Company Registration No. 1860172

Caparo Merchant Bar Plc

Report and Financial Statements

31 December 2012

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Report and financial statements 2012

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Officers and professional advisers

Directors

The Honourable Akash Paul
The Honourable Angad Paul
J M R Bolton
N R K Clarke
J C Pay
S Unwin

Secretary

J C Pay

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 dırectors present theır annual report and the audıted financıal statements for the year ended 31 December 2012

Prıncıpal activıtıes

The prıncıpal actıvıty of the company ıs the operatıon of merchant bar rollıng mılls for the productıon and sale of steel flats, lıght sectıons and bars There have been no changes ın the company's actıvıtıes ın the year under revıew

Revıew of the busıness and future developments

The company's profit and loss account ıs set out on page 8 and shows turnover for the year of £83 2m (2011 £97 2m) Turnover has decreased by 14%, due to lower market demand for ıts products and fallıng prıces Further detaıls of turnover by geographıcal area are gıven ın note 2 to the financıal statements

The market for merchant bar remaıns extremely competıtıve The company's strategy for a number of years has been to reduce ıts dependence on 'mıld steel standard length products' by ıncreasıng the specıals sıde of ıts busıness The company remaıns the only major player whıch rolls to customer orders and not to stock These dıstınguıshıng features, combıned wıth a commıtment to customer care and long term tradıng relatıonshıps, are major contrıbutors to the company's long hıstory of success

2012 proved to be a dıfficult year for Caparo Merchant Bar wıth a 13% decrease ın volume over 2011, and materıal margıns under pressure The company's response was to contınue to reduce ıts operatıonal cost base and manage ıts workıng capıtal effectıvely

The company makes a substantıal proportıon of ıts sales ın foreıgn currencıes, maınly Euros, and has for many years adopted a polıcy of coverıng agaınst currency losses, not only on ıts foreıgn currency denomınated debtors, but also on ıts confirmed order book relatıng to sales ın foreıgn currency Thıs cover ıs effected maınly by maıntaınıng a Euro overdraft

The company made an operatıng loss of £2,134,000 (2011 profit £21,000) and had a retaıned loss of £4 9m ın 2012 compared to retaıned earnıngs of £1 9m ın 2011 Durıng the year the company took a one off charge of £3 3m relatıng to an allocatıon of hıstorıc payments to the group's pensıon scheme (see note 6)

No ınterım dıvıdend was paıd durıng the year (2011 £nıl) and the dırectors do not recommend a final dıvıdend for the year (2011 £nıl)

The balance sheet as at 31 December 2012 shows 'total assets less current lıabılıtıes' of £25 4m (2011 £31 5m) and shareholders' funds of £22 8m (2011 £27 7m)

The outlook for 2013 ıs cautıously posıtıve The first quarter of 2013 has seen a return to profitabılıty wıth some stabılıty and slıght recovery ın volumes and prıces evıdent The management expectatıon for 2013 ıs that Caparo Merchant Bar wıll ımprove on ıts 2012 result, and therefore the accounts have been prepared on the goıng concern basıs

Going Concern

The company meets ıts day to day workıng capıtal requırements through a bank loan and an overdraft facılıty whıch was renewed on 15 May 2012 The company's forecasts and projectıons, takıng account of reasonably possıble changes ın tradıng performance, show that the company should be able to operate wıthın the level of ıts current facılıty

The dırectors have a reasonable expectatıon that the company has adequate resources to contınue ın operatıonal exıstence for the foreseeable future Thus they contınue to adopt the goıng concern basıs of accountıng ın preparıng the annual financıal statements

Further detaıl on financıal rısk management polıcıes can be found ın note 1

Directors' report (continued)

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 loss 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

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 deficit, net of deferred tax, of £1 3m at 31 December 2012 (2011 surplus of £3 1m), with the Caparo Scheme's assets totalling £114 3m and its liabilities totalling £115 9m (2011 assets of £112 5m and liabilities of £108 2m)

