

Caparo Merchant Bar PLC

**Directors' report and
financial statements**

**For the year ended
31 December 2000**

Registered number: 1860172



CAPARO MERCHANT BAR PLC

Directors' report and financial statements

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CAPARO MERCHANT BAR PLC

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activity

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.

Business review and future developments

The results for the year are shown in the profit and loss account on page 6. The profit after taxation for the year was £874,000 (1999: £2,714,000).

The directors are satisfied with the results for the year under review and are confident of future prospects.

Group restructuring

With effect from 1 January 2000 the company's immediate parent company became Caparo Tubes Limited, which on 4 January 2000 changed its name to Caparo Steel Products Limited.

The ultimate parent company remains Caparo Group Limited.

Dividends

An interim dividend of £0.405 per share (1999:£0.648) was paid on 27 March 2000. A final dividend of £2.432 per share (1999:£0.811) was paid on 8 May 2000.

Directors and directors' interests

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

The Honourable Akash Paul (Chairman)
The Honourable Ambar Paul
The Honourable Angad Paul
PF Lormor (Chief executive)
B Pearson
R Morley
AP Pedder
MD Simmons
JAH Wraith
MR Taylor
GW Prentice
DM Lloyd (alternative to AP Pedder)

None of the directors had any interest in the share capital of the company during the year.

CAPARO MERCHANT BAR PLC

Directors' report (*Continued*)

Directors and directors' interests (*Continued*)

The shareholding interests of The Honourable Akash Paul, The Honourable Ambar Paul and The Honourable Angad Paul in the share capital of the ultimate parent company, Caparo Group Limited, are shown in the directors' report of that company. No other director held shareholding interests in the share capital of Caparo Group Limited.

None of the directors had any interests in the share capital of any subsidiary company of Caparo Group Limited.

The director who retires by rotation is MR Taylor who, being eligible, offers himself for re-election.

Employment policies

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

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

Personnel

The number of employees and their remuneration is shown in note 5 to the financial statements.

The importance of health and safety matters is recognised by the company, which continues to provide and maintain safe and healthy working conditions.

All employees are covered by a non-contributory private medical care scheme.

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

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

Charitable and political contributions

Donations to UK charities amounted to £200,000 (1999: £225,000). The company made no political contributions during the year (1999:£Nil).

Policy on payment of creditors

It is the company's policy to settle all trade creditors within the normal commercial terms of trade agreed with each supplier.

As at 31 December 2000 the company's trade creditors represented 75 days purchases.

CAPARO MERCHANT BAR PLC

Directors' report (*Continued*)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

EMU Impact

Having reviewed its commercial and accounting transactions, the company is managing the impact of the single currency.

CAPARO MERCHANT BAR PLC

Directors' report (*Continued*)

Auditors

In accordance with Section 384 of the Companies Act 1985 a resolution for the re-appointment of BDO Stoy Hayward as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board



GW Prentice
Secretary

25 April 2001

Caparo House
103 Baker Street
London
W1U 6LN

Independent auditors' report to the shareholders of Caparo Merchant Bar PLC

We have audited the financial statements of Caparo Merchant Bar PLC for the year ended 31 December 2000 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Note of Historical Cost Profits and Losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Directors' Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward
Chartered Accountants and Registered Auditor
Nottingham

25 April 2001

CAPARO MERCHANT BAR PLC

Profit and loss account for the year ended 31 December 2000

	Note	2000 £'000	1999 £'000
Turnover	2	62,493	64,821
Cost of sales		(52,549)	(54,691)
Exceptional item	3	-	490
Total cost of sales		<u>(52,549)</u>	<u>(54,201)</u>
Gross profit		<u>9,944</u>	<u>10,620</u>
Distribution costs		(5,055)	(5,489)
Administrative expenses		(3,176)	(3,044)
Other operating income - exceptional	3	-	1,820
Operating profit		<u>1,713</u>	<u>3,907</u>
Other interest receivable and similar income	6	350	250
Interest payable and similar charges	7	(765)	(373)
Profit on ordinary activities before taxation	8	<u>1,298</u>	<u>3,784</u>
Tax on profit on ordinary activities	9	(424)	(1,070)
Profit for the financial year		<u>874</u>	<u>2,714</u>
Dividends	10	(7,000)	(3,600)
Amount transferred from reserves	18	<u>(6,126)</u>	<u>(886)</u>

All amounts reported above relate to continuing activities.

