Company Registration No. 1860172

Caparo Merchant Bar Plc

Report and Financial Statements

31 December 2011

Caparo Merchant Bar Plc

Report and financial statements 2011

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Caparo Merchant Bar Plc

Report and financial statements 2011

Officers and professional advisers

Directors

The Honourable Akash Paul
The Honourable Angad Paul
N R K Clarke
A L Jarvis
R Morley
J C Pay
G W Prentice
M D Simmons
S Unwin
A H J Vollebergh

Secretary

G W Prentice

Registered Office

Caparo House
103 Baker Street
London
W1U 6LN

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham

Caparo Merchant Bar Plc

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

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 There have been no changes in the company's activities in the year under review

Review of the business and future developments

The company s profit and loss account is set out on page 9 and shows turnover for the year of £97 2m (2010 £93 3m) Turnover has increased by 4%, largely driven by higher selling prices driven by the impact of increased raw material prices Further details of turnover by geographical area are given in note 2 to the financial statements

The market for merchant bar remains extremely competitive The company's strategy for a number of years has been to reduce its dependence on 'mild steel standard length products' by increasing the specials side of its business The company remains the only major player which rolls to customer orders and not to stock These distinguishing features, combined with a commitment to customer care and long term trading relationships, are major contributors to the company's success

2011 proved to be a difficult year for Caparo Merchant Bar with a 13% decrease in volume over 2010, and material margins under pressure The company's response was to continue to reduce its operational cost base and manage its working capital effectively

The company makes a substantial proportion of its sales in foreign currencies, mainly Euros, and has for many years adopted a policy of covering against currency losses, not only on its foreign currency denominated debtors, but also on its confirmed order book relating to sales in foreign currency This cover is effected mainly by maintaining a Euro overdraft

The company made an operating profit of £21,000 in 2011 compared to a profit of £1,267,000 in 2010, and had retained earnings of £1 9m in 2011 compared to £0 7m in 2010

No interim dividend was paid during the year (2010 £nil) and the directors do not recommend a final dividend for the year (2010 £nil)

The balance sheet as at 31 December 2011 shows 'total assets less current liabilities' of £31 5m (2010 £31 0m) and shareholders' funds of £27 7m (2010 £25 8m)

The outlook for 2012 is cautiously positive with some stability and slight recovery in volumes and prices evident The management expectation for 2012 is that Caparo Merchant Bar will improve on its 2011 result, and therefore the accounts have been prepared on the going concern basis

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have an impact on the company's financial performance

Global, political and economic conditions

The company has either sales or sourcing arrangements with various other countries throughout the world Whilst the company benefits from the growth opportunities in these countries, it is similarly exposed to the economic, political and business risks associated with such international operations Throughout its operations the company encounters different legal and regulatory requirements, including those for taxation, exchange control, environmental, operational and competitive matters

Management monitor such risks and conditions, maintaining insurance cover and amending business procedures as appropriate to attempt to mitigate any exposure whilst remaining in compliance with local and group requirements

Foreign exchange

The company makes sales to many countries, with a substantial proportion of the company's operating profit earned outside the UK As such the company is exposed to movements in exchange rates between Sterling and other world currencies, particularly the Euro, which could adversely or positively impact results

Caparo Merchant Bar Plc

Directors' report (continued)

Principal risks and uncertainties (continued)

Raw material and energy prices

The company's products and services utilise a range of raw materials, most notably steel The company also requires substantial quantities of electricity and gas The pricing for these raw material inputs is largely determined by international or national factors beyond the company's control or influence Short term volatility in the pricing of such inputs and any decrease in availability can significantly impact the company's financial performance

The Caparo Group, of which the company is a subsidiary, has developed strong relationships with its suppliers and uses contractual means where possible to minimise the risk