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

Directors' report (continued)

Principal risks and uncertainties (continued)

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

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 6 1% (2011 8 6%)
- Operating (loss)/profit percentage at -2 6% (2011 0 0%)
- Working capital of £11 0m (2011 £8 1m)
- Return on capital employed of -11 4% (2011 0 1%)

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 2012, 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 (2011 £200,000) The company made no political contributions during the year (2011 £nil)

Directors

The directors of the company during the year, and to the date of this report, were

The Honourable Akash Paul
The Honourable Angad Paul
J M R Bolton (appointed 23 January 2013)
N R K Clarke
A L Jarvis (resigned 1 February 2013)
R Morley (resigned 31 March 2012)
J C Pay
G W Prentice (resigned 31 March 2012)
M D Simmons (resigned 31 March 2012)
S Unwin
A H J Vollebergh (resigned 23 January 2013)

Caparo Merchant Bar Plc

Directors' report (continued)

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 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 2012 the company's trade creditors represented 80 days (2011 80 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 26 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

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
Date 27 June 2013

Caparo Merchant Bar Plc

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 2012 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 27 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 2012 and of its loss 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

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
28 June 2013

Caparo Merchant Bar Plc

Profit and loss account
Year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Turnover	2	**83,217**	97,157
Cost of sales		**(78,126)**	(88,802)
Gross profit		**5,091**	8,355
Distribution costs		**(3,312)**	(3,942)
Administrative expenses		**(3,913)**	(4,392)
Operating (loss)/profit	5	**(2,134)**	21
Pension deficit recharge	6	**(3,281)**	-
(Loss)/profit on ordinary activities before interest		**(5,415)**	21
Interest receivable and similar income	7	**854**	1,018
Interest payable and similar charges	8	**(511)**	(831)
(Loss)/profit on ordinary activities before taxation		**(5,072)**	208
Taxation on (loss)/profit on ordinary activities	9	**212**	1,669
(Loss)/profit for the financial year	19	**(4,860)**	1,877

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 11 to 24 form part of these financial statements

Caparo Merchant Bar Plc

Balance sheet
31 December 2012

Company Number 1860172	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	10	7,809	8,921
Current assets			
Stocks	11	**10,706**	12,018
Debtors due within one year	12	**22,150**	25,439
Debtors due after more than one year	12	**1,570**	1,752
Cash at bank and in hand		**3,622**	14,183
		38,048	53,392
Creditors· amounts falling due within one year	13	**(20,499)**	(30,797)
Net current assets		**17,549**	22,595
Total assets less current liabilities		**25,358**	31,516
Creditors: amounts falling due after more than one year	14	**(2,450)**	(3,863)
Provisions for liabilities and charges	17	**(115)**	-
Net assets		**22,793**	27,653
Capital and reserves			
Called up share capital	18	**2,467**	2,467
Share premium account	19	**1,553**	1,553
Revaluation reserve	19	**3,381**	3,479
Profit and loss account	19	**15,392**	20,154
Shareholders' funds	19	**22,793**	27,653

The financial statements were approved by the Board of Directors and authorised for issue on 27 June 2013

S Unwin
Director

J C Pay
Director

The notes on pages 11 to 24 form part of these financial statements

Caparo Merchant Bar Plc

Cash flow statement
Year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Net cash (outflow)/inflow from operating activities	23	**(5,075)**	4,107
Returns on investments and servicing of finance			
Interest paid		**(501)**	(833)
Interest received		**117**	1,661
Interest element of finance lease rental payments		**(10)**	(10)
Net cash (outflow)/inflow from returns on investments and servicing of finance		**(394)**	818
Taxation			
Corporation tax (including group relief) received/(paid)		**497**	(773)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(48)**	-
Receipts from sale of tangible fixed assets		**13**	4
Receipts from group undertakings		**2,867**	3,000
Net cash inflow from capital expenditure and financial investment		**2,832**	3,004
Cash (outflow)/inflow before financing	24	**(2,140)**	7,156
Financing			
Repayment of bank loans	25	**(1,400)**	(1,400)
Decrease in loans		**(1,400)**	(1,400)
Capital element of finance lease rental payments	25	**(20)**	(11)
Net cash outflow from financing		**(1,420)**	(1,411)
(Decrease)/increase in cash	25	**(3,560)**	5,745