There are no recognised gains or losses other than the result for both years as shown above.

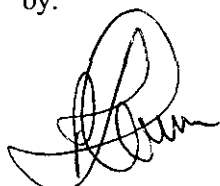
The notes on pages 10 to 21 form part of these financial statements

CAPARO MERCHANT BAR PLC

Balance sheet at 31 December 2000

	Note	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	11	15,854	17,449
Current assets			
Stocks	12	6,577	5,790
Debtors	13	17,460	15,565
Cash at bank and in hand		2,550	3,903
		<u>26,587</u>	<u>25,258</u>
Creditors: amounts falling due within one year	14	(21,058)	(19,083)
Net current assets		<u>5,529</u>	<u>6,175</u>
Total assets less current liabilities		<u>21,383</u>	<u>23,624</u>
Creditors: amounts falling due after more than one year	15	(4,834)	(366)
Provisions for liabilities and charges	16	(1,801)	(2,384)
Net assets		<u>14,748</u>	<u>20,874</u>
Capital and reserves			
Called up share capital	17	2,467	2,467
Share premium account	18	1,553	1,553
Revaluation reserve	18	4,713	5,230
Profit and loss account	18	6,015	11,624
Equity shareholders' funds		<u>14,748</u>	<u>20,874</u>

These financial statements were approved by the board of directors on 25 April 2001 and were signed on its behalf by:



PF Lormor
Director



GW Prentice
Director

The notes on pages 10 to 21 form part of these financial statements

CAPARO MERCHANT BAR PLC

Cash flow statement for the year ended 31 December 2000

	Note	2000 £'000	1999 £'000
Net cash inflow from operating activities	22	3,860	7,186
Returns on investments and servicing of finance			
Interest paid		(755)	(362)
Interest received		350	250
Interest element of finance lease rental payments		(10)	(11)
Net cash outflow from returns on investments and servicing of finance		(415)	(123)
Taxation			
Corporation tax paid		(1,445)	(1,799)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(565)	(14)
Receipts from sale of tangible fixed assets		25	38
(Loan to)/repayment from immediate parent undertaking		(2,250)	2,700
(Loan to)/repayment from related undertaking		(750)	900
Net cash (outflow)/inflow from capital expenditure and financial investment		(3,540)	3,624
Equity dividends paid		(7,000)	(3,600)
Net cash (outflow)/inflow before financing		(8,540)	5,288
Financing			
Bank loan	24	4,500	(1,500)
Capital element of finance lease rental payments	24	(62)	(60)
Net cash inflow/(outflow) from financing		4,438	(1,560)
(Decrease)/increase in cash	23,24	(4,102)	3,728

The notes on pages 10 to 21 form part of these financial statements

CAPARO MERCHANT BAR PLC

Note of historical cost profits and losses and reconciliation of movements in shareholders' funds for the year ended 31 December 2000

	2000 £'000	1999 £'000
Note of historical cost profits and losses		
Reported profit on ordinary activities before taxation	1,298	3,784
Differences between the historical cost depreciation charge and the actual depreciation charge based on the revalued amount	517	564
Historical cost profit on ordinary activities before tax	<u>1,815</u>	<u>4,348</u>
Historical cost sustained loss for the year after taxation and dividends	<u>(5,609)</u>	<u>(322)</u>
Reconciliation of movements in shareholders' funds		
Profit for the financial year	874	2,714
Dividends	(7,000)	(3,600)
Net movement in shareholders' funds	<u>(6,126)</u>	<u>(886)</u>
Opening shareholders' funds	20,874	21,760
Closing shareholders' funds	<u>14,748</u>	<u>20,874</u>

The notes on pages 10 to 21 form part of these financial statements

CAPARO MERCHANT BAR PLC

Notes forming part of the financial statements

1 Accounting policies

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

Turnover

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

Deferred tax

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that liabilities will crystallise.

Fixed assets and depreciation

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

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

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

Leases

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

Rentals in respect of operating leases are charged to the profit and loss account over the term of the agreement.

