

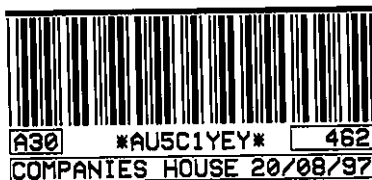
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Caparo House Limited

Directors' report and financial statements

For the year ended 31 December 1996

Registered number 1718594



BDO

BDO Stoy Hayward
Chartered Accountants

CAPARO HOUSE LIMITED

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1-2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes	6-9

CAPARO HOUSE LIMITED

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

Principal activities

The principal activity of the company is making property investment. The company's property is situated at 103 Baker Street, London. Part of the property provides accommodation for Caparo Group Limited, whilst the remaining accommodation is let to external tenants.

Business review and future developments

The results for the year are shown in the profit and loss account set out on page 4 which shows the profit on ordinary activities after taxation for the year of £334,000 (1995: £323,000).

The company has operated satisfactorily during the year. The directors are of the opinion that the company will continue to be profitable in the foreseeable future.

Dividends

The directors do not recommend the payment of a dividend for the year.

Fixed assets

Tangible fixed assets are included in the balance sheet at cost or valuation. The directors consider that their market value is not materially different from book value.

Directors and directors' interests

The directors of the company who held office during the year were:

The Honourable Angad Paul
Mrs A Punn
CG Steele

The interests of 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. Neither of the other directors had any interest in the share capital of Caparo Group Limited.

None of the directors had any interest in the share capital of the company nor in the share or loan capital of any other subsidiary company of the ultimate parent company.

CAPARO HOUSE LIMITED

Directors' report (*Continued*)

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 for that period. 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;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to re-appoint its auditors annually and BDO Stoy Hayward will, therefore, continue in office.

By order of the board



CG Steele
Secretary

Caparo House
103 Baker Street
London
W1M 2LN

2 June 1997

Auditors' report to the members of Caparo House Limited

We have audited the financial statements on pages 4 to 9 which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2, the directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an 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.

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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD
Chartered Accountants
and Registered Auditor
Nottingham

18 AUGUST 1997

CAPARO HOUSE LIMITED

Profit and loss account for the year ended 31 December 1996

	Note	1996 £'000	1995 £'000
Turnover	2	500	493
Cost of sales		(1)	(15)
Gross profit		499	478
Administrative expenses		(1)	(1)
Operating profit		498	477
Other interest receivable and similar income	3	1	1
Profit on ordinary activities before taxation	4	499	478
Tax on profit on ordinary activities	6	(165)	(155)
Profit for the financial year		334	323
Profit brought forward		691	368
Profit carried forward		1,025	691

Turnover and results reported above all relate to continuing activities.

There are no recognised gains or losses other than the profit for the year as shown above.

CAPARO HOUSE LIMITED

Balance sheet at 31 December 1996

	Note	1996 £'000	1995 £'000
Fixed assets			
Tangible assets	7	5,169	5,169
Current assets			
Debtors	8	85	101
Cash at bank		67	97
		<u>152</u>	<u>198</u>
Creditors: amounts falling due within one year	9	<u>(312)</u>	<u>(371)</u>
Net current liabilities		<u>(160)</u>	<u>(173)</u>
Total assets less current liabilities		5,009	4,996
Creditors: amounts falling due after more than one year	10	<u>(2,415)</u>	<u>(2,736)</u>
Net assets		<u><u>2,594</u></u>	<u><u>2,260</u></u>
Capital and reserves			
Called up share capital	11	-	-
Investment property revaluation reserve		1,569	1,569
Profit and loss account		1,025	691
Equity shareholders' funds	12	<u><u>2,594</u></u>	<u><u>2,260</u></u>

These financial statements were approved by the board of directors on 2 June 1997 and were signed on its behalf by:



CG Steele
Director

CAPARO HOUSE LIMITED

Notes forming part of the financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost accounting rules, modified to include the revaluation of the investment property.

Investment property

In accordance with Statement of Standard Accounting Practice 19 (as amended):

- (i) the investment property is revalued annually at open market values determined in accordance with the Guidance Notes on the valuation of assets issued by the Royal Institute of Chartered Surveyors. Surpluses and deficits arising are taken to the revaluation reserve. Any permanent diminution is taken to the profit and loss account for the year; and
- (ii) no depreciation or amortisation is provided.

This treatment may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, this property is not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Depreciation on other fixed assets is calculated to write off the cost over their estimated life in equal annual instalments at the following rate:

Fixtures and fittings - 20% per annum

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable a liability will crystallise.

Cash flow statement

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

CAPARO HOUSE LIMITED

Notes forming part of the financial statements (*Continued*)

2 Turnover

All the company's turnover is derived from its principal activity carried on within the United Kingdom.

3 Other interest receivable and similar charges

	1996 £'000	1995 £'000
Other interest	<u>1</u>	<u>1</u>

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

Auditors' remuneration	<u>1</u>	<u>1</u>
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5 Directors' remuneration

No director received any remuneration during the year (1995: £Nil).

The company had no employees during either year.

6 Taxation

	1996 £'000	1995 £'000
UK Corporation tax	165	157
Adjustment in respect of prior year	-	(2)
	<u>165</u>	<u>155</u>

The taxation that would become payable on the ultimate disposal of the property outside the group amounts to approximately £512,000 (1995: £512,000) under current legislation for which no provision has been made.

CAPARO HOUSE LIMITED

Notes forming part of the financial statements *(Continued)*

7 Tangible fixed assets

	Freehold investment property £'000	Fixtures and fittings £'000	Total £'000
<i>Cost or valuation</i>			
At beginning and end of year	5,169	5	5,174
<i>Depreciation</i>			
At beginning and end of year	-	5	5
<i>Net book value</i>			
At 31 December 1996	5,169	-	5,169
At 31 December 1995	5,169	-	5,169

The investment property is stated at directors' valuation based on appropriate professional advice given by their managing agents, Messrs Gross Fine and in accordance with the Valuation Guidance Notes issued by the Royal Institute of Chartered Surveyors.

The historic cost of the investment property is £3,599,000.

8 Debtors

	1996 £'000	1995 £'000
Trade debtors	83	99
Prepayments and accrued income	2	2
	85	101

9 Creditors: amounts falling due within one year

Corporation tax	165	158
Accruals and deferred income	147	213
	312	371

CAPARO HOUSE LIMITED

Notes forming part of the financial statements (*Continued*)

10 Creditors: amounts falling due after more than one year

	1996 £'000	1995 £'000
Amount owed to parent company	2,415	2,736

11 Share capital

	£	£
<i>Authorised, called up, allotted and fully paid:</i>		
100 ordinary shares of £1 each	100	100

12 Reconciliation of movements in shareholders' funds

	£'000	£'000
Profit for the financial year	334	323
Shareholders' funds brought forward	2,260	1,937
Shareholders' funds carried forward	2,594	2,260

13 Related party transactions

The company has taken advantage of the exemption available under FRS8 not to disclose transactions with entities that are part of Caparo Group Limited on the grounds that the exemption is available as the company is a 100% subsidiary of Caparo Group Limited.

14 Parent company

The company is a subsidiary of Caparo Group Limited, which is the ultimate parent company. Copies of the consolidated financial statements of the group can be obtained from Caparo House, 103 Baker Street, London W1M 2LN