

**Caparo Merchant Bar Plc**

Report and Financial Statements

Year Ended

31 December 2002



**BDO Stoy Hayward**  
Chartered Accountants

# **CAPARO MERCHANT BAR PLC**

## **Annual report and financial statements for the year ended 31 December 2002**

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Directors

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### **Directors**

The Honourable Akash Paul  
The Honourable Ambar Paul  
The Honourable Angad Paul  
I L Cooper  
P F Lormor  
R Morley  
M D Simmons  
J A H Wraith  
G W Prentice

### **Secretary and registered office**

G W Prentice, Caparo House, 103 Baker Street, London, W1U 6LN.

### **Company number**

1860172

### **Auditors**

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

# **CAPARO MERCHANT BAR PLC**

## **Report of the directors for the year ended 31 December 2002**

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The directors present their report together with the audited financial statements for the year ended 31 December 2002.

### **Results and dividends, trading review and future developments**

The profit and loss account is set out on page 6 and shows the profit for the year. The directors are satisfied with the results for the year under review and are confident of future prospects.

An interim dividend of £0.811 per share (2001 - £0.405) was paid on 20 December 2002. No final dividend is proposed (2001 - £Nil).

### **Principal activities**

The principal activity of the company is the operation of merchant bar rolling mills for the production and sale of steel flats, light sections and bars.

### **Charitable and political contributions**

During the year the company made charitable contributions of £200,000 (2001 - £200,000). The company made no political contributions during the year (2001 - £Nil).

### **Directors**

The directors of the company during the year were:

The Honourable Akash Paul  
The Honourable Ambar Paul  
The Honourable Angad Paul  
P F Lormor  
R Morley  
B Pearson (resigned 31 May 2002)  
M D Simmons  
J A H Wraith  
A P Pedder (resigned 2 January 2002)  
M R Taylor  
G W Prentice  
P D Wheelen (appointed 2 January 2002; resigned 31 October 2002)

M R Taylor resigned as a director on 31 March 2003 and I L Cooper was appointed as a director on 1 April 2003.

P L Lormor resigned as a director on 30 May 2003 and, following his resignation from the company and his employment with Corus Group Plc, was reappointed as a director on 2 June 2003.

None of the directors had any interest in the share capital of the company during the year. The shareholding interests of The Honourable Akash Paul, The Honourable Ambar Paul and The Honourable Angad Paul in the share capital of the ultimate parent company, Caparo Group Limited, are shown in the directors' report of that company. No other director held shareholding interests in the share capital of Caparo Group Limited. None of the directors had any interests in the share capital of any subsidiary company of Caparo Group Limited. The director who retires by rotation is The Honourable Ambar Paul who, being eligible, offers himself for re-election.

## **CAPARO MERCHANT BAR PLC**

### **Report of the directors for the year ended 31 December 2002 (*Continued*)**

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#### **Employment policies**

The company is an equal opportunity employer and makes every effort to ensure disabled people are not discriminated against on the grounds of their disability. In the event of staff becoming disabled, every effort is made to ensure that their employment continues and appropriate training is arranged.

The company operates a harmonised employment package based on maximum flexibility and reward for excellence. The harmonised package enables each and every employee to enjoy the same holiday and sickness benefit and the benefits of a profit related pay scheme.

#### **Personnel**

The number of employees and their remuneration is shown in note 3 to the financial statements.

The importance of health and safety matters is recognised by the company, which continues to provide and maintain safe and healthy working conditions. All employees are covered by a non-contributory private medical care scheme.

The company continues to achieve active consultation with employees at all levels and holds monthly Works Council meetings.

The company actively encourages personnel training and development and is recognised as a training centre by META and SIQB. The company has a number of employees pursuing NVQ studies and it was recognised in 1993 as an Investor in People. The recognition for Investor in People was confirmed by reassessment in 1998.

#### **Policy on payment of creditors**

It is the company's policy to settle all trade creditors within normal commercial terms of trade agreed with each supplier. As at 31 December 2002 the company's trade creditors represented 74 days (2001 – 74 days) purchases.