The notes on pages 11 to 24 form part of these financial statements

Caparo Merchant Bar Plc

Notes to the accounts
Year ended 31 December 2012

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's business activites, together with the factors likely to affect its future development, performance and position are set out in the Business Review which forms part of the directors' report

The company meets its day to day working capital requirements through a bank loan and an overdraft facility which was renewed on 15 May 2012 The company's forecast and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facility

The directors have a reasonable expectation that the company has adequate resources to continue in operational exitstence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

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

Current and 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

Notes to the accounts (continued)
Year ended 31 December 2012

1. Accounting policies (continued)

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

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

Where amounts are recharged for defict funding of the group's pension scheme, and the amounts are material, these are disclosed separately

Notes to the accounts (continued)
Year ended 31 December 2012

1. **Accounting policies (continued)**

Provisions

Provisions are created where the Company has a present legal or constructive obligation to third parties as a result of a past event and it is probable that it will result in an outflow of economic benefits The amount recognised as the provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date If the effect of discounting is material, provisions are discounted to the expected present value of their cash flows The nature of these provisions are

a) Property provisions Provisions made in respect of individual properties where there are obligations for onerous contracts and dilapidations

b) Restructuring provisions Provisions are established for announced and ongoing restructuring programmes The provision includes costs of severance, costs of property closure, and other direct expenditures

c) Environmental provisions The group is exposed to environmental liabilities arising from its current operations

The unwinding of the discount is included within the profit and loss statement as a financing charge

Exceptional items

Items that the directors consider are material in size or unusual or infrequent in nature are presented as exceptional items in the operating profit note The directors are of the opinion that the separate presentation of exceptional items provides helpful information about the companies underlying business performance Examples of events that, inter alia, may give rise to the classification of items as exceptional are the restructuring of existing businesses and write-downs or impairments of current and non-current assets

Financial risk management

The company's activites expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk

Cash flow risk
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

Credit risk
The company's principal financial assets are bank balances, cash, trade and other debtors

The company's credit risk is primarily attributable to its trade debtors The amounts presented in the balance sheet are net of allowances for doubtful debts Further detail on managing this credit risk is included in note 26

Liquidity risk
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long term and short term debt finance

Further information is provided in note 26 to the financial statements

Notes to the accounts (continued)
Year ended 31 December 2012

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

	2012 £'000	2011 £'000
United Kingdom	**38,144**	45,401
Rest of Europe	**44,820**	51,502
Rest of the World	**253**	254
	83,217	97,157

3 **Employees**

	2012 £'000	2011 £'000
Staff costs, including directors, consist of		
Wages and salaries	**4,489**	4,768
Social security costs	**462**	516
Pension costs (note21)	**495**	391
	5,446	5,675

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

	2012 Number	2011 Number
Production and sales	**169**	172
Administration	**15**	16
	184	188

4. **Directors' remuneration**

	2012 £'000	2011 £'000
Directors' remuneration consists of		
Emoluments	**240**	329
Company contributions to defined contribution pension schemes	**24**	29
Compensation for loss of office	**237**	-
	501	358

There were three directors in the defined contribution scheme (2011 three) and one director in the group's defined benefit pension scheme (2011 one) to which the company made contributions during the year

The emoluments, excluding pension contributions, of the highest paid director were £137,000 (2011 £94,000), payments to the defined benefit scheme were £7,000 (2011 £10,000)