Pensions

The Caparo 1988 Pension Scheme ('the Caparo Scheme'), a UK defined benefit plan of which the company is a participating employer, is accounted for as a multi-employer scheme Under the methodology of Financial Reporting Standard 17 'Retirement Benefits', the Caparo Scheme had a surplus, net of deferred tax, of £3 1m at 31 December 2011 (2010 £4 8m), with the Caparo Scheme's assets totalling £112 5m and its liabilities totalling £108 2m (2010 assets of £107 6m and liabilities of £100 5m)

The financial position of the Caparo Scheme is exposed to a number of financial and demographic risks The major risks are adverse changes in interest rates, the market value of investments, inflation and changes in the expected longevity of its members The Caparo Scheme and the company are also exposed to changes in UK laws and regulations with regard to pension plans

The Caparo Scheme remains significant in relation to the net assets of the Caparo Group

The Caparo Group and the Trustee of the Caparo Scheme are advised by experts in the field and pursue an investment strategy which aims to align the investments held with the liabilities in the long term

Litigation

As with any business, the company is subject to the risk of litigation from third parties The company seeks to address such claims proactively In accordance with accounting requirements, a provision is made where required to address such litigation and the consequent costs of defence

Environmental liabilities

The company conducts its operations in such a manner as to ensure compliance with environmental laws and regulations If events occur where actions are necessary to maintain compliance, the company will devote suitable resources to the issue in order to remedy the situation

Employees

The company has a reliance on the management teams employed The company recognises the importance of this resource and as such reviews its remuneration policy together with its recruitment policy on a regular basis in order to ensure the company continues to retain and attract the best possible management teams

Caparo Merchant Bar Plc

Directors' report (continued)

Key performance indicators

Key performance indicators within the Caparo Group are specific to the nature of the operations of each business This data is reported to divisional and Caparo Group senior management on a monthly basis

The financial key performance indicators of the company include

- Gross profit percentage at 8 6% (2010 10 3%)
- Operating profit percentage at 0 0% (2010 1 4%)
- Working capital of £8 1m (2010 £9 4m)
- Return on capital employed of 0 1% (2010 6 5%)

In addition to the above key performance indicators the company monitors other financial performance indicators on a monthly basis against forecasts and budgets including, but not limited to, material and contribution margins, working capital days and cash flows

With regard to health and safety, the company employs Lost Time and Reportable Accident metrics This data is reported to divisional and group senior management on a monthly basis, together with commentary regarding remedial, corrective and continuous improvement actions As at 31 December 2011, there were no items to report

In terms of environmental compliance, the company employs key performance indicators capturing performance against pre-defined benchmarks or targets for items including waste product tonnes per tonne of finalised product, energy use per tonne and overall compliance measures The company adopts alternate uses to recycle its waste streams where possible Again at the year end there were no significant variations from forecast for these key performance indicators

Charitable and political contributions

During the year the company made charitable contributions of £200,000 (2010 £200,000) The company made no political contributions during the year (2010 £nil)

Directors

The directors of the company during the year were

The Honourable Akash Paul
The Honourable Angad Paul
N R K Clarke
A L Jarvis
R Morley
J C Pay
G W Prentice
M D Simmons
S Unwin
A H J Vollebergh (appointed 11 March 2011)

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

Directors' report (continued)

Personnel

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 regular employee conferences and regular consultations with employee representatives

The company actively encourages personnel training and development and has a number of employees pursuing NVQ studies

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 At 31 December 2011 the company's trade creditors represented 80 days (2010 76 days)

Indemnity cover

Third party indemnity cover for the directors was in force during the financial year and at 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 25 to the financial statements

Auditor

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

BDO LLP resigned as auditor during the year and Deloitte LLP were appointed

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

J C Pay
Director
10 March 2012

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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 UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditor's report to the members of Caparo Merchant Bar Plc

We have audited the financial statements of Caparo Merchant Bar Plc for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 26 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Caparo Merchant Bar Plc (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Jane Whitlock (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, UK
10th March 2012

