

Caparo Investments Limited

Report and Financial Statements

Year Ended

31 December 2006

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BDO Stoy Hayward
Chartered Accountants

Caparo Investments Limited

Annual report and financial statements for the year ended 31 December 2006

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Directors and advisors

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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 2006

The directors present their report together with the audited financial statements for the year ended 31 December 2006

Results and dividends

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

The directors do not recommend a dividend for the year (2005 - £Nil)

Principal activity and review of business

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

The directors of the company during the year were

The Honourable Ambar Paul
The Honourable Angad Paul
C G Steele

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 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.

Caparo Investments Limited

Report of the directors for the year ended 31 December 2006 (Continued)

Indemnity cover

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

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 14 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 ensure that the auditors are aware of the information. The directors are not aware of any relevant 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 will be proposed at the annual general meeting.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the Board



C G Steele
Secretary

Date

12/7/07

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 2006 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

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 Investments 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 2006 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 12/7/07

Caparo Investments Limited**Profit and loss account for the year ended 31 December 2006**

	Note	2006 £'000	2005 £'000
Administrative expenses		7	3
Other operating income		33	8
Operating profit and profit on ordinary activities before taxation		40	11
Taxation on profit on ordinary activities	4	(192)	(238)
Loss on ordinary activities after taxation for the financial year	11	(152)	(227)

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

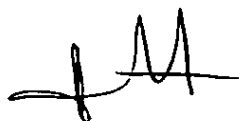
The notes on pages 7 to 13 form part of these financial statements

Caparo Investments Limited

Balance sheet at 31 December 2006

	Note	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Current assets					
Investments	6	17		10	
Debtors	7	9,404		9,404	
		<u>9,421</u>		<u>9,414</u>	
Creditors: amounts falling due within one year	8	<u>(167)</u>		<u>(135)</u>	
Net current assets			<u>9,254</u>		<u>9,279</u>
Total assets less current liabilities			<u>9,254</u>		<u>9,279</u>
Creditors: amounts falling due after more than one year	9		<u>(11,135)</u>		<u>(11,008)</u>
Net liabilities			<u>(1,881)</u>		<u>(1,729)</u>
Capital and reserves					
Called up share capital	10		10		10
Profit and loss account	11		(1,891)		(1,739)
Shareholders' deficits	12		<u>(1,881)</u>		<u>(1,729)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 12/7/07



**The Honourable Angad Paul
Director**



**C G Steele
Director**

The notes on pages 7 to 13 form part of these financial statements

Caparo Investments Limited

Notes forming part of the financial statements for the year ended 31 December 2006

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

Caparo Investments Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

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 14 to the financial statements

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 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 2006 (Continued)****4 Taxation on profit on ordinary activities**

	2006	2005
	£'000	£'000
<i>Current tax</i>		
Corporation tax on profit for the year	167	135
Adjustment in respect of prior year	25	103
	<hr/>	<hr/>
Total current tax charge for the year	192	238
	<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

	2006	2005
	£'000	£'000
Profit on ordinary activities before tax	40	11
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 – 30%)	12	3
Effect of		
Permanent differences	155	132
Adjustment to current tax charge in respect of previous years	25	103
	<hr/>	<hr/>
Current tax charge for year	192	238
	<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 2006 (*Continued*)

5 Fixed asset investments

	Shares in subsidiary undertakings £'000	Other investment £'000	Total £'000
<i>Cost</i>			
At 1 January 2006 and 31 December 2006	50	418	468
<i>Provisions</i>			
At 1 January 2006 and 31 December 2006	50	418	468
<i>Net book value</i>			
At 31 December 2005 and at 31 December 2006	-	-	-

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

	2006 £'000	2005 £'000
Listed investments		
On Australian Stock Exchange	17	10
	17	10

Caparo Investments Limited**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)****7 Debtors**

	2006	2005
	£'000	£'000
Amounts due from fellow subsidiary undertakings	9,404	9,404
All amounts fall due after more than one year		

8 Creditors: amounts falling due within one year

	2006	2005
	£'000	£'000
Corporation tax	167	135

9 Creditors: amounts falling due after more than one year

	2006	2005
	£'000	£'000
Amounts owed to ultimate parent undertaking	11,135	11,008
The amounts owed to ultimate parent company have no fixed repayment date and are non-interest bearing		

10 Share capital

	2006	2005
	£'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 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 2006 (*Continued*)

11 Reserves

	Profit and loss account £'000
At 1 January 2006	(1,739)
Loss for the year	(152)
	<hr/>
At 31 December 2006	(1,891)
	<hr/>

12 Reconciliation of movements in shareholders' deficits

	2006 £'000	2005 £'000
Opening shareholders' deficits	(1,729)	(1,502)
Loss for the year	(152)	(227)
	<hr/>	<hr/>
Closing shareholders' deficits	(1,881)	(1,729)
	<hr/>	<hr/>

13 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

14 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

Caparo Investments Limited

Notes forming part of the financial statements for the year ended 31 December 2006 *(Continued)*

15 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, Cardiff.

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.