Notes to the accounts (continued)
Year ended 31 December 2012

5. Operating (loss)/profit

	2012 £'000	2011 £'000
This has been arrived at after charging/(crediting)		
Depreciation of owned assets	**1,141**	1,216
Depreciation of assets held under finance leases	**6**	12
Operating lease rentals – other	**147**	256
Profit on disposal of fixed assets	**-**	(4)
Refinancing (credit)/costs	**(84)**	400
Exceptional restructuring costs	**349**	-
Environmental and dilapidations provison charge	**115**	-

	2012 £'000	2011 £'000
Fees payable to the company's auditors for the audit of the company's annual accounts	**11**	12
Non-audit fees	**-**	-

Exceptional restructuring costs comprise of redundancy costs £349,000 (2011 £nil)

6. Pension deficit recharge

During the year the company took a one off charge of £3,281,000 (2011 £nil) relating to an allocation of historic payments to the group's pension scheme The effects of this pension deficit recharge reported after operating loss on the amounts charged to the profit and loss account for taxation and minority interests were

	Tax on profit on ordinary activities 2012 £'000	Tax on profit on ordinary activities 2011 £'000	Minority interests 2012 £'000	Minority interests 2011 £'000
Decrease in charge to profit and loss account	**804**	-	**619**	-

7 Interest receivable and similar income

	2012 £'000	2011 £'000
Inter group interest	**854**	1,018

8. Interest payable and similar charges

	2012 £'000	2011 £'000
Bank loans and overdraft	**501**	821
Finance lease interest	**10**	10
	511	831

9 Tax on (loss)/profit on ordinary activities

	2012 £'000	2011 £'000
Current tax		
Corporation tax on (losses)/profits of the year	**(90)**	85
Adjustment in respect of previous years	**(304)**	(2)
Total current tax (credit)/charge	**(394)**	83
Deferred tax (note 17)		
Origination and reversal of timing differences	**(127)**	(1,752)
Adjustments in respect of previous years	**309**	-
	182	(1,752)
Taxation credit on (losses)/profit on ordinary activities	**(212)**	(1,669)

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

	2012 £'000	2011 £'000
(Loss)/profit on ordinary activities before tax	**(5,072)**	208
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 24 5% (2011 26 5%)	**(1,243)**	55
Effect of		
Permanent differences	**899**	11
Capital allowances for year less than depreciation	**223**	103
Other timing differences	**31**	(84)
Adjustment to current tax (credit)/charge in respect of previous years	**(304)**	(2)
Current tax (credit)/charge for the year	**(394)**	83

Factors that may affect future tax charges

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 17 At present, it is not envisaged that any tax will become payable in the foreseeable future

In the 2012 Budget, issued on 21 March 2012, the Chancellor announced that the main rate of corporation tax would be reduced to 24% with effect from 1 April 2012, with a further annual 1% rate reduction down to 23% by 1 April 2013 As these rates were enacted in the 2012 Finance Act, the deferred tax rate has been recognised at 23 25%

In that Budget he also announced a reduction to 22% by 1 April 2014 however, in the Autumn Statement issued on 5 December 2012, he announced a further reduction to 21% As this future rate has not been substantially enacted at the balance sheet date, it has not been reflected in these financial statements The effect of this tax rate reduction will be accounted for in the period in which it is substantively enacted

Notes to the accounts (continued)
Year ended 31 December 2012

10. 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 2012	5,650	38,700	92	44,442
Additions	-	48	-	48
Disposals	-	-	(63)	(63)
At 31 December 2012	**5,650**	**38,748**	**29**	**44,427**
Depreciation				
At 1 January 2012	2,050	33,402	69	35,521
Charge for the year	103	1,038	6	1,147
Disposals	-	-	(50)	(50)
At 31 December 2012	**2,153**	**34,440**	**25**	**36,618**
Net book value				
At 31 December 2012	**3,497**	**4,308**	**4**	**7,809**
At December 2011	3,600	5,298	23	8,921
Analysis of cost or valuation				
At cost	-	27,233	29	27,262
At valuation				
- 1988	5,650	-	-	5,650
- 1990	-	11,515	-	11,515
At 31 December 2012	**5,650**	**38,748**	**29**	**44,427**
Historical cost at 31 December 2012	200	33,857	29	34,086
Accumulated depreciation based on historical cost	(84)	(29,549)	(25)	(29,658)
Historical cost net book value				
At 31 December 2012	**116**	**4,308**	**4**	**4,428**
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