#### **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 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; 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 MERCHANT BAR PLC**

**Report of the directors for the year ended 31 December 2002 (*Continued*)**

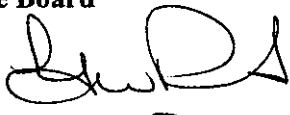
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**Auditors**

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**

G W Prentice



**Secretary**

31 July 2003

# **CAPARO MERCHANT BAR PLC**

## **Report of the independent auditors**

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### **To the shareholders of Caparo Merchant Bar Plc**

We have audited the financial statements of Caparo Merchant Bar Plc for the year ended 31 December 2002 on pages 6 to 24 which have been prepared under the accounting policies set out on pages 10 and 11.

#### *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 MERCHANT BAR PLC**

**Report of the independent auditors (*Continued*)**

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*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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*BDO Stoy Hayward*

**BDO STOY HAYWARD**

*Chartered Accountants*

*and Registered Auditors*

London

31 July 2003

**CAPARO MERCHANT BAR PLC****Profit and loss account for the year ended 31 December 2002**

	Note	2002 £'000	2001 (restated) £'000
Turnover	2	57,540	59,887
Cost of sales		(45,883)	(50,125)
<b>Gross profit</b>		<b>11,657</b>	<b>9,762</b>
Distribution costs		(4,123)	(4,671)
Administrative expenses		(3,383)	(2,877)
<b>Operating profit</b>	5	<b>4,151</b>	<b>2,214</b>
Other interest receivable and similar income	6	156	239
Interest payable and similar charges	7	(463)	(619)
<b>Profit on ordinary activities before taxation</b>		<b>3,844</b>	<b>1,834</b>
Taxation on profit on ordinary activities	8	(1,076)	(631)
<b>Profit on ordinary activities after taxation</b>		<b>2,768</b>	<b>1,203</b>
Dividends	9	(2,000)	(1,000)
<b>Retained profit for the year</b>	17	<b>768</b>	<b>203</b>

All amounts relate to continuing activities.

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

The notes on pages 10 to 24 form part of these financial statements.



# CAPARO MERCHANT BAR PLC

## Statement of total recognised gains and losses, note of historical cost profits and losses and reconciliation of movements in shareholders' funds for the year ended 31 December 2002

	Note	2002 £'000	2001 (restated) £'000
<b>Statement of total recognised gains and losses</b>			
Profit for the financial year and total recognised gains and losses for the year		2,768	1,203
Prior year adjustment – deferred tax	15	(48)	
<b>Total recognised gains and losses since last annual report</b>		<b>2,720</b>	
<b>Note of historical cost profits and losses</b>			
Reported profit on ordinary activities before taxation		3,844	1,834
Difference between actual and historical cost depreciation		257	517
<b>Historical cost profit on ordinary activities before taxation</b>		<b>4,101</b>	<b>2,351</b>
<b>Retained historical cost profit for the year after taxation and dividends</b>		<b>1,025</b>	<b>720</b>
<b>Reconciliation of movements in shareholders' funds</b>			
Profit for the year		2,768	1,203
Dividends	9	(2,000)	(1,000)
Profit after dividends		768	203
Opening shareholders' funds			
- As previously reported		14,950	14,748
- Prior year adjustment – deferred tax	15	(48)	(49)
- As restated		14,902	14,699
<b>Closing shareholders' funds</b>		<b>15,670</b>	<b>14,902</b>

The notes on pages 10 to 24 form part of these financial statements.

# CAPARO MERCHANT BAR PLC

## Balance sheet at 31 December 2002

	Note	2002 £'000	2002 £'000	2001 (restated) £'000	2001 (restated) £'000
<b>Fixed assets</b>					
Tangible assets	10		12,376		13,888
<b>Current assets</b>					
Stocks	11	8,092		4,998	
Debtors	12	16,699		17,702	
Cash at bank and in hand		2,772		1,996	
		<u>27,563</u>		<u>24,696</u>	
<b>Creditors: amounts falling due within one year</b>	13	(22,212)		(19,195)	
<b>Net current assets</b>			<u>5,351</u>		<u>5,501</u>
<b>Total assets less current liabilities</b>			<u>17,727</u>		<u>19,389</u>
<b>Creditors: amounts falling due after more than one year</b>	14		(1,555)		(3,318)
<b>Provision for liabilities and charges</b>	15		(502)		(1,169)
<b>Net assets</b>			<u>15,670</u>		<u>14,902</u>
<b>Capital and reserves</b>					
Called up share capital	16		2,467		2,467
Share premium account			1,553		1,553
Revaluation reserve	17		4,577		4,781
Profit and loss account	17		7,073		6,101
<b>Shareholders' funds - equity</b>			<u>15,670</u>		<u>14,902</u>