Stocks and work in progress

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

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

CAPARO MERCHANT BAR PLC

Notes forming part of the financial statements (Continued)

1 Accounting policies (Continued)

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 company is a member of a group operated defined benefit pension scheme.

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group. Contributions to the defined benefit scheme, which is fully funded, are based on pension costs across the group as a whole. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Government grants

Capital based government grants are included within accruals and deferred income and credited to trading profit over the estimated useful economic lives of the assets to which they relate.

2 Analysis of turnover

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

	2000 £'000	1999 £'000
United Kingdom	34,138	35,566
Rest of Europe	27,793	28,599
Other	562	656
	<u>62,493</u>	<u>64,821</u>

3 Exceptional item

In early 1999, as a result of a furnace explosion, a number of weeks production and sales were lost in respect of one mill. The resulting insurance claim yielded a sum of £2,310,000 which related to repair costs of £490,000 and loss of profits.

CAPARO MERCHANT BAR PLC

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

4 Directors' emoluments

	2000 £'000	1999 £'000
Remuneration as executives	436	418
Compensation for loss of office	-	74
	<u>436</u>	<u>492</u>

The emoluments, excluding pension contributions, of the highest paid director were £119,683 (1999: £108,000).

Contributions were made by the company into the defined benefit pension scheme in respect of 6 (1999:7) of the directors.

The accrued pension of the highest paid director at the year end was £40,506 (1999:£34,895). The highest paid director will have the opportunity to exchange part of his pension for a lump sum at retirement date, the amount depends on age at retirement and facts determined by the actuary at the time of retirement.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2000	1999
Production and sales	160	164
Administration	11	12
	<u>171</u>	<u>176</u>

The aggregate payroll costs of these persons were as follows:

	2000 £'000	1999 £'000
Wages and salaries	3,441	3,580
Social security costs	278	277
Other pension costs	430	398
	<u>4,149</u>	<u>4,255</u>

6 Other interest receivable and similar income

Receivable from group undertakings	350	250
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CAPARO MERCHANT BAR PLC

Notes forming part of the financial statements (Continued)

7 Interest payable and similar charges

	2000 £'000	1999 £'000
Bank loan and overdraft	755	354
Payable to group undertakings	-	8
Finance charges payable in respect of finance leases	10	11
	<u>765</u>	<u>373</u>

8 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

Depreciation of owned assets	1,896	1,779
Depreciation of assets held under finance leases	256	451
Loss on sale of tangible fixed assets	10	9
Operating lease rentals:		
- Other	140	140
Other plant hire	29	26
Auditors' remuneration	12	14
	<u> </u>	<u> </u>

Auditors' remuneration for non-audit services during the year amounted to £2,000 (1999: £4,000).

9 Tax on profit on ordinary activities

	2000 £'000	1999 £'000
UK corporation tax	1,057	1,555
Transfer from deferred taxation	(637)	(470)
	<u>420</u>	<u>1,085</u>
Adjustment in respect of prior years:		
- Corporation tax	(50)	(127)
- Deferred taxation	54	112
	<u>424</u>	<u>1,070</u>

10 Dividends

Ordinary - paid £2.837 per share (1999:£1.459 per share)	7,000	3,600
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CAPARO MERCHANT BAR PLC

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

11 Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Vehicles and mobile plant £'000	Total £'000
<i>Cost or valuation</i>				
At beginning of year	5,650	30,749	188	36,587
Additions	-	565	27	592
Disposals	-	-	(55)	(55)
At end of year	5,650	31,314	160	37,124
<i>Depreciation</i>				
At beginning of year	820	18,276	42	19,138
Charge for year	103	2,022	27	2,152
Disposals	-	-	(20)	(20)
At end of year	923	20,298	49	21,270
<i>Net book value</i>				
At 31 December 2000	4,727	11,016	111	15,854
At 31 December 1999	4,830	12,473	146	17,449

Included in the total net book value of plant and machinery is £Nil (1999: £228,000) in respect of assets held under finance leases, all of which are held under secondary terms. Additionally, included in the total net book value of vehicles and mobile plant is £110,260 (1999: £145,000) in respect of assets held under finance leases.