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 £4,000 (2011 £23,000)

Caparo Merchant Bar Plc

Notes to the accounts (continued)
Year ended 31 December 2012

11. Stocks

	2012 £'000	2011 £'000
Raw materials and consumables	**2,743**	4,582
Rolls	**353**	387
Stores and spares	**2,606**	2,532
Finished goods	**5,004**	4,517
	10,706	12,018

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

12. Debtors

	2012 £'000	2011 £'000
Amounts falling due within one year		
Trade debtors – External debtors	**5,028**	4,791
Trade debtors – Amounts owed by related undertaking	**298**	668
Amounts owed by group undertakings	**15,867**	18,639
Prepayments and accrued income	**381**	386
Other taxation and social security	**346**	622
Corporation tax	**230**	333
	22,150	25,439
Amounts falling due after more than one year		
Deferred tax (note 17)	**1,570**	1,752
Total debtors	**23,720**	27,191

Included within amounts owed by group undertakings is a loan of £15,634,000 (2011 £18,500,000) due from Caparo Steel Products Limited which is repayable on demand Interest on the loan is charged at commercial margins over bank base lending rates

Notes to the accounts (continued)
Year ended 31 December 2012

13 Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Bank loans, overdrafts and similar finance	**3,106**	10,107
Trade creditors – External suppliers	**5,193**	8,944
Trade creditors – Amounts owed to related undertaking	**11,927**	10,398
Amounts owed to group undertakings	**1**	587
Other taxation and social security	**106**	115
Obligations under finance leases (note 16)	**4**	11
Accruals and deferred income	**71**	97
Other creditors	**91**	538
	20,499	30,797

The bank loan bears interest at a commercial rate above LIBOR

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

	2012 £'000	2011 £'000
Bank loans and similar finance	**2,450**	3,850
Obligations under finance leases (note 16)	**-**	13
	2,450	3,863

15 Bank loans, overdrafts and similar finance

Bank loans, overdrafts and similar finance are repayable as follows

	2012 £'000	2011 £'000
In one year or less	**3,106**	10,107
In one to two years	**1,400**	1,400
In two to five years	**1,050**	2,450
	5,556	13,957

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 2012

16 Leasing

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

	2012 £'000	2011 £'000
Finance leases are repayable as follows		
In one year or less	4	11
In one to two years	-	13
	4	24

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

17. Provisions for liabilities and charges

Group	Environmental and Dilapidation provisions £'000	Deferred tax asset (note 12) £'000
At 1 January 2012	-	(1,752)
Charged to the profit and loss account	115	182
At 31 December 2012	**115**	**(1,570)**

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

Deferred tax is included within 'Debtors' in the balance sheet (note 12)

Deferred tax comprised the following liabilities/(assets)

	2012 Provided £'000	2012 Unprovided £'000	2011 Provided £'000	2011 Unprovided £'000
Accelerated capital allowances	(1,564)	-	(1,731)	-
Short term timing differences	(6)	-	(21)	-
On revaluation of assets	-	767	-	859
	(1,570)	**767**	(1,752)	859

18 Called up share capital

	2012 £'000	2011 £'000
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 2012

19. (a) Reserves

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
Cost			
At 1 January 2012	1,553	3,479	20,154
Loss for the financial year	-	-	(4,860)
Release of revaluation reserve	-	(98)	98
At 31 December 2012	**1,553**	**3,381**	**15,392**

(b) Note of historical cost profits and losses

	2012 £'000	2011 £'000
Reported (loss)/profit on ordinary activities before taxation	**(5,072)**	208
Difference between actual and historical cost depreciation	**98**	99
Historical cost (loss)/profit on ordinary activities before taxation	**(4,974)**	307
Retained historical cost (loss)/profit for the year after taxation	**(4,762)**	1,976