The financial statements were approved by the Board on 31 July 2003 and were signed on its behalf by :

The Honourable Angad Paul )

) **Directors**

G W Prentice )

The notes on pages 10 to 24 form part of these financial statements.

# CAPARO MERCHANT BAR PLC

## Cash flow statement for the year ended 31 December 2002

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
<b>Net cash inflow from operating activities</b>	21		3,669		4,045
<b>Returns on investments and servicing of finance</b>					
Interest paid		(451)		(611)	
Interest received		156		239	
Interest element of finance lease rental payments		(12)		(8)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(307)		(380)
<b>Taxation</b>					
Corporation tax paid			(1,393)		(1,073)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(27)		(136)	
Receipts from sale of tangible fixed assets		12		17	
Loan to immediate parent undertaking		1,500		(1,500)	
Loan to related undertaking		500		(500)	
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>			1,985		(2,119)
<b>Equity dividends paid</b>			(2,000)		(1,000)
<b>Net cash inflow/(outflow) before financing</b>			1,954		(527)
<b>Financing</b>					
Bank loan	23	(1,500)		(1,500)	
Capital element of finance lease rental payments	23	(44)		(47)	
<b>Net cash outflow from financing</b>			(1,544)		(1,547)
<b>Increase/(decrease) in cash</b>	22,23		410		(2,074)

The notes on pages 10 to 24 form part of these financial statements.

# CAPARO MERCHANT BAR PLC

## Notes forming part of the financial statements for the year ended 31 December 2002

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### 1 Accounting policies

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and are in accordance with applicable accounting standards.

The company has changed its policy regarding accounting for deferred taxation so as to comply with Financial Reporting Standard 19 "Deferred Tax". This has resulted in an additional deferred tax liability of £48,000 being recognised in the balance sheet. Further details of the effect of this policy change are given in note 15.

The following principal accounting policies have been applied.

#### *Turnover*

Turnover, stated net of value added tax, represents amounts invoiced to third parties.

#### *Deferred taxation*

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

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief or capital losses; and
- 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 arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met. Deferred tax balances are not discounted.

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost or valuation, less the estimated residual value, of tangible fixed assets by equal instalments over their expected useful economic lives as follows:

Freehold buildings	- 2% per annum
Plant and machinery	- 5 - 20% per annum
Rolls	- 25% per annum
Vehicles and mobile plant	- 15-25% per annum
Computer equipment	- 20 - 33% per annum
Computer software	- 33% per annum

Freehold land is not depreciated. All other assets are depreciated from the date of commissioning.

#### *Leases*

Assets acquired under finance leases are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element is charged to the profit and loss account over the term of the agreement. Rentals in respect of operating leases are charged to the profit and loss account over the term of the agreement.

## CAPARO MERCHANT BAR PLC

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

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### 1 Accounting policies (*Continued*)

#### *Stocks and work in progress*

Stocks are stated at the lower of cost and net realisable value. For finished goods manufactured by the company, cost is taken as direct material, direct labour and an appropriate proportion of manufacturing overheads.

Net realisable value is based on estimated selling price less further costs to completion and sale.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date except where they are covered by forward contracts when the forward rate is used. Any gains or losses on translation are included in the profit and loss account.

#### *Pension costs*

The pension costs for defined contribution schemes are the contributions payable in the year.

For defined benefit schemes the costs are the amounts which, based on current actuarial assumptions, will provide for expected pension costs over the service lives of the members at a level percentage of the pensionable payroll.

The company and its subsidiary undertaking have taken advantage of the transitional arrangements allowed under FRS 17 – Retirement benefits and have made additional disclosures set out in note 19.

