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Caparo Investments Limited

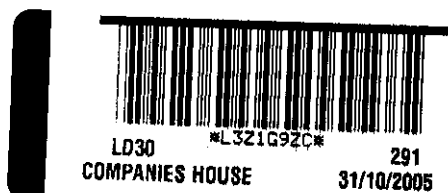
Report and Financial Statements

Year Ended

31 December 2004



BDO Stoy Hayward
Chartered Accountants



Caparo Investments Limited

Annual report and financial statements for the year ended 31 December 2004

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Directors

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Directors

The Honourable Ambar Paul
The Honourable Angad Paul
C G Steele

Secretary and registered office

C G Steele, Caparo House, 103 Baker Street, London, W1U 6LN.

Company number

998732

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

Caparo Investments Limited

Report of the directors for the year ended 31 December 2004

The directors present their report together with the audited financial statements for the year ended 31 December 2004.

Results and dividends

The profit and loss account is set out on page 5 and shows the result for the year.

The directors do not recommend a dividend for the year (2003 - £Nil).

Principal activity, review of business and future developments

The principal activity of the company is making investments and dealing in securities.

The directors are satisfied with the results of the company during the year.

Directors and directors' interests

The directors of the company during the year were:

The Honourable Ambar Paul
The Honourable Angad Paul
C G Steele

The interests of The Honourable Ambar Paul and The Honourable Angad Paul in the share capital of Caparo Group Limited, the ultimate parent company, are disclosed in the directors' report of that company. C G Steele had no interest in the shares of the ultimate parent company. No director had any interest in the share capital of any subsidiary company of the ultimate parent company.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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.

Caparo Investments Limited

Report of the directors for the year ended 31 December 2004 (*Continued*)

Directors' responsibilities (*Continued*)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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.

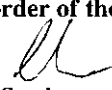
Indemnity cover

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

Auditors

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

By order of the Board


C G Steele

Secretary

24 October 2005

Caparo Investments Limited

Report of the independent auditors

To the shareholders of Caparo Investments Limited

We have audited the financial statements of Caparo Investments Limited for the year ended 31 December 2004 on pages 5 to 11 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom Auditing Standards 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 Investments Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

 24/10/05

BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
London

Caparo Investments Limited

Profit and loss account for the year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Administrative expenses		6	-
Other operating income		23	28
Operating profit and profit on ordinary activities before taxation		29	28
Taxation on profit on ordinary activities	4	(7)	10
Profit on ordinary activities after taxation and retained profit for the financial year		22	38
Deficit brought forward		(1,534)	(1,572)
Deficit carried forward		(1,512)	(1,534)

All amounts relate to continuing activities.

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

The notes on pages 7 to 11 form part of these financial statements.

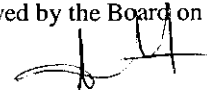
Caparo Investments Limited

Balance sheet at 31 December 2004

	Note	2004 £'000	2004 £'000	2003 £'000	2003 £'000
Fixed assets					
Investments	5		-		-
Current assets					
Investments	6	8		2	
Debtors - amounts falling due after more than one year	7	9,404		9,404	
		<u>9,412</u>		<u>9,406</u>	
Creditors: amounts falling due within one year	8	<u>(7)</u>		<u>(7)</u>	
Net current assets			<u>9,405</u>		<u>9,399</u>
Total assets less current liabilities			<u>9,405</u>		<u>9,399</u>
Creditors: amounts falling due after more than one year	9		<u>(10,907)</u>		<u>(10,923)</u>
Net liabilities			<u>(1,502)</u>		<u>(1,524)</u>
Capital and reserves					
Called up share capital	10		10		10
Profit and loss account			<u>(1,512)</u>		<u>(1,534)</u>
Shareholders' deficit (including non-equity interests)	11		<u>(1,502)</u>		<u>(1,524)</u>

The financial statements were approved by the Board on 24 October 2005 and were signed on its behalf by:


C G Steele
Director


The Honourable Angad Paul
Director

The notes on pages 7 to 11 form part of these financial statements.