Caparo Merchant Bar Plc

Profit and loss account
Year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Turnover	2	**97,157**	93,253
Cost of sales		**(88,802)**	(83,625)
Gross profit		**8,355**	9,628
Distribution costs		**(3,942)**	(4,111)
Administrative expenses		**(4,392)**	(4,250)
Operating profit	5	**21**	1,267
Interest receivable and similar income	6	**1,018**	993
Interest payable and similar charges	7	**(831)**	(561)
Profit on ordinary activities before taxation		**208**	1,699
Taxation on profit on ordinary activities	8	**1,669**	(1,049)
Profit for the financial year	18	**1,877**	650

All amounts relate to continuing activities

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

The notes on pages 12 to 24 form part of these financial statements

Caparo Merchant Bar Plc

Balance sheet
31 December 2011

Company Number 1860172	Note	2011 £'000	2010 £'000
Fixed assets			
Tangible assets	9	**8,921**	10,149
Current assets			
Stocks	10	**12,018**	10,012
Debtors due within one year	11	**25,439**	31,446
Debtors due after more than one year	11	**1,752**	-
Cash at bank and in hand		**14,183**	1,290
		53,392	42,748
Creditors: amounts falling due within one year	12	**(30,797)**	(21,852)
Net current assets		**22,595**	20,896
Total assets less current liabilities		**31,516**	31,045
Creditors: amounts falling due after more than one year	13	**(3,863)**	(5,269)
Net assets		**27,653**	25,776
Capital and reserves			
Called up share capital	17	**2,467**	2,467
Share premium account	18	**1,553**	1,553
Revaluation reserve	18	**3,479**	3,578
Profit and loss account	18	**20,154**	18,178
Shareholders' funds	18	**27,653**	25,776

The financial statements were approved by the Board of Directors and authorised for issue on 10 March 2012

A L Jarvis
Director

J C Pay
Director

The notes on pages 12 to 24 form part of these financial statements

Caparo Merchant Bar Plc

Cash flow statement
Year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Net cash inflow from operating activities	22	**4,107**	7,179
Returns on investments and servicing of finance			
Interest paid		**(833)**	(499)
Interest received		**1,661**	868
Interest element of finance lease rental payments		**(10)**	(10)
Net cash inflow from returns on investments and servicing of finance		**818**	359
Taxation			
Corporation tax (including group relief) paid		**(773)**	(1,642)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**-**	(12)
Receipts from sale of tangible fixed assets		**4**	17
Payments to group undertakings		**-**	(18,500)
Receipts from group undertakings		**3,000**	12,338
Net cash inflow/(outflow) from capital expenditure and financial investment		**3,004**	(6,157)
Cash inflow/(outflow) before financing	23	**7,156**	(261)
Financing			
Increase in bank loans	24	**-**	7,000
Repayment of bank loans	24	**(1,400)**	(2,850)
(Decrease)/increase in loans		**(1,400)**	4,150
Capital element of finance lease rental payments	24	**(11)**	(44)
Net cash (outflow)/inflow from financing		**(1,411)**	4,106
Increase in cash	24	**5,745**	3,845

The notes on pages 12 to 24 form part of these financial statements

Caparo Merchant Bar Plc

Notes to the accounts
Year ended 31 December 2011

1 Accounting policies

The principal accouting polices are summarised below They have all been applied consistently throughout the year and the preceding year

The following principal accounting policies have been applied

Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets and are in accordance with applicable law and United Kingdom Accounting Standards

Going concern

The company is trading and is expected to continue to trade within its facilities based on cash flow forecasts prepared by the directors The directors have therefore prepared the accounts on the going concern basis

Turnover

Turnover, stated net of value added tax, represents amounts invoiced to third parties Turnover is recognised when the risks and rewards of owning the goods has passed to the customer which is generally on delivery

Deferred taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is measured on a non-discounted basis

Dividends

Dividends are recognised when they become legally payable In the case of interim dividends to shareholders this is when paid by the company In the case of final dividends this is when approved by the shareholders