CAPARO MERCHANT BAR PLC

Notes forming part of the financial statements (Continued)

11 Tangible fixed assets (Continued)

Particulars relating to revalued assets are given below:

	Freehold land and buildings £'000	Plant and machinery £'000	Vehicles and mobile plant £'000	Total £'000
At 31 December 2000				
At cost	-	16,266	160	16,426
At valuation:				
- 1988	5,650	-	-	5,650
- 1990	-	15,048	-	15,048
	<u>5,650</u>	<u>31,314</u>	<u>160</u>	<u>37,124</u>
	<u><u>5,650</u></u>	<u><u>31,314</u></u>	<u><u>160</u></u>	<u><u>37,124</u></u>
Historical cost at 31 December 2000	200	25,286	160	25,646
Accumulated depreciation based on historical cost	(36)	(15,161)	(49)	(15,246)
Historical cost net book value at 31 December 2000	<u>164</u>	<u>10,125</u>	<u>111</u>	<u>10,400</u>
	<u><u>164</u></u>	<u><u>10,125</u></u>	<u><u>111</u></u>	<u><u>10,400</u></u>
Historical cost at 31 December 1999	200	24,721	188	25,109
Accumulated depreciation based on historical cost	(32)	(13,553)	(42)	(13,627)
Historical cost net book value at 31 December 1999	<u>168</u>	<u>11,168</u>	<u>146</u>	<u>11,482</u>
	<u><u>168</u></u>	<u><u>11,168</u></u>	<u><u>146</u></u>	<u><u>11,482</u></u>

12 Stocks

	2000 £'000	1999 £'000
Raw materials and consumables	2,226	2,345
Rolls	175	227
Stores and spares	1,043	1,079
Finished goods	3,133	2,139
	<u>6,577</u>	<u>5,790</u>
	<u><u>6,577</u></u>	<u><u>5,790</u></u>

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

CAPARO MERCHANT BAR PLC**Notes forming part of the financial statements (Continued)****13 Debtors**

	2000 £'000	1999 £'000
Trade debtors	9,073	10,301
Amounts owed by group undertakings	5,330	3,140
Amounts owed by related undertaking	1,758	1,035
Other debtors	1,129	935
Prepayments and accrued income	170	154
	<u>17,460</u>	<u>15,565</u>

Included within amounts owed by group undertakings is a loan of £3,000,000 (1999: £3,000,000) due from the ultimate parent company which is repayable on demand. Interest on the loan is charged at a commercial margin over bank base lending rates.

Also included within amounts owed by group undertakings and amounts owed by related undertakings are £2,250,000 (1999 : £99,000) owed by a fellow group undertaking and £750,000 (1999 : £Nil) owed by the related undertaking, both of which are non-interest bearing advances repayable on demand.

All other amounts are recoverable in less than one year.

14 Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Bank loan (note 15)	1,500	1,500
Bank overdraft	2,849	100
Obligations under finance leases	26	29
Trade creditors	4,764	8,322
Amounts owed to group undertakings	27	10
Amounts owed to related undertaking	9,791	6,451
Corporation tax	631	1,069
Other taxation and social security	234	230
Other creditors	802	961
Accruals and deferred income	434	411
	<u>21,058</u>	<u>19,083</u>

CAPARO MERCHANT BAR PLC

Notes forming part of the financial statements (Continued)

15 Creditors: amounts falling due after more than one year

	2000 £'000	1999 £'000
Bank loan	4,500	-
Other creditors	250	250
Obligations under finance leases	84	116
	<u>4,834</u>	<u>366</u>
The bank loan is repayable as follows:		
In one year or less	1,500	1,500
In more than one year but not more than two years	1,500	-
In more than two years but not more than five years	3,000	-
	<u>6,000</u>	<u>1,500</u>

The bank loan is repayable in equal annual instalments of £1,500,000 and bears interest at a commercial rate above LIBOR.

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

16 Provisions for liabilities and charges

	Deferred taxation £'000
At beginning of year	2,384
Credit to profit and loss account	(583)
At end of year	<u>1,801</u>

The amounts provided for deferred taxation and the amounts not provided are set out below.

