 years

No depreciation is charged on freehold land, freehold buildings, long leasehold properties, investment properties and properties held for disposal as it is the company's policy to maintain its properties in good condition to prolong their useful lives. Maintenance is regularly undertaken and systematically charged to the profit and loss account. Any depreciation involved would not be material.

(c) Grants

Grants received towards the cost of capital expenditure are used to reduce the cost of the relevant fixed assets in the accounts.

(d) Development and repair expenditure

Expenditure upon research, development of new products, patents and repairs is written off as incurred.

(e) Exchange translation

Where remittances are received in the United Kingdom in respect of amounts due, these are stated in the sterling amounts received.

BARTON ALUMINIUM FOUNDRIES LIMITEDNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st DECEMBER 1985
(continued)1. Accounting policies (continued)(f) Stocks

Stocks are valued at the lower of cost and net realisable value with due allowance for obsolescence. In the case of finished goods and work in progress, cost comprises direct materials, direct labour and an appropriate proportion of attributable/manufacturing overheads. Net realisable value is based on estimated selling price less further costs to completion and disposal.

(g) Deferred taxation

Provision is made for deferred taxation using the liability method on all material timing differences which, in the opinion of the directors, may reverse in the foreseeable future. To the extent that any advance corporation tax cannot be offset against corporation tax or deferred taxation provided, it is written off.

(h) Leasing

Leased assets are not capitalised. Annual rentals are charged to profit and loss account over the shorter of the estimated useful life of the asset on the aggregate of the primary and secondary lease periods.

2. Turnover

Analysis by market:

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
United Kingdom	4,776,900	5,583,226
North America	15,957	28,084
	<u>4,792,857</u>	<u>5,611,310</u>

3. Employees

Staff costs during the year:

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Wages and salaries	1,513,937	1,592,342
Social security costs	155,456	174,951
Other pension costs	32,703	26,287
	<u>1,702,096</u>	<u>1,793,580</u>

BARTON ALUMINIUM FOUNDRIES LIMITEDNOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1985
(continued)

3. Employees (continued)

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
<u>Directors' emoluments</u>		
Emoluments	41,886	38,499
Emoluments (excluding pension contributions) of:		
Chairman	-	-
Highest paid director	24,824	14,690

The number of other directors whose emoluments
(excluding pension contributions) fall in the
following ranges was:

	<u>1985</u>	<u>1984</u>
	<u>Number</u>	<u>Number</u>
£ 0 - £ 5,000	2	1
£10,001 - £15,000	-	2
£15,001 - £20,000	1	-

The average weekly number of employees during
the year was as follows:

Production	142	163
Administration	39	37
	<u>181</u>	<u>200</u>

4. Interest payable

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Bank overdraft	40,266	-
Interest on leases	2,439	1,358
	<u>42,705</u>	<u>1,358</u>

HARTON ALUMINIUM FOUNDRIES LIMITEDNOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1985
(continued)

5. (Loss)/profit on ordinary activities before taxation

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
This is arrived at after charging:		
Depreciation	71,747	65,032
Auditors' remuneration	8,300	7,575
Directors' emoluments (see note 3)	41,886	38,499
Hire of plant and machinery	32,384	25,023
	<u> </u>	<u> </u>

6. Taxation

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Deferred taxation	61,072	(25,236)
	<u> </u>	<u> </u>
The taxation charge for the year has been reduced by		
Capital allowances	26,600	6,893
Stock appreciation relief	-	4,105
	<u> </u>	<u> </u>
	26,600	10,998
	<u> </u>	<u> </u>

Losses for taxation purposes amounting to approximately £33,400 (1984: £Nil) are to be surrendered by way of group relief to other group companies for which no payment will be made.

7. Extraordinary items

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Overprovision in respect of reorganisation costs	34,000	138,314
Redundancy costs	(22,865)	-
	<u> </u>	<u> </u>
	11,135	138,314
	<u> </u>	<u> </u>

The corporation tax charge on the net extraordinary credit is covered by group relief for which no payment will be made.

BARTON ALUMINIUM FOUNDRIES LIMITEDNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st DECEMBER 1985
(continued)8. Tangible assets

<u>Cost or valuation</u>	<u>Properties</u> <u>£</u>	<u>Plant</u> <u>£</u>	<u>Vehicles</u> <u>£</u>	<u>Total</u> <u>£</u>
At 31st December 1984	300,000	1,329,623	58,679	1,688,302
Additions	-	69,639	21,265	90,904
Disposals	-	(13,554)	(18,297)	(31,851)
Intra-group transfer	(200,000)	-	-	(200,000)
At 1st January 1985	100,000	1,385,708	61,647	1,547,355
<u>Depreciation</u>				
At 31st December 1984	-	1,141,272	30,097	1,171,369
Provided for the year	-	57,893	13,854	71,747
Disposals	-	(13,272)	(12,786)	(26,058)
At 1st January 1985	-	1,185,893	31,165	1,217,058
<u>Net book value</u>				
At 31st December 1985	100,000	199,815	30,482	330,297
At 31st December 1984	300,000	188,351	28,582	516,933
Cost or valuation at 31st December 1985				
Valuation in 1983	100,000	-	-	100,000
Cost	-	1,385,708	61,647	1,447,355
	100,000	1,385,708	61,647	1,547,355

The valuation of properties was carried out by a fellow of the Royal Institute of Chartered Surveyors and the directors are of the opinion that the valuation is still appropriate at 31st December 1985.