Caparo Merchant Bar Plc

Notes to the accounts (continued)
Year ended 31 December 2011

1. Accounting policies (continued)

Fixed assets and depreciation

Tangible fixed assets are held at cost or historic valuation, less accumulated depreciation The company adopted the transitional arrangements in FRS 15 'Tangible Fixed Assets', to retain the book amounts of valuations of fixed assets that had taken place prior to the adoption of FRS 15 in 2000

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
Computer equipment	-	20 - 33% per annum
Computer software	-	33% per annum
Vehicles and mobile plant	-	15 - 25% per annum

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

Leasing

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

Stocks and work in progress

Stocks are valued 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

As the company is a member of a group defined benefit scheme, and is unable to identify its share of the underlying assets and liabilities of the scheme, the pension costs for the defined benefit scheme are taken as the contributions payable in the year

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 exchange contracts and other financial instruments

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

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

Further information is provided in note 25 to the financial statements

Caparo Merchant Bar Plc

Notes to the accounts (continued)
Year ended 31 December 2011

2. Turnover

The company's turnover is derived in the UK from its principal activity An analysis of turnover by geographical market is as follows

	2011 £'000	2010 £'000
United Kingdom	**45,401**	47,345
Rest of Europe	**51,502**	45,123
Rest of the World	**254**	785
	97,157	93,253

3. Employees

	2011 £'000	2010 £'000
Staff costs, including directors, consist of		
Wages and salaries	**4,768**	4,956
Social security costs	**516**	497
Pension costs	**391**	372
	5,675	5,825

The average number of employees, including directors, during the year was

	2011 Number	2010 Number
Production and sales	**172**	171
Administration	**16**	18
	188	189

4. Directors' remuneration

	2011 £'000	2010 £'000
Directors' remuneration consists of		
Emoluments	**329**	383
Amounts receivable under long-term incentive schemes	**-**	3
Company contributions to defined contribution pension schemes	**29**	29
Compensation for loss of office	**-**	64
	358	479

There were three directors in the defined contribution scheme (2010 three) and one director in the group's defined benefit pension scheme (2010 two) to which the company made contributions during the year

The emoluments, excluding pension contributions, of the highest paid director were £94,000 (2010 £111,000), payments to the defined benefit scheme were £10,000 (2010 £6,000)

Notes to the accounts (continued)
Year ended 31 December 2011

5. Operating profit

	2011 £'000	2010 £'000
This has been arrived at after charging/(crediting)		
Depreciation of owned assets	**1,216**	1,783
Depreciation of assets held under finance leases	**12**	20
Operating lease rentals – other	**256**	254
(Profit)/loss on disposal of fixed assets	**(4)**	7
Refinancing costs	**400**	-

The analysis of auditor's remuneration is as follows

	2011 £'000	2010 £'000
Fees payable to the company's auditors for the audit of the company's annual accounts	**12**	12

6. Interest receivable and similar income

	2011 £'000	2010 £'000
Inter group interest	**1,018**	993

7. Interest payable and similar charges

	2011 £'000	2010 £'000
Bank loans and overdraft	**821**	551
Finance lease interest	**10**	10
	831	561

Notes to the accounts (continued)
Year ended 31 December 2011

8. Tax on profit on ordinary activities

	2011 £'000	2010 £'000
Current tax		
Corporation tax on profits of the year	**85**	1,069
Adjustment in respect of previous years	**(2)**	(20)
Total current tax charge	**83**	1,049
Deferred tax		
Movement in deferred tax provision	**(1,752)**	-
Taxation (credit)/charge on profit on ordinary activities	**(1,669)**	1,049

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

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	**208**	1,699
Profit on ordinary activities at the standard rate of corporation tax in the UK of 26 5% (2010 28%)	**55**	476
Effect of		
Permanent differences	**11**	(49)
Capital allowances for year less than depreciation	**103**	474
Other timing differences	**(84)**	168
Adjustment to current tax charge in respect of previous years	**(2)**	(20)
Current tax charge for the year	**83**	1,049