### 2 Turnover

The company's turnover and profits are derived in the United Kingdom from its principal activity and an analysis of turnover destination by geographical market is as follows:

	2002 £'000	2001 £'000
United Kingdom	31,414	34,381
Rest of Europe	25,594	24,960
Other	532	546
	<hr/>	<hr/>
	57,540	59,887
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## CAPARO MERCHANT BAR PLC

Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)

### 3 Employees

	2002 £'000	2001 £'000
Staff costs consist of:		
Wages and salaries	3,479	3,514
Social security costs	280	292
Other pension costs	323	427
	<u>4,082</u>	<u>4,233</u>

The average number of employees, including directors, during the year were:

	Number	Number
Production and sales	145	150
Administration	11	12
	<u>156</u>	<u>162</u>

### 4 Directors

	2002 £'000	2001 £'000
Directors' remuneration consist of:		
Emoluments	421	451
Payments to defined contribution pension schemes	32	-
Compensation for loss of office	101	-
	<u></u>	<u></u>

The emoluments, excluding pension contributions, of the highest paid director were £128,000 (2001 - £122,000) and payments to defined contribution schemes were £16,000 (2001 - £nil). The accrued pension of the highest paid director at the year end was £48,000 (2001 - £46,000). The highest paid director will have the opportunity to exchange part of his pension for a lump sum at retirement date, the amount depends on age at retirement and facts determined by the actuary at the time of retirement.

Payments were made on behalf of 5 (2001 - none) directors to defined contribution pension schemes.

Contributions were made by the company into the defined benefit pension scheme in respect of 6 (2001 - 6) of the directors.

**CAPARO MERCHANT BAR PLC****Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)****5 Operating profit**

	<b>2002</b> <b>£'000</b>	<b>2001</b> <b>£'000</b>
This has been arrived at after charging:		
Depreciation of owned assets	<b>1,530</b>	2,084
Depreciation of assets held under finance leases	<b>25</b>	25
Loss on sale of tangible fixed assets	<b>6</b>	5
Operating lease rentals - other	<b>140</b>	140
Other plant hire	<b>40</b>	43
Auditors' remuneration	<b>15</b>	14
	<u><b>1,756</b></u>	<u>2,311</u>

**6 Other interest receivable and similar income**

	<b>2002</b> <b>£'000</b>	<b>2001</b> <b>£'000</b>
Receivable from group undertakings	<b>153</b>	239
Interest on tax refund	<b>3</b>	-
	<u><b>156</b></u>	<u>239</u>

**7 Interest payable and similar charges**

	<b>2002</b> <b>£'000</b>	<b>2001</b> <b>£'000</b>
Bank loan and overdraft	<b>451</b>	611
Finance charges payable in respect of finance leases	<b>12</b>	8
	<u><b>463</b></u>	<u>619</u>

# CAPARO MERCHANT BAR PLC

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

## 8 Taxation on profit from ordinary activities

	2002 £'000	2002 £'000	2001 (restated) £'000	2001 (restated) £'000
<i>Current tax</i>				
UK corporation tax on profits of the year	1,571		1,182	
Adjustment in respect of previous years	172		129	
Total current tax		1,743		1,311
<i>Deferred tax</i>				
Origination and reversal of timing differences – current year	(375)		(636)	
Adjustments in respect of prior years	(292)		(44)	
Movement in deferred tax provision (note 15)		(667)		(680)
Taxation on profit on ordinary activities		1,076		631

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:

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	3,844	1,834
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2001 – 30%)	1,153	550
Effects of:		
Expenses not deductible for tax purposes	43	38
Capital allowances for the year (in excess of)/less than depreciation	369	539
Adjustment to current tax charge in respect of previous years	172	129
Other timing differences	6	55
Current tax charge for year	1,743	1,311



# CAPARO MERCHANT BAR PLC

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

## 8 Taxation on profit from ordinary activities (*continued*)

*Factors that may affect future tax charges*

Based on current capital investment plans, the company expects to be able to claim capital allowances in excess of depreciation in future years.