If properties had not been revalued they would have been included at the following amounts:

	<u>1985</u> <u>£</u>	<u>1984</u> <u>£</u>
Cost	249,554	338,537

BARTON ALUMINIUM FOUNDRIES LIMITEDNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st DECEMBER 1985
(continued)8. Tangible assets (continued)

The gross book value of depreciable assets at 31st December 1985 was £1,447,355 (1984: £1,388,302).

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Contracted for but not provided in the accounts	-	10,250
Authorised but not contracted for	1,443	5,587

9. Stocks

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Raw materials and consumables	82,967	85,610
Work in progress	298,553	162,247
Finished goods and goods for resale	119,185	176,804
	<u>500,705</u>	<u>424,661</u>

Replacement cost:

If the items included under stocks were stated at replacement cost, the values would be increased by approximately

<u>20,500</u>	<u>8,242</u>
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10. Debtors

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Trade debtors	798,170	875,450
Amounts owed by group companies	5,124	2,764
Other debtors	2,939	1,125
Prepayments and accrued income	35,898	30,128
	<u>842,131</u>	<u>909,467</u>

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

BARTON ALUMINIUM FOUNDRIES LIMITEDNOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1985
(continued)

11. Creditors: Amounts falling due within one year

	1985	1984
	£	£
Bank loans and overdraft	173,759	-
Trade creditors	827,544	977,608
Amounts owed to group companies	26,386	36,154
Other creditors	15,712	18,041
Creditors for taxation and social security	185,518	197,567
Accruals and deferred income	36,696	59,983
	<u>1,265,615</u>	<u>1,289,353</u>

12. Creditors: Amounts falling due after more than one year

	1985	1984
	£	£
Due to intermediate holding company	1,851,547	68,500
Due to immediate holding company	-	2,416,772
	<u>1,851,547</u>	<u>2,485,272</u>

13. Provision for liabilities and charges

Provision for liabilities and charges comprise:

	1985	1984
	£	£
Deferred taxation	-	61,072
Other provisions	66,700	104,000
	<u>66,700</u>	<u>165,072</u>

(a) Deferred taxation

	1985		1984	
	Unprovided in accounts	Provided in accounts	Unprovided in accounts	Provided in accounts
	£	£	£	£
Accelerated capital allowances	43,600	55,000	48,536	61,072
Short term timing differences	-	(26,800)	-	-
Losses	(180)	(28,200)	-	-
	<u>43,420</u>	<u>-</u>	<u>48,536</u>	<u>61,072</u>

BARTON ALUMINIUM FOUNDRIES LIMITEDNOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1985
(continued)

13. Provision for liabilities and charges (continued)(b) Other provision

	<u>£</u>
Provision for re-organisation at 1st January 1985	104,000
Utilised during year	(3,300)
Extraordinary item - overprovision	(34,000)
Balance at 31st December 1985	<u>66,700</u>

14. Called up share capital

	<u>1985</u> <u>£</u>	<u>1984</u> <u>£</u>
Authorised: Ordinary shares of 10p each	25,000	25,000
Issued and fully paid: Ordinary shares of 10p each	20,290	20,290

15. Contingent liabilities

	<u>1985</u> <u>£</u>	<u>1984</u> <u>£</u>
Guarantee in respect of bank overdraft of other group companies	2,019,637	2,486,925

The company has given a guarantee to secure jointly and severally with certain fellow subsidiaries, obligations arising in connection with the group banking arrangements.

The company is part of a group VAT election and is jointly liable in respect of a VAT liability of £677,731.

16. Finance leases

The company was committed to the following net obligations under non-cancellable finance leases at 31st December 1985.

	<u>1985</u> <u>£</u>	<u>1984</u> <u>£</u>
Due within one year	9,478	12,152
Due 2 to 5 years	35,902	27,197
Over 5 years	4,921	9,373
	<u>50,301</u>	<u>48,722</u>

BARTON ALUMINIUM FOUNDRIES LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1985
(continued)

17. Holding company

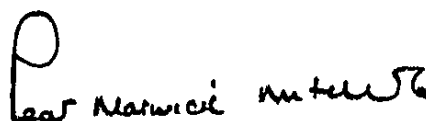
The immediate holding company is Barton Group PLC, a company incorporated in England.

The intermediate holding company is Caparo Industries Plc and the ultimate holding company is Caparo Group Limited, being companies incorporated in England.

REPORT OF THE AUDITORS TO THE MEMBERS OF
BARTON ALUMINIUM FOUNDRIES LIMITED

We have audited the financial statements on pages 3 to 14 in accordance with approved auditing standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, incorporating the revaluation of certain assets, give a true and fair view of the state of the company's affairs at 31st December 1985 and of the result and source and application of funds for the year ended on that date and comply with the Companies Act 1985.

Paul Marwick

Chartered Accountants

Birmingham

9th April 1986