Factors that may affect future tax charges

The company has unprovided UK deferred tax assets, excluding tax on the potential gain on revalued property, of £nil (2010 £1,746,000) (note 16)

Based on current capital investment plans, the company expects capital allowances to exceed depreciation in future years

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets Such tax would become payable only if the property were sold without it being possible to claim rollover relief or to offset the gain against tax losses brought forward in the Caparo Group The total amount unprovided is disclosed in note 16 At present, it is not envisaged that any tax will become payable in the foreseeable future

Notes to the accounts (continued)
Year ended 31 December 2011

9 Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Vehicles and mobile plant £'000	Total £'000
Cost or valuation				
At 1 January 2011	5,650	38,700	106	44,456
Disposals	-	-	(14)	(14)
At 31 December 2011	**5,650**	**38,700**	**92**	**44,442**
Depreciation				
At 1 January 2011	1,948	32,288	71	34,307
Charge for the year	102	1,114	12	1,228
Disposals	-	-	(14)	(14)
At 31 December 2011	**2,050**	**33,402**	**69**	**35,521**
Net book value				
At 31 December 2011	**3,600**	**5,298**	**23**	**8,921**
At 31 December 2010	3,702	6,412	35	10,149
Analysis of cost or valuation				
At cost	-	27,185	92	27,277
At valuation				
- 1988	5,650	-	-	5,650
- 1990	-	11,515	-	11,515
At 31 December 2011	**5,650**	**38,700**	**92**	**44,442**
Historical cost at 31 December 2011	200	33,810	92	34,102
Accumulated depreciation based on historical cost	(80)	(28,512)	(69)	(28,661)
Historical cost net book value				
At 31 December 2011	**120**	**5,298**	**23**	**5,441**
Historical cost at 31 December 2010	200	33,810	106	34,116
Accumulated depreciation based on historical cost	(76)	(27,398)	(71)	(27,545)
Historical cost net book value				
At 31 December 2010	124	6,412	35	6,571

Freehold land and buildings were valued by Chesterton surveyors at 31 December 1988 on the open market basis of their existing use

Plant and machinery was valued by Henry Butcher & Co at 27 April 1990 on the basis of existing use value

Included in the total net book value of vehicles and mobile plant are assets held under finance leases with a net book value of £23,000 (2010 £35,000)

10 Stocks

	2011 £'000	2010 £'000
Raw materials and consumables	**4,582**	1,906
Rolls	**387**	239
Stores and spares	**2,532**	2,320
Finished goods	**4,517**	5,547
	12,018	10,012

There is no material difference between the balance sheet value of stocks and their replacement cost

11. Debtors

Amounts falling due within one year	2011 £'000	2010 £'000
Trade debtors	**4,791**	7,286
Amounts owed by related undertaking	**668**	1,473
Amounts owed by group undertakings	**18,639**	21,698
Other debtors	**-**	1
Prepayments and accrued income	**386**	518
Other taxation and social security	**622**	470
Corporation tax	**333**	-
	25,439	31,446
Amounts falling due after more than one year		
Deferred tax (note 16)	**1,752**	-
Total debtors	**27,191**	31,446

Included within amounts owed by group undertakings is a loan of £18,500,000 (2010 £18,500,000) due from Caparo Steel Products Limited which is repayable on demand A loan of £3,000,000 outstanding at the end of 2010, was repaid during 2011 owed by the ultimate parent company Interest on the loans is charged at commercial margins over bank base lending rates

Notes to the accounts (continued)
Year ended 31 December 2011

12. Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Bank loans, overdrafts and similar finance	**10,107**	2,959
Trade creditors – External suppliers	**8,944**	7,791
Trade creditors – Amounts owed to related undertaking	**10,398**	9,618
Amounts owed to group undertakings	**587**	-
Corporation tax	**-**	357
Other taxation and social security	**115**	134
Obligations under finance leases (note 15)	**11**	17
Accruals and deferred income	**97**	400
Other creditors	**538**	576
	30,797	21,852

