

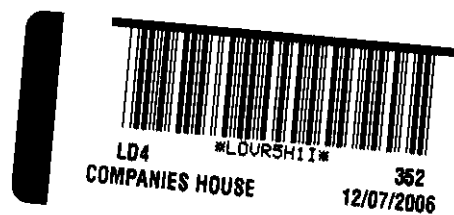
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**Caparo Investments Limited**

Report and Financial Statements

Year Ended

31 December 2005



**BDO Stoy Hayward**  
Chartered Accountants

# **Caparo Investments Limited**

## **Annual report and financial statements for the year ended 31 December 2005**

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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 2005**

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The directors present their report together with the audited financial statements for the year ended 31 December 2005.

#### **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 (2004 - £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; 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 2005 (*Continued*)**

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#### **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.

#### **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 13 to the financial statements.

#### **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**

Date *27 June 2006.*

## Caparo Investments Limited

### Report of the independent auditors

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#### To the shareholders of Caparo Investments Limited

We have audited the financial statements of Caparo Investments Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, 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*

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 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 judgments 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*)

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#### *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 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

  
**BDO STOY HAYWARD LLP**  
*Chartered Accountants*  
*and Registered Auditors*  
London

Date 27 June 2006

**Caparo Investments Limited****Profit and loss account for the year ended 31 December 2005**

	Note	2005 £'000	2004 £'000
Administrative expenses		3	6
Other operating income		8	23
<b>Operating profit and profit on ordinary activities before taxation</b>		<b>11</b>	<b>29</b>
Taxation on profit on ordinary activities	4	(238)	(7)
<b>(Loss)/profit on ordinary activities after taxation and retained profit for the financial year</b>	11	<b>(227)</b>	<b>22</b>

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 12 form part of these financial statements.

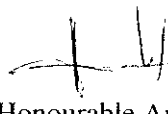
**Caparo Investments Limited**

**Balance sheet at 31 December 2005**

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
<b>Fixed assets</b>					
Investments	5		-		-
<b>Current assets</b>					
Investments	6	10		8	
Debtors - amounts falling due after more than one year	7	9,404		9,404	
		<u>9,414</u>		<u>9,412</u>	
<b>Creditors: amounts falling due within one year</b>	8	<u>(135)</u>		<u>(7)</u>	
<b>Net current assets</b>			<u>9,279</u>		<u>9,405</u>
<b>Total assets less current liabilities</b>			<u>9,279</u>		<u>9,405</u>
<b>Creditors: amounts falling due after more than one year</b>	9		<u>(11,008)</u>		<u>(10,907)</u>
<b>Net liabilities</b>			<u>(1,729)</u>		<u>(1,502)</u>
<b>Capital and reserves</b>					
Called up share capital	10		10		10
Profit and loss account	11		(1,739)		(1,512)
<b>Shareholders' deficit</b>	12		<u>(1,729)</u>		<u>(1,502)</u>

These financial statements were approved by the board of directors and authorised for issue on 27/6/06 and were signed on its behalf by:

  
C G Steele  
Director

  
The Honourable Angad Paul  
Director

The notes on pages 7 to 12 form part of these financial statements.



## Caparo Investments Limited

### Notes forming part of the financial statements for the year ended 31 December 2005

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#### 1 Accounting policies

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

In preparing these financial statements, the company has adopted for the first time FRS21 "Events after the balance sheet date", the presentation requirements of FRS25 "Financial Instruments: Disclosures and presentation" and FRS28 "Corresponding amounts". There has been no effect on the current or prior year figures arising from these adoptions.

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.

## **Caparo Investments Limited**

### **Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)**

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#### **1 Accounting policies (Continued)**

##### *Financial risk management*

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

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

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

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

Further information is provided in note 13 to the financial statements.

##### *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 2005 (Continued)****4 Taxation on profit on ordinary activities**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
UK corporation tax on profit for the year	<b>135</b>	7
Adjustment in respect of previous years	<b>103</b>	-
	<hr/>	<hr/>
Taxation on profit on ordinary activities	<b>238</b>	7
	<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:

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before tax	<b>11</b>	29
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2004 – 30%)	<b>3</b>	9
Effects of:		
Adjustment to current tax charge in respect of previous years	<b>103</b>	-
Permanent differences	<b>132</b>	(2)
	<hr/>	<hr/>
Current tax charge for year	<b>238</b>	7
	<hr/>	<hr/>

*Factors that may affect future tax charges*

There are no factors that may affect future tax charges.

# Caparo Investments Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

## 5 Fixed asset investments

	Shares in subsidiary undertakings £'000	Shares in participating interest £'000	Total £'000
<i>Cost</i>			
At 1 January 2005 and 31 December 2005	50	418	468
<i>Provisions</i>			
At 1 January 2005 and 31 December 2005	50	418	468
<i>Net book value</i>			
At 31 December 2004 and at 31 December 2005	-	-	-

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

	2005 £'000	2004 £'000
Listed investments:		
On London Stock Exchange	-	-
On Australian Stock Exchange	10	8
	10	8

**Caparo Investments Limited**

**Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)**

**7 Debtors: amounts falling due after more than one year**

	2005 £'000	2004 £'000
Amounts due from fellow subsidiary undertakings	9,404	9,404
	<u>          </u>	<u>          </u>

**8 Creditors: amounts falling due within one year**

	2005 £'000	2004 £'000
Corporation tax	135	7
	<u>          </u>	<u>          </u>

**9 Creditors: amounts falling due after more than one year**

	2005 £'000	2004 £'000
Amounts owed to ultimate parent undertaking	11,008	10,907
	<u>          </u>	<u>          </u>

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

**10 Share capital**

	2005 £'000	2004 £'000
<i>Authorised:</i>		
100,000 deferred ordinary shares of £1 each	100	100
1,000 ordinary shares of 10p each	-	-
	<u>          </u>	<u>          </u>
	100	100
	<u>          </u>	<u>          </u>
<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	-	-
	<u>          </u>	<u>          </u>
	10	10
	<u>          </u>	<u>          </u>

The 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 2005 (Continued)

### 11 Reserves

	Profit and loss account £'000
At 1 January 2005	(1,512)
Loss for the year	(227)
	<hr/>
At 31 December 2005	<b>1,739</b>
	<hr/>

### 12 Reconciliation of movements in shareholders' deficit

	2005 £'000	2004 £'000
(Loss)/profit for the year	(227)	22
Opening shareholders' deficit	(1,502)	(1,524)
	<hr/>	<hr/>
Closing shareholders' deficit	<b>(1,729)</b>	<b>(1,502)</b>
	<hr/>	<hr/>

### 13 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.

In addition, 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 to minimise bad debt risk.

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.

### 14 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.