(c) Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Opening shareholders' funds	**27,653**	25,776
(Loss)/profit for the financial year	**(4,860)**	1,877
Closing shareholders' funds	**22,793**	27,653

20. Commitments

(i) Capital commitments at 31 December 2012 are as follows

	2012 £'000	2011 £'000
Contracted but not provided for	**72**	-

20. Commitments (continued)

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

	2012		2011	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire				
Within two to five years	-	9	55	9
Over five years	80	-	199	-
	80	9	254	9

21. 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 Subsequent to the year end with effect from 1 April 2013 these rates have changed to a range of 21 8% to 25 0% (23 4% on average) 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 2012 on a FRS17 basis by a qualified independent actuary The actuarial valuations of the Caparo Scheme at 31 December 2012 and 31 December 2011 on a FRS17 basis showed a net pension deficit of £1 3m and a surplus of £3 1m 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 £385,000 (2011 £275,000) At 31 December 2012 there were no employee contributions payable (2011 £nil) to the Caparo Scheme

The company made payments in respect of a one off allocation of historic pension payments made by the group (see note 6)

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 £110,000 (2011 £116,000) At 31 December 2012 there were no employee contributions payable (2011 £nil) to the Caparo Stakeholder Pension Plan

Notes to the accounts (continued)
Year ended 31 December 2012

22 Related party transactions

Durıng the year the company traded wıth fellow subsıdıarıes as follows

	Net goods and services sold		Net debtor/(creditor) at 31 December	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Fellow members of Caparo Group Lımıted	**342**	87	**232**	(448)

In addıtıon, the company has loan of £15,634,000 (2011 £18,500,000) due from Caparo Steel Products Lımıted whıch ıs repayable on demand Interest on the loan ıs charged at commercıal margıns over bank base lendıng rates

The company traded wıth Tata Steel UK Lımıted, ıts mınorıty shareholder, durıng the year as follows

	Net goods and services bought		Net creditor at 31 December	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Tata Steel UK Lımıted	**25,952**	51,557	**11,629**	9,730

All transactıons took place under normal commercıal terms

23 Reconcılıatıon of operating (loss)/profit to net cash inflow from operating actıvıties

	2012	2011
	£'000	£'000
Operatıng (loss)/profit	**(2,134)**	21
Profit on sale of fixed assets	**-**	(4)
Depreciatıon charge	**1,147**	1,228
Envıronmental and dılapıdatıons provıson	**115**	-
Decrease/(ıncrease) ın stocks	**1,312**	(2,006)
Decrease ın debtors	**539**	3,214
(Decrease)/ıncrease ın credıtors	**(2,773)**	1,654
Cash ımpact of pensıon deficıt payments	**(3,281)**	-
Net cash (outflow)/ınflow from operatıng actıvıties	**(5,075)**	4,107

24 Reconcılıatıon of net cash ınflow to movement ın net debt

	2012	2011
	£'000	£'000
(Decrease)/ıncrease ın cash ın the year	**(3,560)**	5,745
Cash outflow from reductıon ın debt and lease financıng	**1,420**	1,411
Movement ın net debt ın the year	**(2,140)**	7,156
Openıng net funds/(debt)	**202**	(6,954)
Closıng net (debt)/funds	**(1,938)**	202

Notes to the accounts (continued)
Year ended 31 December 2012

25. Reconciliation of net debt

	At 1 January 2012 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 December 2012 £'000
Cash at bank and in hand	14,183	(10,561)	-	**3,622**
Overdraft	(8,707)	7,001	-	**(1,706)**
Change in cash	5,476	(3,560)	-	**1,916**
Bank loans due within one year	(1,400)	1,400	(1,400)	**(1,400)**
Bank loans due after one year	(3,850)	-	1,400	**(2,450)**
Finance leases	(24)	20	-	**(4)**
Net (debt)/funds	202	(2,140)	-	**(1,938)**

26. 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

27. 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