## 9 Dividends

	2002 £'000	2001 £'000
Ordinary paid - £0.81 per share (2001 - £0.41 per share)	2,000	1,000

## 10 Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Vehicles and mobile plant £'000	Total £'000
<i>Cost or valuation</i>				
At 1 January 2002	5,650	31,451	138	37,239
Additions	-	26	35	61
Disposals	-	-	(30)	(30)
At 31 December 2002	5,650	31,477	143	37,270
<i>Depreciation</i>				
At 1 January 2002	1,025	22,280	46	23,351
Charge for year	102	1,427	26	1,555
Disposals	-	-	(12)	(12)
At 31 December 2002	1,127	23,707	60	24,894
<i>Net book value</i>				
At 31 December 2002	4,523	7,770	83	12,376
At 31 December 2001	4,625	9,171	92	13,888

Included in the total net book value of vehicles and mobile plant is £83,400 (2001 - £92,268) in respect of assets held under finance leases.

# CAPARO MERCHANT BAR PLC

Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)

## 10 Tangible fixed assets (Continued)

Particulars relating to revalued assets are given below:

	Freehold land and buildings £'000	Plant and machinery £'000	Vehicles and mobile plant £'000	Total £'000
At 31 December 2002				
At cost	-	16,429	143	16,572
At valuation:				
- 1988	5,650	-	-	5,650
- 1990	-	15,048	-	15,048
	<u>5,650</u>	<u>31,477</u>	<u>143</u>	<u>37,270</u>
Historical cost at 31 December 2002	200	25,392	143	25,735
Accumulated depreciation based on historical cost	(44)	(17,937)	(60)	(18,041)
Historical cost net book value at 31 December 2002	<u>156</u>	<u>7,455</u>	<u>83</u>	<u>7,694</u>
Historical cost at 31 December 2001	200	25,422	138	25,760
Accumulated depreciation based on historical cost	(40)	(16,724)	(46)	(16,810)
Historical cost net book value at 31 December 2001	<u>160</u>	<u>8,698</u>	<u>92</u>	<u>8,950</u>

## 11 Stocks

	2002 £'000	2001 £'000
Raw materials and consumables	3,423	1,092
Rolls	195	135
Stores and spares	1,041	1,018
Finished goods	3,433	2,753
	<u>8,092</u>	<u>4,998</u>

There is no material difference between the replacement value of stock and those values stated above.

**CAPARO MERCHANT BAR PLC****Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)****12 Debtors**

	2002 £'000	2001 £'000
Trade debtors	8,628	8,054
Amounts owed by group undertakings	5,255	6,832
Amounts owed by related undertaking	1,561	1,768
Other debtors	919	813
Prepayments and accrued income	336	235
	<u>16,699</u>	<u>17,702</u>

Included within amounts owed by group undertakings is a loan of £3,000,000 (2001 - £3,000,000) due from the ultimate parent company which is repayable on demand. Interest on the loan is charged at a commercial margin over bank base lending rates.

Also included within amounts owed by group undertakings and amounts owed by related undertakings are £2,250,000 (2001 - £3,750,000) owed by a fellow group undertaking and £750,000 (2001 - £1,250,000) owed by the related undertaking, Corus Group Plc, both of which are non-interest bearing advances repayable on demand.

All other amounts are recoverable in less than one year.

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

	2002 £'000	2001 £'000
Bank loan (note 14)	1,500	1,500
Bank overdraft	4,735	4,369
Obligations under finance leases	28	25
Trade creditors	3,710	2,627
Amounts owed to group undertakings	32	-
Amounts owed to related undertaking	9,805	8,538
Corporation tax	1,218	869
Other taxation and social security	102	226
Other creditors	705	700
Accruals and deferred income	377	341
	<u>22,212</u>	<u>19,195</u>

**CAPARO MERCHANT BAR PLC**Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)**14 Creditors: amounts falling due after more than one year**

	2002 £'000	2001 £'000
Bank loan	1,500	3,000
Other creditors	-	250
Obligations under finance leases	55	68
	<hr/>	<hr/>
	1,555	3,318
	<hr/>	<hr/>

The bank loan is repayable as follows:

In one year or less	1,500	1,500
In more than one year but not more than two years	1,500	1,500
In more than two years but not more than five years	-	1,500
	<hr/>	<hr/>
	3,000	4,500
	<hr/>	<hr/>

The bank loan bears interest at a commercial rate above LIBOR.