	2000		1999	
	Amount unprovided £'000	Amount provided £'000	Amount unprovided £'000	Amount provided £'000
Accelerated capital allowances	60	2,128	60	2,742
Short term timing differences	-	(327)	-	(358)
On revaluation of land and buildings	1,358	-	1,389	-
	<u>1,418</u>	<u>1,801</u>	<u>1,449</u>	<u>2,384</u>

CAPARO MERCHANT BAR PLC

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

17 Called up share capital

	2000 £'000	1999 £'000
<i>Authorised:</i>		
2,500,000 ordinary shares of £1 each	2,500	2,500
<i>Allotted, called up and fully paid:</i>		
2,466,667 ordinary shares of £1 each	2,467	2,467

18 Reserves

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At beginning of year	1,553	5,230	11,624
Loss for the year	-	-	(6,126)
Release of revaluation reserve	-	(517)	517
At end of year	1,553	4,713	6,015

19 Commitments

(i) Capital commitments at the end of the financial year are as follows:

	2000 £'000	1999 £'000
Contracted but not provided for	-	-

(ii) Financial commitments at the end of the financial year are as follows:

	2000 £'000	1999 £'000
Foreign exchange contracts	3,395	634

CAPARO MERCHANT BAR PLC

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

19 Commitments (*Continued*)

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

	2000 and 1999 Land and buildings £'000
Operating leases which expire:	
Over five years	140
	<u>140</u>

20 Pension scheme

The company is a member of a group pension scheme, which provides benefits based on pensionable pay. Details of the latest actuarial valuation and the significant assumptions which affect the results of the valuation are disclosed in the financial statements of the ultimate parent company. The pension charge for the year was £430,000 (1999: £398,000).

Contributions amounting to £50,000 (1999: £47,000) were payable to the scheme at the end of the year and are included in creditors.

21 Related party transactions

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

	Net goods and services (bought)/sold		Debtor/(creditor) at 31 December	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Fellow members of Caparo Group Limited	(394)	358	53	130
The company traded with related parties during the year as follows:	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Corus Limited	(26,726)	(26,399)	(8,783)	(5,416)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

All transactions took place under normal commercial terms.

CAPARO MERCHANT BAR PLC

Notes forming part of the financial statements (Continued)

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

	2000 £'000	1999 £'000
Operating profit	1,713	3,907
Loss on sale of tangible fixed assets	10	9
Depreciation charge	2,152	2,230
Increase in stocks	(787)	(1,010)
Decrease/(increase) in debtors	1,105	(62)
(Decrease)/increase in creditors	(333)	2,112
	<u>3,860</u>	<u>7,186</u>

23 Reconciliation of net cash (outflow)/inflow to movement in net funds/(debt)

(Decrease)/increase in cash in the year	(4,102)	3,728
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(4,438)	1,560
	<u>(8,540)</u>	<u>5,288</u>
Change in net debt resulting from cash flow	(27)	(33)
	<u>(8,567)</u>	<u>5,255</u>
Movement in net debt in the year		
Opening net funds/(debt)	2,158	(3,097)
Closing net (debt)/funds	<u>(6,409)</u>	<u>2,158</u>

24 Analysis of net (debt)/funds

	At 1 January 2000 £'000	Cashflow £'000	Other non-cash changes £'000	At 31 December 2000 £'000
Cash in hand and at bank	3,903	(1,353)	-	2,550
Overdraft	(100)	(2,749)	-	(2,849)
Cash	<u>3,803</u>	<u>(4,102)</u>	<u>-</u>	<u>(299)</u>
Bank loan	(1,500)	(4,500)	-	(6,000)
Finance leases	(145)	62	(27)	(110)
Borrowings	<u>(1,645)</u>	<u>(4,438)</u>	<u>(27)</u>	<u>(6,110)</u>
Net funds/(debt)	<u>2,158</u>	<u>(8,540)</u>	<u>(27)</u>	<u>(6,409)</u>

CAPARO MERCHANT BAR PLC

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

25 Ultimate parent company

With effect from 1 January 2000 the company's immediate parent company became Caparo Tubes Limited, which on 4 January 2000 changed its name to Caparo Steel Products Limited.

The ultimate parent company remains 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 (formerly Caparo Tubes Limited).