The bank loan bears interest at a commercial rate above LIBOR

13. Creditors: amounts falling due after more than one year

	2011 £'000	2010 £'000
Bank loans and similar finance	**3,850**	5,250
Obligations under finance leases (note 15)	**13**	19
	3,863	5,269

14 Bank loans, overdrafts and similar finance

Bank loans, overdrafts and similar finance are repayable as follows

	2011 £'000	2010 £'000
In one year or less	**10,107**	2,959
In one to two years	**1,400**	1,400
In two to five years	**2,450**	3,850
	13,957	8,209

The bank loans, overdrafts and similar finance are secured by a charge over certain assets of the company, with interest being charged at commercial rates

Notes to the accounts (continued)
Year ended 31 December 2011

15. Leasing

The company was committed to the following net obligations under non-cancellable finance leases as follows

	2011 £'000	2010 £'000
Finance leases are repayable as follows		
In one year or less	**11**	17
In one to two years	**13**	17
In two to five years	**-**	2
	24	36

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

16 Provisions for liabilities and charges

	Deferred taxation £'000
At 1 January 2011	-
Movement in deferred tax provision	(1,752)
At 31 December 2011	**(1,752)**

In the opinion of the directors, the company will generate sufficient taxable profits in the future such that the future reversal of the underlying timing differences, which give rise to the deferred tax asset, will be deducted Such reversal was not foreseen at 31 December 2010, with the result that the deferred tax asset at that date was not provided for

Deferred tax is included within 'Debtors' in the balance sheet (note 11)

Deferred tax comprised the following liabilities/(assets)

	2011 Provided £'000	2011 Unprovided £'000	2010 Provided £'000	2010 Unprovided £'000
Accelerated capital allowances	**(1,731)**	**-**	-	(1,677)
Short term timing differences	**(21)**	**-**	-	(69)
On revaluation of assets	**-**	**859**	-	956
	(1,752)	**859**	-	(790)

17. Called up share capital

	2011 £'000	2010 £'000
Authorised		
2,500,000 ordinary shares of £1 each	**2,500**	2,500
Allotted, called up and fully paid		
2,466,667 ordinary shares of £1 each	**2,467**	2,467

Notes to the accounts (continued)
Year ended 31 December 2011

18. (a) Reserves

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
Cost			
At 1 January 2011	1,553	3,578	18,178
Profit for the financial year	-	-	1,877
Release of revaluation reserve	-	(99)	99
At 31 December 2011	**1,553**	**3,479**	**20,154**

(b) Note of historical cost profits and losses

	2011 £'000	2010 £'000
Reported profit on ordinary activities before taxation	**208**	1,699
Difference between actual and historical cost depreciation	**99**	99
Historical cost profit on ordinary activities before taxation	**307**	1,798
Retained historical cost profit for the year after taxation	**1,976**	749

(c) Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Opening shareholders' funds	**25,776**	25,126
Profit for the financial year	**1,877**	650
Closing shareholders' funds	**27,653**	25,776

19. Commitments

(i) Capital commitments at 31 December 2011 are as follows

	2011 £'000	2010 £'000
Contracted but not provided for	-	220

Caparo Merchant Bar Plc

Notes to the accounts (continued)
Year ended 31 December 2011

19. Commitments (continued)

(ii) Annual commitments under non-cancellable operating leases are as follows

	2011		2010	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire				
Within two to five years	55	9	-	-
Over five years	199	-	254	-
	254	9	254	-

20. Pensions schemes

Caparo Industries Plc and its UK 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

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 on a consistent and reasonable basis given the changes in the composition of the group members over the years Therefore contributions to the Caparo Scheme by the company are based upon pension costs across the participating companies as a whole and the Caparo Scheme is accounted for as if it were a defined contribution scheme in the accounts of the company, although the Caparo Scheme has been accounted for as a defined benefit scheme in the group accounts of Caparo Industries Plc