Finance leases are secured on the assets to which they relate and are repayable within five years.

**15 Provision for liabilities and charges**

	Deferred taxation £'000
Balance at 1 January 2002	
- as previously reported	1,121
- prior year adjustment (see below)	48
	<hr/>
- As restated	1,169
Transfer to profit and loss account (note 8)	(667)
	<hr/>
Balance at 31 December 2002	502
	<hr/>

# CAPARO MERCHANT BAR PLC

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

## 15 Provision for liabilities and charges (*Continued*)

### *Deferred taxation*

	Provided	Unprovided	Provided (restated)	Unprovided (restated)
	2002	2002	2001	2001
	£'000	£'000	£'000	£'000
Accelerated capital allowances	940	-	1,442	-
Sundry timing differences	(438)	-	(273)	-
On revaluation of land and buildings	-	1,297	-	1,328
	<u>502</u>	<u>1,297</u>	<u>1,169</u>	<u>1,328</u>

The company has changed its accounting policy in respect of deferred tax following adoption of FRS 19 'Deferred Tax' this year. Under the company's previous accounting policy deferred tax was only recognised to the extent that it was probable that an asset or liability would crystallise. The company's new accounting policy is set out in note 1.

The effect of this accounting policy change has been as follows:

2001 – to reduce the tax charge and increase the profit after tax by £1,000 and  
2002 – to reduce the tax charge and increase the profit after tax by £1,000.

The additional deferred tax provision of £47,000 and £48,000 in the current and prior year respectively would not have been recognised in the balance sheet under the previous accounting policy.

## 16 Called up share capital

	Authorised			
	2002	2001	2002	2001
	Number	Number	£'000	£'000
Ordinary shares of £1 each	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500</u>	<u>2,500</u>
	Allotted, called up and fully paid			
	2002	2001	2002	2001
	Number	Number	£'000	£'000
Ordinary shares of £1 each	<u>2,466,667</u>	<u>2,466,667</u>	<u>2,467</u>	<u>2,467</u>

# CAPARO MERCHANT BAR PLC

Notes forming part of the financial statements for the year ended 31 December 2002 *(Continued)*

## 17 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2002		
- as previously reported	4,781	6,149
- prior year adjustment – deferred tax (note 15)	-	(48)
	<hr/>	<hr/>
- as restated	4,781	6,101
Profit for the year	-	768
Release of revaluation reserve	(204)	204
	<hr/>	<hr/>
At 31 December 2002	<b>4,577</b>	<b>7,073</b>
	<hr/>	<hr/>

The amount of unprovided deferred taxation relating to revaluation surpluses is shown in note 15.

## 18 Commitments

	2002 £'000	2001 £'000
(i) Financial commitments at the end of the financial year are as follows:		
Foreign exchange contracts	2,353	1,436
	<hr/>	<hr/>
(ii) Annual commitments under non-cancellable operating leases are as follows:		
	Land and buildings 2002 £'000	2001 £'000
Operating leases which expire:		
Over five years	140	140
	<hr/>	<hr/>

## CAPARO MERCHANT BAR PLC

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

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### 19 Pension scheme

Caparo Industries Plc and its subsidiaries ("the CI Group") operate a defined benefit UK pension scheme providing benefits based on final pensionable pay, the Caparo 1988 Pension Scheme ("the Caparo Scheme"), of which the company is a participating member. The assets of the Caparo Scheme are held by a trustee separate from those of the CI Group. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the CI Group.

The Caparo Scheme is treated as a multi-employer scheme, as the company is unable to identify its share of the underlying assets and liabilities of the Caparo Scheme. Therefore contributions to the Caparo Scheme by the company are based upon pension costs across the participating companies as a whole.

In March 2002 the CI Group announced that notice had been given to close the Caparo Scheme to further contributions for future benefits from 30 June 2002. The Caparo Scheme was closed on that basis from 30 June 2002. Subsequently in October 2002, the CI Group announced that it would seek to re-open the Caparo Scheme on a revised basis. Details of the basis on which the Caparo Scheme may re-open have yet to be finalised.