Caparo Investments Limited

Notes forming part of the financial statements for the year ended 31 December 2004

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Basis of preparation

The ultimate parent company has confirmed that it will continue to support the company to enable it to fulfil its obligations and accordingly the financial statements have been prepared on the going concern basis.

Consolidated financial statements

The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Investments

Investments are stated at cost less provision for impairment.

Deferred tax

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

Foreign currencies

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

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

Cash flow statement

Under Financial Reporting Standard 1 (Revised), "Cash Flow Statements", the company is exempt from the requirement to prepare a cash flow statement on the grounds that the parent company is a wholly owned subsidiary undertaking.

2 Employees

The company had no employees during the current or previous year.

3 Directors remuneration

No director received any remuneration during the current or previous year.

Caparo Investments Limited**Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)****4 Taxation on profit on ordinary activities**

	2004 £'000	2003 £'000
UK corporation tax on profit for the year	7	7
Adjustment in respect of previous years	-	(17)
	<hr/>	<hr/>
Taxation on profit on ordinary activities	7	(10)
	<hr/>	<hr/>

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:

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	29	28
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003 – 30%)	9	8
Effects of:		
Adjustment to current tax charge in respect of previous years	-	(17)
Income not chargeable for tax purposes	(2)	(1)
	<hr/>	<hr/>
Current tax charge for year	7	(10)
	<hr/>	<hr/>

Caparo Investments Limited

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

5 Fixed asset investments

	Shares in subsidiary undertakings £'000	Shares in participating interest £'000	Total £'000
<i>Cost</i>			
At 1 January 2004 and 31 December 2004	50	418	468
<i>Provisions</i>			
At 1 January 2004 and 31 December 2004	50	418	468
<i>Net book value</i>			
At 31 December 2003 and at 31 December 2004	-	-	-

The following were the principal subsidiaries of the company at the balance sheet date:

Subsidiary undertaking	Percentage of equity shares held	Principal activity
<i>Directly held</i>		
Steel Sales Limited	100%	Intermediate holding company
Caparo Properties Limited	100%	Investment company

Consolidated financial statements are not prepared as the company is a wholly owned subsidiary of Caparo Group Limited. The results of the company are included within the consolidated results of Caparo Group Limited.

6 Current asset investments

	2004 £'000	2003 £'000
Listed investments:		
On London Stock Exchange	-	2
On Australian Stock Exchange	8	-
	8	2

Caparo Investments Limited

Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

7 Debtors: amounts falling due after more than one year

	2004	2003
	£'000	£'000
Amounts due from fellow subsidiary undertakings	9,404	9,404

8 Creditors: amounts falling due within one year

	2004	2003
	£'000	£'000
Corporation tax	7	7

9 Creditors: amounts falling due after more than one year

	2004	2003
	£'000	£'000
Amounts owed to ultimate parent undertaking	10,907	10,923

The loan has no fixed repayment date and bears no interest.

10 Share capital

	2004	2003
	£'000	£'000
<i>Authorised:</i>		
100,000 deferred ordinary shares of £1 each	100	100
1,000 ordinary shares of 10p each	-	-
	100	100
<i>Allotted, called up and fully paid:</i>		
10,000 deferred ordinary shares of £1 each	10	10
1,000 ordinary shares of 10p each	-	-
	10	10

The non-equity deferred ordinary shares have no voting rights or distribution rights and are only entitled to a distribution, limited to the nominal value of the shares, in the event of the company being wound up.

Caparo Investments Limited

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

11 Reconciliation of movements in shareholders' deficit

	2004 £'000	2003 £'000
Profit for the year	22	38
Opening shareholders' deficit	(1,524)	(1,562)
	<hr/>	<hr/>
Closing shareholders' deficit	(1,502)	(1,524)
	<hr/>	<hr/>

12 Ultimate parent company and controlling parties

The company is a subsidiary of Caparo Group Limited, which is the ultimate parent company. A copy of the consolidated accounts of Caparo Group Limited is available from Companies House.

The Right Honourable 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.