Contributions are agreed by the Scheme Trustee and the company sponsoring the Caparo Scheme, acting on the advice of the Scheme Actuary, on the basis of triennial valuations and formal updates using the projected unit method At the year end, the CI Group has agreed employer contribution rates of between 17 6% and 21 2% of salary (18 6% on average) for the accrual of future benefits These rates are subject to periodic review As the Caparo Scheme is closed to new entrants, the service cost will be expected to rise in future years as the membership ages

The full actuarial valuation carried out as at 31 March 2009 was updated to 31 December 2011 on a FRS17 basis by a qualified independent actuary The actuarial valuations of the Caparo Scheme at 31 December 2011 and 31 December 2010 on a FRS17 basis showed a net pension surplus of £3 1m and £4 8m 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 for the year in respect of the Caparo Scheme was £275,000 (2010 £255,000) At 31 December 2011 there were no employee contributions payable (2010 £nil) to the Caparo Scheme

The company also contributes to the Caparo Stakeholder Pension Plan, a UK defined contribution scheme invested through Investment Solutions Limited The pension charge for the year in respect of these arrangements was £116,000 (2010 £117,000) At 31 December 2011 there were no employee contributions payable (2010 £nil) to the Caparo Stakeholder Pension Plan

Notes to the accounts (continued)
Year ended 31 December 2011

21. Related party transactions

During the year the company traded with fellow subsidiaries as follows

	Net goods and services sold		Net (creditor)/debtor at 31 December	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Fellow members of Caparo Group Limited	**87**	2,364	**(448)**	198

The company traded with Tata Steel UK Limited, its minority shareholder, during the year as follows

	Net goods and services bought		Net creditor at 31 December	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Tata Steel UK Limited	**51,557**	51,916	**9,730**	8,145

All transactions took place under normal commercial terms

22. Reconciliation of operating profit to net cash inflow from operating activities

	2011 £'000	2010 £'000
Operating profit	**21**	1,267
(Profit)/loss on sale of fixed assets	**(4)**	7
Depreciation charge	**1,228**	1,803
Increase in stocks	**(2,006)**	(1,531)
Decrease/(increase) in debtors	**3,214**	(1,439)
Increase in creditors	**1,654**	7,072
Net cash inflow from operating activities	**4,107**	7,179

23. Reconciliation of net cash inflow to movement in net debt

	2011 £'000	2010 £'000
Increase in cash in the year	**5,745**	3,845
Cash outflow/(inflow) from reduction/(increase) in debt and lease financing	**1,411**	(4,106)
Movement in net debt in the year	**7,156**	(261)
Opening net debt	**(6,954)**	(6,693)
Closing net funds/(debt)	**202**	(6,954)

Notes to the accounts (continued)
Year ended 31 December 2011

24. Reconciliation of net debt

	At 1 January 2011 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 December 2011 £'000
Cash at bank and in hand	1,290	12,893	-	**14,183**
Overdraft	(1,559)	(7,148)	-	**(8,707)**
Change in cash	(269)	5,745	-	**5,476**
Bank loans due within one year	(1,400)	1,400	(1,400)	**(1,400)**
Bank loans due after one year	(5,250)	-	1,400	**(3,850)**
Finance leases	(35)	11	-	**(24)**
Net (debt)/funds	(6,954)	7,156	-	**202**

25. 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

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, where available, to minimise bad debt risk Where credit insurance is not available, the company undertakes detailed credit evaluations of prospective customers, which are subject to group review and approval before supplies can be made

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

26. 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 Copies of the consolidated accounts of Caparo Group Limited and Caparo Steel Products Limited are available from Companies House, Cardiff

The Right Honourable The Lord Paul of Marylebone, The Honourable Ms Anjli Paul, 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 Caparo International Corporation ultimately holds the issued share capital of Caparo Group Limited on behalf of a series of family trusts