Details of the latest actuarial valuation and the significant assumptions which affect the result of the valuation are disclosed in the financial statements of the ultimate parent company, Caparo Group Limited, and in Caparo Industries Plc.

Contributions to the Caparo Scheme were determined by the actuary to the Caparo Scheme at the triennial valuation using the projected unit method. At the most recent valuation at 31 March 2000 the market value of the assets stood at £64.0 million. On the post Pensions Act 1995 statutory basis, the MFR (Minimum Funding Requirement) to assets ratio was 100%.

The latest actuarial valuation of the Caparo Scheme at 31 March 2000 was updated to 31 December 2001 and 31 December 2002 by a qualified independent actuary on a FRS17 basis and showed a net pension liability of £3.6million and £13.0million respectively. Further details of the valuation on a FRS17 basis are disclosed in the accounts of Caparo Group Limited and Caparo Industries Plc.

The pension charge in respect of the Caparo Scheme was £214,000 (2001 - £426,000). At 31 December 2002 employee contributions of £nil (2001 - £50,000) were payable to the Caparo Scheme.

The company contributes to the Caparo Stakeholder Pension Scheme, a UK defined contribution scheme managed by Investment Solutions Limited. The pension charge in respect of these arrangements was £109,000 (2001 - £nil). At 31 December 2002 no employee contributions (2001 - £nil) were payable to the Caparo Stakeholder Pension Scheme.

## CAPARO MERCHANT BAR PLC

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

### 20 Related party transactions

The company traded with the following companies during the year as follows:

	Net goods and services (bought)/sold		Net debtor/(creditor) at 31 December	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Fellow members of Caparo Group Limited	(830)	(423)	(73)	2

The company traded with a member of the Corus Group plc, its minority shareholder, during the year as follows:

Corus Limited	(31,889)	(32,544)	(8,994)	(7,629)
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All transactions took place under normal commercial terms.

### 21 Reconciliation of operating profit to net cash inflow from operating activities

	2002 £'000	2001 £'000
Operating profit	4,151	2,214
Loss on sale of tangible fixed assets	6	5
Depreciation charge	1,555	2,109
(Increase)/decrease in stocks	(3,094)	1,579
(Increase)/decrease in debtors	(1,003)	1,758
Increase/(decrease) in creditors	2,054	(3,620)
	<u>3,669</u>	<u>4,045</u>



# CAPARO MERCHANT BAR PLC

Notes forming part of the financial statements for the year ended 31 December 2002 *(Continued)*

## 22 Reconciliation of net cash inflow/(outflow) to movement in net debt

	2002 £'000	2001 £'000
Increase/(decrease) in cash in the year	410	(2,074)
Cash inflow from increase in debt and lease financing	1,544	1,547
	<hr/>	<hr/>
Change in net debt resulting from cash flow	1,954	(527)
Inception of new finance leases	(35)	(29)
	<hr/>	<hr/>
Movement in net debt in the year	1,919	(556)
Opening net debt	(6,965)	(6,409)
	<hr/>	<hr/>
Closing net debt	(5,046)	(6,965)
	<hr/>	<hr/>

## 23 Analysis of net debt

	At 1 January 2002 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 December 2002 £'000
Cash in hand and at bank	1,996	776	-	2,772
Overdraft	(4,369)	(366)	-	(4,735)
	<hr/>	<hr/>	<hr/>	<hr/>
	(2,373)	410	-	(1,963)
Bank loan	(4,500)	1,500	-	(3,000)
Finance leases	(92)	44	(35)	(83)
	<hr/>	<hr/>	<hr/>	<hr/>
Net debt	(6,965)	1,954	(35)	(5,046)
	<hr/>	<hr/>	<hr/>	<hr/>

## **CAPARO MERCHANT BAR PLC**

**Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)**

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### **24 Ultimate parent company and controlling parties**

The company's immediate parent company is Caparo Steel Products Limited. The ultimate parent company is Caparo Group Limited.

The largest group in which the results of the company are consolidated is that headed by Caparo Group Limited. The smallest group in which they are consolidated is that headed by Caparo Steel Products Limited.

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 through shareholdings registered in the name of Caparo International Corporation, a company registered in the British Virgin Islands.